

The Opioid Crisis and the Dark Web: How Transnational Criminals Devastate U.S. Communities



MARCH 28, 2018

**Briefing of the
Commission on Security and Cooperation in Europe**

Washington: 2018

Commission on Security and Cooperation in Europe
234 Ford House Office Building
Washington, DC 20515
202-225-1901
csce@mail.house.gov
<http://www.csce.gov>
@HelsinkiComm

Legislative Branch Commissioners

HOUSE
CHRISTOPHER H. SMITH, NEW JERSEY
Co-Chairman
ALCEE L. HASTINGS, FLORIDA
ROBERT B. ADERHOLT, ALABAMA
MICHAEL C. BURGESS, TEXAS
STEVE COHEN, TENNESSEE
RICHARD HUDSON, NORTH CAROLINA
RANDY HULTGREN, ILLINOIS
SHEILA JACKSON LEE, TEXAS
GWEN MOORE, WISCONSIN

SENATE
ROGER WICKER, MISSISSIPPI,
Chairman
BENJAMIN L. CARDIN, MARYLAND
JOHN BOOZMAN, ARKANSAS
CORY GARDNER, COLORADO
MARCO RUBIO, FLORIDA
JEANNE SHAHEEN, NEW HAMPSHIRE
THOM TILLIS, NORTH CAROLINA
TOM UDALL, NEW MEXICO
SHELDON WHITEHOUSE, RHODE ISLAND

Executive Branch Commissioners

DEPARTMENT OF STATE
DEPARTMENT OF DEFENSE
DEPARTMENT OF COMMERCE

ABOUT THE ORGANIZATION FOR SECURITY AND COOPERATION IN EUROPE

The Helsinki process, formally titled the Conference on Security and Cooperation in Europe, traces its origin to the signing of the Helsinki Final Act in Finland on August 1, 1975, by the leaders of 33 European countries, the United States and Canada. As of January 1, 1995, the Helsinki process was renamed the Organization for Security and Cooperation in Europe [OSCE]. The membership of the OSCE has expanded to 56 participating States, reflecting the breakup of the Soviet Union, Czechoslovakia, and Yugoslavia.

The OSCE Secretariat is in Vienna, Austria, where weekly meetings of the participating States' permanent representatives are held. In addition, specialized seminars and meetings are convened in various locations. Periodic consultations are held among Senior Officials, Ministers and Heads of State or Government.

Although the OSCE continues to engage in standard setting in the fields of military security, economic and environmental cooperation, and human rights and humanitarian concerns, the Organization is primarily focused on initiatives designed to prevent, manage and resolve conflict within and among the participating States. The Organization deploys numerous missions and field activities located in Southeastern and Eastern Europe, the Caucasus, and Central Asia. The website of the OSCE is: <www.osce.org>.

ABOUT THE COMMISSION ON SECURITY AND COOPERATION IN EUROPE

The Commission on Security and Cooperation in Europe, also known as the Helsinki Commission, is a U.S. Government agency created in 1976 to monitor and encourage compliance by the participating States with their OSCE commitments, with a particular emphasis on human rights.

The Commission consists of nine members from the United States Senate, nine members from the House of Representatives, and one member each from the Departments of State, Defense and Commerce. The positions of Chair and Co-Chair rotate between the Senate and House every two years, when a new Congress convenes. A professional staff assists the Commissioners in their work.

In fulfilling its mandate, the Commission gathers and disseminates relevant information to the U.S. Congress and the public by convening hearings, issuing reports that reflect the views of Members of the Commission and/or its staff, and providing details about the activities of the Helsinki process and developments in OSCE participating States.

The Commission also contributes to the formulation and execution of U.S. policy regarding the OSCE, including through Member and staff participation on U.S. Delegations to OSCE meetings. Members of the Commission have regular contact with parliamentarians, government officials, representatives of non-governmental organizations, and private individuals from participating States. The website of the Commission is: <www.csce.gov>.

The Opioid Crisis and the Dark Web: How Transnational Criminals Devastate U.S. Communities

MARCH 28, 2018

Page

PARTICIPANTS

Paul Massaro, Policy Advisor, Commission on Security and Cooperation in Europe	1
Kemp Chester, Associate Director of the National Heroin Coordination Group, Office of National Drug Control Policy	3
John Clark, Vice President and Chief Security Officer, Global Security, Pfizer Inc.	5
Dr. Louise Shelley, Director, Terrorism, Transnational Crime, and Corruption Center (TraCCC); Professor, George Mason University	6

APPENDIX

PowerPoint presentation of John Clark	25
PowerPoint presentation of Dr. Louise Shelley	29

The Opioid Crisis and the Dark Web: How Transnational Criminals Devastate U.S. Communities

March 28, 2018

**Commission on Security and Cooperation in Europe
Washington, DC**

The briefing was held at 3:27 p.m. in Room 485, Russell Senate Office Building, Washington, DC, Paul Massaro, Policy Advisor, Commission on Security and Cooperation in Europe, presiding.

Panelists present: Paul Massaro, Policy Advisor, Commission on Security and Cooperation in Europe; Kemp Chester, Associate Director of the National Heroin Coordination Group, Office of National Drug Control Policy; John Clark, Vice President and Chief Security Officer, Global Security, Pfizer Inc.; and Dr. Louise Shelley, Director, Terrorism, Transnational Crime, and Corruption Center (TraCCC); Professor, George Mason University.

Mr. MASSARO. Well, I've been told we are to get started on time today. And while that isn't exactly—[laughs]—congressional tradition, we'll make it happen for this briefing.

So hello and welcome, everyone, to this briefing of the U.S. Helsinki Commission. The Commission is mandated to monitor compliance with international rules and standards across Europe, which encompass military affairs, economic and environmental issues, and human rights and democracy.

My name is Paul Massaro, and I am responsible for economic and environmental issues, including transnational organized crime, drug trafficking, and illicit trade. We'll cover all of those topics today as we discuss the criminal dimension of one of the most pressing issues of our time, the U.S. opioid crisis.

In the 21st century, criminals are hijacking globalization. Taking advantage of the swift and often anonymous movement of money and goods provided by modern technologies, members of criminal networks engage in all manner of nefarious activity to enrich themselves. There is no specialization in the criminal world. This convergence of criminal networks is made all the more complicated by state capture, a situation in which organized crime controls the bureaucracies and functions of a state, and oftentimes also the most important businesses with which the state interacts.

These kleptocracies create an opportunity not only for greater personal enrichment, through state-level corrupt practices such as fraud and bribery, but also for the facilitation of transnational criminal activity. By controlling customs services and manufacturing plants, kleptocracies become hubs of corruption, leveraging the dark side of globalization. This melding of states and transnational criminal networks has created a unique threat—one well-expressed in the way that it exacerbates the U.S. opioid crisis.

The opioid crisis faced in the United States has become a tragic fact of American life, and the administration and many Members of Congress view its resolution as a top priority. Just last week, the president announced his national opioid plan in New Hampshire. Forty thousand people die annually as a result of this crisis, and experts estimate that millions more abuse opioids each year. Many of those addicts later turn to stronger illicit substances, such as heroin and fentanyl. These drugs enter the country through many different methods, but one of the most malicious is dark web marketplaces, where products can be purchased and shipped to your door as though you were using Amazon. Tracking these products, and the criminals that produce, sell, and smuggle them, is an enormous challenge and the focus of our discussion today.

To conclude, I would like to point out that the word corruption is mentioned 14 times in the National Security Strategy. The United States is wisening up to the challenge posed by transnational organized criminals and all the ways that they may threaten the daily lives of Americans, be it through rent hikes caused by money laundering in real estate, dangerous counterfeit goods, or the topic of today's discussion: the provision of deadly opioids. Globalized corruption is the great adversary of this era. And I look forward to working with my colleagues in Congress, the executive branch, academia, civil society, and the private sector to build the coalitions needed to recognize and respond to it.

We have a truly distinguished panel with us here today to discuss how to go about doing just that. Our first speaker is Kemp Chester, who is the associate director of the National Heroin Coordination Group at the Office of National Drug Control Policy, or ONDCP, in the executive office of the president. We are very grateful that he can be here with us today. Kemp's role at ONDCP is a continuation of a long and distinguished career in Federal service, having spent 27 years as a U.S. Army officer. He has also worked in private sector consulting.

Kemp will be followed by John Clark, who is Pfizer's chief security officer and vice president of global security. He leads an international team of security professionals, with the goal of protecting Pfizer's personnel, real and intellectual property, and the reputation and integrity of its medicines. John, too, has had a long and distinguished career in Federal service, having spent 25 years at the Department of Homeland Security (DHS) and its precursor agencies. We are greatly looking forward to hearing his perspective today.

Finally, we will hear from Dr. Louise Shelley, who is the founder and director of the Terrorism, Transnational Crime and Corruption Center, or TraCCC, at George Mason University, where she is also a professor. Dr. Shelley is one of the leading lights on the national security threat of globalized corruption, and has a new book coming out in fall 2018 entitled, "Dark Commerce: How a New Illicit Economy is Threatening Our Future." The Commission has had the good fortune of hearing her testimony once before, last July, at our hearing on cigarette smuggling.

Thank you all for being with us today, and I look forward to a robust discussion. Kemp, the floor is yours.

Mr. CHESTER. Thank you very much. And thank you very much for inviting me here to discuss the opioid crisis and what the Federal Government is doing to address it. And I appreciate the Helsinki Commission's interest in this very important topic. And my thanks to you for the work you do, and have done for the last 42 years.

As you know, the Office of National Drug Control Policy crafts the president's drug control strategy, it oversees all Federal Government counter-drug activities, and related funding. I serve as its associate director, in charge of the National Heroin Coordination Group within ONDCP, an organization responsible for guiding and synchronizing Federal Government activities related to the illicit opioid problem set.

So, first, please allow me to take just a couple of minutes to address the magnitude and the complexity of this crisis, and then mention some of the things that the Federal Government has been doing to address it. According to the Centers for Disease Control and Prevention, in 2016—the year for which we have the most recent data available—63,632 Americans died due to a drug overdose—a 21 percent increase from 2015, amounting to about 174 Americans every single day. Opioids make up the largest category of drugs contributing to overdose deaths in America, with 15,472 overdose fatalities involving heroin, and 19,431 involving synthetic opioids, other than methadone, a category dominated by fentanyl and its analogs.

The illicit opioid crisis is a complex national security, law enforcement, and public health crisis, and it is the Nation's number one drug priority. First, I should mention that while fentanyl has been the primary driver of the horrific number of deaths we have been seeing, we still have an enormous problem with heroin. It is too abundant in the market and far too available in our communities. But along with our heroin crisis, we're currently facing the additional and related problem of illicit fentanyl and fentanyl analogs.

Fentanyl and its analogs are extremely potent and potentially deadly, being anywhere from 50 to 10,000 times as potent as morphine. And fentanyl comes in many forms. And we truly have watched the crisis of illicit fentanyl evolve before our very eyes over the last 2 years—from fentanyl powder mixed into heroin often without the user's knowledge, to fentanyl pressed into pill form and sold as counterfeit medications, to fentanyl being bought and sold over the internet, to the proliferation of fentanyl analogs now available for sale—which brings us to where we are today.

We have among us a family of drugs that are extremely addictive and deadly, sometimes ordered over the internet and purchased using cryptocurrencies, coming into the country at a high volume through the mail system or commercial carriers, or sometimes smuggled across our land borders, with a low signature in a variety of forms that are incredibly hard to detect. And this should tell us a great deal. More than anything, we must accept that fentanyl, while a crisis in its own right, is also very likely a window into the future of the drug problem in America.

We know that we must reduce the size of the user population through prevention, treatment, and recovery support services at the same time we are reducing the availability of these drugs, as two complementary efforts to reduce the market forces pulling these drugs across our border. But we could very well be seeing a move away from the plant-based drugs toward synthetic drugs, with lower overhead on the front end and lower risk and greater profits for traffickers on the back end. And we have to accept a more expanded image of the using population.

The prototypical experienced intravenous drug user is now being joined by those who think they are buying off-market prescription opioid pain relievers, but in fact are buying—and too often dying—from fentanyl pressed into pill form. And there should be no doubt that the internet has made purchasing drugs much easier. And the online marketplace and the use of cryptocurrencies have empowered a democratization of the drug trade.

The hierarchical drug trafficking organizations we have traditionally seen, and are well postured to address, may no longer have a monopoly on supplying drugs to the U.S. market. Rather, individuals can simply go online to one of the many internet drug marketplaces, and purchase drugs like fentanyl for their own personal use or for further sale, creating a constellation of micro-networks across the country.

So what we do now is not only important to get ahead of the deadly fentanyl crisis in front of us, but also establishes the framework of relationships and laws and regulations and technologies and procedures that set the conditions to deal with the future of drug use and its consequences for years to come. I can tell you that we know now about where fentanyl and its analogs are being manufactured and how they're getting into the country than ever before, thanks to the intelligence community, the Federal law enforcement community, and our partners at the state level and below.

Greater testing of seizures and better post-mortem testing by medical examiners and coroners is telling us more about the specific fentanyl analogs that are in our communities and that are killing our people. Our international partners—specifically Mexico, Canada, and China—have internalized this problem and are taking active measures to help us address it. And right here at home, the targeting efforts of our law enforcement professionals help us narrow the universe of all inbound items to those more likely to contain fentanyl.

As this crisis has taken hold here in America, we have been building and sustaining the architecture where the entire Federal Government is applying its time and energy focusing on this complex problem and a network of partners, each taking their own share of the task and achieving complementary effects. And so what you have seen recently from the role that Congress has played in keeping this issue at the forefront of our national consciousness—from the president signing the INTERDICTION Act recently, to the recent announcement of his opioid initiative, the tangible efforts from every department and agency across the Federal Government, to the enormous commitment and resolve at the state level, and to the energy and innovation in our communities across the Nation, which speaks to the seriousness of this issue and our common commitment to addressing it in a meaningful and sustainable way.

The drug market is vast, dynamic, and adaptive. But it is not without its own vulnerabilities. And I will tell you that it is no match for our own intelligence and determination and the very best talents that we can bring together to guard against it.

Thank you very much, and I look forward to your questions.

Mr. MASSARO. Well, thank you so much for that overview, Kemp. And I already have a few questions of my own, but I'll hold them till the end. We'll have a Q&A session at the very end of the briefing.

But for now, we'll move onto John Clark. John, please.

Mr. CLARK. Thanks, Paul. Also thanks to the Helsinki Commission for putting this on. I have a couple of slides.

Mr. MASSARO. So Sarah's going to help you out there. You're all set. If you just want to say next slide, she'll take care of you.

Mr. CLARK. You might be wondering what a drug manufacturing R&D company is doing on this panel. Twenty-eight years, actually, with the Federal Government, law enforcement, a lot of it involved with international smuggling, transnational criminals, counterfeits. I'm proud to say that in my work for Pfizer for the last 10 years, we have probably the most proactive security group in the pharma sector dealing with counterfeit medicines, and the danger they present to patients. A lot of the opiate worry and problem today in the United States and elsewhere is somewhat related to counterfeits and some of the work we do.

The fentanyl issue in particular, over the last 2 years we've seen an increasing number of counterfeit Xanax, which we make, infused with fentanyl and killing people. It's becoming an epidemic here in the United States. And we're seeing it as much if not more in the U.K., with a threat to spread to other countries, Australia now showing some signs of that spreading. So I'll just touch on a couple of things we're doing in terms of counterfeits, in terms of the Xanax problem, and then open it up for questions later on in terms of what other aspects of the work we do that you might be interested in.

As was previously mentioned, when it comes to the United States and counterfeit medicines, the big gap here is the internet. People go online to the internet all the time looking for all odds and ends, particularly medicines. There's this reputation for Canadian medicines being fantastic and cheaper, so there's an automatic attraction for people gravitating to websites that say they are representing Canadian pharmaceuticals and they can get U.S. patients their medicines at a cheaper rate, right to their door.

Back in about 2009 or so we were investigating Mr. Strempler, as were a number of other pharma companies—Andrew Strempler, who once upon a time was a pharmacist, was involved in getting legitimate Canadian medicines to U.S. patients at cheaper prices. Unfortunately, as his supply shrank in terms of available genuine medicines, Mr. Strempler decided to branch out and just get medicines from wherever he could around the globe and send them to U.S. patients.

So if you can go to the next slide—and in about 2009 or 2010, I think it was, U.S. customs actually stopped a shipment of Mr. Strempler's counterfeit medicines coming into the U.S. It's an older case, but it gives us a really good snapshot of how he and others operate when getting these medicines into the U.S. And you'll see, his medicines never did originate in Canada. They originated in China, as is pretty standard. China and Pakistan are two of the biggest manufacturers of counterfeit medicines.

And then, like a narcotics organization, Mr. Strempler would try and ship all around the globe to hide the source of his medicine. He would go from China to Hong Kong, Hong Kong to Dubai, Dubai up to the U.K., where he would get the container with the raw shipment of pills in barrels. He would then send it down to a fulfillment center of his in the Bahamas, where he would have barrels of counterfeit medicines and sheets of patients in the United States who had ordered.

And he would have the fulfillment center break down those barrels into individual orders, put into envelopes. Then he would have those massive envelopes sent back to the U.K., so that when they were stamped they would show an origin of the U.K., giving everybody the sense who was ordering in the United States that, okay, it didn't come from Canada, but at least it came from the U.K. Good reputation for medicines. And never real-

izing that, in fact, their medicines came from China. In fact, if you'll see that slide, there's no transition whereby they even go through Canada. They were shipped to U.S. patients from the U.K.

I was a special agent in charge in Miami for several years. And having worked a lot of the narcotics smuggling down there, that diagram represents to me something similar I would have seen in Miami, except it would have been north-south. And all the cartels shipping their cocaine and other narcotics through the Caribbean, Central America, whatever it was, Mexico, to get up to the organizations and their outlets in the United States. So pretty much in my opinion the major violators of counterfeit medicines act like narcotics traffickers. And this is just an example of the kind of shipping they'll do to get it around the world.

Next slide, if you would. We had previously been exposed to the dark web too intimately here in Pfizer. Most of our work, up until about 2 years ago, we were actually trying to do what we could to address the online pharmacy exposure on the open web, the web that most people can go to. As we started to read in the paper more and more problems with counterfeit Xanax, we started trying to get the Department of Justice (DOJ) to come on board. We wanted to partner up with Drug Enforcement Agency (DEA) in particular to see if we could lend a hand to partner with them to address that problem.

Because it's a scheduled medicine, although we make it, we're not authorized to actually test purchase it ourselves. So there was a bit of a stumbling block in that regard. But we did go through the dark web and found out that unlike on the open web, Xanax was heavily being advertised. And it sort of coincides with the rash of Xanax overdoses and hospitalizations within the last 3 to 5 years. And so those diagrams are just some of many we have in our intelligence division showing how Xanax is highly advertised in the dark web, and outstripping, even in terms of the upper left's—compared to other benzodiazepines. Whatever reason, criminal elements have decided Xanax has the most cache. And that's the one they're going to counterfeit and send to patients and stuff. So it just gives you a flavor for what we're looking at within Pfizer.

I'll turn it over to Dr. Shelley then, to sort of wrap up the panel.

Mr. MASSARO. Well, thanks so much, John, for that perspective.

At this point, Dr. Shelley, would you like to be the anchor for the panel?

Dr. SHELLEY. As a specialist on transnational crime, and especially being a specialist in the region that the Helsinki Commission is comprised of—which is Europe and the states of the former Soviet Union—I want to give you a perspective on how different our phenomenon is from what we're seeing in the rest of the OSCE region.

Next slide. First of all, as was mentioned, we have a very large number of fatalities in this country. But this number is not only large, it's unique in the developed world. In the OSCE region—or, I should say within the European Union, there were only a little over 8,000 deaths in all of the EU in 2015, which is a region of about a half a billion people—so much larger than the U.S., where we were having deaths of over 63,000 from drugs in general and 42,000 from opioids.

As we're talking about how much is available on the dark web, that Mr. Clark just explained, one of the reasons that we have so much sales on it is that Americans—or, I should say, North Americans are particularly good at illicit entrepreneurship. Just as we have helped develop some of the largest licit platforms, we're also extremely good at

developing some of the largest illicit platforms. And we also don't have such a unified police force, I can say, of analysis, like Europol. So I'll go into that point.

Go to the next slide, please. As we've talked about today, the special element that is making our population die at such a significant rate is the presence of fentanyl, which we have more of than does the rest of the OSCE region—that is, more than Western Europe, more than the former Soviet Union. And as was said, and I won't want to repeat, it comes directly from China. Some of it comes into Latin America and then is moved north.

But our phenomenon is not an urban phenomenon. In many places in the European Union, the deaths or the users are in major urban centers. But we are having these fentanyl deaths all over the United States, and in rural areas, because the mobility of our population is mirrored by the mobility of the sellers of the drugs. And it's managing to penetrate throughout our country in ways that we have not seen before.

Next slide. So what is different? If you read Europol's statistics, they will tell you that 35 percent of their organized crime groups are involved in drugs. We can't tell you a comparable figure. We know that we have gangs involved in drugs. We have Latin American cartels in drugs. But who else is involved? We don't have what I think is enough research on the supply chains and the way that the drug markets are operating in the U.S.

Yes, as Kemp Chester said, we're understanding more and more about this, but we need to understand the operations of transnational crime and how the diverse actors work, and when they diversify to other products, and when they stick with what drug products they stick with. In parts of the OSCE region, especially in the former Soviet Union where the northern route of the drugs coming out of Afghanistan follows, we have enormous problems of corruption.

But the reason that we're having such a serious drug problem in the U.S. cannot be blamed on corruption. Yes, there are some problems of corruption on the border, but this is not our reason. Our reason is a demand, the availability, the technology, and the distribution system. But it is not a terrible corruption problem that we have to clean up in regards to the drug trade. That's one of our advantages.

Next slide. So let's give you some ideas of why we're so good at this illicit entrepreneurship. You may think about Silk Road. Silk Road was the first large-scale online marketplace for illicit drugs. Now, who ran it? It was not a member of any cartel. It was Ross Ulbricht, who is now sitting in prison for a very long time, who was a dropout in physics from Penn State.

So there he is, an extremely highly skilled individual with tech skills. He was never a juvenile delinquent. He was an Eagle Scout, the highest level Boy Scout you can be. And he had an ideology of distributing drugs and making a market available—sort of like the counter-Amazon. And he was extremely good at this. And it took about 2½ years for law enforcement to catch up with him.

But this is the kind of new type of facilitator of these massive illicit marketplaces. When we have Eastern Europe dark web marketplaces, or former Soviet marketplaces, they are not dealing in drugs as much. We've had pharma leaks that dealt in prescription drugs, like Viagra. And they're dealing in selling us malware and botnets and terrible things for our computer systems, but they are not the leaders in the online drug markets.

Next slide. So what we're looking at in the corruption problem is that we've had an enormous change in the way that drugs are coming out of Afghanistan. The heroin problem, which was mentioned, that we still have, is not just an Afghan heroin problem, but it is a heroin problem that is getting worse in Europe. And a third of it is now estimated to go through Central Asia, which has many of these kleptocracies that Paul Massaro talked about in the introduction, where the leaders are part of this illicit drug trade. And then it goes through Russia into Europe, where organized crime that was once deeply involved in the privatization process is now increasingly involved in the drug trade. And that's a terrible problem not only for Russia, as we're going to see in a minute, but for Europe as well.

Next slide. And so Russia never had a serious problem of drugs. If you go back into the history of this country, we've had problems of drug abuse for decades. But Russia is a country with a long history of vodka abuse. And there's this wonderful Russian proverb, "Vodka is not water, don't drink too much." So that's what people were concerned about.

But as this northern route has emerged, we're now talking about 7 million users of illicit drugs, with a 1½ million addition, which tells you that you have such clever marketers of drugs, that you can rapidly convert a country from a bunch of alcoholics to vodka to addicts to heroin. And that's a very serious problem. And it's a serious problem for their security. But we have a different problem. And our problem is primarily fentanyl, in causing our deaths.

Next slide. So just to give you an idea of how far this dark web has grown in the last few years, we started off with Ross Ulbricht, who was shut down in 2013. In 2017, law enforcement shut down AlphaBay, that was started by a Canadian. That had 200,000 users, 40,000 vendors, and was 10 times the size of Silk Road. So in a short period, we've had an enormous scaling of sellers and buyers on the dark web. But if you look at the comparable takedown in the Netherlands, which was Hansa, which was taken down in mid-2017, that only had 18,000 vendors. So our illicit entrepreneurs have a competitive advantage against other OSCE countries.

Let's go on. We're almost there. So what do we need to do? We need to understand how these markets operate, how they are linked to organized crime, how much they're linked to our tech community gone bad. We need to understand much more about the transport routes. And we need to bring together different elements of the community—health, education, awareness, research and law, as we are trying to do at George Mason today. We also need to be much more careful in how we are regulating our technology community and how we are dealing with online platforms, where some legitimate online platforms are also being used for the drug trade.

Thank you.

Mr. MASSARO. Thank you so much, Dr. Shelley, for that fabulous presentation, and those insights into who's really suffering and who's doing stuff.

One immediate followup question from me. And that is, you point out that the tech entrepreneurship, the illicit entrepreneurship is coming from the U.S. and Canada. Is the reason why this affects the United States and Canada more just one of language? Is it because it's in English? I mean, even though we are starting the dark web websites, you'd think that people in the EU, Russia, elsewhere, could just order drugs from those websites. It's global in nature, right? So just because they're being run out of the United

States or Canada or elsewhere, why does that necessarily affect the United States, Canada and elsewhere more so than the EU? Do you see what I'm saying?

Dr. SHELLEY. It seems that most of the customers who are going into the dark websites are from the former British colonies. So just as was mentioned of the spread of some of what John Clark was talking about of Xanax going into the U.K. and Australia, that's what we're seeing on the dark web in those markets. When Russians are successfully marketing—like with the Viagra—they were combining it with spam and control of botnets that was getting the message out there, which is something that they're very technologically proficient at. And that gives them a competitive advantage in sort of a large marketplace, but not in this dark web market.

Mr. MASSARO. So is it just that these former British colonies tend to be more tech-savvy that they're able to, use Tor and the necessary—you know, to access these dark web markets?

Dr. SHELLEY. I think that there are many people in the world who are successful in using TOR because it's being used for communications in many parts of the world. But there seems to be this sort of parallel to what we see of the largest platforms, except for AlphaBay, being American-based. So is the illicit side of this going on.

Mr. MASSARO. Interesting.

Dr. SHELLEY. And it's not in technology products.

Mr. MASSARO. Okay.

Dr. SHELLEY. The technology—the malware, the botnets—are not our prime contribution to—

Mr. MASSARO. It's drugs?

Dr. SHELLEY. Yes.

Mr. MASSARO. Got it. Okay, switching gears a little bit—we're entering the Q&A session now, so I'd hope we can get audience participation in here. I hope that you've come with some questions. I'm going to ask one, two, maybe three and then we'll open it up to the audience for additional questions.

Maybe Kemp's the right person for this question. And that is, we've had a great discussion already and thank you for your statements. One thing that I'm surprised didn't come up is the Postal Service. And I thought of the Postal Service as a humungous piece of how these drugs are entering the country. Are you the right person to speak to that, Kemp?

Mr. CHESTER. Yes.

Mr. MASSARO. Thank you.

Mr. CHESTER. And I'm glad, because this is one of my favorite topics, because the Postal Service is doing a tremendous job. The Postal Service, and particularly the Postal Inspection Service, which is the law enforcement arm of the U.S. Postal Service, was very early to understand the magnitude of the problem and the fact that the U.S. Postal Service was a critical vulnerability that we had, and that it was being used as a vector for these drugs to get into the United States.

We in ONDCP began working with them very closely. And they work across the interagency with other Federal law enforcement to do a couple of things. The first thing is to get advanced electronic data from the shipping company—or, from the originating country, so that they know the shipments that are coming into the United States before

they get here. And that's usually about 72 hours out. And that's for tracked and untracked packages.

The volumes that we are talking about are enormous—up to about 144,000 packages every single day into one international service center. So when you get advanced electronic data, they can share that with customs and border protection, so that they can pull aside and give separate attention to those companies that are most related to the illicit shipment of goods. So that's the first thing.

The second thing is the non-intrusive detection capability that is there at the international shipping center for them to be able to detect illicit substances that are in there. And then the third thing is to be able to work with other law enforcement partners, whether it's from the Department of Homeland Security or from the Department of Justice, in order to get a prosecutorial outcome for the things that they intercept.

I'll tell you that the Postal Inspection Service and the Postal Service writ large has done a tremendous job in helping us to better understand this vector for these drugs getting into the United States, and actually doing tangible things against it, and really over the last year and a half or two years.

Mr. MASSARO. Fabulous. And a followup question to that: When these drugs are ordered off dark web marketplaces, are they shipped almost exclusively via the Postal Service, or are private delivery services used—like FedEx and et cetera, et cetera?

Mr. CHESTER. No, private delivery services are used as well. So that's all of your major kind of express consignment carriers, all who have done a tremendous job working with Federal law enforcement to share information and allow Federal law enforcement to be able to assist in intercepting these packages before they can be delivered to the end user. And so when we say the Postal Service, you know, that's kind of one element of it. But the express consignments, the FedEx, DHL, UPS, those others, they also provide a means for the drugs to get into the country. But those companies are working very hard with the Federal Government to interdict those shipments.

Mr. MASSARO. Fabulous. Dr. Shelley, you wanted to add something?

Dr. SHELLEY. Yes. In October, the research center that I direct, TraCCC, had a day-long conference on the opioid epidemic. And one of the speakers was the former IG of the Postal Service, who we work with. And one of the points that was made is that law enforcement is limited in being able to look at the packages that are coming through the U.S. mail, as opposed to the delivery services. And this gives the Postal Service a greater problem with tracking this, and a greater volume of the products that are coming through. And that report is available online. If you put in "opioids" and "TraCCC" you'll find it. And you can read more about it.

Mr. MASSARO. Thank you, Dr. Shelley. And I'll ask one more question before we open up to the floor. And that's for John Clark. John, when you're working on these issues, how closely and with which agencies are you working on in the U.S. Government? And what do those public-private partnerships look like, and how can we build those?

Mr. CLARK. We'll work with anybody and everybody. We've worked with Microsoft. As Dr. Shelley was saying, when Viagra was sold by a lot of the spam ads, Microsoft was interested in taking down the spam and the botnets. We were interested in taking down the counterfeit Viagra. We work with law enforcement agencies all around the globe. We've actually trained law enforcement agencies in 151 different countries. Our investiga-

tors, investigating the counterfeit medicines, are all former law enforcement from all different countries.

So we have the experience of knowing what law enforcement needs to be a prosecution. We have a sense of what's a more serious violation than others. So when we develop a case, we pretty much have it cooked that we can bring it to law enforcement in a country and have a good sense of confidence that they're going to accept it, and then do the last part of the investigation and the ensuing enforcement actions, which we can take. So a lot of it is just good collaboration, good coordination, good communication. We had actually a pilot program last year with DEA here in the United States.

Again, since we're restricted from test purchasing an advertised counterfeit, and unless you can get a test purchase and a delivery and test and verify it's a counterfeit, you can't do an investigation. And just as an example, while we had the pilot going with DEA, we actually ordered about 225 different advertisements for Xanax. Only 115 were delivered, which tells you why it's such a difficult problem to follow. A lot of the ads out there are bogus. They're intended just to steal your financial information or just to steal your money if you pay in advance. So out of 225, 115 would get delivered.

We found, in that program, that of the 125 we tested, only five turned out to be authentic diverted Xanax, the balance being either counterfeit Xanax or some other product that we couldn't even identify. So it really was a great program to give us insights that we hadn't had previously because we were restricted from doing those types of test purchases in the ensuing investigation. So, you know, there are other private companies we'll work with, and government agencies. We'll work with ministries of health, ministries of interior, ministries of justice.

We don't care, because at the end of the day, much as we are interested, the government agencies obviously are interested in patient health and safety. And these counterfeits are just so horrendous and have not really garnered the specter of danger that I think they merit. People don't realize when you're taking a counterfeit cancer medicine and you die of cancer, that the counterfeit is probably the reason you died. They attribute it to the fact that, you know, maybe your medicine wasn't working. Maybe you were an outlier for that medicine, never going back to look at what type of medicine you were taking.

So if the medicines—the counterfeits in and of themselves don't poison you, at best they're not going to kill you but you're not getting the efficacy. So, you know, these are just horrendous things. I think the Xanax now, and particularly where Xanax is infused with fentanyl, where there are quick results from people taking them, is finally bringing to light how dangerous counterfeit medicines are to patient health and safety. And it's not just the cancer medicines or the heart medicines.

We've had where people say, well, Viagra, it's a discretionary medicine, so it's not as serious as cancer medicine. Well, there was a case in Canada 2 years ago where, in fact, Viagra was being infused with fentanyl. It wasn't being done deliberately, but the counterfeiting organization was pressing the same counterfeit Viagra tabs off of a machine that they were pressing counterfeit oxycontin that had fentanyl in it. And, you know, as we've all heard, two micrograms of fentanyl can kill. So it doesn't take much to make that Viagra a deadly Viagra.

So if you don't know what's in it, if it's not certified, registered, under FDA authorization—whether it's Viagra or whether it's a cancer medicine—you know, you're really spinning the wheel in terms of what the impact is going to be on your health.

Mr. MASSARO. Thanks, John. Can I take some questions from the audience? Anybody want to ask a question? Please. There's actually a microphone right next to you. [Laughs.] You can stand and get up there.

QUESTIONER. I'm Sean Bartlett with Senator Cardin.

I was on a Congressional Delegation to Mexico last year with my boss and a few other members. And one of the things they wanted to know was not just the flow of fentanyl from Mexico into the United States, but the origination in China and how in some ways Mexico was serving as a passthrough. I don't know who to direct this to exactly, but what would be some of your recommendations for us people trying to help our bosses do policy responses to this? Is it going after the source in China? Is it disrupting it in Mexico?

Thank you.

Mr. CHESTER. I can start. And the answer to the question is both. The principal issue that we have with Mexico, obviously, is heroin. They are the primary supplier of heroin to the United States. And the United States is Mexico's primary customer. Anywhere between 90 to 93 percent of the seized and tested heroin in the United States comes from Mexico as the source country. So we work very closely with the government of Mexico to reduce the production of heroin in Mexico through poppy eradication and through lab identification and neutralization that processes the poppy into the heroin. So that's kind of one aspect of it.

But we also know that Mexico is a transit zone for fentanyl coming up across the southwest border. We believe that the origin of that, in many cases, is China, and that it's shipped from China in a much purer form into Mexico, and is either mixed with diluents or inert matter like lactose, or dipyrone, or acetaminophen, and then sold as fake heroin, brought about the southwest border and sold as fake heroin. Or, in some cases, it's milled into heroin there and sent across the southwest border.

The differences that we see between the southwest border kind of entry into the United States and what we see through the mail system, coming directly from China, generally involves purity. So the fentanyl that comes across the southwest borders seems to be much, much less pure—10 percent or less. Whereas the purity levels that we see coming directly from China are about 90 percent or above. They tend to be about the exact opposite.

The very best that we can do with the government of Mexico is continue to work the heroin problem set, No. 1. Do a better job of sharing information on both sides of the border in terms of seizures and the transnational criminal organizations that are actually moving these drugs, No. 2. No. 3, to be able to increase their capacity to better track the finished products and the precursor chemicals for fentanyl synthesis, if that's taking place in Mexico, that come from Asia into Mexico as well. All of those are kind of part of a comprehensive approach that we have with the government of Mexico.

We work very closely with them under a number of mechanisms that we have. And I will tell you that the government of Mexico does see this as a shared responsibility. There was a long, long time that there was a lot of finger pointing about, "We produce a lot of drugs because you use a lot of drugs," and, "We use them because you produce

them.” The government of Mexico has internalized this problem. They see it as a shared responsibility. And we work very closely with them on the spectrum of illicit opioid issues that we have, understanding that the opioid problem in the United States from illicit opioids, heroin and fentanyl and the violence in Mexico are both manifestations of the same problem. And the government of Mexico understands that. We have a very good relationship with them in this regard.

And I don’t know, Louise, if you want to add something.

Mr. CLARK. I’ll just jump in real quick, too. Fentanyl isn’t that tough to make. You could shut it off in China, and it’s going to pop up, if the demand is there, elsewhere. Now, maybe it’s more pure from where they’ve been making it, China versus Mexico, but one of the worries we have found and have, particularly when it comes to the counterfeit Xanax, is historically all counterfeit medicines—and I’ll speak just on behalf of the Pfizer but I think it’s true for the industry—have come in as finished products manufactured elsewhere, come in generally, like I said, before via the internet, personal packages.

But with Xanax, we’ve seen a turning of the tide. And we’re seeing manufacturing done inside the United States of the counterfeit Xanax. Terribly troubling. Showing that the problem is getting worse instead of better. But I will say that, you know, based on my Federal law enforcement background and now my pharma security background, you’re not going to “law enforcement” your way out of this. You know, you really have to concentrate a lot of effort on education. We try and do as best we can within Pfizer just educating patients—you know, where to look and where not to look in terms of medicines.

You can go to the internet and find valid, authentic medicines maybe at a cheaper price. We’re not saying don’t go to the internet. But if they’re telling you that we have a prescription medicine that you don’t need a prescription for, you know, you should get off that site right away. Not only are they going to sell you a counterfeit, they’re going to steal your information as well. Raising awareness relative to the problem and treatment, particularly for the fentanyl opioid problem, I think are just as important, if not more important, than trying to get law enforcement in front of the problem.

One of the reasons we partner with law enforcement so much is recognizing, particularly since we’re all former law enforcement, that they’ve got a lot on their plate. So we try and do a lot of the work for them, a lot of the groundwork, to help them out and give them that head start. When you take into consideration all the things they’re responsible for, you know, they’re rolling a big boulder up a hill and stuff. And so law enforcement in and of itself isn’t going to be the silver bullet that stops it.

Mr. MASSARO. Do you have anything you want to say to that?

Dr. SHELLEY. I had two things I wanted to say. One, our concern of how much cooperation we’re going to get from the Chinese if we’re having a trade war with them is something that we need to be thinking about, because the Chinese remember—and they remind their citizens in their museums on the history of crime that the U.S. participated in the opium wars. This is a long, historical legacy. And so for 150 years, this has been part of Chinese memory. And therefore, we need to be—if we want them to cooperate, we have to be not engaging in tariff wars if we need them in other areas. And it’s a very difficult situation.

Second, as was said, the problem may be displaced elsewhere. You know, China has enormous production capacity for everything, so it’s got it for fentanyl. But if you think about a country like Myanmar, it used to be in the agricultural type of drug production.

And now it's going into different types of methamphetamine production on a large scale. So you may see things of drugs being—production being moved to regions in Asia with lower production costs, just as you're seeing with other commodities.

Mr. MASSARO. Thank you. Do we have any questions from the audience—additional questions from the audience? You want to ask one, Sarah? Okay, please.

QUESTIONER. [Laughs.] Hi. My name is Sarah. I am a graduate student at George Mason University. I'm actually right next to you at the School of Conflict Analysis and Resolution.

My question is for you, Dr. Shelley. It's just a point of clarification. You had said that there really isn't a history of drug consumption in Russia, but I was wondering where Krokodil fit in that story.

Thank you.

Dr. SHELLEY. There have been tens of thousands of people who have abused drugs. But in the Soviet period, the Soviet Union was really cut off from the rest of the world and there was limited drug consumption. And most people abused alcohol on just a massive scale. And so, what we've seen of the rise of millions of customers in a very short period is just a total transformation of the problems of addiction. And I've never seen it grow quite so rapidly in any locale.

Mr. MASSARO. Could I just follow up on that real quick, because I had a question I had written down here. You really elaborated on why the United States is vulnerable to this, and why the EU is not. But are there commonalities between Russia and the United States here that make us both vulnerable to the same sort of opioid epidemic? I mean, it really is an epidemic there too.

Dr. SHELLEY. I think there are various problems that make a country vulnerable. And we have particular problems of opioid epidemic in the United States, where you can see geographically areas of enormous economic transition, where people are having great economic difficulties. And that's where we have this new type of addiction that's moved outside of our urban areas. In Russia, you can see it along the Trans-Siberian Railroad and in some of the old industrial areas of Russia that are not converting. So these—they've had a transition in—away from a communist system that provided security. And with that has come a terrible drug problem. And we've had some transitions in our society that have made people very vulnerable to drug abuse.

Mr. MASSARO. But it's similar, in that it's mostly occurring in de-industrialized, rural areas—more rural areas?

Dr. SHELLEY. In the U.S., it's happening—the new types of opioid problems are occurring. Yes, they're going on in urban areas, but they're going on much more in rural areas, where if you look in the—in my class, we looked at maps of where they are—are areas in which we've never had very serious drug addiction.

Mr. MASSARO. And I guess what I was pointing out is, that's the same trend as in Russia, is in de-industrialized, more rural areas.

Dr. SHELLEY. More de-industrialized areas. They're not necessarily rural, but de-industrialized, yes.

Mr. MASSARO. Okay, great. More questions? Please.

QUESTIONER. Hi. I'm Samantha Mastin. I'm an undergrad at American University.

And my question is, from a private sector perspective, what more can Congress and the U.S. Government do to combat the flow of illicit products from the dark web into the United States?

Mr. CLARK. A lot. Actually, our laws are not weak. Our enforcement is pretty good. From—and I can only speak from a counterfeit medicine perspective—I think the judicial system needs to wake up. I think the sentencing for violators is not nearly as serious as it needs to be. Counterfeiting medicines is probably one of the most profitable crimes you can imagine. Germans did a study several years ago weighing different commodities of counterfeiting. With a 1,000-pound investment what would be the ROI on it, the return on investment? Counterfeit medicines came up light years ahead of any other commodity. It was, like, 500,000 pounds return on investment for a 1,000-pound investment in a counterfeiting medicine operation.

When you counter that with—some countries it's not a violation. In some countries they have laws, but it's not enforced. In the United States, we actually have laws that are in force. But then we sentence so lightly. Mr. Strempler I think served maybe 2 years of a 3- or 5-year sentence, I forget. He wasn't even charged with counterfeiting medicines. He was charged with wire fraud. Allowed to serve the latter part of his sentence in Canada on an exchange program, and then was let out early. I forget the hundreds of thousands—what the exact number is of counterfeits that he was selling to patients in the United States. You know, so when I see that type of a crime with what type of sentencing was given, it just spins my head.

And this is where I see we don't really see how seriously of a crime it is. We are starting to recognize it when in fact it's infused with fentanyl, whether it's Xanax or anything else, and people are dying. But until this time, I think we've all had this benign concept that a counterfeit medicine is really another name for a generic, and it's not really that dangerous, so no real need to sentence anybody. No harm, no foul, to some extent. And that's just not the case. So I'd say in sentencing we need to really take a sharper look at those that are selling counterfeits and what the consequences should be.

I think Postal needs to have that advanced targeting capability. I don't know that it's been passed yet, but it's something that FedEx, UPS have had, to sort of work with Customs and Border Protection (CPB) and highlight those types of packages that are coming into the United States earlier than they are. CBP needs some more authority to be able to give us the information from the packages that are coming in so we can work with them to do investigations, and then work with CBP and DHS and Homeland Security Investigations to help them find the targets and stuff. So there's a lot. Not huge steps, but a lot of incremental steps that I think would make the situation in the United States much better.

Dr. SHELLEY. I couldn't agree with John more. My new book that Paul mentioned, called "Dark Commerce," has a whole chapter called "Destroyers of Human Life." And in that, I talk about many of the individuals who were involved in illicit trade in pharmaceuticals. And it's just shocking how low the sentences are for crimes that actually kill human beings. I mean, people are trading in oncology drugs that are useless or haven't been conserved properly, that then lose their effectiveness. So this is a very important issue of sort of our consciousness about what illicit trade is and what it can do to us and to our health security, our human security. So that's a very important issue.

I also think that we need to be much more proactive in dealing with cryptocurrencies, because we've gone—that's another thing I write about—that in 4,000 years we had a

rather consistent type of trade, in which we were trading in known commodities where people knew their trading relationships, that they traded in currencies. And now we've gone into a cyber world in which you're dealing with sort of the invented product. We're dealing with cryptocurrencies that are not backed by states. And totally anonymous relationships. And that makes a trade that's not built on trust.

And so sometimes in this dark web, they have rating systems to try and rate the sellers. But those rating systems are also criminalized because this is such a criminalized world. They've developed criminalized rating systems. And somehow we have to go and become much more engaged with the entry points into the dark web, like the cryptocurrencies. And we also need to be more vigorous in how we are letting the internet and the dark web develop. We've had this concept that online marketplaces just should be allowed to grow freely, but the consequences for us are just too deadly for this.

Mr. MASSARO. Sorry to keep you standing there. Can I just follow up real quick? [Laughs.]

QUESTIONER. It's okay.

Mr. MASSARO. Because I had a question for Kemp on this topic, and I'm going to scratch another one off my list here. You know, we're talking a lot today about network convergence, and that's this idea that the same people that are involved in smuggling counterfeit goods, and in counterfeiting themselves, are the people that are trafficking drugs, trafficking humans. They're the people that are running states now, right? [Laughs.] Running sort of kleptocracies, to a certain extent, indulging in bribery and looting of the state treasury.

And I guess we conceptualize of that in an intellectual level. I wonder in your work, when you look at a shipment that's coming to the United States, or when you get something through the Postal Service, or whatever else, are you seeing these products coming together? Are you seeing drugs being accompanied by counterfeit pharmaceuticals, being accompanied by cigarettes, being—you know, is this whole criminal enterprise now one big thing? [Laughs.]

Mr. CHESTER. Sure. I think that there's probably a desire to kind of make order out of this, when in reality it's a much more vast and diverse world, right? So sometimes the illicit drug is the counterfeit pharmaceutical. So it's the fake oxycontin that came in. Well, that's two crimes right there, right? And I understand your point, right—bad people do bad things. I think that we are starting to see more and more what are called poly drug loads, which the exclusivity of traffickers—you're a heroin trafficker, you're a marijuana trafficker, you're a cocaine trafficker—actually for efficiency's sake, there are probably drug loads, go across the border, and then are broken down for greater distribution.

I do think that the biggest change—the biggest fundamental change is this model that we've had of drug trafficking for so many years, which in reality it was hierarchical drug trafficking organizations that would bring a large load of cocaine or heroin or something across the southwest border, and they'd break it down through a distribution network. And then what would happen would be a face-to-face cash transaction somewhere between two individuals that had to meet somewhere and then buy the drugs. And so from a law enforcement perspective, you could pretty easily intersect that at some point. And you hang a felony over the head of the seller and then you work your way back up through the hierarchy and you begin to dismantle that organization.

That's turned upside down by what we see with the internet, the dark web, and cryptocurrencies, where individuals themselves can order these things either for their own personal use or for distribution to a small number of people. That is a vastly more distributed and complex drug trafficking—if you could even call it that—when in reality it's a direct to consumer model versus kind of a distribution model that we had for drug trafficking in the past. I do believe that that is the biggest change. That's compounded by the fact that these drugs are highly potent and therefore can be shipped in very, very small quantities. Because they're synthetic, they're very, very hard to detect. And because they're small they're ordered at very low dollar figures that don't really raise any of the suspicions or the alarms that we've set off through our banking system.

So that entire kind of complex of federal law enforcement architecture that we've developed over the last 30 years has got to be amended to deal with this new direct-to-consumer model of highly potent synthetic drugs coming at a huge volume and at dollar figures that are very, very hard to detect. That's the big change for the future, I think.

Mr. MASSARO. Well, then—really quick—[laughs]—again I'm sorry—does this mean that the same sort of narco-sanctioning under the Kingpin Act has become less meaningful?

Mr. CHESTER. Right. No, because I will tell you that we still have the 20th century problem as well, because the market is so diverse, and it really is a consumer-driven market. And so while we do have this enormous problem with very lethal fentanyl in the United States, we still have the traditional heroin problem. And you still have the large drug trafficking organizations that are bringing them in. When we began dealing with this problem about 2½ years ago in a very earnest fashion, we learned the lesson of Estonia.

And in Estonia, they cracked down several years ago on heroin. And they essentially pushed their user population over to fentanyl. And so we decided to handle heroin and fentanyl as part of the same problem set, because we thought that the worst thing that could happen would be that we could be successful in eradication and lab identification and in trafficking from Mexico, and that we would push everyone over to fentanyl and that we would have a new problem. That's not the worst thing that could happen. The worst thing that could happen is that we have a significant heroin problem and a significant fentanyl problem as well. And it speaks to the diversity of the customer base and the ability of traffickers all along the spectrum to be able to satisfy what the customer wants.

Mr. MASSARO. Thanks, Kemp.

Okay, please.

QUESTIONER. No problem. Sharon Castillo from Pfizer. I actually have a question from someone who's watching on CSPAN.

The question is for Mr. Chester, and it's regarding the Senate Permanent Subcommittee on Investigations report that was released, I believe, in January. As you know, the report said that only 30 percent—or 36 percent of the packages that come here from China contain any advanced electronic data. What was your reaction to the report, the administration's reaction to the report, and what measures, if any, are being considered to address this situation?

Thank you.

Mr. CHESTER. No, thank you very much. I don't handle the advanced electronic data. Actually, it's U.S. Postal Service. But we do work very closely with them, so I hope they don't mind that I'm going to speak on their behalf, because they really are doing a tremendous job.

So you're absolutely right. The vast majority of foreign packages that come into the United States come from China alone. And then the remaining percentage come from about 10 other countries. That's the preponderance of the foreign packages that come into the United States. I believe the figure is well above 50 percent right now in advanced electronic data. I know that in the president's commission on drug abuse and the opioid crisis, there was a recommendation in there to vastly increase the amount of advanced electronic data. And I know that it was also part of the president's opioid initiative as well.

The Postal Service is well on its way to meeting its target I believe of 90 percent advanced electronic data within the next 3 years, and then 100 percent within the next 5 years, I believe was the target. And that has come from the Postal Service dealing directly with the government of China, with China Post, to see if the ability was there and then the right procedures were in place. And in the case with China, both are in place. And China has cooperated greatly in getting advanced electronic data for both tracked and untracked packages.

But I think it was—John brought up a very good point—getting that type of advanced electronic data has always been a feature of the express consignment world. When you're dealing with the Postal Service, it's actually governed under an international agreement called the Universal Postal Union that is reached between different countries. So there was kind of that extra step that they had to go through. But the Postal Service has very aggressively worked with the government of China to increase that number a great deal. And I'm fully confident that they're going to meet their target within the next 3 to 5 years.

Mr. MASSARO. Thanks. More questions from the audience? Anybody? Stand up, ask a question? Oh, yes, please, John.

Mr. CLARK. Since there are no questions, I'll throw another extension of an answer out. One thing we hadn't touched on in this discussion so far, but related to it, particularly what Kemp was saying relative to customer demand and delivery to the customer, we're seeing, particularly with the dark web, our experience with I'll just say Xanax—counterfeit Xanax is, generally speaking, your individual customers are not going to the dark web to order their counterfeit Xanax. We see Xanax—or counterfeit—or, the dark web, sorry, as more of a business-to-business type of enterprise, where more commercial criminals are utilizing it to sell larger quantities.

What's problematic is the social networks are now being used as the means by which the distributors are selling to Tommy and Jane in San Diego through Facebook—and I don't want to pile on Facebook—but I'll say Facebook, Instagram, Snap, you know, all of these means by which they can more directly go to individuals and even have communities where they can talk together and sort of comment on the counterfeit that they're buying and stuff like that. That's a huge threat that's continuing to expand now. I think part of it is driven by we have done a relatively good job of starting to mitigate the online pharmacies. But now that direct-to-consumer capability through the social media is just really scary.

Mr. MASSARO. This actually gives me wonderful opportunity to cross another question off my list that I wanted to ask Kemp, but John, if you could chime in here as well. Your average American is not using these dark web marketplaces, correct? Does the model remain there are individual dealers in a community that are buying from an online pharmacy or a dark web marketplace, or wherever else, and then distributing in their community in the United States? Is that—

Mr. CLARK. Yes, I'd say the online pharmacies still are direct appeal to an individual, but the darknet in and of itself—and I'll just speak from our experience, I can't compare it to other companies or agencies—government agencies. But, yes, it's more of a business-to-business—you know, I'm getting 500,000 a month, I'll sell in quantities of 10,000. So a distributor or sub-distributor buys the 10,000, and then starts marketing, again, through any means, but a lot of it being social media.

Mr. CHESTER. No, I agree with John. I mean, I think you have a lot of different varieties out there, from kind of the traditional distribution networks to the individuals who just order for their own personal use, to the individuals that order small amounts for small distribution either with known customers, so they have a known customer base, or to sell to unknown customers as they come within a fairly confined geographic area. You have all of those things in the environment now.

Mr. MASSARO. Great. So the major change has been one of above sort of the local level. Okay, Mahmut, please.

QUESTIONER. I have two short questions. I am Mahmut Cengiz. I am at TraCCC at George Mason University.

I have learned that Mexico is a source country for heroin in the U.S. So how is the drug money transported to Mexico—from U.S. to Mexico, Mexican drug cartels? And the second question is, have you come across any linkages of terrorist organizations with the drug trade in the U.S.?

Mr. CHESTER. I'll start off, and then I could turn it over to Louise.

The larger issue of the nexus between terrorism and drug trafficking, I would tell you that it makes intuitive sense, but that's kind of a large issue. I think the difference is whether you have one-off interactions of convenience versus deep and enduring relationships and where that kind of falls along the spectrum.

As far as the money going back down into Mexico, it goes in a variety of ways. Everything from bulk cash smuggling to the transfer of kind of nonmonetary instruments back across the border to be converted into cash over there, all the way down to wire transfers, whether it's Western Union or whatever, kind of below the \$10,000 threshold that go back into Mexico, to physically being carried. Anything that you can possibly imagine.

I would tell you that when it comes to cryptocurrencies and electronic money transfers versus bulk cash, I think one of the most interesting things about that is that bulk cash creates its own kind of vulnerability. So that's the most secure way—you know, you don't leave any electronic footprints, right? So you're exchanging cash for drugs somewhere and there's really no record of it. But cash is hard to hide. It's hard to transfer. It's hard to move around. Ideally, you want to get that down to an account number that can be transferred from one place to another. But when you do that, it creates enormous vulnerabilities, because you do leave electronic footprints.

So the very thing that makes that much more efficient also makes it much easier for law enforcement to be able to track illicit activities. And so that's why

cryptocurrencies, the anonymous nature of them—particularly when they’re using Tor or other anonymizing capabilities, kind of removes that vulnerability. And that’s what makes it a particularly pernicious part of this particular trade.

Mr. MASSARO. Anyone want to comment on the piece of interplay with terrorism? Do we see any of that?

Dr. SHELLEY. Well, we’ve certainly seen in the southern hemisphere with the FARC, that has been deeply involved in the drug trade. And now there’s a peace process. And one of the criteria of the peace process, to bring the FARC into the political process, is that they’re supposed to help dissemble the drug transport networks, because they’ve always insisted that they weren’t part of the drug production system, but that they were part of the—living off the drug transit routes. But there are problems with this FARC agreement and some of its implementation. And so they’re not totally out of these markets, and they’ve not totally helped dismantle the markets and the supply chains, as was hoped.

Mr. MASSARO. Questions from the audience? Okay, while you guys are thinking about it, I’ve got a couple more of my own.

One in particular, Dr. Shelley, that during your presentation you mentioned that Europol is doing an exceptionally good job. Do you think that generally speaking, the idea that a supranational organization like the EU is doing better than a national police agency at intelligence and information collection, like in the United States, is surprising? Generally, the EU is thought of as having issues with that sort of thing. So, I mean, what is it that makes Europol special? And what lessons can the United States learn from that?

Dr. SHELLEY. All right. I think maybe I wasn’t clear enough. I think on the enforcement side the fact that Europol doesn’t have its own law enforcement system and relies on law enforcement from other countries and trying to make them work together is hard. But it does bring together a lot of data on transnational crime within the EU region. And they’re spending a lot of resources on doing analysis of it. And that’s where we’re not, I think, capitalizing enough on it. We have under our U.S. data our Uniform Crime Reporting Program, which is, the FBI collects data on the most serious crimes. But we’re not having enough data collection that allows us to understand these networks. And therefore, that’s what we’re missing, as a researcher, is some of the analytical capacity that we need to help law enforcement target this activity more.

Mr. MASSARO. And is that something the executive branch could implement on its own, or does it require legislation?

Dr. SHELLEY. I think there’s a lot that could be done through some of the mandates in the legislation that’s going on. For example, there were things that were just passed in our omnibus financial bill last week on how to combat illicit cigarette trade, to work on it. This could be applied in other areas of providing more direction and developing analytical capacity.

Mr. MASSARO. Thank you.

And a question for Kemp. Is there a feeling in the executive branch and in the executive office of the president that the administration has all the powers it needs to combat this, and that it’s a matter of, you know, coordination and getting it done at this point? Or is there legislation that you would like to see provide additional authorities to the executive branch?

Mr. CHESTER. Yes. No. 1, as you know, the president has repeatedly stated that this is his number one drug priority. And he sees this as the fight of a generation. And he's committed to doing everything that he can, and has rallied the entire administration, the Federal Government, in order to be able to address this head on. And I think that level of presidential leadership has been enormously important to give us the energy and the ability to do what we need to do.

I think that the Congress has done a remarkable job of keeping this in the forefront of American consciousness and keeping this on the legislative agenda. I have lost count of how many hearings and how many pieces of legislation directly related to the opioid crisis have moved through this Congress. And that's important as well, because the president and the Congress are both on the same page about that.

I think you saw recently the president signed—here's a good example—the INTERDICT Act, right? So the INTERDICT Act provides \$9 million for customs and border protection to increase its technological and scientific capability in order to be able to interdict synthetic opioids, specifically fentanyl, as they come in the country. That was a result of gaps that were identified and vulnerabilities that the United States had in the flow of these drugs into the United States. The Congress acted. The president signed it. And now CBP has \$9 million in resources to be able to address that.

That sort of process I think is well in place to deal with this particular opioid crisis. And that is the sort of thing, I think, that we'll see in the coming years, that once we understand we have a vulnerability, we have a gap, we have something that needs to be filled, we don't see a lot of problem getting the energy and the initiative and the innovation to be able to close that and give our government—and not only our Federal Government, but our state and local partners as well, the resources that they need.

Something else I would like to mention—certainly we've talked a lot about the criminal aspect and the law enforcement and the national security aspect of this as well. You know, I'd be remiss if I didn't remind everyone of the enormous amount of energy and resources that have been put and are being put into the prevention and education aspect of this, and into treatment leading to long-term recovery. I think everyone understands, and certainly the Congress and the White House, have a sophisticated understanding of the drug problem, and that there's a complex interplay between the availability of these drugs and their use in the United States.

And John's absolutely right, right? You're not going to "law enforcement" your way out of this. Whatever we do on the front end of the supply chain, as smart and dynamic and as innovative as it is, has got to be complemented by preventing initiates to drug use in the first place and providing treatment resources leading to long-term recovery for individuals with substance use disorders. Those two things working together are what's going to allow us to be able to bend the curve on this.

The Congress understands that. The president and the administration understand that. And I do believe that's the combination of activities that we need across the Federal Government in order to address this crisis.

Mr. MASSARO. So we're on the right track, you'd say so far? [Laughs.]

Okay, another question then. I'm just about done with my list and then I'm going to let you all go. [Laughs.] And I hope this isn't too basic or ignorant, but, these illicit marketplaces, why can't they just be seized? You know, why can't they just be shut down?

You'd think if this sort of thing was going on at a Walmart or any other store, a physical location, it could just be shut down.

Mr. CHESTER. Well, in July 2017, I think that happened to AlphaBay. That was a very good operation done by the Department of Justice. Following up on that, the Department of Justice and the attorney general announced the Joint Criminal Opioid Darknet Enforcement Team, to bring together a taskforce of individuals to be able to work specifically on the darknet to do just that, to shut down these darknet marketplaces. However, it's a little more complex than that, just because they stand up and close down on their own very, very quickly.

It can be regenerated very, very quickly. In many cases they're up for 75 days and they shut themselves down in order to not be tracked. And then they flip over and then they open up in another darknet spot. So they certainly can be shut down. I think it's necessary, but not sufficient, just because of the ability to be able to generate and regenerate these websites. But that certainly is a focus of effort for the administration, for the Department of Justice as well.

Mr. CLARK. Just to follow up, there's no bigger challenge for law enforcement than transnational crime. I mean, you know, once upon a time, when borders were what they were, and global commerce wasn't what it is, you could work within your jurisdiction and address crime relatively simply, I'll say. But transnational crime is just phenomenally complex. If you consider counterfeit medicines, you have a manufacturer in Pakistan, you've got distributors in Dubai and Hong Kong, you've got maybe sub-distributors in New York, and you've got end-users in San Diego. Law enforcement in each of those areas has a specific thing to address, but to put the whole package together is just phenomenally difficult.

And then you consider the money goes to Eastern Europe or in cryptocurrency, there's no transnational law and there's no transnational organization that can sort of go across all of those territories and put the case together to take the kingpins down, per se. I mean, it happens, but it's hugely difficult. It takes a lot of coordination between countries. It takes a lot of paperwork and bureaucratic mind-melding to be able to sort of ask your compatriots in a second country about, "can you get us the information on such and such a thing," and 2 months later get the records back.

One of the things we can bring to the table as a private industry is the fact that we work in all these countries. We have liaison with all these law enforcement agencies. We often are able to sort of bridge that gap between intelligence collection and help law enforcement see the bigger picture. Your distributor in Panama is connected to a manufacturer in Beijing is connected to a distributor out of San Juan. And sort of help law enforcement work together with some of the intelligence we would bring to the table, and actually share through us intelligence like that.

But it's a phenomenally difficult thing. And, you know, between the computer and global commerce now, it's just gets more and more difficult—regardless of counterfeit medicines, or whatever it might be.

Mr. MASSARO. Dr. Shelley.

Dr. SHELLEY. In our discussions in the last half-hour or so we've focused on the centrality of social media and the distribution of drugs through social media—not just the dark web, not just what's going on the internet, but the centrality of social media, which is present in every part of illicit trade. And this is a very, very difficult question, because

at the moment in our country we're looking at social media, what its role is in elections, what its role is in the political process. And so what we're groping with, apart from the difficulties that Mr. Kemp and John Clark have outlined here of transnational crime and the realities of law enforcement, are very central issues of our society at the moment, where technology is one of the drivers of our economy. But it is also one of the drivers of our most pernicious elements of illicit trade.

And how do we deal with this? How do we regulate these new engines of commerce and of trade that are less than 30 years old, but are having enormous—in their negative aspects, enormous social harm in our society? And part of this is that we have chosen not to regulate, as we do pharmacies, as we do newspapers. We're not regulating this new cyberworld as we're regulating other parts of our society.

And therefore, as we proceed through this discussion, we need to be integrating our issues of illicit trade into this. And just last week, both the House and the Senate passed legislation on making online platforms more responsible for human trafficking. And I know that some of the tech industry has been concerned about this, because they see this as an attack on them, even though the human trafficking issue is the issue in which our Congress and our population is most in agreement on what we need to do. And I don't think drugs is much behind it.

And so we're dealing with very profound and deep issues in our society that are not just law enforcement issues, that are not just demand issues—and what is causing this demand, but where the engines of our economy are today and how much we regulate them.

Mr. MASSARO. Thank you, Dr. Shelley. And I have one final question, and then we'll end at 5. And that is, this obviously requires an enormous amount of international coordination and cooperation, as John mentioned just a second ago. How do you work with countries where organized crime elements that are trafficking in drugs—[laughs]—and trafficking in counterfeit pharmaceuticals, are also the government? And we're seeing more and more of that in the world today. If anyone would like to take that question? It's a tough question. It's a provocative question. [Laughs.]

Mr. CHESTER. It's very difficult. I'm lucky, because I deal with Mexico, China, Canada, United Kingdom. I really haven't had to confront that situation. The officials that we deal with are very committed to this. They understand their share of the task. They understand the role that their government plays. But they also understand their limitations and where they need help from the United States, and where they need help from other countries.

But I do think that you raise a larger issue, that years down the road, you know, what is considered an inherently non-state problem, which is illicit trafficking of any goods—actually gets state sanction. And when that happens, how do you use the instruments available to you to deal with what is an inherently a non-state problem? I don't have a great answer for that, but I can tell you that that's probably something that we're going to have to think about in the years ahead.

Mr. MASSARO. Sanctions are one potential answer to that, potentially. [Laughs.] Anybody else?

Dr. SHELLEY. Yes. I'll say that this is a hearing of the Helsinki Commission. And as we were saying, our heroin problem is mostly a Mexican heroin problem, but the European heroin problem is mostly a problem that comes out of Afghanistan. And many of

those countries in Central Asia fit into that criteria that you're just talking about. And since they—Western Europe—are our closest allies, those problems are also our problems. And how do we help them deal with these issues in, you know, central Asia, which has had so many economic difficulties, so many conflicts in the region, is not in much capacity to deal with these heroin flows that are affecting Europe. Maybe in not in as deadly a way as fentanyl is affecting our country, but they are having very serious consequences for human security there too.

Mr. CLARK. Yes, it's 5:00. I don't want to take up too much more——

Mr. MASSARO. Yes, we have 1 minute, 30 seconds maybe.

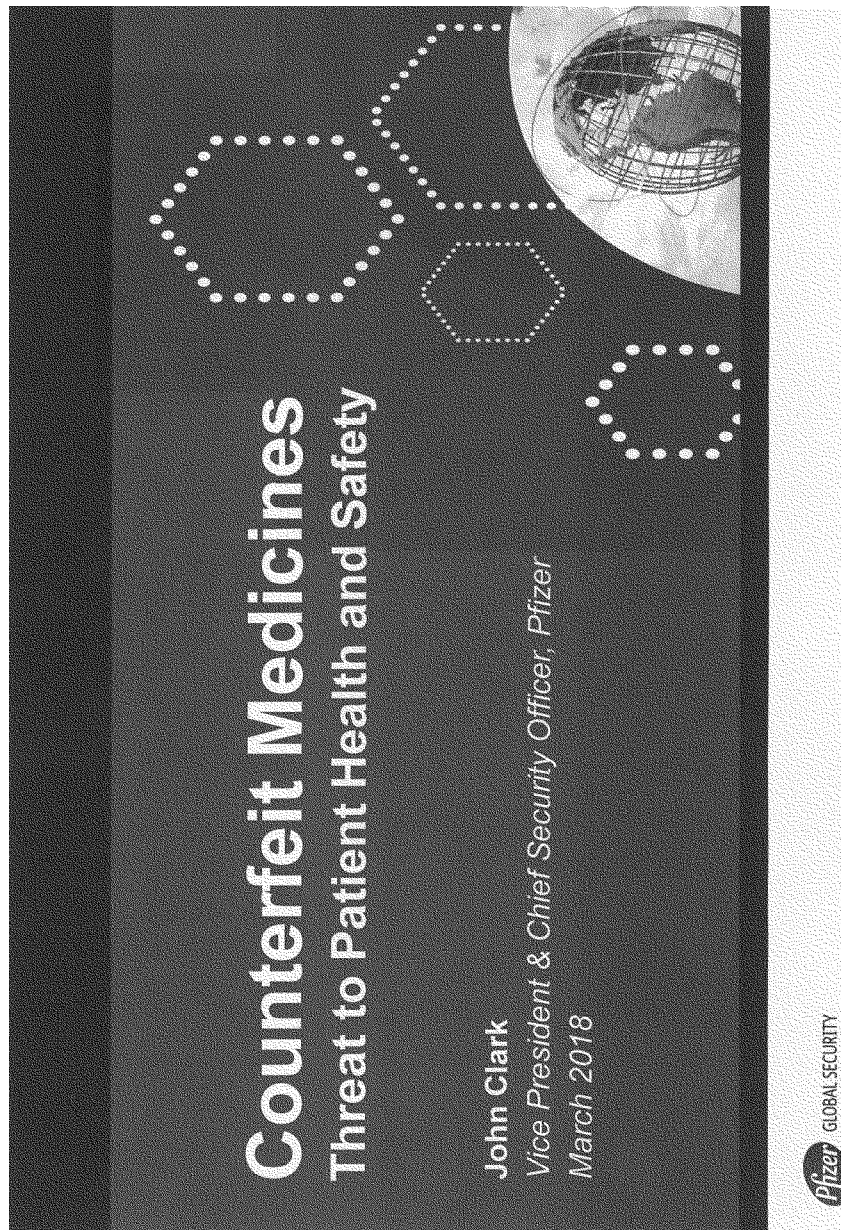
Mr. CLARK. I'll echo Kemp's. It's not easy from a counterfeiting medicine perspective. We have an obligation, regardless of the government involvement or not. We knock our heads against the wall sometimes if the law isn't going to be behind us. We try and so as best we can to take out of circulation what we can. But it can be extremely frustrating. You just have to keep trying, though.

Mr. MASSARO. Well, thank you so very much to our audience and our panel. That'll be all for today. The briefing is concluded. [Applause.]

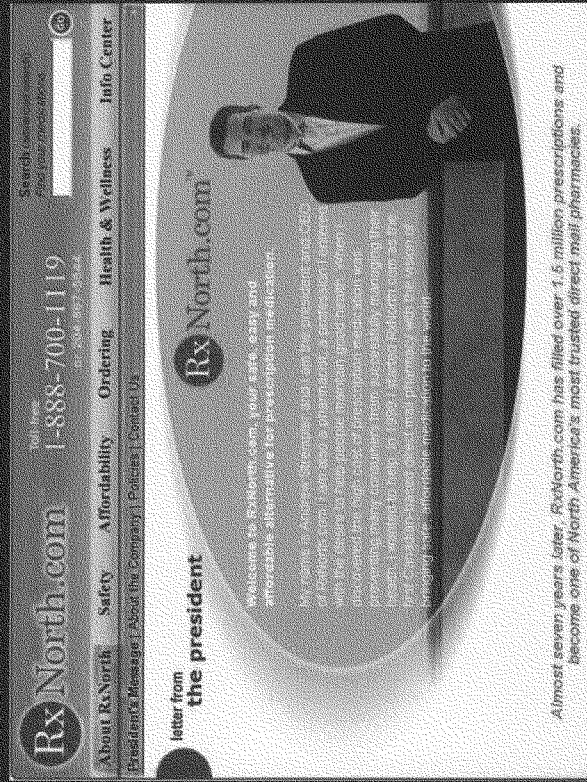
[Whereupon, at 5 p.m., the briefing ended.]

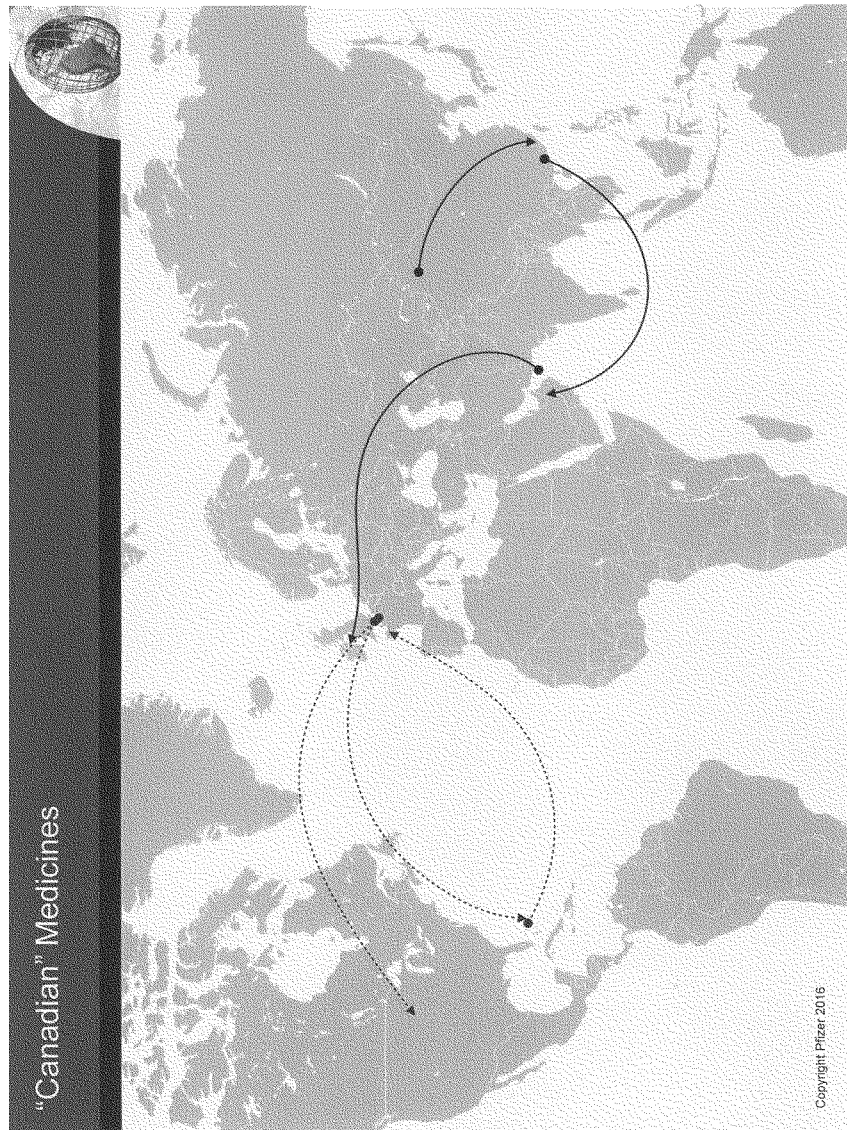
APPENDIX

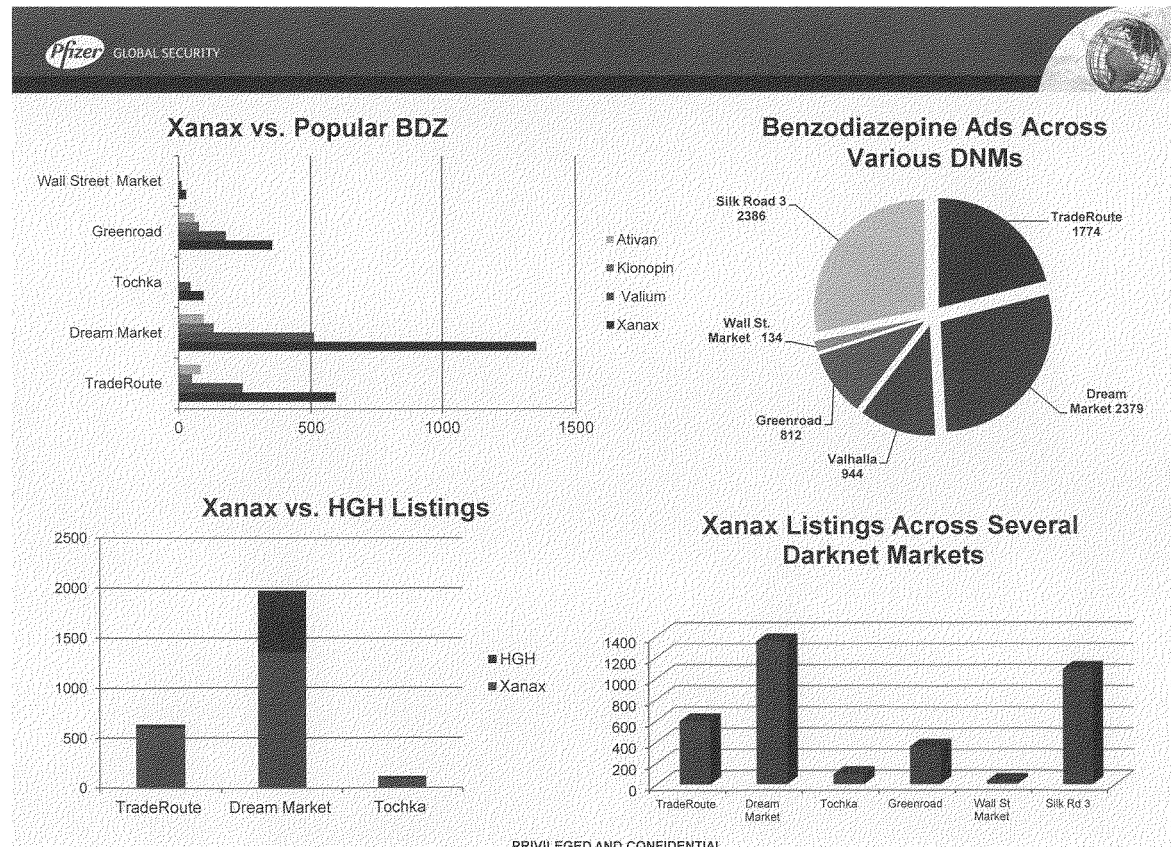
POWERPOINT PRESENTATION OF JOHN CLARK



"Canadian" Websites







The Opioid Crisis and the Dark Web: How Transnational Criminals Devastate US Communities

Louise Shelley, University Professor, Omer
and Nancy Hirst Chair, Schar School of Policy
and Government, Director, Terrorism,
Transnational and Corruption Center, George
Mason University, March 28, 2018

Distinguishing Opioid Crisis in the US from other countries in OSCE region

- US fatalities in the opioid epidemic represent 25% of the world's drug fatalities at the present time, far above other countries under Helsinki process
- US deaths from opioids were approx. 42,000 in 2016 five times higher than in 1999, total deaths from drugs were approx. 63,600
- The European Monitoring Centre for Drugs and Drug Addiction estimates that 8,441 EU, Norwegian and Turkish citizens died of drug overdoses in 2015
- North Americans excel not only at online entrepreneurship in legitimate goods but illicit, especially drugs
- Unlike the Europeans, we do not know the percentage of organized crime groups that participate in the drug trade in the U.S.

Why are more Americans dying than in rest of the OSCE community?

- Answer is increasing potency and blending of fentanyl with other narcotics
- Fentanyl arrives through the mail and is ordered online, arrives from China into Mexico and brought to the US by Mexican drug trafficking organizations
- Mobility of American life is greater than in other OSCE countries. Can plot drug distribution routes along highways and distribution is greater in rural areas in the US than in Western Europe

What is different in rest of OSCE region?

- Drug specialists in Europe report that 35% of organized crime groups in the region are involved in the drug trade— we do not know our comparable figure
- Without knowing the extent of organized crime linked to drug activity in the US, we cannot properly target our resources to counter the problem
- Corruption is a much bigger explanation of the growth of the drug problem in other OSCE countries than in the US

Role of Dark Web

- North Americans (US and Canadian) are major illicit entrepreneurs behind the illicit online drug market that is so deadly to Americans
- European entrepreneurs in this sector are smaller scale than North American counterparts
- Eastern Europeans and former Soviet region that are major dealers in the dark web are selling malware and other harmful computer crime products rather than drugs

Corruption and OSCE Region

- High levels of corruption in many of the Central Asian countries close to Afghanistan have facilitated the growth of the Northern Route out of Afghanistan
- Drugs from Central Asia continue on to transit Russia through which 1/3 of heroin out of Afghanistan transits

Devastating Impact on Russia

- While the US epidemic is more deadly, on a per capita basis Russia presently faces a very serious problem in both size and involvement of organized crime and corrupt officials:
 - In 2015, the UN estimated that approximately 2.3 million Russians inject drugs (“2.29 per cent of the population aged 15-64”)
 - In 2015, official estimates from the Federal Anti-Narcotic Service reported 7 million users of illicit drugs and 1.5 million individuals with heroin addiction problems

Case Studies in Dark Web

- N. American masterminds of dark web are not individuals with criminal pasts for ex. (Ross Ulbricht, an American and former Eagle Scout) started Silk Road and Alexander Cazes (a Canadian) founded Alpha Bay that sold illicit drugs
- Alpha Bay grew into a business with 200,000 users and 40,000 vendors until its take down in 2017. This is 10 times the size of Silk Road that was taken down in 2013
- Hansa (a Dutch-based site) taken down in mid-2017 had only 1800 vendors

Gaps to be filled by US

- Greater understanding of role of organized crime and distinct contribution of different transnational networks to our drug problem.
- Focus on role of online drug providers and facilitators of their sales who have a totally different profile than street sellers
- Provide greater attention to transport routes
- Combat the lethality of our drug problem
- Bring together different community elements of health, education and awareness, research and law enforcement as we are trying to do at GMU now



This is an official publication of the **Commission on
Security and Cooperation in Europe.**



This publication is intended to document
developments and trends in participating
States of the Organization for Security
and Cooperation in Europe (OSCE).



All Commission publications may be freely reproduced,
in any form, with appropriate credit. The Commission
encourages the widest possible dissemination of its
publications.



www.csce.gov @HelsinkiComm

The Commission's Web site provides access
to the latest press releases and reports,
as well as hearings and briefings. Using the
Commission's electronic subscription service, readers are
able to receive press releases, articles, and other
materials by topic or countries of particular interest.

Please subscribe today.