



# U.S. Immigration and Customs Enforcement

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**REMARKS DELIVERED BY  
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**U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT  
DEPARTMENT OF HOMELAND SECURITY**

**NATIONAL ASSOCIATION OF FOREIGN TRADE ZONES  
(NAFTZ)**

**Monday, October 1, 2007  
Time 12:00 Noon  
Phoenix, AZ**

Good afternoon. Thank you, Brandi, for that kind introduction, and let me thank the association for extending me this invitation to join you for a few moments today. I'm always grateful for the opportunity to share some thoughts with individuals and organizations committed to economic growth and to increasing the strength and global competitiveness of companies based in the United States.

The National Association of Free Trade Zones has been an excellent partner with the federal government for many, many years. Given that your members represent 350,000 jobs and \$410 billion in commerce – we are honored to be working together to advance trade and yet keep our country safe.

What I'd like to talk to you about today is our desire for an expanded partnership between NAFTZ and its members and ICE. I'd like to build upon the dialogue between my agency and the businesses that depend on the services you provide to discuss how we can work together to help forge and maintain a global culture of corporate compliance

with the laws we're sworn to uphold, particularly in the areas of immigration enforcement and protection of your intellectual property.

If we can do that, I believe we will both be stronger for it, and there's no doubt that the United States will be safer and more secure as a result.

I may be getting ahead of myself a little bit here, so let me give you just a little history as it relates to ICE. And even though our history is not nearly as long as yours, we're working every day to add to the proud legacies of the Immigration and Naturalization Service, the United States Customs Service and the Federal Protective Service, each of who contributed significantly to the formation of ICE in March of 2003.

As the largest investigative arm of the Department of Homeland Security, ICE holds many unique and powerful investigative authorities. With more than 16,000 employees around the world, we enforce more than 400 individual statutes that pertain to a broad array of both immigration and customs concerns.

To give you a better sense of what we do, on any given day, ICE agents, officers and investigators accomplish many things.

Every day:

- We make an average of 279 administrative arrests and 55 criminal arrests.
- We make an average of 10 currency seizures, totaling nearly \$650,000.
- We assist other federal agencies in making 18 illegal drug seizures, netting more than 2,300 pounds of marijuana, 475 pounds of cocaine and 7 pounds of heroin.
- Our attorneys prepare nearly 1,500 cases and obtain more than 500 final orders of removal.
- Our Detention and Removal Operations house roughly 30,000 aliens.
- The officers of the Federal Protective Service prevent more than 2,300 prohibited and potentially dangerous items from being brought into federal buildings.
- And we screen nearly 550 visa applicants.

Of course, this is just a snapshot of ICE activity.

Because our investigations often include issues of border security and smuggling – from narcotics to consumer goods to human beings – I believe the nature of Foreign Trade Zones is such that we will both benefit from our joint efforts to build a partnership based on cooperation and information sharing.

The sheer volume of business transacted in foreign trade zones, at bonded warehouses and with freight forwarders around the country requires that we work together to ensure the integrity of the system.

To ensure the integrity of these zones, working closely with our partners at Customs and Border Protection, ICE and CBP have conducted special operations in a variety of bonded trade facilities through the United States.

These Fraud Investigative Strike Team, or FIST, operations address the risks of smuggling and fraud associated with activity along the U.S. border and within the FTZs, its functional equivalent.

Many times, these targeted FIST operations are carried out by ICE and CBP as a direct result of coordinated compliance reviews of foreign trade zones, bonded warehouses and general order merchandise; reviews that have identified significant numbers of statutory violations and therefore warranted an investigation.

Compliance reviews of bonded facilities help us measure any vulnerability that may exist in the entry process, because openings that might allow for the smuggling of commercial merchandise could also be exploited by a more dangerous criminal, one intent on harming the United States and its citizens by smuggling narcotics, or in a worst case scenario, weapons of mass destruction via bonded warehouses.

FIST reviews also identify other serious violations, issues related to national health and public safety, the flow of illegal narcotics, potential loss of revenue to legitimate businesses, trade agreement circumvention and money laundering.

On the whole, FIST operations have confirmed the high level of compliance within the zones. However, one thing we did find was a significant number of undocumented aliens who are employed at these facilities and encountered during an investigation.

Thus far, in the 24 operations conducted to date, 290 undocumented aliens have been encountered and have been placed in removal proceedings. Sometimes the aliens are there, having tricked their employer. Unfortunately, we sometimes see that non-compliant importers and complicit customs bonded facility operators use these individuals to carry out their smuggling and fraud schemes because an illegal labor force lacks the rights and protections needed to stand up against those who perpetrate these fraud and smuggling schemes.

I think because of the illegal alien population we've discovered during FIST operations, it is essential that we work together to ensure the continued growth and success of the FTZs.

Of course, the problem of illegal aliens in the workforce goes well beyond FTZs. There is no question that illegal employment serves as a tremendous magnet for illegal aliens to come and stay in the United States illegally.

As law enforcement, for too long, we did not handle this issue comprehensively. We knew most employers wanted to do the right thing, but often didn't know how to do so. At the same time, we saw some employers blatantly using illegal alien labor as their business model. For some companies, we sometimes hear that this type of employment represents a way to meet labor needs, but it does so in a way that you don't really know your workforce, and can lead to heightened turnover and uncertainty.

To address this issue, we've taken several steps. For employers who want to do the right thing, the first initiative I'd like to discuss is IMAGE, or ICE Mutual Agreement between Government and Employers. As I'm sure most of you know, your organization, the National Association of Foreign Trade Zones, has already taken this important step and, in fact, was one of the IMAGE program's charter members, and the only association charter member.

We appreciate your continued support of IMAGE, and I'd like to spend just a few minutes talking about the program in a little more detail for the benefit of those who may not be overly familiar with it. Tomorrow, John Shofi, from ICE's worksite enforcement unit, will cover the IMAGE program in far greater detail, including a top to bottom review of the path to membership.

The goal of the program is to assist employers who wish to develop a more secure and stable workforce, and to enhance awareness of fraudulent documents through education and training. By participating in the IMAGE program, you can reduce unauthorized employment and minimize the potentially dangerous use of fraudulent identity documents.

Improving your hiring practices will also help your company avoid the negative exposure or bad publicity often associated with illegal employee activity in the workplace. As a result, you will benefit from an enhanced image derived from being a better corporate citizen.

As part of IMAGE, ICE provides your business with education and training in proper hiring procedures, fraudulent document detection, use of the E-Verify employment eligibility verification program and the Social Security Number Verification Service.

Nobody expects you to be instant identity document experts, but we do think it makes good business sense to take advantage of all of the tools available. So, along with tomorrow's IMAGE presentation, Ron Shelkey, also with ICE's worksite enforcement

unit, will join John Shofi on Wednesday for a pair of workshops covering I-9 preparation and Best Practices as they relate to hiring practices and workforce compliance.

We believe the results of the IMAGE program and industry participation in IMAGE will guide us in shaping future worksite enforcement policy and legislation.

In addition to the program we've instituted for employers who want to do the right thing, we are also bringing criminal cases against egregious employers and identity thieves. What we are seeing is that these actions are changing behavior.

One example of this is Operation Wagon Train.

On December 12, 2006, more than 1,297 illegal aliens were arrested at one company's meat processing facilities located in six states during an enforcement operation that was the result of an investigation of work-related identity theft. Of those arrested, 274 were charged criminally, and most of these with identity fraud. One hundred forty five were charged with federal crimes, the others with state crimes. The rest were charged as immigration status violators and were processed for removal.

A review of the employment eligibility forms, or I-9s, at those facilities nationwide discovered that 30 percent of them were suspected of being fraudulent just on the face of them. For example, the name on the top of the form and the signature didn't match and information contained on the form was inconsistent with what was in the Human Resources file. The ensuing investigation culminated in search warrants being executed at that company's facilities across the country.

On July 10<sup>th</sup> of this year, as part of the ongoing investigation, ICE arrested 20 employees in a follow up enforcement action, executing federal and state warrants in six states. These arrests included a human resources employee, a union official, and current or former employees identified by the Federal Trade Commission as suspected identity thieves.

I think one thing we found in July was very interesting. When we came back, the company had dramatically cleaned up its workforce and changed its hiring practices. It didn't take fancy new tools from the government – they were able to do it on their own using some low cost tools like maintaining a book of social security numbers and the corresponding ID's and implementing a more thorough interview process.

No question, this company is to be commended not only for its cooperation both during and after the enforcement action earlier this year, but also for the changes it has made to its hiring practices to comply with the law.

As another example, many of you may be familiar with an agreement we reached with Wal-Mart in 2003. Our investigation revealed that 12 cleaning companies contracted by Wal-Mart were actively hiring illegal aliens to do the work.

In targeted enforcement actions at roughly 60 Wal-Mart locations, 245 illegal aliens were arrested and placed into deportation proceedings. The civil action was later settled when the retail giant agreed to make an \$11 million payment through the United States Attorney's Office, and committed to mandatory training for all its store managers regarding immigration laws and sound hiring practices.

The 12 contracted cleaning companies, who were ordered to forfeit \$4 million dollars in illegally earned profits, also entered guilty pleas to criminal immigration charges.

What is significant about Wal-Mart is not only the compliance agreement, because it forced a change in behavior, but what Wal-Mart did with this directive. They did not seek to live solely within the legalisms in the four corners of the agreement; they implemented a broad program that pushed behavior change on their contractors, and engineered compliance into their business process. They implemented online, real-time I-9 applications. They also observed a big problem with their with their independent contractors. They centralized contracting and developed a Web-based inquiry system

that assigns a risk rating to contractors and also requires them to answer questions about I-9 compliance before becoming a Wal-Mart worker, a program that affect roughly 20,000 workers. The kinds of things that Wal-Mart is doing have the possibility of radically affecting other companies.

Of course, I'm pleased to note change is not always prompted by an arrest warrant. A good example of this, and a company that has embraced the culture of compliance is the Atlas Pallet Company of Boise, Idaho. They stepped up following a major enforcement action against a different company in upstate New York last year. On April 19, 2006, ICE agents arrested seven current and former managers of IFCO Systems North America – a pallet company in Albany, N.Y., charging them with harboring illegal aliens for financial gain.

Evidence uncovered in this investigation revealed that IFCO managers were not just turning a blind eye to illegal aliens; they were tearing up W-2's and ignoring no-match letters on thousands of their employees.

ICE agents also apprehended 1,187 of the firm's illegal alien employees with search warrants or in consent searches executed at more than 40 IFCO locations nationwide.

On February 27, 2007, five current and former managers at IFCO Corporation pleaded guilty in the Northern District of New York to violations relating to the employment of illegal alien workers.

The pallet industry is a small industry. IFCO's actions – using illegal aliens to pad their profit margin – disadvantaged their competition and as a result of the action, and in conjunction with an IMAGE presentation, Atlas decided to become an IMAGE Partner. Atlas' owner was very articulate about always wanting to do the right thing and the best that he could, including immigration compliance.



Frankly, he had seen the competition severely crippled because of their wayward and shoddy practices and wanted to totally separate his company from what he termed “the bad actors.” By partnering with ICE through IMAGE, Atlas has become an industry model and leader.

So, that’s worksite enforcement. We want to help you avoid problems, and another area in which we clearly can work together is the fight against counterfeit goods. You know all too well that global counterfeiting operations cost American companies up to \$250 billion dollars per year.

One of the most significant cases we’ve had in this area involved a massive in-bond diversion scheme dismantled by ICE investigators earlier this summer. We often refer to the case simply as KDL – for the warehouse targeted – KDL Logistics – a customs bonded facility that operates as a container freight station in Jamaica, New York.

Like many of our cases, this one began thanks to an initial anonymous tip from someone inside the import / export community, prompting our field office to initiate an undercover investigation. By the time of the arrests we made in June, it had become one of ICE’s most significant and far-reaching investigations into Intellectual Property Rights violations.

The arrests associated with this complex smuggling investigation are significant in that we found individuals who held positions of trust and responsibility breaking the law – individuals willing to compromise that trust to engage in elaborate schemes to create and exploit vulnerabilities in our nation’s customs and commerce systems.

The enormous amount of counterfeit goods seized as a result of this investigation had an MSRP value of approximately \$230 million dollars, making this one of ICE’s most significant success stories involving the deliberate violation of valuable intellectual property rights.

During the investigation, we seized 103 containers of freight – everything from watches to handbags to electronics; everyday items and luxury items. From Cartier to Coach, Prada and Chanel to Nike and Tru Religion jeans – we seized a veritable shopping list of counterfeit versions of high demand consumer items. Our investigation indicated that approximately 950 shipments had been smuggled into the country since June 2005.

On the day of the operation, 29 individuals were arrested on three separate complaints, and more recently, 14 criminal indictments were returned and other legal steps were taken to move toward the forfeiture of properties valued at more than \$5 million dollars.

The enforcement action sent a loud and clear message that freight forwarders, customs brokers and any other individual involved in the importation of goods into the commerce of the United States have an obligation to conduct their business legally.

This investigation also revealed a potential vulnerability in this kind of warehouse operations. We are working with our partners at CBP to ensure this vulnerability is closed.

Combating IPR violations in actions like the KDL case will remain a top priority for us because of the “triple threat” these crimes present to our country. They undermine our national security by creating smuggling operations that expose point-of-entry vulnerabilities; they threaten public safety because the products involved are not regulated and are often sub-standard and dangerous; and they threaten our economic security by siphoning profits away from legitimate trademark and copyright holders while enriching criminal enterprises.

To address these threats, the ICE-led National Intellectual Property Rights Coordination Center, or IPR Center, stands as our central point of contact in the fight against violations of IPR laws and the flow of counterfeit goods into U.S. commerce.

The IPR Center places particular emphasis on protecting public health and safety, investigating major criminal organizations engaged in transnational IP crime, and pursuing the illegal proceeds realized from the sale of counterfeit merchandise.

To help us succeed in this critical area of enforcement, we advocate a four-pronged approach to taking down IPR violators – a strategy based on interdiction, investigation, prosecution and intelligence. That last piece – intelligence – relies upon the critical partnerships we seek to forge and strengthen with business leaders like you; industry experts who are often on the front lines of this important struggle. In other words, help us help you.

And the danger of IPR crimes often extends far beyond the financial damage they cause. Because this type of crime can be so lucrative, and the penalties associated with it are still comparatively minor, it is also clear that the illicit proceeds accumulated by criminal organizations involved in IPR crimes often fund additional criminal activities, and perhaps worse.

Our investigative efforts seek to deny these criminal organizations the opportunity to thrive. By cracking down on IPR violators, we aim to help steer transactions to legitimate businesses and individuals who rightfully hold trademarks and copyrights.

Over the past two years, we have had record seizures and many significant cases in this area. But to continue to make progress, we must hear from you about vulnerabilities you see or tips you have.

I want to thank you for your true desire to keep FTZs safe and prosperous, and I look forward to working with you in the future.