

**STRENGTHENING INTERNATIONAL COOPERATION  
TO STOP THE FLOW OF FENTANYL INTO THE  
UNITED STATES**

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**HEARING**

BEFORE THE

SUBCOMMITTEE ON  
EMERGING THREATS AND SPENDING  
OVERSIGHT

OF THE

COMMITTEE ON  
HOMELAND SECURITY AND  
GOVERNMENTAL AFFAIRS  
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# STRENGTHENING INTERNATIONAL COOPERATION TO STOP THE FLOW OF FENTANYL INTO THE UNITED STATES

WEDNESDAY, MARCH 20, 2024

U.S. SENATE,  
SUBCOMMITTEE ON EMERGING THREATS AND  
SPENDING OVERSIGHT,  
OF THE COMMITTEE ON HOMELAND SECURITY  
AND GOVERNMENTAL AFFAIRS,  
*Washington, DC.*

The Subcommittee met, pursuant to notice, at 2:30 p.m., in room SD-342, Dirksen Senate Office Building, Hon. Margaret Hassan, presiding.

Present: Senators Hassan [presiding], Rosen, Ossoff, Romney, Lankford, and Scott.

## OPENING STATEMENT OF SENATOR HASSAN<sup>1</sup>

Senator HASSAN. This hearing will now come to order. Good afternoon. Today's hearing will focus on the steps that United States agencies and foreign countries need to take to stop the flow of fentanyl into the United States.

The vast majority of fentanyl and now other powerful synthetic opioids are not being produced in the United States. These drugs come from international drug cartels, and we know that these cartels have international supply chains. Mexican drug cartels, for instance, order precursor chemicals used to make fentanyl or other synthetic opioids from chemical manufacturers in China. Then the cartels synthesized the opioids in Mexico and smuggle the drugs across the Southwest border.

United States and international authorities must work together to dismantle these transnational criminal organizations (TCO) and cutoff their supplies, their money, and illegal weapons. Today's hearing is an opportunity to look at the specific steps that Congress needs to take to disrupt the fentanyl supply chain and dismantle the deadly and violent criminal organizations that dominate this trade.

We need to develop these strategies with the understanding that the cartels are nimble, constantly shifting their methods to circumvent the law. We also need to recognize that these cartels take advantage of our current crisis at the Southern Border, so we need, urgently, to strengthen our defenses there. We should provide more

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<sup>1</sup>The prepared statement of Senator Hassan appears in the Appendix on page 29.

resources to border agencies, hire more personnel, and deploy more equipment that can detect drugs in all kinds of vehicles.

However, as I noted, to have a lasting impact on the flow of fentanyl into our country, we need to work with our international partners to fully dismantle the drug cartels producing and supplying the drugs. When I participated in a bipartisan congressional delegation to China last fall, I pressed President Xi to do more to stop the manufacturing and exportation of fentanyl precursor chemicals.

President Biden held a summit with President Xi a month later, and since then, the Chinese government has said that it would do more to crack down on drug trafficking and target the profits of illegal drug and precursor chemical exports.

We have to hold China accountable and push them to implement reasonable common-sense controls to limit illegal chemical exports. Yet China continues to resist calls to implement Know Your Customer (KYC) protocols for its chemical sector. These protocols would require that companies verify that their customers have a legitimate purpose for dual-use chemicals, and would make it much more difficult for drug cartels to purchase the chemicals that they need to make fentanyl.

We must exert more diplomatic pressure to get this done, including working with other major Chinese trading partners to force changes. U.S. agencies should also take steps to improve coordination and information sharing with Mexican authorities. The drug cartels operating in Mexico are extremely powerful. Their dangerous influence has corrupted officials at all levels of government. In the face of these challenges, we have to find reliable partners to dismantle the drug cartels.

One of the ways to dismantle and defeat the cartels is by depriving them of the money and illegal weapons that they smuggle across the Southern Border from the United States, something that Mexican officials have stressed to me in my two congressional trips there. Cartels use these weapons and money to seize control of Mexican communities, and bribe or kill officials.

That is why I have worked with Senator Lankford to introduce the Enhancing Southbound Inspections to Combat Cartels Act. This bill requires that the Department of Homeland Security (DHS) increase its inspections of vehicles and pedestrians traveling into Mexico. These inspections will help us prevent the flow of illicit money and weapons. The bill also authorizes additional resources for the border and law enforcement agencies that are responsible for inspections and investigations. I hope that the Senate Homeland Security and Governmental Affairs Committee (HSGAC) will consider this legislation soon.

No one law will address the fentanyl crisis alone. Fentanyl is inexpensive to make and transport, and it is in high demand. It will continue to take an all-hands-on deck approach to dismantle the cartels, crack down on the spread of illicit fentanyl, and protect our communities. That is why while we work to combat the cartels, we should also take steps to strengthen resources for people dealing with addiction to make sure that anyone who needs treatment and recovery services can access them.

Today though, I look forward to discussing how we can disrupt fentanyl supplies and dismantle drug cartels with our three insightful witnesses. People in every corner of the country, including my home State of New Hampshire, have had their families and communities destroyed by the fentanyl crisis. We must do everything that we can to dismantle and defeat the cartels. We cannot relent in these efforts. We need to build a safer future for our country and for our children.

Thank you, and I now recognize Ranking Member Romney for his opening remarks.

#### **OPENING STATEMENT OF SENATOR ROMNEY**

Senator ROMNEY. Thank you, Chair Hassan, for holding this hearing. I appreciate those of you who are here today to educate us and inform us as to what steps might be taken to reduce the tragedy of fentanyl in our country, and frankly globally. I do not have to recount to you the statistics. Even in my State of Utah, the numbers between 2019 and 2020 showed fentanyl-linked deaths increased by 128 percent. It continues to be a human tragedy across our country and across the world.

The question is, what can we do? Is there any one place, any choke point we can focus on and say if we can just get this group here or this country here to take the following steps while then we are going to be able to dramatically reduce the tragedy of fentanyl?

China has made commitments, as the chair indicated, and I do not believe they fully lived up to those commitments. Had there been the same kind of concern about fentanyl in China as there is here in the United States, my expectation is that there had been a much tougher approach taken there that has not happened, and I am interested in your perspective on whether there's prospect for that occurring in the future.

Likewise, with regards to Mexico, we have not had as much support in fighting organized crime and the cartels in Mexico, as we might have hoped. A new administration suggests that we will have a better relationship and perhaps more ability to make a difference there, but I guess we are all recognizing what the problem is. We just do not know how to solve it.

You have experience in this regard that we would consider highly valuable. That is why we decided to hold this hearing. We want to hear your perspectives and potentially see what you think as well about the legislation which Senator Lankford and Senator Hassan have proposed, and see if there are other steps that you think we might take to make it more likely that we will be able to restrict the scourge of fentanyl.

With that Madam Chair.

Senator HASSAN. Thank you, Senator Romney. It is the practice of the Homeland Security and Governmental Affairs Committee to swear in witnesses. If you will all please stand and raise your right hand.

Do you swear that the testimony you give before this Subcommittee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Dr. FELBAB-BROWN. I do.

Mr. URBEN. I do.

Ms. REALUYO. I do.

Senator HASSAN. Thank you-all. Please be seated.

Our first witness today is Dr. Vanda Felbab-Brown. Dr. Felbab-Brown is the Director of the Initiative on Nonstate Armed Actors at The Brookings Institute.

She is an expert on international and internal conflicts, and non-traditional security threats, including insurgency, organized crime, urban violence, and illicit economies. Dr. Felbab-Brown has conducted extensive field work and research around the world, including throughout Latin America and South Asia.

Welcome, Dr. Felbab-Brown. You are recognized for your opening statement.

**TESTIMONY OF VANDA FELBAB-BROWN,<sup>1</sup> DIRECTOR, INITIATIVE ON NONSTATE ARMED ACTORS, THE BROOKINGS INSTITUTE**

Dr. FELBAB-BROWN. Thank you very much, Chair Hassan, Ranking Member Romney, distinguished Members of the Subcommittee. Thank you very much for this opportunity to testify today. My testimony represents solely my views.

As you have said in your opening statements, the fentanyl crisis is a massive crisis. It is the most lethal drug epidemic ever in history. Even while it is confined to North America, it has significant potential to spread beyond North America. U.S. domestic evidence-based prevention, treatment, harm reduction, and law enforcement remain crucial and indispensable for addressing it. But supply measures also matter. They can save lives.

Mexico and China are key actors whose collaboration is necessary for controlling supply. Yet, the United States has found it challenging and difficult to have meaningful cooperation with either country. China is the principal source of precursor chemicals today from which Mexican cartels are sensitizing fentanyl in Mexico, and then smuggling it to the United States.

China subordinates its counter narcotics cooperation to its strategic calculus and to its bilateral relationships. Between August 2022 and November 2023, we had no meaningful cooperation from China. Thank you, Senator Hassan, for your role in engaging Beijing as well as Beijing's own calculus, that it wanted to stabilize the bilateral relationship, but the critical reasons why China agreed to resurrect cooperation.

China has already taken some steps. It has sent out notices to Chinese pharmaceutical companies that it will start monitoring and likely enforcing the sales of precursors. We had the meetings in Beijing of the bilateral U.S.-China Working Group on Counter-Narcotics, in which China agreed to two important issues, collaboration on anti-money laundering (AML). This is the first time that China has agreed to do so in the bilateral relationship, and also acting against the sales of pill presses.

But as you have said, there are many issues that are outstanding and the robustness of the cooperation is yet to be seen. China is already indicating that it might not be able to move to prosecutions and arrests because many of the precursors are dual-used and not

<sup>1</sup>The prepared statement of Dr. Felbab-Brown appears in the Appendix on page 31.

scheduled yet. Certainly, when companies sell to Mexican criminal actors giving them recipes how to synthesize the opioids, there are opportunities to charge on fraud or conspiracy charges.

Also, the extent of the anti-money laundering cooperation remains to be seen, but it is crucial as Chinese money launderers (CMLOs) have become the to-go-to actors for Mexican cartels and some of the world's leading ones, and use methods that are difficult for law enforcement to deal with.

Know Your Customer laws, as you have also said, is absolutely crucial. We need to continue encouraging China to adopt and enforce them, and developing subgroup within the Global Coalition against the threat of synthetic drugs that the United States launched last summer is an opportunity to do so.

The relationship with Mexico also remains deeply challenged. Mexico essentially acts sporadically, and often inconsistently, against Mexican cartels broadly and against the flows of fentanyl. Its cooperation is centered on occasional high value targeting, and as a result of U.S. prodding, and brave journalistic investigative work. The Mexican government did shut down some of the pharmacies in Mexico that sell fentanyl and meth-laced drugs, a very significant and dangerous vector of addiction and death.

However, more broadly robust investigations and network dismantling are not taking place in Mexico. Investigative work by Reuters has repeatedly shown that the Mexican government systematically and grossly exaggerate the extent to which it bust labs.

There is often little support from the Mexican government for journalists, honest Mexican government officials, brave civil society actors who are willing to stand up to the cartels. In fact, in a very troubling recent development, we have seen President Lopez Obrador releasing the personal information of New York Times bureau chief in Mexico City, with very dangerous consequences. The U.S. Government should take actions to make sure that such behavior is not repeated.

Violence in Mexico remains high and brazen, and is spreading geographically affecting every life of people in Mexico. The current election season is likely the most violent one. Mexican criminal groups are taking over legal economies and public services. They are governing and expanding scope of territories, economies, and institutions, and people in Mexico, even as the Mexican government remains unwilling to tackle them in any systematic manner and take law enforcement action against them. These pernicious developments raise significant questions about nearshoring to Mexico as a strategy of the risk from China.

In my written statement, I offer a detailed set of recommendation that I am glad to discuss with you subsequently. Let me just say at the end, that since Mexican cartels have greatly diversified their portfolio, they are involved in many illegal economies, they are increasingly paying for precursor chemicals in wildlife products, it is important to tackle all the economic activity of those actors, not simply fentanyl flows. It is imperative to also tackle all their connections to criminal actors elsewhere in China and their political patrons around the world. Thank you.

Senator HASSAN. Thank you very much for your testimony. Our next witness is Celina Realuyo. Ms. Realuyo is the Professor of

Practice at the William J. Perry Center for Hemispheric Defense Studies at the National Defense University.

She previously served in the State Department, including as a director of State's Counter-Terrorism Finance Program. Ms. Realuyo has over two decades of international experience in the public, private, and academic sectors.

Welcome, you are recognized for your opening statement.

**TESTIMONY OF CELINA B. REALUYO,<sup>1</sup> PROFESSOR OF PRACTICE, WILLIAM J. PERRY CENTER FOR HEMISPHERIC DEFENSE STUDIES, NATIONAL DEFENSE UNIVERSITY**

Ms. REALUYO. Thank you, Chair Hassan, Ranking Member Romney, and Members of the Subcommittee on Emerging Threats and Spending Oversight (ETSO) of the Senate Committee on Homeland Security and Governmental Affairs, for this opportunity to testify on Strengthening International Cooperation to Stop the Flow of Fentanyl into The United States.

One year ago, I testified before the House Financial Services Committee on how China and the Mexican cartels are waging an asymmetrical war against the United States through the international illicit fentanyl trade. Unfortunately, the fentanyl crisis has just gotten worse since then.

Over 112,000 U.S. overdose deaths in 2023 are mostly attributed to illicit fentanyl from the Mexican cartels that source the fentanyl precursor chemicals and pill presses from China. The cartels and the Chinese suppliers are exploiting America's weaknesses, namely, our appetite for illicit drugs and porous borders.

In the last year, we have actually seen increased efforts to curb international fentanyl flows with this cooperation with China and Mexico. But we must trust but verify to see how deep that commitment is in order to tackle this deadly epidemic in the long run.

On the Chinese front, we actually saw after a long period of suspended cooperation, Presidents Biden and Xi decided to resume bilateral narcotics enforcement when they met in San Francisco in November. Just before that meeting, the People's Republic of China (PRC) submitted 145 drug-related incidents to the International Narcotics Control Board database, and this is the first time that China had done so since 2017.

Beijing has also warned domestic precursor producers of potential legal action if their chemicals are sent abroad. While these are positive development, it remains to be seen how the PRC can crack down on illicit fentanyl suppliers and the money launderers to have a true impact on the global supply chain.

On the Mexican front, after a long period of strained relations since Andres Manuel Lopez Obrador (AMLO) AMLO took power in 2018, the United States and Mexico renewed cooperation through the Bicentennial Framework for Security, Public Health, and Safe Communities in October, 2021. It addresses the production, trafficking, consumption, and financing of illicit drugs and firearms. In January, 2023, at the North America Leaders' Summit, Mexican President, AMLO, acknowledged fentanyl production in Mexico and pledged to interdict precursor chemicals and destroy fentanyl labs.

<sup>1</sup>The prepared statement of Ms. Realuyo appears in the Appendix on page 65.

As fentanyl-related deaths due to domestic consumption in Mexico and cartel-related homicides are on the increase, we could expect the Mexican government to be more inclined to cooperate with the United States on the fentanyl issue.

When we look forward, we have to think about how the United States, China, and Mexico must intensify domestic and international efforts against the illicit fentanyl trade by reducing drug demand and supply, increased narcotics detection and interdiction, and anti-money laundering measures. Here on the domestic front, we should assign more human, financial technology resources to disrupt fentanyl flows, and this would include more inspection scanners, forward operating labs, and the use of artificial intelligence (AI) on our borders.

We also need to encourage U.S. law enforcement intelligence agencies to leverage signals, financial and digital intelligence to better understand how these traffickers are operating in what we call the cyber-physical realm, particularly on online markets.

On the international front, we should set up specialized units that share specific law enforcement information with the PRC and Mexico to take down the Chinese and Mexican criminal networks engaged in the drug trade. The United States should hold the PRC accountable for the export illicit fentanyl precursor chemicals, and demand verifiable reports of actions that they have taken against these traffickers.

If the PRC should decide not to demonstrate good faith, the United States should consider punitive measures like threatening the withdrawal of most favored nation status, imposing actual tariffs, and applying diplomatic pressure through the Global Coalition to Address Synthetic Drug Threats.

On the financial front, which is an area that I have been studying for 20 years, we should really press the PRC to go after the money runners and ensure that they apply Know Your Customer to the suppliers, but also those who finance them.

On the Mexican front, we need to deepen true cooperation in terms of the production, trafficking, and money laundering elements of the entire business cycle of the illicit fentanyl trade. If Mexico does not cooperate and show credible action, we should consider designating the Sinaloa and Jalisco Cartels as foreign terrorist organizations (FTOs). This would provide U.S. agencies with expanded powers to pursue and freeze assets of the cartels and their collaborators under the Material Support of Terrorism Statute.

In conclusion, illicit fentanyl producers, traffickers, in their financiers are exploiting increased demand, porous borders, and cyberspace to further expand their operations around the world, well beyond just Canada and the United States. Therefore, with China and Mexico, we need to double down on cooperative measures to stem the flow of illicit fentanyl that is literally killing tens of thousands of Americans. Thank you for your attention.

Senator HASSAN. Thank you very much.

Our third witness is Christopher Urben. Mr. Urben is managing director in Nardello & Company's Washington, DC office. Before his current role, Mr. Urben served for 25 years with the U.S. Drug Enforcement Administration (DEA), leading sophisticated inter-

national money laundering and threat finance investigations. This included overseas tours in Brussels and Copenhagen, and also time with the Special Operations Division (SOD) in the United States where he focused on international threats.

Welcome, Mr. Urben. You are recognized for your opening statement.

**TESTIMONY OF CHRISTOPHER J. URBEN,<sup>1</sup> MANAGING  
DIRECTOR, NARDELLO & CO**

Mr. URBEN. Chair Hassan, and Ranking Member Romney, and distinguished Members of the Subcommittee. Thank you for the opportunity to address you today on the importance of international cooperation in combating the international trade of fentanyl.

This growing trade has killed hundreds of thousands of Americans, destabilized Mexico, and adversely affected our nation's communities and its financial integrity. International cooperation, particularly with Mexico and China, can help stop the flow of fentanyl into the United States and the flow of narcotics proceeds through our financial system.

I saw firsthand the damage done by the international trade of narcotics, including fentanyl during my 24-year career as an agent executive with the DEA. I started off on the front lines targeting leaders of transnational organized criminal organizations who were trafficking drugs into the United States and laundering crime proceeds to our institutions. I also spent time abroad at U.S. embassies in Brussels and Copenhagen, working with our partners to increase collaboration against transnational organized crime.

In 2018, I was assigned to DEA Special Operations Division where I supervised a team that focused on a new and evolving threat, Chinese money launderers, and other elements of Chinese organized crime globally. Over the course of my career with DEA, I observed the transformative potential of international cooperation in achieving our mission and increasing global stability. One example of this potential is Plan Colombia, the United States and Colombian initiative launched in 2000.

At the time Plan Colombia was started, the country was struggling with cartel-initiated violence, and battling insurgencies from the *Autodefensas Unidas de Colombia* (AUC) and the *Fuerzas Armadas Revolucionarias de Colombia* (FARC). As a result of decades of hand-in-hand partnership with the United States and Colombian authorities, which included extensive work with the DEA and entrusted Colombian counterparts, and intensive investigative techniques by both, and the extradition of high-level narcotics traffickers to the United States to face justice, a very important component to that, the country has been transformed into a solid long-term partner of the United States in combating the global narcotics trade.

During my work in Brussels and Copenhagen, I collaborated extensively with European counterparts, some of which were young democracies that had been under the control of the Soviet Union, and I collaborated on significant criminal and national security issues. When I returned to the United States and SOD after my

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<sup>1</sup>The prepared statement of Mr. Urben appears in the Appendix on page 81.

time abroad, I saw the profound negative effect and the of the lack of effective international cooperation, and the dramatic increase of fentanyl into the country, and also the increased moneys being laundered by CMLOs.

Lack of international cooperation with China on counter-narcotics issues has enabled fentanyl precursor chemicals manufactured in that country to be transported to Mexico, where they have been transformed into drugs that are killing hundreds of thousands of Americans. Lack of collaboration with China on anti-money laundering issues has contributed to the rise of CMLOs as the primary vehicle for which Mexican drug cartels are laundering their money.

The CMLO model is a dramatic improvement for the Mexican cartels. Several aspects of the CMLO threat could be addressed much more effectively if United States and Chinese law enforcement and financial regulators were able to work together. For example, CMLO utilize technology to their advantage. *WeChat* transmissions are resistant to surveillance by U.S. law enforcement. They cannot be used to disrupt the CMLOs or bring their organized crime leadership to justice.

However, Chinese authorities who have access to *WeChat* and other Chinese communication tools could share information on the CMLO activity with U.S. law enforcement if the two countries were collaborating effectively.

Our relationship with Mexico and these issues is stronger, but there is a tremendous need for improvement and a reset. In 2021, the governments of Mexico and United States announced the new framework and cooperation plan, the Bicentennial Framework. This agreement seeks to reopen and improve bilateral channels to address drug trafficking, organized crime, facilitate extraditions, and stem the flow of fentanyl into the United States.

But the key is a dramatic improvement in joint operations between Mexican and U.S. law enforcement, and that Mexican honor all U.S. extradition requests in a timely manner. That would be a game changer.

The private sector can also help. At Nardello & Co., the global investigative firm that I joined in 2022, we are working on ways to help financial institutions to identify and address the CMLO activity by shutting down accounts and reporting suspicious activity to the authorities. If done on a global scale, CMLOs and other money launderers, it would be much more difficult for them to move the money.

Finally, the United States we could do more to combat the flow of fentanyl into this country through new laws and additional resources.

Thank you to the Subcommittee for calling attention to this important issue. I look forward to answering your questions.

Senator HASSAN. Thank you very much for your testimony. I am going to go ahead with my set of questions, then I will turn it over to the Ranking Member, and other Members, I think, are going to come in and out as they can.

Mr. Urben, I want to start with a question to you. Last year, when I traveled to China and met with President Xi, I pushed him to crack down on the export of fentanyl precursor chemicals that drug cartels order from Chinese businesses. Following up on that

meeting, President Biden and President Xi agreed to more extensive cooperation to stop the tracking trafficking of fentanyl and fentanyl precursor chemicals from China to Mexico.

Now we need to ensure that China keeps its commitment to work with us. What tangible steps should the United States require from China in, let's say, the next six months and in the next two years?

Mr. URBEN. When the government as China has acted in the past, we have seen results that have been favorable in terms of the traffic patterns of actual fentanyl that was coming in in 2018 and 2019. In terms of the precursors coming from Chinese multinational companies and supplying the cartels, I would ensure through meetings with U.S. law enforcement, U.S. officials, and Chinese officials with those chemical companies, that they are enhancing their KYC to western standards. We should ensure that these meetings take place to see that it is actually happening.

The other components to that is we attack the precursor network and the flow of those chemicals. We should see obviously a decrease. The other aspect of this is the Mexican cartels, if the Chinese are stopping the precursors coming from China, will have to seek other sources of supply. They will have to go elsewhere. That is what would be a dramatic step. That would be a hopeful step.

The other part of this that I want to see within the United States is our capability to act ourselves. It is an opportunity to work with the Chinese to see this happen, but if they do not, we should place these chemical companies on what I call the pre-sanction list, and have a discussion with these Chinese authorities, and give them the opportunity to act. If they do not, then sanction the chemical company and do it ourselves.

Senator HASSAN. Thank you. Dr. Felbab-Brown. In the last few years, Chinese criminal organizations have taken over the vast majority of money laundering for drug cartels. This criminal activity is driven by huge demand in China to illegally convert Chinese currency into U.S. dollars due to strict capital controls put in place by the Chinese government. How can the United States best combat the money laundering by Chinese organizations that enable the drug cartels?

Dr. FELBAB-BROWN. There is no simple answer. The underground banking system that you are referring to is only one of the methods that Chinese money launderers are using. They are also using trade-based methods, increasingly even in the United States, real estate, and cashier's check.

Detection sting operations are all important elements of identifying the tools they are resorting to. Obviously, Know Your Customer laws also have benefits in providing intelligence on dismantling the money laundering networks. Insisting on better monitoring within the Chinese banking sector is another important step. One of the positive things that happened in Beijing at the U.S. China Counter Narcotics Working Group meeting was that for the first time, representatives from Chinese banks, including the Bank of China, were part of side meetings.

There are many opportunities to act, many challenges in the way that the Chinese money launderers are laundering money. Many of those are merit transactions in the three countries, China, Mexico, United States, where the money never crosses no international

wires. That limits the opportunities. But the less cooperation we have from China, the less we are able to act. But I agree that we can continue strengthening on our own money laundering efforts.

A lot of the focus has been on bulk cash moving across the U.S.-Mexico border. Frankly, that's an outdated method of money laundering. Other channels are far more potent and carrying far greater flows today.

Senator HASSAN. Thank you. Another question for you, Doctor. In negotiations with the United States, China has frequently claimed that they cannot disrupt the trade of fentanyl precursors since they cannot distinguish illegal shipments from normal commerce.

Know Your Customer laws where sellers are required to confirm the legitimacy of their buyers would help identify illegal trade, but China has so far refused to adopt these protocols. How can the United States further pressure China to implement these requirements?

Dr. FELBAB-BROWN. I think there are multiple steps that the United States could take. Know Your Customer laws are common practice around the world, way outside of simply the pharmaceutical industry. If China continues to insist that they are too expensive to adopt, China should feel the economic consequences of not adopting them.

This would include preventing market access by Chinese companies, sanctioning some Chinese companies, placing them on either sanctions or pre-sanctions list, as my fellow witness stated, or taking other measures, developing portfolios of leverage, visa denial on key industry operatives, key industry officials, for example.

Shaming China. China is responsive to shaming. It is a country that prides itself as being the world's toughest drug cop. The coalition against the threat of synthetic drugs that the United States launched, and that's China abstained from was a powerful tool that are opportunities to build more leverage more effects within the coalition so China becomes responsive.

Senator HASSAN. OK. I am going to follow-up on that just a second. Then turn to Senator Romney. How would the United States benefit from creating a more global approach to disrupting the fentanyl supply chain, more specifically, with the cooperation of Australian authorities and other Southeast Asian nations force China to take more concrete actions?

Dr. FELBAB-BROWN. I think it is important to expand the work of the coalition on synthetic threats broadly, and this is indeed how the coalition has been constructed because in Asia and the Asia Pacific region, so far, we are not seeing significant fentanyl threat, but there is an immense methamphetamine threat that is linked to China.

Chinese criminal networks are the principal vectors, traffickers of methamphetamine. China is very responsive to countries in Southeast Asia including in terms of law enforcement cooperation. It also uses law enforcement cooperation for its influence. Enhancing specifically that sub-coalition that you refer to, Southeast Asian countries, Australia, New Zealand, is in my view, a very effective tool to motivate further action and consistent action from China.

Senator HASSAN. Thank you very much, Senator Romney.

Senator ROMNEY. Thank you. I am going to step back because I am not an expert in this topic at all, and I have not spoken with Chairman Xi about it, nor even Mexican authorities about it. So, I am going to ask very simply, and I am going to ask each of you where you think our focus ought to be most directed or whether we can have a focus.

It strikes me that there are various elements where we have pressure or capacity to constrain. There's the demand side, which is trying to influence demand for narcotics and fentanyl in the United States. That strikes me as a very difficult task to take on, finding a way to reduce demand in the United States. But that's one possibility.

The next is the border, which is to make a very aggressive effort to secure the border electronically, with monitoring systems, to evaluate what's coming across the border. The reason I think it's difficult is because it can come, of course, by people carrying the product over. It is not a very heavy product. It is small. It can come in a through the mail, it can come by aircraft, it could come by ships. The border strikes me as a very difficult one to substantially restrict the flow.

Then there are the cartels. Going after the cartels. Ending organized crime is something we have been trying to do since the 1930s or probably before that, and so I wonder whether we are going to be able to stop organized crime in Mexico.

The next one is precursors. Going after the precursors that are coming from China. I do not know how easy it is to make the precursor, how effective China might be in cutting off the development of precursor.

Then we go on to money laundering and the financial systems to try and cutoff financial systems. It would seem to me, as a novice in this area, that if someone's willing to pay you money and someone's willing to get paid that money, they are going to find a way to launder it. We can try and stop all sort of vehicles to make it easy, but ultimately, buyers and sellers are going to be able to complete a transaction.

As I look at those, I wonder which are the ones we should focus on? What's the one or two that is going to be most effective in being able to reduce the scourge of fentanyl in our country? I will start in the center here with Ms. Realuyo—all right. I got close to that. What is the origin of that name?

Ms. REALUYO. Filipino.

Senator ROMNEY. Filipino. All right. Excellent. Please, do you have a thought on that?

Ms. REALUYO. Sure. You have actually taken a look at the entire business cycle as we were taught at Harvard Business School. We got to figure out how your efficiencies are. One of the greatest challenges is the actual effectiveness in terms of addiction of the pill, as well as the profit margin.

One of the estimates now is that it costs \$0.30 in a Mexican lab to produce a fentanyl-laced pill that is being sold in Navy Yard, right in front of the Nats Stadium at \$10 to \$15, \$15 to \$20 here in the DC area. That is a reason to now switch to synthetic drugs if you are a trafficker, and then also, it is harder to detect, and our

DEA colleagues know this as opposed to other plant-based drugs that have scents like heroin, marijuana, or cocaine.

But I still think we need to come back to, which is not really the topic of, it is the demand. We are about to enter in prom season here in the United States, and there are tremendous campaigns like One Pill Can Kill, which is done by the DEA. Every one of us as members of our community need to impress upon our youth, and then more importantly, how deadly these things that you are ordering online.

I have been looking at the digitalization of illicit networks and more importantly, in the cyber/physical domain. All these things that we talk about that are criminal networks, they now have a parallel market on the Internet. A lot of it has to do with these social media platforms where they literally have—young people exchange with a trafficker. There's no words, it's just the use of emojis, and amounts, and numbers. It is their own language.

But more importantly, we as parents and as educators are not watching what our kids are doing online. Then, the drug gets sent or gets actually physically exchanged at the parking lot or the McDonald's next to the high school.

We still need to go to the demand piece. I think raising awareness, and looking at the prevention part, and treatment part are very important. Obviously, our hearing today is looking at the supply piece where I also think, having been a former banker at Goldman Sachs, plucked out by General Powell to come and fight the war on terror financially, we can use the exact same toolkit to actually constrain.

My colleagues have talked about the developments of the Chinese money laundering organizations. They really rely on this technology platform like *WeChat*, just as we all transfer money on Zelle, PayPal, or Venmo. They have Venmo for all these types of illicit activity.

The other thing we did not talk about was the use of cryptocurrencies. We are starting to see the Jalisco cartel very sophisticated out of the Guadalajara area, starting to use what are called virtual wallets. They will pay young people to set up a wallet to load dollars here in the United States in Bitcoin, or Ethereum, or some form of—and then they take the pesos out in automated teller machines (ATMs) in Mexico. This is an area where we can impart on our foreign counterparts, methods and means of imposing more controls and what I call the cyber-physical world of how these groups are circumventing, what I call, traditional law enforcement and regulatory kind of policies in order to go after the money, but also the demand.

Senator ROMNEY. Thank you. Madam Chair.

Senator HASSAN. Thank you. Senator Rosen.

#### **OPENING STATEMENT OF SENATOR ROSEN**

Senator ROSEN. Thank you Chair Hassan, Ranking Member Romney. This is a really important hearing, and thank you for graciously allowing me to ask the first set of questions. This is a critically important topic, and the fentanyl crisis, like you all say, we all know this, it is devastating.

In my home State of Nevada, communities all across Nevada, the Southern Nevada Health District reported in February of this year, that between 2020 and 2023, the number of fentanyl overdoses among residents of Clark County, our largest county in Nevada, is increased by 97 percent.

It is one of the reasons why earlier this year, I returned to the Southern Border to meet with Border Patrol and U.S. Customs and Border Protection (CBP) to find out really what those law enforcement officers need to help stop the flow of fentanyl into the United States. Since returning, I am really proud to have passed bipartisan legislation to address the fentanyl crisis, voting for increased investments in technologies that help and intercept drugs. But as to what you have alluded to, much more work needs to be done.

I am going to talk a little bit about sea. We know we have the border, but we have the sea. Last week at an Armed Services Committee hearing, U.S. Southern Command (SOUTHCOM) Commander Richardson, the general, he discussed our armed services ability to detect and seize maritime drug shipments. They are coming in that way too. She said that even with intelligence cooperation with partner nations, they are only able to seize about 10 percent of drug shipments coming in by sea.

Ms. Realuyo, what steps can we use or to better equip our service members and DHS personnel to stop the flow of fentanyl, and also, how can we leverage our international partners to prevent that from coming here like we need to do with defense?

Ms. REALUYO. Particularly in terms of maritime routes, we can use a lot of what we call actionable intelligence. My colleague, Christopher Urben, talked about Plan Colombia. We have developed over 20 years of real knowledge on how to interdict and more importantly, intercept through international trafficking routes. That really is dependent on international cooperation, which is the topic of today's piece.

How do we build those trusted networks is a bigger challenge. I think, it is not a secret that we have had a lot of challenges working with Mexico on counter-narcotics due to corruption to the extent that we actually arrested the top general who was implicated for just a couple weeks.

The bigger question is how do we educate also our own law enforcement, military, and intelligence officers to understand those patterns very well. With Homeland Security, there are trade transparency units that work against trade-based money laundering. The question is how can we create—we have a system out of SOUTHCOM that General Richardson oversees, which is the Joint Interagency Task Force South, looking at now all illicit trafficking, not just cocaine, which had traditionally been looking at it. It is also looking at all types of things, contraband, people, money.

The question then is how do we build that to be a broader kind of model to go after all the ports of entry (POE), whether they be by land, sea, or now air, because I think you have heard about the drones; now that are crossing and dropping payloads. These are the things that we need to really impress upon how we can keep abreast of all this emerging technology.

I look at emerging technology from the dark side of globalization. How is AI, for example, or how our drones are being abused, and

then more importantly, exploited for the bad as opposed to the good. We have seen the Mexican cartels very adroit at incorporating new technologies like crypto payments, like drones to surveil, figuring out where are the kind of weaknesses on our border, Nevada, Arizona. They are quite smart in the way they apply it.

But the bigger thing is how could we keep abreast, and that has to do a lot with resources. Keeping our analysts really up-to-date with how new technology is being applied by the criminal cartels.

Senator ROSEN. I appreciate you thinking about all of that because they are going to try to stay one step ahead of us, and our job is to try to maybe out thank them, and to try to get one step ahead of them.

But you talked about educating, and we do need to educate our law enforcement so that fentanyl guidance for law enforcement. Of course, this week the President signed into law the END FENTANYL Act, a bipartisan legislation I co-lead with Senator Scott and Chair Hassan. This new law is going to help crack down on drug smuggling requiring CBP to update its outdated guidance more frequently so that CBP officers have more information on how to better handle this. As you said, they are constantly coming up with new ways to get these drugs in.

Again, how can we be sure that other nations are up-to-date? Are they up-to-date on their fentanyl guidance documents for their law enforcement personnel? Then to Mr. Urban, are drug enforcement personnel in Mexico, China, and other countries, are they receiving that proper training?

Ms. REALUYO. I work actually at the Perry Center where we are an arm of the Defense Department. Through education and academic engagements, we try to share and more importantly, export our best practices. I just finished a course for 46 mid-level to senior law enforcement, and policy, and military officers from 16 countries. Now, they were taught what the fentanyl threat that's coming to their countries. I think, that they found fentanyl now in Guatemala, Panama, Colombia, and Costa Rica. It is not just the United States and Canada facing this.

The big question is how do you build that trust with your partner? I also work with U.S. Northern Command and Army North, and we are doing a lot of what we call confidence building exercises where we actually show techniques and you would be pleased to hear that the U.S. military and law enforcement are actually teaching the Mexican counterparts how to handle fentanyl.

I do not know if you realize also we are not using canine units to the extent possible because the drug is so powerful on a human being. It actually overwhelms the canines who are quite valuable in terms of these things. But for example, maybe the Mexicans did not know that until they attended the training. These are the types of ways that day by day at the tactical and operational level, they are actually quite good relations.

The bigger question is how do we get to the political will at the strategic level to see eye to eye and understand that the threat of fentanyl is killing not just Americans, but Mexicans as well. That is coming around, I hope.

Senator ROSEN. Thank you. Mr. Urben, do you want to talk about the international cooperation, make sure they are receiving some of this training?

Mr. URBEN. Sure. Like I mentioned earlier, I was overseas for 10 years. With DEA, whether it's DEA, Homeland Security Investigations (HSI), Federal Bureau of Investigation (FBI), we develop relationships with our counterparts. Certainly, over the last few years, that intelligence, that training, that information has certainly been pushed out to the field where we have trained our foreign counterparts.

For example, I was in Vietnam and talked about this very issue with my foreign counterparts. We are very good at in DEA is certainly pushing out the international training component. I am very confident that that has happened over the last few years in terms of building capacity and their awareness of how dangerous fentanyl is and being trained on how to handle it.

Senator ROSEN. Thank you. Thank you very much, Madam Chair.

Senator HASSAN. Thank you. Senator Lankford.

#### **OPENING STATEMENT OF SENATOR LANKFORD**

Senator LANKFORD. Thank you. Thanks to all of you for expertise that you are bringing. Can I ask just a broad question? What other nations are dealing with the fentanyl use like we are? It is such an incredibly inexpensive drug to be able to produce. Obviously, it is killing a hundred thousand Americans now we are seeing. What other nations are dealing with the drug addiction issues that we are dealing with right now, for fentanyl, specifically?

Dr. FELBAB-BROWN. Currently Mexico, even though Mexican President Lopez Obrador continues to deny that fentanyl is used in Mexico and Canada, which has some of the same death rates as the United States. Fentanyl is also used in parts of Europe, Estonia, where there has been a long-established market and various fentanyl amounts have popped up around other parts of Europe, like Northern Nordic countries.

The bigger issue in Europe currently is other type of synthetic opioids, so-called nitazenes. Fentanyl has been seized in various other parts of the world. But part of the challenge of answering your question, Senator Lankford, is that very many countries do not in fact monitor either the flows or the use of fentanyl. There might be much more than is known.

Senator LANKFORD. Right. For the countries that have been successful in trying to be able to deter fentanyl use in their country, what have they found to be successful?

Dr. FELBAB-BROWN. I think the sole case of success are the Nordic countries about a decade and a half ago where fentanyl was showing up in Norway, in Finland around 2005, 2006, and 2007. This was before fentanyl became a mainstream drug, and because the ease of production was significantly simplified.

At the time, the Nordic countries were able to very rapidly dismantle fentanyl supplying networks, how they did investigations and arrested the entire network that was bringing it in. But those networks were small, marginal, they were not networks with the power, the extent of Mexican cartels that are robustly establishing

operations around Europe these days, or the diversification and scale of Chinese criminal networks. It was very different days than they are right now.

Senator LANKFORD. Obviously, thank you, the technology's increased for detection of fentanyl, but we are still not there to have a visual spectral analysis to be able to pick it up, to be able to evaluate that.

As far as the movement of technology, Senator Hassan and I have continued to be able to work on outbound inspection to try to pick up guns and drugs heading south, or guns and cash, I guess heading south, and then also the inbound.

It is my understanding we have about \$300 million worth of non-intrusive inspection (NII) equipment sitting in a warehouse waiting for Congress to be able to finish out the allocation of the dollars to actually install it. I am sure that will make a difference for us.

But as far as inspection equipment and locations for that, or new types of technology for detecting it, what are we seeing at this point? Both handheld, that can be used by local law enforcement or at a border. We seeing anything?

Mr. URBEN. There has been a dramatic improvement in terms of detection, in terms of handheld, and at the border. It just needs to be deployed, but deployed on both sides of the border to detect the fentanyl coming in. Right?

There is another component of Mexico where we need to buildup capacity there, but within the United States, there has been an improvement in terms of technology just needs to be purchased, trained, and, and delivered to the field. Every field officer or investigator that has to deal with this issue on a narcotics unit should have a handheld detector so they know what they are dealing with.

But in terms of Mexico itself, if I could digress, there needs to be a dramatic improvement in terms of resources down there, and you could push those resources out there as well to impact the fentanyl trade.

Senator LANKFORD. Resources are one thing, the personnel to actually run it and that are trusted partners to be able to do that in those areas, that's something very different.

Mr. URBEN. It's something very different. From my perspective, and Senator Romney brought this up, in terms of organized crime, it needs to be the goal of the United States to take down the Mexican cartels. The reason I say that is the only way we are going to actually win this battle against fentanyl is to go after the Mexican cartels.

There is an opportunity with new leadership coming in Mexico. We need to go back to Plan Colombia and what has demonstrated success. It is not going to be easy, but the things that I would suggest are one vetted units. We need to buildup the capacity of Mexico and our joint operations within the United States to go after the cartels. There should be a collaborative relationship. They are an ally of ours. We share a border with them. We have tremendous trade with them. We should commit to this relationship.

There are new things we do, not just with vetted units in Mexico, but things called joint investigative teams where we work collaboratively, in the United States, with officials from other countries. They do this in Europe a lot. Again, we should fully commit to that.

The second part is extraditions. We can do this tomorrow and this would have a dramatic impact on Mexican cartel members. We have a treaty with Mexico, they should honor our extradition requests, and that would have a dramatic impact. I could go on and on to different ideas, but building up that capacity and committing to it would make a big difference.

Senator LANKFORD. There has been some push for additional authority to be able to sanction individuals in these cartels. You are also talking about extradition. We need the additional authorities to be able to pass for the sanction authorities, but what authorities already exist that are not currently being used?

Mr. URBEN. The last sanction order, the Executive Order (EO) that the Biden administration came out with, it is a low threshold to sanction individuals and companies that are facilitators of the fentanyl trade. That is what I talked about earlier in terms of standing up a sanctions platform whether to go after Chinese chemical companies or any facilitator in Mexico. If we cannot impact them with arrest and extradition, just frankly sanction them, it is a good use of time and money.

Senator LANKFORD. OK. Criminal consequences here for those that are trafficking in fentanyl, is there a need to be able to increase consequences, obviously, on the Federal level for trafficking across the border, or to be able to hold people to greater account if there is a death from fentanyl, to be able to trace that back to everyone in the chain of distribution?

Mr. URBEN. Absolutely. Everyone should be prosecuted to the fullest extent of the law from the death back to the source of supply. We should be using the racketeering laws that we had that we went after Italian organized crime. We should be going after Chinese organized crime that's operating in this country—

Senator LANKFORD. Is that happening right now?

Mr. URBEN. No. We should have that.

Senator LANKFORD. That is one of the concerns that I have, is that those are authorities that currently exist right now. That if you have the death of a 25-year-old based on a fentanyl use of something they thought was an OxyContin, was actually had fentanyl laced in it, that individual being able to track back all the distribution to the beginning.

Mr. URBEN. There have been prosecutions on exactly what you are saying. There needs to be more because every death that is a result of drugs trafficked from the Mexican cartel should result in one of those prosecutions.

Senator LANKFORD. Thank you.

#### **OPENING STATEMENT OF SENATOR OSSOFF**

Senator OSSOFF [presiding.] I am briefly assuming the duties of the chair while Chair Hassan votes. Professor Realuyo, Chair Hassan and I helped to lead a bipartisan delegation to Beijing last fall, and our bipartisan delegation unanimously and with force raised directly with President Xi, our insistence that China takes stronger action to end the export of fentanyl precursor chemicals from China's chemical manufacturing sector onward, much of it to Mexico where it is synthesized and the fentanyl winds up on the streets of the United States.

What is your assessment of progress or a lack of progress that has been made on China living up to its commitment, which were reinforced at a bilateral meeting between Presidents Biden and Xi to crack down on fentanyl precursor exports?

Ms. REALUYO. I welcomed your delegation's visit. We are excited to see the fact that you were there to provide some more pressure, and the San Francisco summit between Presidents Biden and Xi. There are some small incremental steps, but we have yet to see what is going to come of it. I am in the trust, but verify camp, and more importantly, nothing happens in China without the Chinese Communist Party (CCP) knowing.

There are some arguments that, they cannot control the big pharmaceuticals or the big chemical companies are known. It is more the smaller ones that are very hard to control there's always going to be an excuse as to why they are not enforcing. This is where I think that we need to hold them accountable with regular verifiable reports on law enforcement actions that they have taken. Or more importantly, also for them to share with us their intel on which of the illicit fentanyl and precursor chemical companies they are looking at and then what actions they are taking against them.

Then we also spoke earlier in the hearing about the Chinese money laundering organizations. China makes money on both sides. It makes money through the precursor chemicals and the fentanyl sales to the Mexican cartels and others, but then also, they are making one to two percent on the money that they are laundering, which are U.S. dollars that are very precious to the Chinese who have very limited access to hard currency.

There is not really this interest. Perhaps there is a diplomatic interest because they have been shamed into a corner to make it look like they are playing ball with us. But I think we have to hold them to account much more. It's only been one, the first meeting was in late January of the new joint kind of working group on fentanyl, but whether it is quarterly or every month even to see what actions they have taken, that is the question I have as to how true the commitment is. Not by word, but by action.

Senator OSSOFF. Thank you, Professor. Mr. Urben, on a bipartisan basis here in the Senate and in the administration, there is a strong will to sustain that pressure on the PRC to end the export of fentanyl precursor chemicals to our hemisphere and anywhere in the world.

Were China to live up to its obligations to end that export business, from what other sources in the world do you expect the gap in the market might be filled?

Mr. URBEN. Sure. If the Chinese chemical companies were no longer a source of supply for the Mexican cartels, I think the first place they would go is India. I think they would source India as a possible place for their chemicals. If the Chinese lived up to this agreement, I think as the Mexican cartels had to adapt to a different source of supply, whether it be India, Eastern Europe, or another Asian country, it would present investigative opportunities because these are other places where we have joint relationships and work with those other countries like India on ongoing investigative matters. That would be the first place I would look for the Mexican cartels to go to.

Senator OSSOFF. I will ask my office to place an inquiry with DHS and DOJ to ascertain whether current law enforcement cooperation relationships are postured to begin those investigations or augment what investigations are already underway. Now to what extent are we seeing supply entering the market from sources other than China at this moment?

Mr. URBEN. To my knowledge, there are not any. The Chinese are still the primary precursors, chemical suppliers to the Mexican cartels. That has not changed yet. There is not intelligence that certainly I am aware of that indicates that the Mexican cartels are seeking other sources of supply, significant other sources of supply for those chemicals.

Senator OSSOFF. Professor, can please characterize rest of world demand and consumption.

Ms. REALUYO. Of fentanyl itself, the United States and Canada are still the primary consumers of illicit fentanyl, and that is why the rate of deaths are so dramatic in our two countries. We are starting to see there- is two ways we look at fentanyl. There is legitimate fentanyl that is diverted. These are the ones that you have heard about stolen from hospitals or someone who actually takes it from the supply chain that is legitimate. Then the one that we are looking at in our hearing today is illicit fentanyl.

I spend a lot of time working in Latin America, so it is obviously in Mexico, but we were starting to see reports of fentanyl being intercepted in Guatemala, Costa Rica, Panama was a diversion case, and Colombia. I work a lot in Colombia where we are starting to see fentanyl-laced and other synthetic drugs start to appear.

Post-Covid, all the discotheques and bars have reopened, which is a point of sale for a lot of these kind of drugs. We have actually seen the Colombians start to ask for increased awareness and training on how to handle synthetic drugs. Also, that Colombia still continues to be the top producer of cocaine that also need precursor chemicals that also come from China. These are the things that we are looking at.

The other day, on Friday, Secretary Blinken was at the United Nations (UN) in Vienna on a global meeting basically warning that this fentanyl crisis is coming your way. A lot of this it is because there is underreporting, and then more point, people do not recognize what a fentanyl overdose looks like.

Here in the United States we actually have access to Narcan and there are ways that we're measure the numbers are so high because we are tracking the numbers. Other countries do not necessarily commit a death to an autopsy. That is why other countries that might be experiencing fentanyl-related deaths are not recording them. The numbers are lower in Canada, I understand, because they do not test for cause of death as much as we do in the United States.

But it is concerning as it grows bigger and better. Also, the Europeans are expecting fentanyl to arrive for their summer season of the party goes in places like Spain and Greece.

Senator OSSOFF. That was my next question, is given how addictive and lucrative this trade is, why hasn't it penetrated Europe?

Ms. REALUYO. It is starting now and the bigger thing is perhaps they are not detecting it. It is kind of hard to detect because it is

usually in capsule or pill format that does not emit the odor that the canine units that our colleagues at DEA use can detect heroin, cocaine, and marijuana that have an odor and that the dogs are trained for.

I was in Spain like three weeks ago where they had the first death of an adolescent, 14 years old, with what is called pink cocaine, which is actually a synthetic drug. Now the Spanish are trying to figure out who are the traffickers that brought it there. We do know that the Mexican cartels are trafficking, not just in cocaine, but maybe starting to bring those fentanyl-laced pills as well to the European market.

As I mentioned earlier, it costs about \$0.30 cents for these pills to be produced in a lab in Mexico. It is being sold on the streets here in front of Nat Stadium at \$15 to \$20 for that same pill, extremely lucrative.

Senator OSSOFF. What is the flow from precursor production, to fentanyl production, to trafficking and sale in Europe? Can you map that for us please?

Ms. REALUYO. It is a little bit different. The synthetics that they have in Europe are actually different drugs than what we have. Fentanyl's probably the last to enter the market. The bigger thing is because synthetics produce a much more effective high, and a little bit more addictive, and are easy to take because it is basically a pill. It is kind of an easier way to be introduced to drugs.

This is a part that I am was trying to understand is how could you educate our partner nations about the fear that adolescents and younger people are going to be consuming the way that we do in the United States. But we probably can expect that the same exact routes that are maritime routes that are being used to push cocaine, that here in the United States we do not consume compared to before, are being shipped to Europe, are probably the same exact maritime routes that are going to be used in order to piggyback with these synthetic drugs, including fentanyl.

Senator OSSOFF. Dr. Felbab-Brown, your take please on the rest of world market and trends in production, trafficking, sale, use, and overdose outside of the United States.

Dr. FELBAB-BROWN. You have said why hasn't it not arrived to Europe? I would phrase it, why hasn't it not yet arrived to Europe? The reality is that there are all the significant gaps in drug markets. Essentially, they are a function of traffickers being interested to building a new market.

In the 1980's when the United States started experiencing the cocaine epidemic, there was plenty of coca cultivated in the Andes, and plenty of cocaine produced to supply Europe. Yet, traffickers were not interested in developing those roots for another decade and a half.

As I have mentioned earlier, Mexican cartels are bringing up significant networks around Europe. They are both partnering with Bulgarian, Turkish, and Albanian actors. They are also starting to develop methamphetamine production in Europe in places like the Netherlands, Belgian, and Spain. Some of that meth is going for sales abroad, including to Asia Pacific.

But those actors are primary possibilities for shipping cocaine and more for shipping fentanyl and more importantly for manufac-

turing fentanyl in Europe. It is also very possible that Chinese actors will be selling either finished fentanyl, or other synthetic opioids, or their precursors to actors within Europe.

In my view, it is a matter of time before it does hit in Europe, and in a matter of time where traffickers will seek to penetrate highly valuable markets in Australia, New Zealand, and Japan.

Senator OSSOFF. Thank you. Madam Chair, I was just getting started. But one more question, if I might, which is the bipartisan border security measure co-authored by a Member of the Subcommittee, Senator Lankford, included some provisions to substantially augment our capacity to detect, interdict, and stop fentanyl flows into the us.

The story of that legislation is well known. Congressional Republicans stopped it in its tracks at the cynical and politically motivated request of the former President. I introduced some legislation last week as a potential stop gap measure to surge fentanyl detection equipment and technology to the Southern Border.

I know, Mr. Urben, that you have touched on the importance of detection technology, technical advances in detection technology during your testimony today. But can you just comment for a moment on what more you think can be achieved if we field sufficient and more sophisticated detection technology at ports of entry?

Mr. URBEN. Ports of entry, obviously, we want to detect the fentanyl before it comes in and it is dispersed throughout the United States for sale. The more resources you can surge at the border and ports of entry in order to detect with more sophisticated equipment that is needed, it will benefit everyone in law enforcement.

The second part of this is in terms of equipment that you would push out to the field within the United States. Your investigator in narcotics unit needs those detectors so we can efficiently identify the fentanyl to protect the officer, to protect the public.

The more equipment that is being pushed out is a benefit to everybody in terms of efficiently moving forward in investigations and protecting officers as they deal with the threat.

Senator OSSOFF. Thank you, Mr. Urben. Thank you, Madam Chair.

Senator HASSAN [presiding.] Thank you, Senator Ossoff, and thank you all. I have a few more questions, and because I had to leave to go vote, there may be a little bit of overlap. I apologize if you have covered it in my absence.

But let me start. This is a question really to all of you. In recent years, there has been an increase in the number of Mexican youth dying from fentanyl overdoses, and you have mentioned that. The new domestic impact of the fentanyl crisis may increase the willingness of Mexican leaders to cooperate with U.S. law enforcement in our efforts to stop fentanyl trafficking.

What steps can Congress take now to ensure that our Federal law enforcement has the tools and authorities that it needs so that it is ready to cooperate, perhaps with a newly cooperative Mexican government in combating fentanyl? We will start with you, Dr. Felbab-Brown.

Dr. FELBAB-BROWN. Thank you, Madam Chair. I think the most important issue is really to work on will of the Mexican govern-

ment to cooperate. There are plenty of opportunities for cooperation if that will is resurrected. Currently, it is very weak how we get to resurrecting the will.

Certainly, improving non-intrusive board inspection is an important element, but I would advocate also improving or strengthening even intrusive border inspections. That is economically painful, but 100,000 Americans dying, it is far more painful. The cost of the fentanyl crisis is well over \$2 trillion at this point. So intrusive inspection is something that the Mexican government will start paying attention to.

Indictment portfolios of Mexican government officials who collaborate with cartels or who subvert law enforcement efforts to jointly collaborate are also very important. There might be a time where considering the foreign terrorist organization designation against the cartels might become appropriate as well.

I would also say though, that on the United States side, we should be expanding both intelligence collections on Mexican cartels, prioritize them higher in the collections priorities list, as well as expand the frequency, the extent of organized crime drug task forces. They are very powerful, very effective, and they need to look at all aspects of the cartels' activities, not simply fentanyl because their expansion into legal economies, their expansion into wildlife trafficking, their expansion into water distribution, all feed their economic power, their smuggling networks, and their political power within Mexico.

Senator HASSAN. Thank you. Ms. Realuyo.

Ms. REALUYO. Just to compliment what Vanda has said. There is an anticipation. As you know, there is going to be a new president of Mexico in the next coming months, and we hope that person would be a female for the first time is more pragmatic, but it also is an opportunity in their first 100 days for the United States to exert pressure and actually exact from them collaboration and cooperation on the counter-narcotics front.

That could be partnered with, as I mentioned, if they do not play ball, we should actually think about imposing tariffs because we are their greatest trading partner. And ways that you can actually put together the instruments of national power beyond the law enforcement and military aspect, but include those economic and trade pieces with United States-Mexico-Canada Agreement (USMCA).

The other piece we need to take a look at is how we can get them to collaborate. There's a National Security Act that was passed under AMLO that is extremely cumbersome for American law enforcement officials to work with actionable intelligence with their counterparts. Through diplomatic means, there should be a way to reverse that and more importantly, get more boots on the ground in order to go after the cartels we know where the labs are, we know who the heads are, and more importantly, it is just a question of action and political will on the Mexican side.

The change of government could be an opportune moment, but we would have to encourage policymakers to act quickly to show what the carrots and sticks are in terms of getting movement to dismantle the Mexican cartels.

Senator HASSAN. Thank you. Mr. Urben.

Mr. URBEN. It is a real opportunity as the national security law that my fellow panelists just mentioned really set back law enforcement engagement with United States and Mexico decades. We need a complete reset.

The opportunities exist with vetted units. We need to establish this relationship through law enforcement, judicial process, because as I said before, Mexico is our neighbor. They are an ally. We have tremendous trade. We need to establish a relationship that goes forward well into the future with this collaborative relationship to go after transnational organized crime.

So reestablishing vetted units. We went from 120 to less than 20 vetted unit members after this national security law. We need to get back to 200. Extraditions; extraditions we have a treaty, they should be done tomorrow. As soon as we ask for an extradition, that should be done in a timely manner, and the same thing will happen in Mexico that when we did in Plan Colombia when we brought AUC and the FARC to justice. They essentially capitulated, and that is how, essentially, Plan Colombia was a success.

We need to establish joint investigative teams. That is a concept that happened in Europe, where we put together Mexican liaison officers with U.S. law enforcement. Again, we are going to collaborate well into the future. It is not going to change.

Last, a sanctions task force. I have to bring up Federal agents in Mexico do not have diplomatic immunity. That is absolutely absurd, and to move forward, they need to be established with diplomatic immunity. No doubt within the United States, you need to increase funding. You need to have a legislation that allows Federal law enforcement to wiretap encrypted applications. Data targeting is another component that you could really leverage against the Mexican cartels and Chinese money launderers. There's funding that's specifically needed for that.

Senator HASSAN. OK. Thank you. That is very helpful. I want to follow up a little on that to make sure that the Federal Government is focused on targeting and dismantling the criminal organizations that manufacture and transport fentanyl as well as those who support these groups through money laundering.

How would prioritizing cartels and transnational criminal organizations as a target for our intelligence community (IC) improve our Federal law enforcement's capacity to disrupt these entities? Mr. Urben.

Mr. URBEN. The intelligence community has tremendous resources and insight and data tanks. We should be using all of that collaboratively with U.S. law enforcement to target these organizations. It is an untapped resource, and it should be used much more robustly as we go after the Mexican cartels and then Chinese money launderers.

Senator HASSAN. OK. Thank you. To Ms. Realuyo, U.S. law enforcement is seeing an uptick in fentanyl precursor shipments that originate in India. How will transnational criminal organizations adapt and change their practices if us Chinese and Mexican officials begin cracking down on illicit trafficking in their own countries more aggressively?

Ms. REALUYO. That was brought up by Senator Ossoff. We were looking at how it is like a balloon effect, right? If we actually stop and lower the access to Chinese precursors, it is going to go to India. But India's a much more reliable partner. I know that there are already talks about the kind of morphing of the supply chain with our Indian counterparts. That is actually a promising area where we would be able to more easily set up joint investigative task forces with a more willing partner than necessarily with Mexico or with China.

But remember, these groups are so agile and so innovative. There have been talks about they are producing their own chemicals in Mexico as well, which we should kind of put in there as an option. But they have a great thing going now, and it is very hard to stop this flow that is coming from China. The business is so lucrative, it is very hard for anyone to turn away from some product that has tremendous profit margin, more lucrative than any other product right now in the world.

Senator HASSAN. Thank you. Dr. Felbab-Brown, in 2021, President Biden created the Council on Transnational Organized Crime to centralize resources from across the Federal Government that are dedicated to countering transnational criminal organizations. What has the council accomplished so far, if anything?

Dr. FELBAB-BROWN. I think establishing the council was a great idea, but to my knowledge, the council has not had even one meeting.

Senator HASSAN. OK. Could the United States better leverage existing organizations such as the Financial Crimes Enforcement Network (FCEN) to disrupt these sophisticated criminal groups?

Dr. FELBAB-BROWN. Yes, absolutely. Elevating financial intelligence, both for the purpose of seizing money, but also for the purpose of building network picture and being able to mount arrests and prosecution is crucial.

I think there are great opportunities to break down, still, very strong existing stove piping among law enforcement agencies, bring in more departments, think about utilizing wildlife crime investigators because both Chinese and Mexican criminal networks are often deeply implicated in wildlife trafficking. The level of hiding, the level of obstruction they put for law enforcement in the domain is often far weaker than in other domains. Focusing on that element will have potentially high payoffs in terms of detecting other parts of the network.

I think there are very significant opportunities to truly move to a whole-of-government approach on the United States side, and not simply against fentanyl flows, right, but against the networks that smuggle fentanyl, including their political and government protectors.

Senator HASSAN. Thank you. I want to thank all three of you for joining us today in this discussion. Before the hearing ends, I want to give each of you a chance to highlight any areas of international counter fentanyl efforts that we did not cover today. If you think we have covered everything you wanted to say, just say so, but I always like to give people the opportunity. We will start with you, Mr. Urben.

Mr. URBEN. I think we have certainly covered Mexico and China. I do think there is two components. One is international cooperation with countries in Asia that do not have a fentanyl problem, but have a Chinese organized crime problem. They could be allies with us in this fight. You have Vietnam, Thailand, Laos, Australia. All those countries, we could increase resources in terms of our collaboration with law enforcement and it would benefit us in terms of attacking Chinese organized crime.

The second one, we did not talk a lot about what we can do within the United States, but I do think going after Chinese money launderers using the racketeering laws, diminishing the ability of the use of *WeChat* for Chinese money launderers would be a dramatic improvement.

The last part is data targeting that we have talked about here in terms of bringing all the data together to go after the cartels with target packages.

Senator HASSAN. Thank you. Ms. Realuyo.

Ms. REALUYO. Just to compliment my co-witnesses, I think the real issue still goes back to demand. We did not cover it as much in the United States, but why does this market exist? Because of the demand. We have to educate. We are one of the most educated populations in the world. It is a shame that we have so many young people dying from the scourge of fentanyl poisonings. So how do we do that?

Then more importantly, we did not really talk about it, the social media platforms are the means by which this addiction, and more importantly, the euphoria, and the attraction of synthetic drugs, including fentanyl and these drugs are creating the market.

Also, that is how they basically push the product. I think in collaboration across all the agencies, we have to do a better collection of data of how these networks are interrelated, and then more importantly, use all the force of the U.S. Government in terms of our law enforcement intelligence agencies to break down the networks.

There is specific nodes, and I still go back to it is all about the money. The Sinaloa Cartel, we have all the Chapitos, the sons of El Chapo, and El Chapo, under indictment, or imprisoned, and extradited, but we have still never captured the financier. It is very difficult to basically replace a financier compared to all the other ones who are running the different networks.

So still going after the money, but also try to deal with that demand side. Then the enablers, which are literally the social media platforms that are seducing our young into becoming, sadly, users of such a deadly drug.

Senator HASSAN. Thank you, and Dr. Felbab-Brown.

Dr. FELBAB-BROWN. Among the issues that we touched on is India. I think that it is important to continue building cooperation. The Biden administration has been doing so, but we have to realize that law enforcement in India, particularly counter-narcotics law enforcement, is very weak. The pharmaceutical industry is very powerful, yet subject to minimal regulations and their enforcement.

India is already a significant supplier of synthetic drugs globally. So important opportunity to build those, this relationship, but a very long road as to what needs to happen.

There are also significant opportunities to be engaging with our European partners on synthetic drugs broadly, and fentanyl and synthetic opioids, specifically. They tend to be some of the most trusted partners with whom we have the most robust relationships, and they are very useful as Mexican cartels are expanding their operations significantly in Europe and in other parts of the world.

Synthetic drugs, specifically, synthetic opioids, fentanyl, nitazenes, are very different than other drugs because of the price-potency ratio, but also because they are driven by supply. This is not what customers are asking for, at least, not in the initial stages. It is not that one day users in the United States started asking for fentanyl. It is not that one day users in Britain have started asking for nitazenes, it is because it is driven by supply. Hence the importance of holding hearings like you just did, Chair Hassan, and focusing on expanding cooperation against supply.

Senator HASSAN. Thank you, all three of you, for spending so much time and care with us this afternoon. To Dr. Felbab-Brown, Ms. Realuyo, and Mr. Urben, your testimony today has made a real difference, and it is a real contribution to our nation's security. I thought this was a fruitful discussion. We have a lot of new ideas that you have all identified, and some new problems to solve.

This hearing record will remain open for 15 days until 5 p.m. on April 4th for submissions of statements and questions for the record. With that, this hearing is adjourned. Thank you.

[Whereupon, at 3:52 p.m., the hearing was adjourned.]



## A P P E N D I X

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**Chair Maggie Hassan**

Emerging Threats and Spending Oversight Subcommittee  
Hearing on “Strengthening International Cooperation to Stop the Flow of Fentanyl into the United States”  
March 20, 2024

**OPENING STATEMENT**

Good afternoon. Today’s hearing will focus on the steps that U.S. agencies and foreign countries need to take to stop the flow of fentanyl into the United States.

The vast majority of fentanyl and now other powerful synthetic opioids aren’t being produced in the United States; these drugs come from international drug cartels. And we know that these cartels have international supply chains, Mexican drug cartels, for instance, order precursor chemicals used to make fentanyl or other synthetic opioids from chemical manufacturers in China. Then the cartels synthesize the opioids in Mexico and smuggle the drugs across the southwest U.S. border. U.S. and international authorities must work together to dismantle these transnational criminal organizations and cut off their supplies, money, and illegal weapons.

Today’s hearing is an opportunity to look at the specific steps that Congress needs to take to disrupt the fentanyl supply chain and dismantle the deadly and violent criminal organizations that dominate the trade. And we need to develop these strategies with the understanding that the cartels are nimble – constantly shifting their methods to circumvent the law.

We also need to recognize that these cartels take advantage of our current crisis at the Southern Border – so we need, urgently, to strengthen our defenses there. We should provide more resources to border agencies, hire more personnel, and deploy more equipment that can detect drugs in all kinds of vehicles.

However, as I noted, to have a lasting impact on the flow of fentanyl into our country, we need to work with our international partners to fully dismantle the drug cartels producing and supplying the drugs. When I participated in a bipartisan congressional delegation to China last fall, I pressed President Xi to do more to stop the manufacturing and exportation of fentanyl precursor chemicals. President Biden held a summit with President Xi a month later, and since then the Chinese government has said that it would do more to crack down on drug trafficking and target the profits of illegal drug and precursor chemical exports.

We have to hold China accountable and push them to implement reasonable, common-sense controls to limit illegal chemical exports. Yet China continues to resist calls to implement “Know Your Customer” protocols for its chemical sector. These protocols would require that companies verify that their customers have a legitimate purpose for dual-use chemicals and would make it much more difficult for drug cartels to purchase the chemicals that they need to make fentanyl. We must exert more diplomatic pressure to get this done, including working with other major Chinese trading partners to force changes.

U.S. agencies should also take steps to improve coordination and information sharing with Mexican authorities. The drug cartels operating in Mexico are extremely powerful. Their dangerous influence has corrupted officials at all levels of government. In the face of these challenges, we have to find reliable partners to dismantle the drug cartels.

One of the ways to dismantle and defeat the cartels is by depriving them of the money and illegal weapons that they smuggle across the southern border from the United States, something that Mexican officials have stressed to me in my two Congressional trips there. Cartels use these weapons and money to seize control of Mexican communities and bribe or kill officials. That is why I have worked with Senator Lankford to introduce the Enhancing Southbound Inspections to Combat Cartels Act. This bill requires that the Department of Homeland Security increase its inspections of vehicles and pedestrians traveling into Mexico. These inspections will help us prevent the flow of illicit money and weapons. The bill also authorizes additional resources for the border and law enforcement agencies that are responsible for inspections and investigations. I hope that the Senate Homeland Security and Governmental Affairs Committee will consider this legislation soon.

No one law alone will address the fentanyl crisis. Fentanyl is inexpensive to make and transport, and it is in high demand. It will continue to take an all-hands-on-deck approach to dismantle the cartels, crack down on the spread of illicit fentanyl, and protect our communities. That's why while we work to combat the cartels, we should also take steps to strengthen resources for people dealing with addiction to make sure that anyone who needs treatment and recovery services can access them.

Today, though, I look forward to discussing how we can disrupt fentanyl supplies and dismantle drug cartels with our three insightful witnesses. People in every corner of the country – including my home state of New Hampshire – have had their families and communities destroyed by the fentanyl crisis. We must do everything that we can to dismantle and defeat the cartels. We cannot relent in our efforts to build a safer future for our country and our children.

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March 15, 2024

The Honorable Margaret Wood Hassan  
The Honorable Mitt Romney  
Emerging Threats and Spending Oversight Subcommittee  
Committee on Homeland Security and Governmental Affairs  
342 Dirksen Senate Office Building  
Washington, DC 20515

Dear Chairman Hassan, Ranking Member Romney, and distinguished members of the Subcommittee on Emerging Threats and Spending Oversight Subcommittee of the Committee on Homeland Security and Governmental Affairs:

Thank you for holding this hearing entitled, “Strengthening International Cooperation to Stop the Flow of Fentanyl into the United States.” This is a crucial issue that deserves the attention of the subcommittee and its members. I am honored to have this opportunity to submit this testimony as a statement for the record.

I am a senior fellow at the Brookings Institution where I direct the Initiative on Nonstate Armed Actors and the Brookings series the Fentanyl Epidemic in North America and the Global Reach of Synthetic Opioids and codirect the Africa Security Initiative. Illicit economies, such as the drug trade and wildlife trafficking, organized crime, corruption, and their impacts on U.S. and local security issues around the world are the domain of my work and the subject of several of the books I have written. I have conducted fieldwork on these issues in Latin America, Asia, and Africa. In addition to studying China’s and Mexico’s role in various illegal economies over the past two decades, I have been directing over the past three years a new Brookings workstream on China’s role in illegal economies and Chinese criminal groups around the world.

The Brookings Institution is a U.S. nonprofit organization devoted to independent research and policy solutions. Its mission is to conduct high-quality, independent research and, based on that research, to provide innovative, practical recommendations for policymakers and the public. The testimony that I am submitting represents solely my personal views, and does not reflect the views of Brookings, its other scholars, employees, officers, and/or trustees.

**Executive summary**

U.S. domestic prevention, evidence-based treatment, harm reduction, and law enforcement measures are fundamental and indispensable for countering the devastating fentanyl crisis. However, given the synthetic opioid epidemic's extent and lethality in North America and its likely eventual spread to other parts of the world, even supply control measures with partial and limited effectiveness can save lives and thus need to be designed smartly and robustly.

China and Mexico are key actors whose collaboration is necessary for controlling supply. Yet unfortunately the United States has found establishing counternarcotics cooperation with both countries deeply challenging.

Between August 2002 and November 2023, China ended cooperation altogether because Beijing instrumentalizes international law enforcement assistance and subordinates it to its geostrategic relationships. A recent U.S. diplomatic breakthrough with China provides an important promise of strengthened cooperation, the robustness of which is to be seen.

Mexico eviscerated cooperation to a bare minimum because President Andrés Manuel López Obrador's administration has been unwilling and uninterested in mounting any serious law enforcement policy toward Mexican criminal groups.

Mexico continues to calculate that it can get away with only sporadic, minimal, and inadequate counternarcotics collaboration as long as it leverages its ability to hamper or permit the flow of undocumented migrants to the U.S.-Mexico border and as long as the United States depends on it for migration control. If the United States conducted a comprehensive immigration reform that provided legal work opportunities to those currently seeking protection and opportunities in the United States through unauthorized migration, it would have far better leverage for inducing meaningful and robust counternarcotics and law enforcement cooperation from Mexico.

Until 2019, China was the principal source of finished fentanyl for the U.S. illegal market. Since China scheduled the entire class of fentanyl-type drugs in May 2019, it is the principal source of precursor chemicals for fentanyl. And since many precursors are dual use, they have not been placed on control schedules. Chinese brokers knowingly sell these chemicals to Mexican criminal groups for the production of fentanyl.

From the precursors, the Sinaloa Cartel and Cartel Jalisco Nueva Generación (CJNG) synthesize fentanyl in Mexico and then smuggle it to the United States.

### **China**

After more than two years of China purposefully denying counternarcotics cooperation to the United States and failing to mount adequate internal enforcement against precursor flows, Beijing agreed to restart cooperation in November 2023.

China's principal motivation was to stabilize the U.S.-China relationship.

But adroit and appropriately tough U.S. diplomacy and actions also played an important role in bringing China back to cooperation. The United States was able to raise China's reputational costs by organizing the Global Coalition to Address Synthetic Drug Threats and placing China on its annual list of major drug-producing or transit countries. The U.S. Department of Justice issued a set of innovative and powerful indictments against Chinese networks selling nonscheduled precursors to Mexican cartels, and the Department of Treasury sanctioned various Chinese firms for their complicity. The denial of visas to various Chinese officials and business executives also proved an effective tool.

Nonetheless, China still subordinates its anti-drug and anti-crime cooperation to its strategic calculus and views counternarcotics and law enforcement cooperation as a strategic tool to leverage for its other objectives. Thus, even while China's current goal is to reduce tensions, China's drug cooperation is vulnerable to new crises in the bilateral relationship. Moreover, Beijing rarely acts against the top echelons of large and powerful Chinese criminal syndicates that provide the Chinese government with various services unless they specifically contradict a narrow set of interests of the Chinese government.

To demonstrate its commitment, China took several steps in the run-up to and after the November summit between President Xi Jinping and President Joe Biden, such as sending out notices to Chinese pharmaceutical companies that it was stepping up monitoring and shutting down websites selling precursors to Mexican criminal actors.

At the first meeting of the resurrected U.S.-China counternarcotics working group, China agreed to further cooperation steps, including those it previously denied to the United States, such as joint anti-money laundering efforts (AML) and cracking down on pill press exports.

Strengthening AML cooperation is all the more important since Chinese money launderers have become some of the world's leading ones and the to-go-launderers for Mexican criminal groups. They utilize a wide range of innovative methods that avoid international wire transfers and pose particular obstacles for law enforcement.

Worrisomely, Mexican cartels are increasingly sourcing an expanding array of protected and unprotected species in Mexico coveted in China to pay for fentanyl and methamphetamine precursor chemicals. Because of the potency-per-weight ratio of synthetic opioids, precursor chemicals for fentanyl and other synthetic opioids are uniquely suited to be paid for by wildlife products. This method of payment generates dangerous threats to public health and biodiversity since it can spread zoonotic diseases.

Key indicators of China's seriousness about counternarcotics collaboration include:

- China's responsiveness to U.S. intelligence provision.
- Reciprocal sharing of intelligence.
- Arrests and prosecutions in China.
- The extent and consistency of China's monitoring and regulating of Chinese pharmaceutical and chemical industries.
- Its willingness to adopt Know-Your-Customer (KYC) laws.

Yet China already warns that it is unlikely to deliver cooperation on several of these elements. Beijing is still insisting, for example, that it cannot prosecute nonscheduled substances, claiming the lack of material support laws pertaining to organized crime. Because of economic costs, China also remains unmotivated to mandate and promote KYC laws.

### **Mexico**

U.S.-Mexico counternarcotics cooperation has become deeply inadequate during the López Obrador administration in Mexico. From the start of his administration, López Obrador sought to withdraw from the Merida Initiative that underpinned U.S.-Mexico anti-crime collaboration since 2009. A series of crises in the bilateral relationship have hollowed out cooperation. The U.S.-Mexico Bicentennial Framework for Security, Public Health, and Safe Communities that replaced the Merida Initiative in the fall of 2021 reiterated many aspects of counternarcotics cooperation on paper, but on the ground joint counternarcotics cooperation remains weak and insufficient.

Mexico has played an active role in the Global Coalition to Address Synthetic Drug Threats, co-chairing its public health working group. Yet López Obrador's false claims that no fentanyl is consumed in Mexico and his opposition to the provision of the overdose medication naloxone undermines the credibility and effectiveness of Mexico's leadership in that area.

In the spring of 2023, López Obrador also began falsely denying that fentanyl is produced in Mexico.

Aware of the U.S. focus on migration, the Mexican government takes the minimum action necessary to placate the United States regarding fentanyl.

The U.S. Drug Enforcement Administration's (DEA) operations in Mexico remain hampered, though Homeland Security Investigations (HSI) has received more cooperation from the Mexican government.

Acting on U.S. intelligence, the Mexican government engages in occasional collaboration in high-value targeting of key drug cartel leaders. In 2023, the Mexican government arrested and extradited one of the leaders of the Sinaloa Cartel, Ovidio Guzmán López, and later arrested another key Sinaloa operative.

However, the sporadic targeting of an odd member of criminal groups' top echelons, if not accompanied by a systematic effort to disrupt the groups' middle operational layer and the entire scope of their operations, is insufficient. At the national level, the Mexican government rarely interferes with criminal groups' operations in any systematic way.

At the United States' insistence, and as a result of brave journalistic investigative work, the Mexican government did shut down some of the dangerous and criminal-group-linked pharmacies selling fentanyl- and methamphetamine-laced drugs and other dangerous and prescription substances, such as antibiotics, without prescription. These pharmacies are highly dangerous vectors of spreading substance-use disorder and potentially overdose death. Shutting

down these pharmacies is imperative. But effective prosecution of their operators is essential, otherwise the networks will simply open up new pharmacies selling dangerous drugs.

Similarly, lab busting alone, while necessary, is inadequate since fentanyl and methamphetamine labs are easy to rebuild. Yet the Mexican government often does not appear to follow lab busts with investigations, arrests, and prosecutions. Worse, crucial investigations by Reuters have repeatedly revealed that the Mexican government systematically and grossly exaggerates the numbers of busted labs.

Brave journalistic and research work has been crucial to motivate the Mexican government's enforcement actions. Yet Mexico is one of the world's most dangerous places for journalists in the world. López Obrador has frequently lashed out against the media and engaged in a systematic effort to weaken Mexico's checks and balances and institutions of transparency and accountability. In a recent and particularly troubling case, López Obrador exposed the photo, phone number, and personal information of the *New York Times* bureau chief in Mexico who subsequently suffered serious threats. The U.S. Congress and executive branch must strongly condemn such actions by the Mexican government, demand they will not be repeated, and take actions to ensure this.

Beyond journalists, honest Mexican officials who want to collaborate with the United States and brave civil society members, environmental activists, and business community leaders who stand up to the criminal groups at severe risk to their lives and the lives of their families often find no protection from the Mexican government.

López Obrador's strategy of "hugs, not bullets" toward criminal groups never articulated any security or law enforcement component. Over time, it became obvious that López Obrador simply does not want to confront the criminal groups with force. López Obrador abolished the Federal Police, yet the National Guard he created in its stead does not have any investigative capacities or mandates. It can merely, and often ineffectively, patrol the streets.

Yet violence in Mexico remains high and brazen and is spreading geographically and into wider aspects of people's lives. Some of these battles now approximate insurgent battlefields and tactics. Less visible forms of violence—disappearances and intimidation of civil society activists, business community members, and government officials—have escalated across the country. Mexico's current elections season is on track to be the most violent ever, with criminal groups seeking to influence elections at all levels through bribery and intimidation.

Essentially, the Mexican president has hoped that if he does not interfere with Mexico's criminal groups, they will eventually redivide Mexico's economies and territories among themselves, and violence will subside. That policy has been disastrous for many reasons: Most importantly, because it further saps the already-weak rule of law in Mexico, increases impunity, and subjects Mexicans, their institutions, and the legal economies to the Mexican criminal groups' tyranny.

Having expanded far beyond illegal commodities, Mexican criminal groups are also increasingly taking over legal economies, such as fishing, mining, logging, agriculture, alcohol production and retail, and public services such as water distribution in various parts of Mexico. The takeover

goes far beyond extortion and often seeks to control the entire vertical chain of production. This takeover of legal economies does not only augment the cartels' money laundering tools and increase their revenues, it is also a means of political control.

Mexican criminal groups' increasing territorial and economic power, brazen violence, takeover of legal economies in Mexico, and the impunity they enjoy in Mexico raise significant questions about near-shoring to Mexico as a derisking strategy for China. What kind of supply-chain, legal, and other liabilities and risks are there for U.S. companies operating in Mexico or with Mexican counterparts amid a collapsing rule of law?

Mexican criminal groups increasingly interact with Chinese criminal groups and fishing fleets. The high presence of Russian spies in Mexico also raises the possibility of their increased relations with Mexican criminal groups.

Overall, Mexican criminal groups govern an expanding scope of territories, economies, and institutions and people in Mexico. These profoundly pernicious developments have taken place even as Mexico's economy and public policy, not just public safety, have become increasingly militarized.

#### **Policy recommendations**

Since Mexican drug cartels have diversified their activities into a wide array of illicit and licit commodities, primarily focusing on drug seizures close to the source is no longer sufficient for effectively disrupting fentanyl smuggling and criminal networks implicated in it.

Rather, it is imperative to counter all of the Mexican criminal groups' economic activities and their connections to Chinese criminal actors and political patrons around the world. This includes countering poaching and wildlife trafficking from Mexico and illegal logging and mining in places where the Mexican cartels have reach, acting against illegal fishing off Mexico and around Latin America and elsewhere, and shutting down wildlife trafficking networks into China. These are all increasingly important elements of countering Mexican and Chinese drug-trafficking groups and reducing the flow of fentanyl to the United States.

#### ***Reinforcing U.S.-China cooperation***

To motivate China's responsiveness to U.S. intelligence provision and reciprocal sharing, the U.S. Congress could request regular, if closed-door, reports on these aspects of cooperation.

The U.S. government should also consider the number of arrests and prosecutions in China and the consistency and extent of China's monitoring of its chemical and pharmaceutical companies, and the removal of websites selling synthetic drugs to criminal actors as important bases for China's removal from the Majors List.

The United States should continue to strongly encourage China to adopt and enforce KYC laws and punish violators, being ready to raise the costs of China's KYC non-compliance by denying Chinese suppliers and industries market access. The United States should continue encouraging

China and its chemical and pharmaceutical industries to adopt the full array of global control standards.

The United States should reinforce China's willingness to engage bilaterally and multilaterally in AML cooperation against Chinese criminal networks.

The United States should continue developing packages of leverage on Chinese actors and when appropriate continue with its effective policy of denying U.S. visas.

In anticipation of backsliding in China's cooperation, the United States should strengthen multilateral efforts within the Global Coalition to Address Synthetic Drug Threats. Specifically, it should concentrate on mobilizing a subgroup of countries in Southeast Asia and the Pacific region and include methamphetamine in the portfolio of actions. These countries carry important weight with China on law enforcement efforts.

#### ***Inducing cooperation from Mexico***

In its law enforcement engagement with the Mexican government, the United States should prioritize:

- Continuously shutting down Mexican pharmacies that sell fentanyl- and methamphetamine-adulterated drugs and prosecuting the networks that operate them.
- Dismantling drug trafficking networks, particularly their middle-operational layers, not merely interdiction raids on labs and drug seizures.
- Supporting strengthened Mexican prosecutorial actions against criminal actors.

The United States should also continue to seek the restoration of joint U.S.-Mexico law enforcement operations inside Mexico and of Mexico's willingness to systematically share samples of seized drugs with U.S. law enforcement agencies.

The U.S. Congress and executive branch must strongly condemn actions by the Mexican government that threaten the freedom of the press and jeopardize the safety of journalists, especially when they are U.S. citizens. The U.S. government should ensure that such actions by the Mexican government will not be repeated.

The United States has various tools to *induce better cooperation from Mexico*:

Designating Mexican cartels as Foreign Terrorist Organizations (FTOs) would enable intelligence gathering and strike options for the United States military, such as against some fentanyl labs in Mexico. But the number of available strike targets in Mexico would be limited, and the strikes would not robustly disrupt the criminal groups. Neither would the FTO designation add authorities to the economic sanctions and anti-money laundering and financial intelligence tools that the already-in-place designation of Transnational Criminal Organization carries. Moreover, such unilateral U.S. military actions in Mexico would severely jeopardize relations with our vital trading partner and neighbor; the FTO designation could significantly limit and outright hamper other U.S. foreign policy options, measures, and interests.

The United States should be ready to resort to significantly intensified and intrusive border inspections, even if they significantly slow down the legal trade and cause substantial damage to Mexican goods, such as agricultural products.

The United States should develop packages of leverage, including indictment portfolios and visa denials, against Mexican national security and law enforcement officials and politicians who sabotage rule of law cooperation in Mexico, facilitate cartel activities, and undermine law enforcement cooperation with the United States.

***Expanding and smartening U.S. measures against criminal actors***

The United States also has crucial opportunities to strengthen its own law enforcement actions against dangerous drug supply by reconceptualizing the counternarcotics effort more broadly as against all activities of criminal actors smuggling dangerous contraband. This would include:

- Truly adopting a whole-of-government approach to countering fentanyl-smuggling entities.
- Authorizing a wide range of U.S. government agencies, including the Departments of State and Defense, to support U.S. law enforcement against Mexican and Chinese criminal actors, fentanyl trafficking, and crimes against nature.
- Collecting relevant intelligence on crimes against nature to uncover criminal linkages to foreign governments and criminal groups and elevate such intelligence collection in the U.S. National Intelligence Priorities Framework.
- Expanding the number and frequency of participation of U.S. wildlife investigators and special agents in Organized Crime Drug Enforcement Task Forces (OCDETF).
- Increasing the number of U.S. Fish and Wildlife Service special agents and investigators, which have flatlined since the 1970s even as the value of wildlife trafficking has significantly increased.
- Designating wildlife trafficking as a predicate offense for wiretap authorization.

### Basic overview and core issues

Synthetic opioids are the source of the deadliest and unabating U.S. drug epidemic ever. Since 1999, drug overdoses have killed over 1 million Americans,<sup>1</sup> a lethality rate that has increased significantly since 2012 when synthetic opioids from China began supplying the U.S. demand for illicit opioids. In 2021, the number of fatalities was 106,699;<sup>2</sup> in 2022, it is estimated to have been 107,477.<sup>3</sup> Most of the deaths were due to fentanyl, consumed on its own or mixed into fake prescription pills, heroin, and increasingly, methamphetamine and cocaine.

The structural characteristics of synthetic drugs, such as fentanyl, including the ease of developing similar, but not scheduled, synthetic drugs and their new precursors—increasingly a wide array of dual-use chemicals—pose immense structural obstacles to controlling their supply.

U.S. domestic prevention, evidence-based treatment, harm reduction, and law enforcement measures are fundamental and indispensable to countering the devastating fentanyl crisis.

However, given the synthetic opioid epidemic's extent and lethality in North America and its likely eventual spread to other parts of the world, even supply control measures with partial and limited effectiveness can save lives and thus need to be designed as smartly and robustly as possible.

China and Mexico are key actors whose collaboration is necessary for controlling supply. Yet, unfortunately, the United States has found establishing counternarcotics cooperation with both countries deeply challenging. In fact, in recent years, cooperation with both countries has been deeply inadequate as both China and Mexico hollowed out antidrug collaboration with the United States.

China ended cooperation altogether because it instrumentalizes international law enforcement assistance and subordinates it to its geostrategic relationships. A recent U.S. diplomatic breakthrough with China provides an important promise of strengthened cooperation, the robustness of which is to be seen in 2024 and beyond.

Mexico eviscerated cooperation to a bare minimum because President Andrés Manuel López Obrador's administration has been unwilling and uninterested in mounting any serious law

<sup>1</sup> Julie O'Donnell, Lauren J. Tanz, R. Matt Gladden, Nicole L. Davis, and Jessica Bitting, "Trends in and Characteristics of Drug Overdose Deaths Involving Illicitly Manufactured Fentanyls—United States, 2019–2020," *Morbidity and Mortality Weekly Report*, 70, No. 50, December 17, 2021.

<sup>2</sup> Merianne Rose Spencer, Arialdi M. Miniño, and Margaret Warner, "Drug Overdose Deaths in the United States, 2001–2021," *NCHS Data Brief No. 457*, Centers for Disease Control and Prevention National Center for Health Statistics, U.S. Department of Health and Human Services, December 2022, <https://www.cdc.gov/nchs/data/databriefs/db457.pdf>.

<sup>3</sup> The White House, Office of National Drug Control Policy, "Dr. Rahul Gupta Releases Statement on CDC's New Overdose Death Data," January 11, 2023, <https://www.whitehouse.gov/ondcp/briefing-room/2023/01/11/dr-rahul-gupta-releases-statement-on-cdcs-new-overdose-death-data-2/#:~:text=Rahul%2520Gupta%2520Director%2520of%2520the,period%2520ending%2520in%2520August%25202022.>

enforcement policy toward Mexican criminal groups and has stayed away from substantially confronting them.

Mexico continues to calculate that it can get away with only sporadic, minimal, and inadequate counternarcotics collaboration, and unresponsiveness to key U.S. interests as long as it leverages its ability to hamper or permit the flow of undocumented migrants to the U.S.-Mexico border and as long as it provides other migration services to the United States, such as hosting migrants awaiting U.S. asylum hearings.

Until 2019, China was the principal source of finished fentanyl for the U.S. illegal market. Unscrupulous Chinese brokers, acting in violation of U.S. laws, shipped fentanyl to dealers in the United States, often through postal and other courier services. In May 2019, after years of intense U.S. diplomacy, China placed the entire fentanyl class of synthetic opioids on a regulatory schedule.<sup>4</sup> China had to pass new laws to be able to do so.<sup>5</sup> China also adopted stricter mail monitoring procedures. As a result, instead of shipping finished fentanyl to the United States, Chinese brokers switched to shipping precursor chemicals to criminal groups in Mexico for the synthesis of fentanyl there. Some of these precursor chemicals have been scheduled, but others remain unscheduled, in part because they have widespread use in the legal manufacturing of chemical products and pharmaceutical goods.

Nonetheless, even when Chinese brokers sell nonscheduled chemicals to Mexican criminal groups, they often supply these precursors and pre-precursors with the explicit knowledge that the drugs will be synthesized into fentanyl and distributed in the illegal market. Chinese sellers sometimes accompany the chemicals with recipes of how to synthesize illegal drugs like fentanyl from the precursors they provide. They purposefully cater to drug trafficking groups in their directed Spanish advertisements that often bundle together uncontrolled fentanyl precursors, common cocaine adulterants, and unscheduled methamphetamine precursors. Some of their ads even highlight their capacities to “clear customs in Mexico.”<sup>6</sup> In other cases, Chinese companies operating online without Chinese internet signatures advertise their connections to international drug traffickers, such as in India, to appeal to illegal buyers in Mexico.<sup>7</sup>

#### **U.S.-China counternarcotics cooperation**

After more than two years of China purposefully denying counternarcotics cooperation to the United States and failing to mount adequate internal enforcement, Beijing agreed to restart cooperation in November 2023. Its principal motivation was to stabilize the U.S.-China relationship, but U.S. diplomacy and actions also played an important role in bringing China back to cooperation.

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<sup>4</sup> Mark Landler, “U.S. and China Call Truce in Trade War,” *The New York Times*, December 1, 2018, <https://www.nytimes.com/2018/12/01/world/trump-xi-g20-merkel.html>.

<sup>5</sup> Vanda Felbab-Brown’s interviews with six current and former international drug policy officials, by virtual platforms, November and December 2021.

<sup>6</sup> Vanda Felbab-Brown’s interviews with two U.S. drug policy experts specializing in online sales of precursor agents, by virtual platforms, December 2021.

<sup>7</sup> Vanda Felbab-Brown’s interview with a foreign correspondent who has reported on China’s fentanyl and precursor markets, by virtual platform, November 2021.

The diplomatic breakthrough was announced at the November 2023 meeting between President Joe Biden and President Xi Jinping.<sup>8</sup> As part of the renewed cooperation, a joint U.S.-China counternarcotics working group was recreated.

To demonstrate its seriousness, China's National Narcotics Control Commission sent out notices to Chinese pharmaceutical companies across the country's provinces that it was now monitoring and enforcing precursor export controls.<sup>9</sup> Like in 2019 and 2020, China also took down some Chinese websites that were selling precursor chemicals to international criminal groups.

In return, Washington removed sanctions from the Institute of Forensic Science in China, which the United States had designated because of the institute's complicity in human rights abuses in Xinjiang.<sup>10</sup> China has long sought the removal of those sanctions.

In January 2024, the resurrected U.S.-China counternarcotics commission held its first meeting. High-level Chinese officials promised ambitious outcomes, even as non-action hedging did not completely disappear.<sup>11</sup>

U.S. officials have told me that China has started acting on U.S.-provided intelligence about Chinese drug networks. Compared to the many years when the commission's previous iterations essentially amounted to platforms for mutual recrimination, at least some temporary progress appears to have been made.

China also agreed to expand its multilateral engagement on synthetic drug control, such as once again reporting drug data to the United Nations anti-drug agencies.

For the first time, China was willing to include several measures on which it had previously resisted cooperation. In one, China committed itself to enforcement cooperation on pill press exports, a vital element of the illegal drug trade enabling the production of lethal, fake pills. China had long shunned regulatory controls on pill presses to maximize its economic interests.

China also committed itself to AML cooperation, another element on which China had long denied collaboration with the United States. Previously, U.S. officials were frustrated by the lack of China's cooperation with U.S. investigations into the role of Chinese networks laundering money for Mexican cartels. Overall, U.S. law enforcement agencies have had little visibility into

<sup>8</sup> Mike Wendling, "Five Things We Learned from the Biden-Xi Meeting," BBC, November 16, 2023, <https://www.bbc.com/news/world-us-canada-67433961>.

<sup>9</sup> Martin Purbrick, "The Workshop of the World and the Tide of Fentanyl from China," Substack newsletter, The Asian Crime Century, February 16, 2024, <https://asiacrimecentury.substack.com/p/the-workshop-of-the-world-and-the>.

<sup>10</sup> Nike Ching, "US Lifts Sanctions on Chinese Institute to Seek Fentanyl Cooperation," Voice of America, November 16, 2023, <https://www.voanews.com/a/us-lifts-sanctions-on-chinese-institute-to-seek-fentanyl-cooperation-7358446.html>; and Office of Public Affairs, "Commerce Department to Add Nine Chinese Entities Related to Human Rights Abuses in the Xinjiang Uighur Autonomous Region to the Entity List," U.S. Department of Commerce, May 22, 2020, <https://www.commerce.gov/news/press-releases/2020/05/commerce-department-add-nine-chinese-entities-related-human-rights>.

<sup>11</sup> Janis Mackey Frayer and Jennifer Jett, "U.S. and China to Hold High-Level Talks Aimed at Curbing the Fentanyl Crisis," NBC News, January 26, 2024, <https://www.nbcnews.com/news/world/us-china-fentanyl-talks-opioids-drugs-epidemic-precursor-rcna135399>.

China's banking sector and China's application of its AML controls. This time, representatives from Chinese banks, including the Bank of China, attended some of the U.S.-China counternarcotics side meetings in Beijing in January 2024.

Strengthening AML cooperation is always very useful, since beyond disrupting financial flows to criminal actors, AML investigations generate powerful intelligence on criminal networks. In the case of fentanyl and China, such collaboration is all the more important since Chinese money launderers have become some of the world's leading ones. Their collaboration with Mexican cartels is so efficient that they have been displacing the Black Peso Market.<sup>12</sup> Chinese money laundering networks are also facilitating organized criminal groups' financial transactions in Europe.<sup>13</sup>

Chinese money laundering networks utilize a wide variety of money laundering tools and constantly innovate their methods. Crucially, they often manage to bypass the U.S. and Mexican formal banking systems, thus evading established anti-money laundering measures. They simplify one of the biggest challenges for the cartels: moving large amounts of bulk money subject to law enforcement detection.

Chinese money laundering methods frequently avoid international wire transfers. Instead, they interface with the formal banking systems only within a country—China, Mexico, or the United States, and sometimes only within China. As described in Drazen Jorgic's Reuters special report,<sup>14</sup> through a system of mirror transactions across several countries, Chinese money launderers deposit equivalent amounts of money across the money laundering chain. They interact with criminal actors, such as Mexican cartels, through encrypted platforms, burner phones, and codes. U.S. investigations and court cases reveal that the Bank of China has been among the Chinese financial firms utilized by Chinese operators to launder money for Mexican cartels.<sup>15</sup>

Laundering through casinos is analogous to these informal money transfers: Bulk cash is brought to a casino in Vancouver, for example, where the cartel-linked individual loses it while his money laundering associate in Macau wins and pays the Chinese precursor smuggling networks.<sup>16</sup> In recent years, such as between 2021 and 2023, China clamped down on money

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<sup>12</sup> Drazen Jorgic, "Special Report: Burner Phones and Banking Apps - Meet the Chinese 'brokers' Laundering Mexican Drug Money," Reuters, December 3, 2020, <https://www.reuters.com/article/us-mexico-china-cartels-specialreport/special-report-burner-phones-and-banking-apps-meet-the-chinese-brokers-laundering-mexican-drug-money-idUSKBN28D1M4/>.

<sup>13</sup> Emilio Parodi, "Insight: Italian Drugs Cartels Conceal Payments via Chinese Shadow Banks | Reuters," Reuters, April 6, 2023, <https://www.reuters.com/world/europe/italian-drugs-cartels-conceal-payments-via-chinese-shadow-banks-2023-04-06/>.

<sup>14</sup> Jorgic.

<sup>15</sup> Ibid.

<sup>16</sup> For further details, see various hearings of the Commission of Inquiry into Money Laundering in British Columbia, <https://www.cullencommission.ca>; and Sam Cooper, "Exclusive: How B.C. casinos are used to launder millions in drug cash," *Vancouver Sun*, September 29, 2017, <https://vancouversun.com/news/national/exclusive-how-b-c-casinos-are-used-to-launder-millions-in-drug-cash>.

laundering and gambling in Macau and encouraged countries in Southeast Asia and the Pacific, such as Australia, to cooperate with its effort to repatriate money to China.<sup>17</sup>

Other money laundering and value transfers between Mexican and Chinese criminal networks include trade-based laundering, a form of money laundering extremely challenging for law enforcement to counter. An example of trade-based laundering includes Chinese launderers for CJNG buying shoes in China and reselling them in Mexico to give the cartel the necessary cash.<sup>18</sup>

In the United States, Chinese money launderers have recently begun using counterfeit Chinese passports to open burner bank accounts. They swap cash for cashier's checks, with which they purchase iPhones and other luxury goods sought in China. The resale of these goods in China generates further profits for the money laundering networks.<sup>19</sup>

Just like in Australia, a primary location of Chinese money laundering, Chinese money laundering networks in the United States are also moving into real estate, in addition to utilizing cryptocurrencies.<sup>20</sup>

Other pernicious forms of money laundering and value transfer utilize Mexican wildlife and plant products, such as marine and terrestrial animals and timber. Beyond facilitating crime, they pose massive threats to Mexican biodiversity and risk spreading catastrophic zoonotic epidemics and pandemics, including to the United States.

Mexican cartels are increasingly sourcing an expanding array of protected and unprotected species in Mexico coveted in China—for Traditional Chinese Medicine, aphrodisiacs, other forms of consumption, or as a tool of speculation—to pay for fentanyl and methamphetamine precursor chemicals. Such products include turtles, tortoises, crocodylians and other reptiles, jellyfish, abalone, sea cucumber, and other seafood, parrots, and jaguars as well as various hardwoods.<sup>21</sup> The swim bladder of the endemic and protected Mexican totoaba fish, which is highly prized in Chinese markets, is a notorious example.<sup>22</sup> Instead of paying in cash, Mexican cartels pay Chinese precursor brokers in these commodities.

The amount of value generated by such wildlife commodity payments, likely in the tens of millions of dollars, may not cover all of the precursor payment totals and is unlikely to displace

<sup>17</sup> Joanna Ossinger and David Ingles, "These Charts Show Impact of China's Casino Crackdown on Macau," Bloomberg, September 15, 2021, <https://www.bloomberg.com/news/articles/2021-09-16/these-charts-show-impact-of-china-s-casino-crackdown-on-macau>.

<sup>18</sup> Drazen Jorgic, "Special report: Burner phones and banking apps."

<sup>19</sup> Homeland Security Investigations, Cornerstone Issue No. 48, January 2024, <https://content.govdelivery.com/accounts/USDHSICE/bulletins/37fff16>.

<sup>20</sup> Vanda Felbab-Brown's interviews with U.S. law enforcement officials, spring 2024.

<sup>21</sup> Vanda Felbab-Brown, "China's Role in Poaching and Wildlife Trafficking in Mexico" (The Brookings Institution, March 2022, <https://www.brookings.edu/events/chinas-role-in-poaching-and-wildlife-trafficking-in-mexico/>).

<sup>22</sup> For background, see Vanda Felbab-Brown and Alejandro Castillo, "Restore US-Mexico seafood trade & save the vaquita," Mexico Today, May 7, 2021, <https://mexicotoday.com/2021/05/07/opinion-restore-us-mexico-seafood-trade-save-the-vaquita/>; and Enrique Sanjurjo-Rivera et al., "An Economic Perspective on Policies to Save the Vaquita: Conservation Actions, Wildlife Trafficking, and the Structure of Incentives," *Frontiers in Marine Science* (August 27, 2021), <https://doi.org/10.3389/fmars.2021.644022>.

other methods of money laundering and value transfer. But the potency-per-weight ratio of synthetic opioids makes their precursors very cheap—their total value likely also amounts to only tens of millions of dollars.<sup>23</sup> Thus, precursor chemicals for fentanyl and other synthetic opioids are uniquely suited to be paid by wildlife products, and this method of payment generates highly dangerous threats to public health and biodiversity.

Moving bulk cash across the U.S.-Mexico border is an increasingly dated method.<sup>24</sup>

#### **Why China restarted counternarcotics cooperation**

Two factors brought about China's collaboration turnaround:

1. Chinese geostrategic calculations.
2. Adroit and appropriately tough U.S. diplomacy.

In the last several years, U.S.-China relations deteriorated to a level of tensions unseen in decades across a wide range of issues—including military alliances and power projection in the Asia-Pacific, China's facilitation of Russia's egregious war against Ukraine, Chinese spying of sensitive technologies, and Taiwan.<sup>25</sup> With China's economic growth slowed since COVID-19, the intensified competition has put further strains on China.<sup>26</sup> Both countries came to desire a more stable rivalry and looked for a way to put a floor underneath their relationship's freefall. Resurrecting bilateral counternarcotics enforcement and military-to-military exchanges and increasing cooperation on climate change mitigation and artificial intelligence were all opportunities to do so.<sup>27</sup>

Moreover, U.S. diplomacy effectively raised the reputational and other costs for China and Chinese actors. In July 2023, the United States organized and launched a new Global Coalition to Address Synthetic Drug Threats.<sup>28</sup> Although China prides itself on being a tough drug cop and

<sup>23</sup> Vanda Felbab-Brown's interviews with U.S. law enforcement officials, Mexico City and by virtual platforms, October 2021.

<sup>24</sup> Vanda Felbab-Brown's interviews with U.S. law enforcement officials, spring 2024.

<sup>25</sup> See, Ryan Hass, "What America Wants From China," *Foreign Affairs*, October 24, 2023, <https://www.foreignaffairs.com/united-states/what-america-wants-china-hass>; Dan De Luce, "China Helps Russia Evade Sanctions, Likely Supplies Moscow with War Tech Used in Ukraine," *NBC News*, July 27, 2023, <https://www.nbcnews.com/news/investigations/china-helps-russia-evade-sanctions-tech-used-ukraine-war-rcna96693>; and Courtney Kube and Carol E. Lee, "Chinese Balloon Got Intel from U.S. Military Sites, despite Efforts to Block It," *NBC News*, April 3, 2023, <https://www.nbcnews.com/politics/national-security/china-spy-balloon-collected-intelligence-us-military-bases-rcna77155>.

<sup>26</sup> Laura He, "Analysis: China's Economy Had a Miserable Year. 2024 Might Be Even Worse | CNN Business," CNN, December 28, 2023, <https://www.cnn.com/2023/12/27/economy/china-economy-challenges-2024-intl-link/index.html>.

<sup>27</sup> The White House Staff, "Readout of President Joe Biden's Meeting with President Xi Jinping of the People's Republic of China," The White House, November 16, 2023, <https://www.whitehouse.gov/briefing-room/statements-releases/2023/11/16/readout-of-president-joe-bidens-meeting-with-president-xi-jinping-of-the-peoples-republic-of-china-2/>.

<sup>28</sup> United States Department of State Staff, "Global Coalition to Address Synthetic Drug Threats," United States Department of State, July 2023, <https://www.state.gov/globalcoalition/>.

tends to be very active in global counternarcotics diplomacy, it abstained from joining while nearly 100 countries signed up.<sup>29</sup>

China's counternarcotics reputation took another hit in September 2023 when the United States placed Beijing on its annual list of major drug-producing or transit countries (aka the Majors List).<sup>30</sup> While some countries have become indifferent to the listing, calculating they can escape sanctions through U.S. national security interest exceptions, these reputational costs do matter to China.

Crucially, in 2023, the U.S. Department of Justice issued a set of innovative and powerful indictments against Chinese networks selling nonscheduled precursors to Mexican cartels, and the Department of Treasury sanctioned various Chinese firms.<sup>31</sup> The indictments centered on prohibitions of material support to organized crime groups and revealed Chinese suppliers are knowingly selling to Mexican cartels and providing them with formulas and kits on how best to process the nonscheduled chemicals into fentanyl.<sup>32</sup> China has long excused its inaction against these flows by insisting it cannot act against nonscheduled chemicals, such as the dual-use precursors from which much of fentanyl is produced today.

As an important pressure tool, the United States denied visas to various Chinese officials and business executives, while the U.S. Congress held multiple hearings on China's role in the U.S. drug epidemic and a U.S. Senate delegation to China emphasized the issue.<sup>33</sup>

#### **Monitoring U.S.-China collaboration**

It is unlikely that China will end its approach of subordinating its anti-drug and anti-crime cooperation to its strategic calculus. The United States has long hoped to get China to delink anti-crime cooperation from the overall state of the bilateral relationship and establish strong law enforcement cooperation separate from geopolitics.

<sup>29</sup> United States Department of State Staff, "Highlighting U.S. and Global Efforts to Address the Health and Security Threats of Synthetic Drugs Through Global Cooperation," United States Department of State, September 26, 2023, <https://www.state.gov/highlighting-u-s-and-global-efforts-to-address-the-health-and-security-threats-of-synthetic-drugs-through-global-cooperation/>.

<sup>30</sup> The White House Staff, "Memorandum on Presidential Determination on Major Drug Transit or Major Illicit Drug Producing Countries for Fiscal Year 2024," The White House, September 15, 2023, <https://www.whitehouse.gov/briefing-room/presidential-actions/2023/09/15/memorandum-on-presidential-determination-on-major-drug-transit-or-major-illicit-drug-producing-countries-for-fiscal-year-2024/>.

<sup>31</sup> Office of Public Affairs Staff, "Justice Department Announces Eight Indictments Against China-Based Chemical Manufacturing Companies and Employees," United States Department of Justice, October 3, 2023, <https://www.justice.gov/opa/pr/justice-department-announces-eight-indictments-against-china-based-chemical-manufacturing>; and U.S. Department of the Treasury Staff, "Treasury Targets Large Chinese Network of Illicit Drug Producers," U.S. Department of the Treasury, March 13, 2024, <https://home.treasury.gov/news/press-releases/jv1779>.

<sup>32</sup> Office of Public Affairs Staff, "Justice Department Announces Charges Against China-Based Chemical Manufacturing Companies and Arrests of Executives in Fentanyl Manufacturing," United States Department of Justice, June 23, 2023, <https://www.justice.gov/opa/pr/justice-department-announces-charges-against-china-based-chemical-manufacturing-companies>.

<sup>33</sup> Editorial Staff, "Senator Hassan Statement on U.S.-China Fentanyl Agreement," Office of Sen. Maggie Hassan, November 16, 2023, <https://www.hassan.senate.gov/news/press-releases/senator-hassan-statement-on-us-china-fentanyl-agreement>.

In fact, China sees counternarcotics and more broadly international law enforcement cooperation as strategic tools that it can leverage to achieve other objectives. As Beijing's hopes for improvements in U.S.-China relations declined in 2021, so too did China's willingness to coordinate with Washington on counternarcotics objectives. Thus, even though China's current goal is to reduce tensions, China's drug cooperation is vulnerable to new crises in the bilateral relationship.

Moreover, Beijing rarely acts against the top echelons of large and powerful Chinese criminal syndicates unless they specifically contradict a narrow set of Chinese government interests. Chinese criminal groups cultivate political capital with Chinese authorities and government officials abroad by also promoting China's political, strategic, and economic interests.

Key indicators of China's seriousness about counternarcotics collaboration include:

- China's responsiveness to U.S. intelligence provision.
- Reciprocal sharing of intelligence.
- Arrests and prosecutions in China.
- The extent and consistency of China's monitoring and regulating of Chinese pharmaceutical and chemical industries.
- China's willingness to adopt KYC laws.

Yet China already warns that it is unlikely to deliver cooperation on several of these elements. For example, China cautions that it will not be able to mount many arrests and prosecutions.

Furthermore, China still insists that it cannot prosecute nonscheduled substances, claiming the lack of material support laws pertaining to organized crime.<sup>34</sup> If these laws are genuinely lacking in China, the world's most extensive police and surveillance state, it should either strengthen the laws or find other mechanisms in its draconian drug laws, such as conspiracy and fraud charges, to prosecute Chinese violators.<sup>35</sup>

Beyond regular, not just one-off, messaging that China is now serious about controlling drug exports and the above-cited prosecutions, China's willingness to promote the adoption of KYC laws and practices across these industries is an important measure and goal. Designed to protect institutions against fraud, participation in organized crime, corruption, money laundering, and terrorist financing by mandating that companies and individuals perform due diligence on their customers and do not engage in business with those that fall into the above categories, KYC laws are now commonplace around the world. Yet China has been reluctant to adopt such policies, calculating that such measures are too economically costly.<sup>36</sup>

<sup>34</sup> Vanda Felbab-Brown's interviews with U.S. government officials, fall and winter 2023 and spring 2024.

<sup>35</sup> See Paul Mozur, Muye Xiao, and John Liu, "'An Invisible Cage': How China Is Policing the Future," *The New York Times*, June 26, 2022, sec. Technology, <https://www.nytimes.com/2022/06/25/technology/china-surveillance-police.html>; and American Addiction Centers Editorial Staff, "Drug Laws Around the World: Death Penalty for Drugs," *Drug Abuse*, December 17, 2013, <https://drugabuse.com/blog/the-20-countries-with-the-harshesdrug-laws-in-the-world/>.

<sup>36</sup> Vanda Felbab-Brown's interviews with U.S. government officials, fall and winter 2023 and spring 2024, and with Chinese drug policy experts, spring 2024.

Conversely, the United States should not judge the extent of China's cooperation by the number of drug-induced deaths the United States. Even if China were to robustly cooperate, deaths may not dip: In illicit drug markets, there are always lags of months or years between effective supply actions and retail changes. Besides, Mexican cartels have stockpiles of precursors, and they can source them from other sources, such as India or South Africa.<sup>37</sup>

Moreover, if drugs like xylazine (which is not responsive to the overdose medication naloxone) and other synthetic opioids like nitazenes start spreading beyond the East Coast (and escalate in Europe), overdose deaths will spike beyond the currently high levels.<sup>38</sup>

### **U.S.-Mexico counternarcotics cooperation**

U.S.-Mexico counternarcotics cooperation also remains challenging, and over the past five years has become deeply inadequate. Anti-drug collaboration has weakened even though Mexico is an important neighbor and economic partner of the United States and Mexican and U.S. societies are interconnected through familial ties. The Mexican government has hollowed out the cooperation even though Mexican cartels are key vectors of fentanyl production and trafficking and of violence in Mexico and Latin America. At the core of the problem lies the disinterest of the López Obrador administration in confronting Mexican criminals with effective law enforcement. U.S. preoccupation with migration flows and U.S. reliance on the Mexican government to stop these flows give the Mexican government leverage to deflect U.S. demands for stronger law enforcement actions against fentanyl and against the cartels.

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From the start of his administration, López Obrador sought to withdraw from the Merida Initiative—the U.S.-Mexico security collaboration framework signed during the Felipe Calderón administration. Instead, he sought to redefine the collaboration extremely narrowly: U.S. assistance to Mexico was intended to reduce demand for drugs in Mexico, while the United States focused on stopping the flow of drug proceeds and weapons to Mexico and reducing drug demand at home. Previous Mexican governments also sought to direct U.S. law enforcement's focus to those two types of illicit flows but were also willing to collaborate inside Mexico. The U.S.-Mexico-Canada Trilateral Fentanyl Committee has elevated countering firearms trafficking.<sup>39</sup>

After the United States arrested former Mexican Secretary of Defense Gen. Salvador Cienfuegos

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<sup>37</sup> Vanda Felbab-Brown, "China and Synthetic Drugs Control: Fentanyl, Methamphetamines, and Precursors" (Washington, D.C: The Brookings Institution, March 2022), [https://www.brookings.edu/wp-content/uploads/2022/03/FP\\_20221107\\_drug\\_trafficking\\_felbab\\_brown.pdf](https://www.brookings.edu/wp-content/uploads/2022/03/FP_20221107_drug_trafficking_felbab_brown.pdf).

<sup>38</sup> See, Anisha Kohli, "Inside the Emerging Xylazine Addiction Crisis in the U.S.," TIME, May 18, 2023, <https://time.com/6280860/xylazine-fentanyl-philadelphia-addiction-crisis/>; Adam Holland et al., "Nitazenes—Heralding a Second Wave for the UK Drug-Related Death Crisis?," *The Lancet Public Health* 9, no. 2 (February 2024): e71–72, [https://doi.org/10.1016/S2468-2667\(24\)00001-X](https://doi.org/10.1016/S2468-2667(24)00001-X); and Alison Athey, Beau Kilmer, and Julie Cerel, "An Overlooked Emergency: More Than One in Eight US Adults Have Had Their Lives Disrupted by Drug Overdose Deaths," *American Journal of Public Health* 114, no. 3 (March 2024): 276–79, <https://doi.org/10.2105/AJPH.2023.307550>.

<sup>39</sup> The White House, "Background Press Call on Bilateral Engagements and Trilateral Fentanyl Committee's Fourth Meeting in Mexico," <https://www.whitehouse.gov/briefing-room/press-briefings/2024/02/08/background-press-call-on-bilateral-engagements-and-the-trilateral-fentanyl-committees-fourth-meeting-in-mexico/>.

in October 2020 for conspiring with a vicious Mexican drug cartel, López Obrador threatened to end all cooperation and expel all U.S. law enforcement personnel from Mexico.<sup>40</sup> To avoid that outcome, the Trump administration handed Cienfuegos over to Mexico where he was rapidly acquitted.

But despite this significant U.S. concession, Mexico's counternarcotics cooperation remained limited. Meanwhile, U.S. law enforcement activities in Mexico were shackled and undermined by a December 2021 Mexican national security law on foreign agents.<sup>41</sup> As stated by Matthew Donahue, a former high-level Drug Enforcement Administration (DEA) official, since then and because of the continually immense level of corruption and cartel infiltration in Mexican security agencies, Mexican law enforcement spends more time surveilling DEA agents than it does cartel members.<sup>42</sup>

With the threat of Mexico's unilateral withdrawal from the Merida Initiative escalating, the United States government worked hard to negotiate a new security framework with Mexico—the U.S.-Mexico Bicentennial Framework for Security, Public Health, and Safe Communities<sup>43</sup>—in the fall of 2021. The United States emphasized the public health and anti-money laundering elements of the agreement, as the Mexican government had sought. The framework reiterates multiple dimensions of counternarcotics cooperation, including law enforcement.

After the United States launched the Global Coalition to Address Synthetic Drug Threats, Mexico expressed a welcome interest in promoting public health tools for dealing with drug use. It has been cochairing the coalition's working group on health issues. Yet the Mexican government's authority is undermined by López Obrador's false claims that no fentanyl is used in Mexico, even as fentanyl use is spreading beyond Mexico's northern states.<sup>44</sup> The López Obrador administration has even actively hampered the accessibility of the overdose medication naloxone in Mexico, suggesting a total ban on its use even as the medication is crucial for saving and managing opioid use disorder.<sup>45</sup> Not even law enforcement officers sent to bust drug labs in Mexico, where they could be exposed to lethal doses of fentanyl, are provided with naloxone. These actions by the López Obrador administration jeopardize the lives of Mexican people and

<sup>40</sup> Vanda Felbab-Brown, "A Dangerous Backtrack on the US-Mexico Security Relationship," *Mexico Today*, December 21, 2020, <https://www.brookings.edu/blog/order-from-chaos/2020/12/21/a-dangerous-backtrack-on-the-us-mexico-security-relationship/>.

<sup>41</sup> "Mexico softens rules for controversial new foreign agents law," Reuters, January 14, 2021, <https://www.reuters.com/article/us-mexico-usa-security/mexico-softens-rules-for-controversial-new-foreign-agents-law-idUSKBN29J24M>.

<sup>42</sup> Dilanian.

<sup>43</sup> "Summary of the Action Plan for U.S.-Mexico Bicentennial Framework for Security, Public Health, and Safe Communities: A Fact Sheet," U.S. Department of State, January 31, 2022, <https://www.state.gov/summary-of-the-action-plan-for-u-s-mexico-bicentennial-framework-for-security-public-health-and-safe-communities/>.

<sup>44</sup> Laura Gottesdiener and Brendan O'Boyle, "Fentanyl use spreads deeper into Mexico, on heels of US epidemic," February 20, 2024, <https://www.reuters.com/world/americas/fentanyl-use-spreads-deeper-into-mexico-worrying-authorities-2024-02-20/>.

<sup>45</sup> "Mexican president floats banning use of medicinal fentanyl," *Reuters*, March 15, 2023, <https://www.reuters.com/world/americas/fentanyl-use-spreads-deeper-into-mexico-worrying-authorities-2024-02-20/>; Thomas Graham, "Carriers sneak life-saving drugs over border as Mexico battles opioid deaths," *The Guardian*, January 23, 2024, <https://www.theguardian.com/global-development/2024/jan/23/mexico-us-overdose-drug-naloxone-fentanyl-opioid>.

the country's public health and weaken its credibility in international fora on public health approaches to drugs.

Moreover, López Obrador began falsely denying that fentanyl is produced in Mexico, and deceptive statements were made at his behest by other high-level Mexican officials and agencies.<sup>46</sup> Presently, the Mexican president insists that fentanyl is only pressed into fake pills in Mexico, which he does not appear to believe is of sufficient concern. Blaming fentanyl *use* in the United States on U.S. moral and social decay, including American families not hugging their children enough (the statement an apparent nod to his strategy of confronting Mexican criminals with “hugs and not bullets”), the Mexican president has also denied that fentanyl is increasingly consumed in Mexico.<sup>47</sup> With such statements, López Obrador is not just unwittingly (or knowingly) echoing China's rhetoric, but also publicly dismissing two decades of a policy of shared responsibility for drug production, trafficking, and consumption between United States and Mexico.

Thus, even after the announcement of the Bicentennial Framework, U.S.-Mexico law enforcement cooperation has been limping at best. Aware of the U.S. focus on migration, the Mexican government takes the minimum actions necessary to placate the United States regarding fentanyl. It concentrates its interdiction efforts at the border with the United States, and especially on migration, but tends to take few actions against the cartels away from the border.

DEA operations in Mexico remain hampered and limited by the Mexican government, undermining law enforcement's capacity to incapacitate and deter Mexican criminal groups. Other U.S. law enforcement actors, such as HIS, have been able to build back some cooperation with Mexican law enforcement actors. Some Mexican government agencies are even sharing some intelligence with the United States.

Acting on U.S. intelligence, the Mexican government engages in occasional collaboration in high-value targeting of key drug cartel leaders. In January 2023, acting on U.S. intelligence, Mexican authorities arrested one of the leaders of the Sinaloa Cartel, Ovidio Guzmán López. In September 2023, they extradited him to the United States. Given his crucial role in directing the Sinaloa Cartel's fentanyl operation, his capture and arrest were significant developments. Extradition is important: In the United States, top cartel operatives and their political and government sponsors cannot count on escaping from prison and a high rate of prosecution failure. And extradition and subsequent interrogations in the United States allow for the

<sup>46</sup> Ken Dilanian, “Drug war cooperation between the U.S. and Mexico is at its lowest point in decades. What went wrong?” NBC News, March 17, 2023, <https://www.nbcnews.com/politics/national-security/no-cooperation-us-mexico-drug-war-rcna75093>; Vanda Felbab-Brown, “The U.S.-Mexico Fentanyl Meltdown — Part I: The State of Noncooperation,” *Mexico Today*, March 19, 2023, <https://mexicotoday.com/2023/03/19/opinion-the-u-s-mexico-fentanyl-meltdown-part-i-the-state-of-noncooperation/>.

<sup>47</sup> Mark Stevenson, “Mexican president to US: Fentanyl is your problem,” Associated Press, March 9, 2023, <https://apnews.com/article/mexico-fentanyl-epidemic-overdoses-26f735a54ee0ba075c394ce85aef03d0>; “Mexican president blames US fentanyl crisis on ‘lack of hugs’ among families,” Associated Press, March 17, 2023, <https://www.theguardian.com/world/2023/mar/17/mexico-president-fentanyl-hugs-children-amlo#:~:text=%25E2%2580%259CThere%2520is%2520a%2520lot%2520of.said%2520of%2520the%2520US%20crisis>; Vanda Felbab-Brown, “AMLO's Security Policy: Creative Ideas, Tough Reality,” The Brookings Institution, March 2019, [https://www.brookings.edu/wpcontent/uploads/2019/03/FP\\_20190325\\_mexico\\_anti-crime.pdf](https://www.brookings.edu/wpcontent/uploads/2019/03/FP_20190325_mexico_anti-crime.pdf).

development of better tactical and strategic intelligence by law enforcement. In November, the Mexican government arrested Néstor Isidro Pérez Salas (“El Nini”), the notorious head of security for the Chapitos wing of the Sinaloa Cartel.

Demonstrating resolve and priority-targeting focus on criminal groups is important. Appropriately, the Biden administration has elevated fentanyl and synthetic opioids to a top-level threat. However, the sporadic targeting of the odd member of the criminal groups’ top echelons, if not accompanied by a systematic effort to disrupt the groups’ middle operational layer and the entire scope of their operations, is insufficient. At the national level, the Mexican government rarely interferes with criminal groups’ operations in any systematic way.

At the United States’ insistence, and as a result of brave journalistic investigative work, the Mexican government did shut down some of the dangerous and criminal-group-linked pharmacies selling fentanyl- and methamphetamine-laced drugs and other dangerous controlled or prescription substances without prescription, such as antibiotics. These pharmacies sprung up in Mexico’s international tourist areas since the COVID-19 outbreak. They are highly dangerous vectors of spreading substance-use disorder and potentially overdose death.

Proliferating in places such as the Mayan Riviera and Los Cabos over the past three years, these pharmacies are physical buildings that appear like other Mexican pharmacies. Yet they openly advertise drugs such as antibiotics, anabolic steroids, and prescription opiates and sell them illegally without a prescription. Investigative work by *The Los Angeles Times* and separately by *Vice* discovered that drugs sold as Percocet, for example, also contained fentanyl and methamphetamine.<sup>48</sup> Other drugs sold without prescription, such as oxycodone, Xanax, and Adderall, were often fentanyl-laced fakes. During my June 2023 fieldwork in Mexico, shop assistants in these pharmacies claimed they could mail any of these drugs to the United States without a prescription.

Amid an already terrible drug epidemic, these pharmacies greatly magnify the threats to public health. U.S. citizens have long been accustomed to buying medications that are too expensive in the United States from Mexico. Unwittingly, intending to buy other medication, they may end up buying drugs causing lethal overdose or addiction. The legitimate veneer of these pharmacies also exposes a much wider set of potential customers to fentanyl and other dangerous drugs, ranging from teenagers to the elderly. Because the pharmacies aggressively target international tourists in major vacation resort areas, they also export the fentanyl epidemic to other regions of the world, such as Western Europe. Many of these pharmacies are likely linked to the Sinaloa Cartel and CJNG. Further funding the Mexican cartels and other drug trafficking networks, the geographic spread of fentanyl use would augment the global public health disaster.

The adulteration of fake medications with fentanyl and methamphetamine is not the sole

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<sup>48</sup> Connor Sheets and Keri Blakinger, “Fentanyl-tainted Pills Now Found in Mexican Pharmacies from Coast to Coast,” *The Los Angeles Times*, June 14, 2023, <https://www.latimes.com/world-nation/story/2023-06-14/fentanyl-tainted-pills-now-found-in-mexican-pharmacies-from-coast-to-coast>; and Deborah Bonello, “Cartels Are Using Pharmacies To Sell Fake Pills Laced With Fentanyl and Meth to Unwitting Tourists,” *Vice News*, June 14, 2023, <https://www.vice.com/en/article/m7bbxv/mexico-pharmacies-fake-pills-cjng-sinaloa-cartel>.

problem. The unauthorized sale of antibiotics without prescription at these pharmacies also poses other massive global public health, economic, and security harms, such as the intensified emergence of drug-resistant bacteria.

Shutting down these unscrupulous pharmacies to minimize the criminals' market access and to reduce exposure to customers is imperative. Simply seizing illicit pills while letting the pharmacies operate is inadequate. Shutdowns and strong prosecutorial actions are necessary against suppliers.

Yet while these pharmacies operate in violation of Mexican laws, in plain sight, and visibly saturate major tourist areas, it took a long time for Mexican regulatory authorities, such as Mexico's Federal Commission for Protection Against Sanitary Risks (COFEPRIS), to mount action. In June 2023, COFEPRIS finally raided three such pharmacies in Los Cabos, arresting four operators and seizing some 25,000 pills.<sup>49</sup> In August, Mexican officials seized illegal drugs from and shut down 23 pharmacies on the Mayan Riviera.<sup>50</sup> And in December, Mexican authorities raided and shut down 31 pharmacies in Ensenada, Baja California.<sup>51</sup>

These are important actions to disrupt overdose deaths and addiction. They cannot remain one-off operations and need to be consistently mounted by the Mexican government. It is also crucial not simply to shut the pharmacies down but to mount investigations into their criminal sponsors and arrest and dismantle the networks behind them. Effective prosecution of their operators is essential. If the networks are left standing, they will simply open up new pharmacies selling dangerous drugs.

Similarly, lab busting alone is inadequate. Fentanyl and meth labs are easy to rebuild. While they cannot be left operating outside of sting operations and controlled delivery investigations, it is essential to use lab raids to gather intelligence for criminal network mapping and subsequent arrests, prosecutions, and network dismantling. Such investigations and prosecutions have rarely been mounted in Mexico during the López Obrador administration.

Worse, crucial investigations by Reuters have repeatedly revealed that the Mexican government systematically manipulates data regarding drug lab busts and grossly exaggerates the numbers of labs taken down.<sup>52</sup>

The identification of various Mexican pharmacies' criminal operations, the exposure of the

<sup>49</sup> Brittny Mejia, "Mexico Raids Pharmacies in Probe of Fentanyl-Laced Pills," *Los Angeles Times*, <https://www.latimes.com/world-nation/story/2023-07-07/mexican-authorities-raid-pharmacies-in-inquiry-into-fentanyl-tainted-pills>.

<sup>50</sup> "Mexico shuts 23 pharmacies at Caribbean coast resorts after US warned of dangerous pill sales," Associated Press, August 8, 2023, <https://apnews.com/article/mexico-pharmacies-dangerous-pills-sold-tourists-bb64a0f5ff23bf087cf40a8a22f94084>.

<sup>51</sup> "Mexico raids and closes 31 pharmacies in Ensenada that were selling fentanyl-laced pills," Associated Press, December 8, 2023, <https://apnews.com/article/mexico-fentanyl-ensenada-pharmacies-raids-88461569ff1c8a5628192be434bec28>.

<sup>52</sup> Drazen Jorgic and Jackie Botts, "Under US pressure over fentanyl, Mexico wages 'imaginary war on drugs,'" Reuters, December 21, 2023, <https://www.reuters.com/world/americas/under-us-pressure-over-fentanyl-mexico-wages-imaginary-war-drugs-with-raids-2023-12-21/>; and Drazen Jorgic, Jackie Botts, and Stephen Eisenhammer, "Exclusive: Amid U.S. pressure on fentanyl, Mexico raises drug lab raids data," Reuters, March 17, 2023.

Mexican government's data manipulation to exaggerate its interdiction efforts, and a myriad of other key revelations about the scope of criminal groups' takeover in Mexico and their infiltration into Mexican institutions and politics have come as a result of courageous investigative work by Mexican and international journalists and researchers who often face substantial risks to their lives and the lives of their families. Mexico is one of the highest-risk countries for journalists, with many journalists killed and few perpetrators held accountable.<sup>53</sup> One study by the free speech group "Article 19" found that in 2022, a Mexican journalist was attacked every 13 hours.<sup>54</sup> The attacks' frequency appears to have risen as Mexico enters its elections season. Even journalists placed under the Mexican government's official protection continue to suffer attacks.<sup>55</sup> Yet throughout his presidency, López Obrador has attacked media outlets and journalists for doing their crucial work.

In a recent and particularly troubling demonstration of his effort to suppress the freedom of media, López Obrador exposed the photo, phone number, and personal information of the *New York Times* bureau chief in Mexico, who subsequently suffered serious threats.<sup>56</sup> The U.S. Congress and executive branch must strongly condemn such actions by the Mexican government, demand they will not be repeated, and take actions to ensure this.

Some collaboration has persisted at the sub-federal level in Mexico also. Yet just like with journalists, all too frequently, the Mexican government does not provide support to honest and committed Mexican law enforcement and justice officials who want to collaborate with the United States and act against Mexican criminal groups' increasing ambition to dominate ever larger aspects of Mexican life, politics, and economics. Such honest Mexican officials as well as brave civil society members, environmental activists, and business community leaders who stand up to the criminal groups against all odds and at severe risk to their lives and the lives of their families often find no protection from the Mexican government.

The lack of support for and outright undermining of well-motivated and committed Mexican government officials,<sup>57</sup> the lack of protection for those who stand up to criminal groups, and attacks on media are part and parcel of López Obrador's systematic effort to weaken checks and balances in Mexico and the country's institutions and systems of transparency and accountability.

<sup>53</sup> Arlene Getz, "Haiti joins list of countries where killers of journalists most likely to go unpunished," Committee to Protect Journalists, <https://cpj.org/reports/2023/10/haiti-joins-list-of-countries-where-killers-of-journalists-most-likely-to-go-unpunished/>.

<sup>54</sup> "One Mexican journalist attacked every 13 hours in 2022: Report," Al Jazeera, March 28, 2023, <https://www.aljazeera.com/news/2023/3/28/advocacy-group-says-2022-most-deadly-year-for-mexican-journalists>.

<sup>55</sup> "No One Guarantees My Safety: The Urgent Need to Strengthen Mexico's Federal Policies for the Protection of Journalists," Committee to Protect Journalists and Amnesty International, March 2024, <https://www.amnesty.org/en/documents/AMR41/7666/2024/en/>.

<sup>56</sup> Rafael Bernal, "Mexican president doxes New York Times correspondent during press conference," The Hill, February 22, 2024, <https://thehill.com/latino/4482880-mexican-president-amlo-doxes-new-york-times/#:~:text=The%20president%27s%20screen%20displayed%20a,the%20displayed%20contact%20phone%20number>.

<sup>57</sup> Mary Beth Sheridan and Oscar Lopez, "As the number of missing people surges, Mexico's president seeks a recount," *The Washington Post*, August 8, 2023, <https://www.washingtonpost.com/world/2023/08/26/mexico-missing-disappeared-lopez-obrador/>.

### **The growing power of Mexican criminal groups amid inadequate law enforcement**

The substantial weakening of Mexico's willingness to meaningfully collaborate with the United States' anti-drug and anti-crime efforts is not simply a matter of López Obrador's dislike of the intensity of cooperation achieved during the Calderón administration. It also crucially reflects his unwillingness to strongly confront criminal networks in Mexico.

At the beginning of his administration, López Obrador announced a strategy of "hugs, not bullets" toward criminal groups. The strategy sought to emphasize socio-economic programs to deal with crime and address the causes that propel young people to join criminal groups. Poorly designed and pervaded by corruption even in the socio-economic aspects, the strategy never articulated any security or law enforcement policy toward criminal groups. Over time, it became obvious that López Obrador simply did not want to confront the criminal groups with any kind of force.

At the beginning of his administration, López Obrador abolished the Federal Police—because of its infiltration by Mexican criminal groups, a systematic and pervasive problem for all of Mexico's law enforcement forces for decades. (Since the 1980s, the many iterations of law enforcement reforms have failed to expunge such infiltration and corruption across Mexican agencies.) Early efforts to reform Mexico's municipal police forces, highly vulnerable to criminal intimidation and infiltration and frequently lacking capacities, rapidly withered.

López Obrador instead created the National Guard, staffed mostly by Mexican soldiers and police officers from the former Federal Police and now under the command of the Mexican military. However, the National Guard is not and could never be an adequate replacement for the Federal Police. The Federal Police, with all its faults, had the greatest investigative capacities and mandates, while the National Guard has no investigative mandates and very little capacity. It can only act against crime in *flagrancia* or as a deterrent force by patrolling the streets, a highly ineffective strategy.

To the extent that the Mexican military or National Guard are deployed to a particularly violent area of Mexico, they mostly only patrol narrow zones, sometimes even without responding to crime battles raging nearby. Some of these battles now approximate insurgent battlefields as cartels such as CJNG increasingly deploy weaponized drones and land mines to depopulate areas and keep law enforcement forces away.<sup>58</sup>

Visible violence, such as gun battles and sieges of government offices, have spread to other parts of Mexico, dramatically escalating in places like Guerrero and Chiapas.<sup>59</sup> Hidden, but no less

<sup>58</sup> Luis Chaparro, "The Wrong People Just Got Their Hands on an Elite Drone Unit," *The Daily Beast*, August 22, 2023, [Los Angeles Times, March 8, 2024, <https://www.latimes.com/world-nation/story/2024-03-09/mexico-cartel-land-mines-weapons>.](https://www.thedailybeast.com/mexicos-jalisco-new-generation-cartel-just-created-an-elite-drone-unit#:~:text=The%20ruthless%20Jalisco%20New%20Generation,drone%20operations%20into%20high%20gear, and Keegan Hamilton and Kate Linthicum, )

<sup>59</sup> Sara Garcia and Daniela Valle, "Criminal Violence Paralyzes Mexico's Southern State of Guerrero," *InSight Crime*, February 13, 2024, <https://insightcrime.org/news/criminal-violence-paralyzes-guerrero-mexico/>; and Juliana

dangerous, violence—in the form of disappearances and intimidation of civil society activists, business community members, and government officials—has escalated across the country.<sup>60</sup>

The current election campaign is on track to become Mexico’s most violent ever.<sup>61</sup> Criminal groups no longer simply seek to corrupt and intimidate candidates once they are elected. Through coercion, including assassinations, and corruption, they increasingly seek to determine who can run in the first place. They deploy bribery, intimidation, and violence to shape elections at all levels of the Mexican government.

Yet they can get away with that violence. Since 2017 more than 30,000 Mexicans have been killed per year, including in 2023, while more than 112,000 remain disappeared.<sup>62</sup> The effective prosecution rate for homicides in Mexico continues to hover at an abysmally low 2 percent and remains in single digits for other serious crimes.<sup>63</sup>

Investigative authorities in Mexico are predominantly under the Office of the Attorney General (*Fiscalía General de la República*, FGR), the Federal Ministerial Police, and state prosecutorial offices. But as with other law enforcement institutions in Mexico, the FGR’s capacities are limited, overwhelmed by the level of crime in Mexico, and suffer from criminal infiltration, corruption, and political interference despite decades-long efforts at reform.

Essentially, the Mexican president has hoped that if he does not interfere with Mexico’s criminal groups, they will eventually redivide Mexico’s economies and territories among themselves, and violence will subside. That policy has been disastrous for many reasons: Most importantly, it further saps the already-weak rule of law in Mexico, increases impunity, and subjects Mexican people, institutions, and legal economies to Mexican criminal groups’ tyranny. But it is also problematic because Mexico’s out-of-control criminal market, plagued by a bipolar and

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Manjarrés, “What Is Behind the Criminal Conflict Raging in Chiapas, Mexico?,” InSightCrime, February 8, 2024, <https://insightcrime.org/news/behind-criminal-conflict-raging-chiapas-mexico/>.

<sup>60</sup> Vanda Felbab-Brown’s interviews with government officials, NGO representatives, and business community members in Quintana Roo, Oaxaca, Puebla, and Sinaloa, June, July, and November 2023.

<sup>61</sup> Diego Badillo, “Proceso electoral 2024 podría ser el más violento de la historia, advierten analistas (The 2024 electoral process could be the most violent in history, analysts warn),” *El Economista*, January 14, 2024, <https://www.eleconomista.com.mx/politica/2024-puede-ser-el-ano-mas-violento-de-la-historia-para-candidatos-en-campanas-advierten-analistas-20240112-0069.html>; and María Calderón, “Political Violence in Mexico’s 2024 Elections: Past and Future,” *The Woodrow Wilson International Center for Scholars*, March 11, 2024, <https://www.wilsoncenter.org/article/political-violence-mexicos-2024-elections-past-and-future>.

<sup>62</sup> “Defunciones por Homicidios (Deaths due to homicides),” National Institute of Statistics and Geography (INEGI), The Government of Mexico, <https://www.inegi.org.mx/sistemas/olap/proyectos/bd/continuas/mortalidad/defuncioneshom.asp?s=est#>; Executive Secretariat of the National Public Security System (SESNSP), “Datos Abiertos de Incidencia Delictiva (Open Crime Incidence Data),” The Government of Mexico, <https://www.gob.mx/secsns/acciones-y-programas/datos-abiertos-de-incidencia-delictiva?state=published>; Diego Mendoza, “Mexico marks another record-breaking year for murders,”

January 17, 2024, <https://www.semafor.com/article/01/17/2024/mexico-records-most-violent-period-in-modern-history>; and National Search Commission, Statistics from the National Registry of Missing and Unlocated Persons, The Government of Mexico, <https://versionpublicampdno.segob.gob.mx/Dashboard/ContextoGeneral>.

<sup>63</sup> Catalina Kühne Peimbert, et al, “Impunidad en homicidio doloso y feminicidio 2022 (Impunity in intentional homicide and feminicide 2022),” *Impunidad Cero*, December 2022, <https://www.impunidadcero.org/uploads/app/articulo/175/contenido/1669895146115.pdf>;

and Vanda Felbab-Brown’s interviews with Mexican security and legal experts, Mexico City, June 2023.

increasingly internationalized war between the Sinaloa Cartel and CJNG, has little chance to effectuate such stabilization.

Yet this do-little policy has augmented the impunity that criminal groups enjoy in Mexico and motivated them to resort to more and more brazen violence and acquire progressively greater power. Within Mexico, Mexican criminal groups often control extensive territories where the government has only limited influence and sporadic access and some of which have become outright no-go zones for government officials. In other areas, they dictate governance terms to government officials.

Having expanded far beyond illegal commodities, Mexican criminal groups are also increasingly taking over legal economies and public services such as water distribution in various parts of Mexico. The cartels are pressuring, penetrating, and taking over mining, logging, fisheries, mezcal and tequila production, alcohol and cigarette distribution and other retail, and agriculture—and not just avocados.

This takeover of legal economies does not only augment the cartels' money laundering tools and increase their revenues. It is also a means of political control.

Such legal economy takeovers go far beyond extortion—which is enormously widespread as many businesses in Mexico do not have the capacity to shield themselves from extortion by Mexican criminal groups. Mexican criminal groups, especially the Sinaloa Cartel, often seek to monopolize the entire vertical supply chain. Fisheries provide a prime example.<sup>64</sup> Beyond merely demanding a part of the profits from fishers as extortion, the criminal groups dictate to legal and illegal fishers how much the fishers can fish, insisting that the fishers sell the harvest only to the criminal groups, and that restaurants, including those catering to international tourists, buy fish only from the criminal groups. Mexican organized criminal groups set the prices at which fishers can be compensated and restaurants paid for the cartels' marine products. The criminal groups also force processing plants to process the fish they bring in and issue it with fake certificates of legal provenance for export into the United States and China. And they charge extortion fees to seafood exporters. They also force fishers to smuggle drugs.<sup>65</sup>

Mexican criminal groups' increasing territorial and economic power, brazen violence, takeover of legal economies in Mexico, and the impunity they enjoy raise significant questions about near-shoring to Mexico as a derisking strategy for China. Under the United States-Mexico-Canada Agreement (USMCA) and previously the North American Free Trade Agreement (NAFTA), Mexico became a crucial trading and economic partner of the United States. The two countries and Canada's economies, businesses, and people have greatly benefited from North America's economic integration. Many more integration benefits can yet be realized.

Yet will further economic integration be severely undermined by the lack of rule of law in Mexico? What risks are there in intensifying economic jointness if an economy is increasingly

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<sup>64</sup> Felbab-Brown, "China's Role."

<sup>65</sup> Vanda Felbab-Brown's interviews with current and former U.S. and Mexican officials and law enforcement officers and Mexican fishery experts and high-level fishery operators, Mexico City, and by virtual platforms, October and November 2021.

penetrated by criminal actors? What kind of supply-chain, legal, and other liabilities and risks are there for U.S. companies operating in Mexico or with Mexican counterparts amid a collapsing rule of law? Already, Mexican criminal groups regularly shut down major highways and even critical arteries and border crossing to the United States.<sup>66</sup> Trucks with goods are increasingly hijacked on Mexican highways.<sup>67</sup> Yet many Mexican companies cannot afford to pay for private security companies to protect their cargo and facilities.

Significantly improving rule of law in Mexico is essential for increasing economic integration and near-shoring.

Mexican criminal groups are also expanding into fishing outside of Mexico.<sup>68</sup> There have long been suspicions about the extent to which Latin American fishing fleets are also engaged in the smuggling of drugs such as cocaine into the United States.<sup>69</sup> The penetration of legal fisheries by Mexican cartels further facilitates their drug smuggling enterprise.

Similarly, massive Chinese fishing fleets have long engaged in illegal fishing, sometimes devastating marine resources in other countries' exclusive economic zones. However, there are good reasons to be concerned about the possibility of the growing involvement of Chinese fishing ships in drug trafficking, compounding the extensive problem of Chinese cargo vessels carrying contraband such as drugs and their precursors as well as wildlife.<sup>70</sup> Moreover, such Chinese fishing flotillas or individual vessels operating around the Americas and elsewhere in the world may carry spy equipment collection intelligence for China.

Russian intelligence operatives' high and increasing presence in Mexico is also concerning.<sup>71</sup> Beyond spying on the United States, they could establish relations with Mexican criminal groups and seek to leverage them for actions against the United States in exchange for a safe haven in Russia.

Would the Mexican cartels risk further provoking the ire of U.S. law enforcement? CJNG's hallmark has all along been its lack of restraint; its signature brand is to be more brazen, audacious and violent than its rivals.<sup>72</sup> The older leadership of the Sinaloa Cartel has been

<sup>66</sup> See, for example, "Feuding drug cartels block roads near U.S. border as gunmen force children off school bus," CBS News, May 3, 2023, <https://www.cbsnews.com/news/mexico-cartels-block-roads-near-us-border-gunmen-force-children-off-school-bus/>.

<sup>67</sup> Nathaniel Parish Flannery, "Cargo Truck Hijacking Is A Major Problem In Mexico," Forbes, February 19, 2024, <https://www.forbes.com/sites/nathanielparishflannery/2024/02/19/cargo-truck-hijacking-is-a-major-problem-in-mexico/?sh=506b7fe2256d>.

<sup>68</sup> Vanda Felbab-Brown's interview with a top executive of a large Mexican seafood exporter, Mexico, November 2021.

<sup>69</sup> Vanda Felbab-Brown's interviews with Latin American law enforcement officials, December 2017, November 2021, and February 2022.

<sup>70</sup> Vanda Felbab-Brown's interviews with U.S. Government and law enforcement officials, Washington, DC, spring 2023.

<sup>71</sup> Yolanda Mongeclias Camhaji, "US general: Russia has more spies deployed in Mexico than in any other country," El País, March 26, 2022, <https://english.elpais.com/international/2022-03-26/us-general-russia-has-more-spies-deployed-in-mexico-than-in-any-other-country.html>.

<sup>72</sup> Vanda Felbab-Brown, "How Mexico's Cartel Jalisco Nueva Generación Rules," *Mexico Today*, May 29, 2022, <https://mexicotoday.com/2022/05/29/opinion-how-mexicos-cartel-jalisco-nueva-generacion-rules/>

calibrated in its violence and provocation of governments and sensitive to redlines.<sup>73</sup> But not so the younger leaders of the Sinaloa Cartel. At least until recently, this younger generation, the Chapitos, did not exhibit such restraints. While seeking to “create streets of junkies” in the United States, they showed stunning indifference to the ire of U.S. law enforcement by fueling the epidemic of death in the United States, as U.S. Department of Justice indictments of Ovidio Guzmán López and other Chapitos’ operatives revealed.<sup>74</sup>

Nonetheless, even in Mexico, where the López Obrador administration has hobbled joint law enforcement operations, the effectiveness and deterrence capacities of U.S. law enforcement are far greater than those of the Mexican government. For example, the apparent decision several months ago by the Chapitos to prohibit fentanyl production in their home state of Sinaloa<sup>75</sup> and relocate it elsewhere in Mexico may be a sign they are responding to U.S. law enforcement pressure.

Yet overall, Mexican criminal groups govern an expanding scope of territories, economies, institutions, and people in Mexico.

These profoundly pernicious developments have taken place even as public policy, not just public safety, in Mexico has become increasingly militarized. López Obrador has relied on the Mexican military for the execution and implementation of a wide panoply of governance roles. He has tasked the Mexican military with the management of ports and airports, the construction of critical infrastructure, and even of luxury apartments.<sup>76</sup> The legislative reforms that López Obrador pushed through the Mexican Congress have accorded the revenues from these many economic projects to the Mexican military often in perpetuity. The Mexican economy is becoming militarized.

Yet these increased economic revenues have not augmented the Mexican military’s effectiveness and resolve to take on the cartels. They may even undermine them, distracting attention from public safety responsibilities. They also weaken civilian oversight of the Mexican military as the armed forces are no longer solely dependent on budget allocations by the Mexican government.

<sup>73</sup> Vanda Felbab-Brown, “How the Sinaloa Cartel Rules,” *Mexico Today*, April 3, 2022, <https://mexicotoday.com/2022/04/03/opinion-how-the-sinaloa-cartel-rules/>.

<sup>74</sup> “U.S. Attorney Announces Charges Against Leadership Of The Sinaloa Cartel And 25 Other Defendants In Massive Fentanyl Importation And Trafficking Conspiracies,” U.S. Department of Justice, April 14, 2023, <https://www.justice.gov/usao-sdny/pr/us-attorney-announces-charges-against-leadership-sinaloa-cartel-and-25-other-defendants>; “What We Learned from the Testimony of the DEA Administrator— Part II,” *Mexico Today*, September 8, 2023, <https://mexicotoday.com/2023/09/08/opinion-what-we-learned-from-the-testimony-of-the-dea-administrator-part-ii/>.

<sup>75</sup> “El Chapo's sons bar fentanyl production in Sinaloa, according to banners,” Reuters, October 3, 2023, <https://www.reuters.com/world/americas/el-chapos-sons-ban-fentanyl-production-sinaloa-according-banners-2023-10-03/#:~:text=Last%20month%2C%20Ovidio%20Guzman%2C%20the,Sinaloa%2C%22%20the%20banners%20said>.

<sup>76</sup> Michael Stott and Christine Murray, “The Militarization of Mexico’s Economy,” *Financial Times*, August 2, 2023, <https://www.ft.com/content/6a119a1c-c251-4909-824d-96bca4d23a91>.

### **Conclusions, Policy Implications, and Recommendations**

As vast numbers of Americans are dying from fentanyl overdose and Chinese and Mexican criminal groups expand their operations around the world and into a vast array of illegal and legal economies, the United States must strengthen access to evidence-based treatment and harm reduction measures. But supply-side efforts also remain imperative.

Below I offer some policy implications and recommendations on how the United States can attempt to reinforce and anchor China's promise of cooperation and induce Mexico to better cooperate with counternarcotics and law enforcement objectives. I also provide suggestions for what law enforcement and policy measures the United States can and should take on its own.

#### ***Reinforcing U.S.-China cooperation***

To motivate China's responsiveness to U.S. intelligence provision and reciprocal sharing, the U.S. Congress could request regular, if closed-door, reports on these aspects of cooperation.

The U.S. Congress should consider the number of arrests and extent of prosecutions by the Chinese government of Chinese criminal actors and pharmaceutical and chemical companies and brokers involved in fentanyl and precursor trafficking as an important indicator of the robustness of cooperation. The extent and consistency of China's monitoring and regulating of Chinese pharmaceutical and chemical industries overall and the removal of websites selling synthetic drugs to criminal actors are other important signs.

The United States should continue to strongly encourage China to adopt and enforce KYC laws and punish violators. If China continues to reject the promotion of KYC laws, the United States and its global coalition partners should raise the costs of China's KYC noncompliance by denying Chinese suppliers and industries market access, undoubtedly an expensive policy but one that recognizes the fentanyl epidemic's immense and multifaceted costs.

Beyond KYC laws, the United States could encourage the Chinese government and Chinese pharmaceutical and chemical sectors to adopt the full array of global control standards, including the development of better training, certification, and inspection.

Globally, the United States should remain deeply engaged in discussions on how to develop enhanced special surveillance lists and monitoring and enforcement mechanisms for dual-use chemicals, as those that are not scheduled do not have to be declared in exports.

Reinforcing China's willingness to engage bilaterally and multilaterally in AML cooperation remains important. Bilaterally and multilaterally, China should be incentivized to adopt more robust anti-money laundering standards in its banking and financial systems and trading practices and apply them systemically in counternarcotics and anti-crime efforts, not merely selectively regarding capital flight from China.

Expanding U.S. and multilateral engagement with China about mounting appropriate controls on tranquilizers such as xylazine and emerging synthetic opioids such as nitazenes, currently poorly

regulated and monitored in China, is crucial. And China's responsiveness should be another measure of cooperation.

Certainly, these measures should strongly inform whether and when China will be removed from the Majors List.

The United States should continue developing packages of leverage on Chinese actors and when appropriate continue with its effective policy of denying U.S. visas.

The United States should not reduce its criticism of China's unofficial police stations abroad.<sup>77</sup> Although China labels them a legitimate law enforcement activity, the United States and other countries appropriately consider them an illegal tool for monitoring and repressing the Chinese diaspora.<sup>78</sup>

In anticipation of possible hitches and backsliding in China's cooperation, the United States should strengthen multilateral efforts within the Global Coalition to Address Synthetic Drug Threats. It should concentrate on mobilizing a subgroup of countries in Southeast Asia and the Pacific region and include methamphetamine in the portfolio of actions. Many countries there are experiencing large increases in methamphetamine use (and its associated high morbidity effects) and are frustrated with China as a source of meth pre-precursors and Chinese drug networks as the meth trafficking vectors.<sup>79</sup> Many of the practices and policies suggested above as key measures of the quality of China's cooperation double up for meth trafficking controls. China is very focused on not losing influence in Southeast Asia and the Pacific region and a joint initiative between the United States and the region on drugs will help motivate China to engage in responsive and responsible law enforcement cooperation.

Such a line of effort within the Global Coalition and beyond would help the United States and its partners to send coordinated messages to push Beijing in a preferred direction on law enforcement efforts. If China's promised counternarcotics cooperation does not robustly materialize or weakens over time, once again raising the reputation costs for China of its law enforcement inaction will be important, especially as China prides itself on being a global counternarcotics leader.

### *Inducing cooperation from Mexico*

<sup>77</sup> Nina dos Santos, "Exclusive: China Operating over 100 Police Stations across the World with the Help of Some Host Nations, Report Claims | CNN," CNN, December 4, 2022, <https://www.cnn.com/2022/12/04/world/china-overseas-police-stations-intl-cmd/index.html>.

<sup>78</sup> Office of Public Affairs Staff, "Two Arrested for Operating Illegal Overseas Police Station of the Chinese Government," United States Department of Justice, April 17, 2023, <https://www.justice.gov/opa/pr/two-arrested-operating-illegal-overseas-police-station-chinese-government>; and Emile Dirks and Diana Fu, "China's Overseas Police Stations: An Imminent Security Threat?," The Brookings Institution, February 16, 2024, <https://www.brookings.edu/articles/chinas-overseas-police-stations-an-imminent-security-threat/>.

<sup>79</sup> Jintamas Saksornchai and Grant Peck, "UN Anti-Drug Agency Warns There Is No Let-up in Methamphetamine Trade from Asia's Golden Triangle | AP News," AP News, June 2, 2023, <https://apnews.com/article/asia-golden-triangle-drugs-report-methamphetamine-e761e1acb0074f2286e65c752e276b61>.

U.S. counternarcotics and law enforcement bargaining with Mexico is gravely constrained by the U.S. reliance on Mexico to stop migrant flows to the United States. If the United States implemented a comprehensive immigration reform that provided legal work opportunities to those currently seeking protection and opportunities in the United States through unauthorized migration, it would have far better leverage to induce meaningful and robust counternarcotics and law enforcement cooperation from Mexico. The United States would thus be better able to save U.S. lives. Nonetheless, even absent such reform, the United States can take impactful measures.

In its law enforcement engagement with the Mexican government, the United States should prioritize:

- Continuously shutting down Mexican pharmacies that sell fentanyl- and methamphetamine-adulterated drugs and investigating, dismantling, and prosecuting the networks that operate them.
- Not merely busting laboratories and seizing drugs, but actually dismantling drug trafficking networks, particularly their middle-operational layers that are hard to recreate and the removal of which significantly hampers the ability of criminal groups to operate and smuggle contraband.
- Supporting Mexican prosecutorial actions against criminal actors.

The United States should also continue to seek the restoration of joint U.S.-Mexico law enforcement operations inside Mexico, such as the consistent presence of U.S. law enforcement officers during interdiction raids. It should also continue to request that Mexico systematically shares seized drug samples with U.S. law enforcement agencies. Such presence would help Mexico's credibility after revelations of how it manipulates law enforcement action data.

The U.S. Congress and executive branch must strongly condemn actions by the Mexican government that threaten the freedom of press and jeopardize the safety of journalists, especially when they are U.S. citizens. The U.S. government should ensure that such actions by the Mexican government will not be repeated.

The arrival of a new government in Mexico at the end of 2024 may provide opportunities for such strengthened cooperation.

In the continued absence of such cooperation, the United States has various policy tools to consider.

Some U.S. lawmakers have proposed designating Mexican criminal groups as Foreign Terrorist Organizations (FTO). An FTO designation would enable intelligence gathering and the conduct of strikes by the U.S. military against drug targets in Mexico, such as some fentanyl laboratories in Mexico or visible military formations of Mexican criminal groups, principally CJNG.

However, such unilateral U.S. military actions in Mexico would severely jeopardize relations with our vital trading partner and neighbor. Calls for U.S. military strikes against fentanyl-linked targets in Mexico have already been condemned by Mexican government officials, politicians, and commentators.

Meanwhile, the number of available targets in Mexico would be limited. Most Mexican criminal groups do not gather in military-like visible formations. Many fentanyl laboratories already operate in buildings in populated neighborhoods of towns and cities where strikes would not be possible due to risks to Mexican civilians. Moreover, fentanyl laboratories would easily be recreated, as they already are.

Nor would the FTO designation add authorities to the economic sanctions and anti-money laundering and financial intelligence tools that the already-in-place designation of Transnational Criminal Organization carries. The latter designation also carries extensive prohibitions against material support.

Additionally, an FTO designation could limit U.S. foreign policy options and measures. Clauses against material support for designated terrorist organizations have made it difficult for the United States to implement non-military and non-law-enforcement policy measures in a wide range of countries, such as providing assistance for legal job creation or reintegration support even for populations that had to endure the rule of brutal terrorist groups. The FTO designation could also hamper the delivery of U.S. training, such as to local police forces or Mexican federal law enforcement agencies, if guarantees could not be established that such counterparts had no infiltration by criminal actors.

To be in compliance with material support laws, the United States and other entities must guarantee that none of their financial or material assistance is leaking out, including through coerced extortion, to those designated as FTOs. Yet such controls would be a significant challenge in Mexico where many people and businesses in legal economies have to pay extortion fees to Mexican criminal groups. The attempted controls could undermine the ability to trade with Mexico, as many U.S. businesses would not be able to determine whether their Mexican trading or production partner was paying extortion fees to Mexican cartels, and thus guarantee that they were not indirectly in violation of material support clauses.

Nonetheless, encouraging a far stronger rule of law in Mexico is crucial for sustaining and augmenting near-shoring to Mexico.

However, the United States could resort to significantly intensified border inspections, even if they seriously slow down the legal trade and cause substantial damage to Mexican goods, such as agricultural products. Even with the significant improvement in vehicle and cargo inspection expected to be reaped from the scanning technologies the Biden administration authorized for deployment at the U.S. ports of entry, a meaningful percentage of vehicles and much cargo will still go unchecked.

Under optimal circumstances, U.S.-Mexico law enforcement cooperation would be robust enough to make legal border crossings fast and efficient. Joint fentanyl and precursor busts and seizures could take place near the production laboratories and at warehouses. The inspections of legal cargo heading to the United States could take place close to the production and loading site in Mexico. Under the Merida Initiative, the Obama administration, in fact, sought to develop with Mexico such systems of legal cargo inspection inside Mexico and away from the border.

But if Mexico refuses to act as a reliable law enforcement partner to counter the greatest drug epidemic in North America, which is also decimating lives in Mexico, the United States may have to focus its much-intensified inspections at the border, despite the economic pains.

Furthermore, packages of leverage, including indictment portfolios and visa denials, should also be developed against Mexican national security and law enforcement officials and politicians who sabotage the rule of law in Mexico, assist Mexican criminal groups, and perniciously hamper law enforcement cooperation with the United States. Calls to undertake such sanctions by Republican senators led by Senator Bill Hagerty of Tennessee should be carefully and diligently explored.<sup>80</sup>

*Expanding and smartening U.S. measures against criminal actors*

Importantly, the United States has significant opportunities to rapidly strengthen and smarten up its own measures against Mexican criminal actors participating in fentanyl and other contraband trafficking.

Appropriately, the Biden administration has sought to intensify and harmonize U.S. law enforcement actions against fentanyl trafficking. In March 2023, for example, it launched Operation Blue Lotus to coordinate cooperation across Customs and Border Patrol, Immigration and Customs, Homeland Security Investigations, and other federal, state, tribal, and local law enforcement agencies.<sup>81</sup> Scaling up such efforts and better coordination are necessary.

But since Mexican drug cartels have diversified their activities into a wide array of illicit and licit commodities, primarily focusing on drug seizures close to the source is no longer sufficient for effectively disrupting fentanyl smuggling and criminal networks implicated in it.

Rather, countering all of Mexican criminal groups' economic activities is imperative. This includes countering poaching and wildlife trafficking from Mexico and illegal logging and mining in places where the Mexican cartels have reach, acting against illegal fishing off Mexico and around Latin America and elsewhere, and shutting down wildlife trafficking networks that extend into China.

To effectively counter fentanyl-smuggling actors requires a whole-of-government approach—not simply on paper, but truly in implementation against criminal networks, not merely fentanyl flows. A wide range of U.S. government agencies should be authorized to support U.S. law enforcement against Mexican and Chinese criminal actors and their political sponsors and the

<sup>80</sup> Adam Shaw, "Senators Urge Biden Admin to Slap Sanctions, Visa Bans on Mexican Officials to Force Action against Cartels," Fox News, June 21, 2023, <https://www.foxnews.com/politics/senators-call-biden-admin-impose-sanctions-mexican-officials-force-action-against-drug-cartels>.

<sup>81</sup> "DHS's New Operation Blue Lotus Has Already Stopped More Than 900 Pounds of Fentanyl from Entering the United States," U.S. Department of Homeland Security March 21, 2023, <https://www.dhs.gov/news/2023/03/21/dhss-new-operation-blue-lotus-has-already-stopped-more-900-pounds-fentanyl-entering#:~:text=Since%20its%20launch%20on%20March,States%20through%20Sunday%2C%20March%2019>.

portfolio of their activities—from fentanyl trafficking to crimes against nature. These include U.S. intelligence agencies, the Department of State, the Department of Defense, and the U.S. Fish and Wildlife Service (USFWS).

Moreover, the focused collection, analysis, and reporting of intelligence by a variety of U.S. government actors against wildlife trafficking, illegal fishing, and illegal mining could beget new opportunities to understand the criminal linkages to foreign governments, including China's, to confirm or dismiss concerns as to whether Chinese fishing vessels carry spy equipment, and to identify Mexican and other dangerous cartels' crucial vulnerabilities.

To such end, crimes against nature should be elevated as a collection and reporting priority of the U.S. Intelligence Community, and within the U.S. National Priorities Framework.

Stove-piping in information and intelligence gathering across a wide set of illicit economies should be ended. Gathered information and intelligence should be shared with interagency analysis groups intent on interdicting the illicit international flow of scheduled drugs and endangered species. Such efforts could be enabled by significantly increasing the number of USFWS special agents and by augmenting their respective participation in interagency Organized Crime Drug Enforcement Task Forces investigations.

The relevant intelligence on crimes against nature to understand and dismantle criminal networks could include names, phone numbers, license plates, courier accounts, bank accounts, and wiretapped conversations. Conversely, countering groups perpetrating crimes against nature could be productive in terms of freezing accounts and visas to interdict the smuggling of drugs, guns, and humans that they're conducting.

Enhancing intelligence collection and law enforcement action opportunities to cover all activities of dangerous and nefarious actors, including crimes against nature, requires enlarging the pool of USFWS special agents and uniformed wildlife inspectors at the U.S.-Mexico border and transportation hubs within the United States. The DEA appropriately enjoys strong capacities, currently maintaining a force of 4,000 agents.<sup>82</sup> In contrast, the number of USFWS special agents has for years hovered at a mere and insufficient 220.<sup>83</sup> For years, this inadequate number has not increased even though poaching, illegal logging, mining, and trafficking in natural resource commodities have grown enormously over the past three decades, are continually expanding, and increasingly involve Mexican drug cartels as well as Chinese criminal networks.

As a corollary and imperative effort, U.S. law enforcement agencies' legal authorities to counter wildlife trafficking should be expanded. Importantly, wildlife trafficking should be designated as a predicate offense for wiretap authorizations.<sup>84</sup> Such expanded authority would bring about multiple benefits: including the enabling, understanding, and demonstration of the connections

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<sup>82</sup> DEA Administrator Anne Milgram, DEA Leadership profile, <https://www.dea.gov/about/dea-leadership#:~:text=As%20Administrator%2C%20she%20leads%20an,foreign%20offices%20across%20the%20globe>

<sup>83</sup> U.S. Fish and Wildlife Service, Office of Law Enforcement, "Law Enforcement at a Glance," Fiscal Year 2022, October 28, 2022.

<sup>84</sup> See 18 USC 2516, Authorization for interception of wire, oral, or electronic communications.

between wildlife trafficking and transnational organized crime networks and foreign bad actors, enhancing the ability to disrupt fentanyl trafficking, and allowing for more expeditious and pointed prosecution of wildlife trafficking crimes. Currently, federal legislation at the foundation of wildlife crime prosecution, at the core of which is the Lacey Act, often entails proof of knowledge on the part of the defendant, a requirement that wiretap authorization would greatly facilitate, in the interest of prosecuting transnational wildlife trafficking and convicting criminal syndicates.

Many fentanyl-trafficking networks are not narrowly specialized in fentanyl or drugs only. Fentanyl smuggling networks have powerful protectors among corrupt government officials worldwide.

Incentivizing better cooperation from the Chinese and Mexican criminal governments is important. However, given the challenges in inducing such cooperation in the current geopolitical environment and the current Mexican government's policy orientation, it is equally crucial to enhance the United States' own policy tools to counter fentanyl-trafficking networks. Expanding the intelligence-gathering aperture and mandating and resourcing a whole-of-government approach in support of U.S. law enforcement against priority target criminal actors will save U.S. lives currently decimated by fentanyl overdoses.

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Written Statement of

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on

**U.S. Efforts in Disrupting the Illicit Fentanyl Trade through Cooperation  
with China and Mexico**

at a Hearing on

**“Strengthening International Cooperation to Stop the Flow of Fentanyl  
into the United States”**

before the

Subcommittee on Emerging Threats and Spending Oversight  
of the U.S. Senate Committee Homeland Security and Governmental Affairs

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<sup>1</sup> The views expressed in this testimony are that of the author and do not necessarily reflect the views of the William J. Perry Center for Hemispheric Defense Studies, National Defense University, or the Department of Defense.

***Introduction***

Thank you, Chairwoman Hassan, Ranking Member Romney and members of the Subcommittee on Emerging Threats and Spending Oversight of the U.S. Senate Committee Homeland Security and Governmental Affairs for the opportunity to testify today on strengthening international cooperation to stop the flow of fentanyl into the United States.

Almost exactly one year ago, I testified before the House Financial Services Subcommittee on National Security, Illicit Finance, and International Financial Institutions on “How China and the Mexican Cartels are waging an Asymmetrical War against the U.S. through the Illicit Fentanyl Trade” at a Hearing on “Follow the Money: The CCP’s Business Model Fueling the Fentanyl Crisis.” Unfortunately, the fentanyl crisis has only worsened since then, with drug overdoses becoming the leading cause of death of Americans aged 18-45. In 2023, a majority of the more than 100,000 annual drug overdose deaths in the United States are attributed to illicit fentanyl mostly supplied by Mexican-based transnational criminal organizations, and China remains the primary source for illicit fentanyl, precursor chemicals and pill pressing equipment.<sup>2</sup> The fentanyl crisis is not only a problem for the U.S., Mexico and Canada, as diverted or illicit fentanyl has been recently discovered in Brazil, Colombia, Costa Rica and Panama.

The PRC and the Mexican cartels are waging an asymmetrical war against the U.S. through the fentanyl drug trade that is killing thousands of Americans and consuming vast government and private sector resources in the prevention, treatment and supply interdiction aspects of drug addiction. The Mexican cartels and the PRC are exploiting America’s weaknesses: our appetite for illicit drugs like fentanyl or fentanyl-laced drugs and the porous southwest border.<sup>3</sup> In the past year, we have seen some

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<sup>2</sup> Office of the Director of Intelligence, 2024 Annual Threat Assessment, p.36, <https://www.odni.gov/files/ODNI/documents/assessments/ATA-2024-Unclassified-Report.pdf>

<sup>3</sup> Celina B. Realuyo, Congressional Testimony, “China and the Mexican Cartels’ Asymmetrical War through the Illicit Fentanyl Trade” at a Hearing on “Follow the Money: The CCP’s Business Model Fueling the Fentanyl Crisis” before the Subcommittee on National Security, Illicit Finance, and International Financial Institutions of the Committee on Financial Services of the U.S. House of Representatives, March

progress in curbing illicit fentanyl flows on the domestic front and through international cooperation with China and Mexico, but more still needs to be done to address this deadly fentanyl epidemic.

This testimony will examine U.S. measures taken to interdict fentanyl flows and designate, sanction and bring to justice Chinese and Mexican drug traffickers and money launderers involved in the illicit fentanyl trade. It will also describe how the U.S. has increased international cooperation with the PRC and Mexico to disrupt the global illicit fentanyl supply chain. Finally, it will offer specific recommendations on how to counter the emerging threats from the flows of illicit fentanyl and precursor chemicals into the U.S. both at home and abroad.

#### ***Recent U.S. Actions to Address the Illicit Fentanyl Trade***

Over the past year, the U.S. has stepped up efforts to disrupt the global fentanyl supply chain through a series of law enforcement actions, sanctions, designations against Chinese and Mexican traffickers of fentanyl and precursor chemicals. There has been a significant increase in illicit fentanyl interdictions. In FY 2023, Department of Homeland Security (DHS) stopped over 43,000 pounds of fentanyl from hitting our streets and seized more than 3,600 pill presses and \$16 million in currency. These efforts by Customs and Border Protection and Homeland Security Investigations also resulted in over 5,600 arrests in FY 2023. Since FY21, DHS HSI operations have seized more than 1,570,127 kilograms of fentanyl and methamphetamine precursor chemicals.<sup>4</sup>

DHS has stepped up its operations through non-intrusive inspection (NII) technology at ports of entry (POE). This technology allows DHS to screen and detect not only drugs, but also currency, guns, ammunition and contraband, as well as people being

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23, 2024, <https://www.congress.gov/118/meeting/house/115542/witnesses/HHRG-118-BA10-Wstate-RealuyoP-20230323.pdf>

<sup>4</sup> U.S. Department of Homeland Security, Fact Sheet: DHS is on the Front Lines Combating Illicit Opioids, Including Fentanyl, December 22, 2023, <https://www.dhs.gov/news/2023/12/22/fact-sheet-dhs-front-lines-combating-illicit-opioids-including-fentanyl>

smuggled or trafficked into the country and minimally impacts the flow of legitimate travel and commerce. By installing 123 new large-scale scanners at multiple POEs along the Southwest Border, CBP will increase its inspection capacity of passenger vehicles from two percent to 40 percent, and of cargo vehicles from 17 percent to 70 percent.

CBP is also operating 16 Forward Operating Laboratories to provide onsite, rapid testing for fentanyl to frontline personnel – meaning a process that once would have taken weeks now takes seconds. The scientists at the labs provide real-time testing for quicker law enforcement actions, prosecutions and intelligence collection. DHS is innovating with the responsible use of artificial intelligence to help CBP Officers determine which suspicious vehicles and passengers to refer to secondary screening. DHS is also working with shippers to get more trade shipment data to CBP to identify and interdict illicit shipments in small packages, without inhibiting cross-border e-commerce.<sup>5</sup>

On the Mexican front, the U.S. Department of Justice announced federal indictments for alleged fentanyl trafficking on April 14, 2023, against the “Chapitos” (Ovidio Guzmán López, Iván Archivaldo Guzmán Salazar, Jesús Alfredo Guzmán Salazar and Joaquín Guzmán López, all children of former Sinaloa Cartel leader, Joaquín Guzmán Loera, alias “El Chapo.”) Mexican authorities arrested Ovidio Guzmán for the second time in January 2023 in Mexico and eventually extradited to Chicago in September 2023.<sup>6</sup> This constituted a major blow to the Sinaloa Cartel.

On September 23, 2023, nine Sinaloa Cartel members in Mexico and the leader of the Colombian Clan del Golfo Jobanis de Jesus Avila Villadiego were designated under the Executive Order on Imposing Sanctions on Foreign Persons Involved in the Global Illicit Drug Trade by the U.S. Department of the Treasury’s Office of Foreign Assets

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<sup>5</sup> U.S. Department of Homeland Security, Fact Sheet: DHS is on the Front Lines Combating Illicit Opioids, Including Fentanyl, December 22, 2023, <https://www.dhs.gov/news/2023/12/22/fact-sheet-dhs-front-lines-combating-illicit-opioids-including-fentanyl>

<sup>6</sup> Parker Asmann, Fentanyl Seizures on US-Mexico Border at Record High Amid Production Ban, Insight Crime, November 21, 2023, <https://insightcrime.org/news/fentanyl-seizures-mexico-border-record-high-amid-production-ban/>

Control (OFAC).<sup>7</sup> On November 7, 2023 the Biden Administration imposed sanctions on 13 more members of Mexico's powerful Sinaloa cartel and four Sonora, Mexico-based firms accused of trafficking fentanyl and other drugs into the United States.<sup>8</sup> These sanctions and indictments against Mexican cartel members illustrate the U.S. commitment to pursue and prosecute Mexican transnational criminal organizations involved in the fentanyl trade.

On the Chinese front, Treasury's OFAC has sanctioned more than 65 mainland China- or Hong Kong-based persons for illicit fentanyl, xylazine or nitazenes trafficking. These sanctions block assets under U.S. jurisdiction, prohibit U.S. persons from engaging in financial transactions with those designated, and ban such traffickers from entry into the United States.<sup>9</sup> In June 2023, the Department of Justice (DOJ) indicted three PRC-based companies and their employees for fentanyl-related crimes. In September 2023, DOJ indicted eight more PRC chemical companies and 12 of their executives for crimes related to fentanyl, other synthetic opioids, methamphetamines, and their precursor chemicals.<sup>10</sup> In September 2023, President Biden added China to the U.S. list of the world's major illicit drug-transit or drug producing countries. The USG cited the PRC's role in the production of precursor chemicals used to produce illicit drugs significantly affecting the United States.<sup>11</sup> These are among the most aggressive USG actions against Chinese operators to date.

On December 4, 2023, the Treasury Department announced the launch of a Counter-Fentanyl Strike Force to marshal Treasury's resources and expertise in a coordinated and streamlined operation to combat the trafficking of illicit fentanyl. This

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<sup>7</sup> The White House White House ONDCP Statement on New Sanctions Against Sinaloa Cartel Fentanyl Suppliers and Colombian Clan del Golfo Leader, <https://www.whitehouse.gov/ondcp/briefing-room/2023/09/26/white-house-ondcp-statement-on-new-sanctions-against-sinaloa-cartel-fentanyl-suppliers-and-colombian-clan-del-golfo-leader/>

<sup>8</sup> Fatima Hussein, "The US sanctions Mexican Sinaloa cartel members and firms over fentanyl trafficking," *Associated Press*, November 7, 2023, <https://apnews.com/article/treasury-sanctions-fentanyl-mexico-sinaloa-cartel-674d046c4c96a98d2227b123a4893a16>

<sup>9</sup> Congressional Research Service, *China Primer: Illicit Fentanyl and China's Role*, February 20, 2024, <https://crsreports.congress.gov/product/pdf/IF/IF10890>

<sup>10</sup> *Ibid.*

<sup>11</sup> *Ibid.*

Strike Force brings together personnel, expertise, intelligence, and resources across key Treasury offices and is jointly led by the Office of Terrorism and Financial Intelligence (TFI) and IRS Criminal Investigation (CI). Its mission will advance President Biden's counternarcotics priorities, including targeting the global illicit supply chain with sanctions; working with Mexico and Canada to counter illicit fentanyl through the North American Drug Dialogue, and, when possible, through joint investigations; and working with the private sector to share financial intelligence, red flags, trends, and typologies.<sup>12</sup> These actions by the Departments of Justice and Treasury are just some examples of measures the U.S. government has taken to sanction and bring illicit fentanyl and precursor chemical traffickers and their financiers to justice.

#### ***Enhanced Multilateral Cooperation***

Since the illicit fentanyl trade is a global business, reliant on global supply chains that originate in China, the U.S. has increased its international cooperation with likeminded countries, including China and Mexico, that are key enablers of the illicit fentanyl trade. The global illicit drug trade is transitioning from plant-based narcotics to synthetic drugs that are easier to manufacture, more addictive and offer more lucrative profit margins. On July 7, 2023, the U.S. launched the Global Coalition to Address Synthetic Drug Threats that convened over 80 partner countries in Washington. It is intended to accelerate efforts against illicit synthetic drugs and employ coordinated approaches to prevent illicit drug manufacturing, detect emerging drug threats, disrupt trafficking, address illicit finance, and respond to public safety and public health impacts. The Global Coalition also seeks develop solutions, drive national actions and create synergies and leverage among like-minded countries who agree that countering illicit synthetic drugs must be a global policy priority.<sup>13</sup> This multilateral organization can help pressure China and Mexico into increasing efforts to combat the illicit drug trade.

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<sup>12</sup> U.S. Department of Treasury, U.S. Treasury Launches Counter-Fentanyl Strike Force, December 4, 2023, <https://home.treasury.gov/news/press-releases/jy1946>

<sup>13</sup> The White House, Dr. Rahul Gupta Releases Statement on the Launch of the Global Coalition to Address Synthetic Drug Threats, July 7, 2023, <https://www.whitehouse.gov/ondcp/briefing-room/2023/07/07/dr-rahul-gupta-releases-statement-on-the-launch-of-the-global-coalition-to-address-synthetic-drug-threats/>

***U.S.- PRC Cooperation***

Cooperation with China is essential to disrupt illicit fentanyl flows since China is the principal source country of illicit fentanyl, precursor chemicals and pill press equipment, according to U.S. Customs and Border Protection. Fentanyl analogs and precursor chemicals used to make fentanyl are illicitly manufactured in Chinese labs and then sold on the Darknet and shipped in bulk to the U.S. and Mexico. After President Donald Trump personally urged Chinese President Xi Jinping to stop fueling the opioid epidemic in the U.S. in 2018, China announced all variants of fentanyl would be treated as controlled substances. On May 1, 2019, the Chinese government added fentanyl-related substances to their list of controlled drugs in a move aimed at curtailing the manufacturing and distribution of one of the world's most powerful opioids. The new laws were interpreted as "win" for President Trump's pressure on President Xi.<sup>14</sup>

In 2019 and 2021, joint U.S.- China investigations resulted in PRC courts sentencing defendants for trafficking fentanyl to the United States and Canada. In 2020, the U.S. Postal Service reported that China Post was "nearly fully achieving" the requirement, pursuant to the Synthetics Trafficking and Overdose Prevention (STOP) Act of 2018 (Title VIII, Subtitle A of P.L. 115-271), that 100% of its U.S.-destination packages be accompanied by customs advance electronic data (AED).<sup>15</sup> These were positive signs of countering illicit fentanyl flows from China.

After some initial progress, bilateral counternarcotics cooperation appeared to stall beginning in 2020 as one aspect of deteriorating U.S.-China relations on multiple fronts. It did not appear that China had been enforcing these controls and continued to be the top producer of fentanyl and the precursor chemicals necessary for the illicit drug

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<sup>14</sup> Steven Jiang and Ben Westcott. "China announces new crackdown on fentanyl in win for U.S. President Trump." *CNN.com*, April 1, 2019 <https://www.cnn.com/2019/04/01/asia/china-us-fentanyl-trump-intl/index.html>

<sup>15</sup> Congressional Research Service. *China Primer: Illicit Fentanyl and China's Role*, February 20, 2024, <https://crsreports.congress.gov/product/pdf/IF/IF10890>

trade. Ben Westhoff, an award-winning investigative journalist who went undercover in several Chinese fentanyl operations and authored *Fentanyl Inc.: How Rogue Chemists Are Creating the Deadliest Wave of the Opioid Epidemic*, posits the CCP never curbed the production and export of illegal chemicals in China. He stressed that not only is China not doing enough to contain this industry, but they are encouraging fentanyl producers through a series of tax breaks, subsidies and other grants.<sup>16</sup>

In June 2020, the PRC was infuriated when the U.S. Department of Commerce decided to add the Institute of Forensic Science under the PRC's Ministry of Public Security (MPS) in the U.S. "Entity List," considering it a national security concern and subjecting it to export restrictions and licensing requirements.<sup>17</sup> The measure effectively prohibited the institute from receiving most goods from U.S. suppliers. The Commerce Department alleged the institute was "implicated in human rights abuses" in the PRC's Xinjiang Uyghur Autonomous Region. As a result of worsening bilateral relations and in response to then-House Speaker Nancy Pelosi's visit to Taiwan., the PRC formally suspended bilateral counternarcotics cooperation in August 2022.<sup>18</sup>

Despite the diplomatic tensions, the Biden Administration's 2022 National Drug Control Strategy prioritized increased collaboration with China on shared drug priorities and continued engagement to reduce diversion of uncontrolled precursor chemicals. In February 2023, Assistant Secretary of State for International Narcotics and Law Enforcement Affairs Todd Robinson testified before the Senate that the U.S. has "encouraged the PRC to improve information-sharing on global chemical flows, strengthen enforcement of customs manifesting agreements, and implement know-your

<sup>16</sup> Dave Davies, "Fentanyl As A Dark Web Profit Center, From Chinese Labs To U.S. Streets," *National Public Radio*, September 4, 2019, <https://www.npr.org/sections/health-shots/2019/09/04/757089868/fentanyl-as-a-dark-web-profit-center-from-chinese-labs-to-u-s-streets>

<sup>17</sup> U.S. Bureau of Industry and Security, <https://beta.bis.gov/entity-list-0#:~:text=The%20%22Entity%20List%22%20is%20a,for%20certain%20technologies%20and%20goods>.

<sup>18</sup> Janis Mackey Frayer and Jennifer Jett, "U.S. and China to hold high-level talks aimed at curbing the fentanyl crisis," *NBC News*, January 26, 2024, <https://www.nbcnews.com/news/world/us-china-fentanyl-talks-opioids-drugs-epidemic-precursor-rcna135399>

customer standards to restrict the sale of precursor chemicals to only customers with legitimate needs.”<sup>19</sup>

After a year of strained relations, President Joe Biden and President Xi Jinping met face-to-face on November 15, 2023, on the margins of the APEC Summit in San Francisco; the meeting resulted in some breakthrough agreements. The two leaders decided to resume military-to-military exchanges, pledged increased cooperation on climate change mitigation and artificial intelligence and re-established bilateral counternarcotics enforcement. They welcomed the resumption of cooperation to combat global illicit drug manufacturing and trafficking, including synthetic drugs like fentanyl, and announced the establishment of a working group for ongoing communication and law enforcement coordination on counternarcotics issues. President Biden stressed that this new step would advance the U.S. whole-of-government effort to counter the evolving threat of illicit synthetic drugs and to reduce the diversion of precursor chemicals and pill presses to drug cartels.<sup>20</sup> The day after the bilateral meeting, the U.S. Department of Commerce's Bureau of Industry and Security removed the Ministry of Public Security's Institute of Forensic Science of China from the Entity List on November 16 that had been a bone of contention since June 2020.

Just ahead of the APEC Summit, the PRC submitted 145 drug-related incidents to the International Narcotics Control Board Database that is used to share information internationally about suspected trafficking activity; this is the first time China had done so since 2017. In November 2023, Beijing also issued a public notice, warning domestic producers of more than 50 precursors that they face potential legal action in sending the chemicals abroad. They also warned of possible “entrapment” by foreign authorities and said exporters should exercise caution when shipping items to countries including the

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<sup>19</sup> Congressional Research Service, China Primer: Illicit Fentanyl and China’s Role, February 20, 2024, <https://crsreports.congress.gov/product/pdf/IF/IF10890>

<sup>20</sup> The White House, Readout of President Joe Biden’s Meeting with President Xi Jinping of the People’s Republic of China, November 15, 2023, <https://www.whitehouse.gov/briefing-room/statements-releases/2023/11/15/readout-of-president-joe-bidens-meeting-with-president-xi-jinping-of-the-peoples-republic-of-china-2/>

United States and Mexico.<sup>21</sup> There is hope that these measures will result in a decline in fentanyl shipments similar to what happened in 2019 when the flow of precursors and fentanyl analogs were subject to a Chinese government crackdown.

On January 30, 2024, the inaugural meeting of the China-U.S. counternarcotics working group took place in Beijing, with White House Deputy Homeland Security Advisor Jen Daskal leading the U.S. delegation and State Councilor Wang Xiaohong, who serves concurrently as Minister of Public Security and head of the NNCC on the PRC side. The two sides emphasized the need to coordinate on law enforcement actions; address the misuse of precursor chemicals, pill presses, and related equipment to manufacture illicit drugs; target the illicit financing of transnational criminal organization networks; and engage in multilateral fora.<sup>22</sup> It remains to be seen how the PRC enforces regulations to ensure that shipments from China are going to legitimate customers and can crack down on illicit fentanyl and precursor suppliers to have a significant impact on the global supply chain for illicit drugs to the U.S.

#### ***U.S.-Mexico Cooperation***

Since the DEA considers Mexican drug trafficking organizations the greatest criminal drug threat to the U.S. that are increasingly responsible for producing and supplying deadly fentanyl to the U.S. market, cooperation with Mexico is critical in curbing the flow of illicit fentanyl into our country. Unfortunately, bilateral security cooperation between the U.S. and Mexico has been strained since Mexican President Andrés Manuel López Obrador, known as AMLO, took office in 2018. He campaigned against Mexico's military-led "war" on transnational criminal organizations, decried his

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<sup>21</sup> Cate Cadell, "U.S., China officials to meet on curbing fentanyl supply," *Washington Post*, January 28, 2024, <https://www.washingtonpost.com/national-security/2024/01/28/china-us-fentanyl-drugs/>

<sup>22</sup> U.S. Department of State, Launch of United States-People's Republic of China Counternarcotics Working Group, February 1, 2024, <https://www.state.gov/launch-of-united-states-peoples-republic-of-china-counternarcotics-working-group/>

predecessors' strategy of focusing on cartel leaders rather than broader cartel-related crime and criticized the Mérida Initiative for failing to stem drug-related violence.<sup>23</sup>

Cooperation deteriorated even more when the U.S. arrested former defense minister General Salvador Cienfuegos on drug trafficking charges upon his arrival to Los Angeles on October 15, 2020. He had been investigated for his ties to Mexican drug cartels by the DEA for years. By November 18, 2020, the U.S. Department of Justice had dropped all charges against Cienfuegos and released him to Mexico, where the López Obrador government published the U.S. evidence against Cienfuegos, declined to prosecute him and called the U.S. evidence “fabricated.”<sup>24</sup> In December 2020, the Mexican Congress enacted legislation to limit U.S. law enforcement operations and intelligence sharing. This further frustrated U.S. counternarcotics investigations. The López Obrador government also paused the issuance of visas for U.S. Drug Enforcement Administration (DEA) agents, slowed extraditions, and declared the Mérida Initiative “dead.”<sup>25</sup> This created a difficult environment for bilateral security cooperation at a time when illicit drug trafficking and irregular migration hit record levels.

At the October 2021 High-Level Security Dialogue, the U.S. and Mexico renewed bilateral cooperation through the Bicentennial Framework for Security, Public Health, and Safe Communities which expands the scope of the Mérida Initiative by adding new U.S. commitments to reduce drug demand in the United States and the flow of illegal firearms from the U.S. to Mexico. This was a key turning point in bilateral cooperation to combat transnational criminal organizations and their drug, arms and human trafficking. On January 31, 2022, after months of negotiations, the U.S. and Mexican governments published an action plan to implement the U.S.-Mexico Bicentennial Framework. Under the framework, the U.S. and Mexico are increasing joint efforts to combat production of

<sup>23</sup> Congressional Research Service, Mexico: Background and U.S. Relations, May 17, 2023, <https://crsreports.congress.gov/product/pdf/R/R42917>

<sup>24</sup> Emilia López Pérez, “AMLO Respalda Exoneración a Cienfuegos: ‘Le Fabricaron Cargos in EU’, dice,” *El Financiero*, January 15, 2021, <https://www.elfinanciero.com.mx/nacional/amlo-respalda-exoneracion-a-cienfuegos-le-fabricaron-cargos-en-eu-dice/>

<sup>25</sup> Mary Beth Sheridan, “Mexico lashes out at U.S. with law expected to harm cooperation on drug fight,” *Washington Post*, December 15, 2020, [https://www.washingtonpost.com/world/the\\_americas/mexico-drug-trafficking-dea-amlo/2020/12/15/fea76612-3e47-11eb-8bc0-ac155bee4aff\\_story.html](https://www.washingtonpost.com/world/the_americas/mexico-drug-trafficking-dea-amlo/2020/12/15/fea76612-3e47-11eb-8bc0-ac155bee4aff_story.html)

synthetic and other illicit drugs; working to better understand and reduce drug demand; increasing drug interdictions; pursuing the illicit financial flows that fund transnational criminal organizations; working to prosecute and convict transnational criminal organizations; and reducing the amount of illicit firearms, bulk cash, and other illicit goods crossing the U.S.-Mexico border. According to the State Department, the shared border is more secure, information sharing is more fluid, and both countries benefit from professionally trained officials and state-of-the-art equipment to confront transnational crime because of this collaboration.<sup>26</sup>

As part of the Bicentennial Framework, the U.S. and Mexico established working-level mechanisms to coordinate on synthetic drugs and precursor chemicals. In 2022, Mexico expanded its nascent “chemical watch list” for dual-use precursors—a move that may spur opportunities for enhanced regional information sharing and regulatory action targeting fentanyl precursors. Joint actions in 2022 included financial sanctions targeting Mexican fentanyl traffickers, the development of a joint action plan to combat synthetic opioids and increased U.S. efforts to help Mexican military agencies create records of fentanyl and precursor seizures to submit to a central database. The Mexican military is now leading customs operations at all land, air, and seaports of entry and receives U.S. assistance. At the North American Leaders Summit (NALS) in Mexico City in January 2023, President López Obrador appeared to recognize concerns about fentanyl production in Mexico and pledged to take increased actions to interdict precursor chemicals and destroy fentanyl labs. AMLO also pledged to share information on chemicals used in illicit fentanyl production.<sup>27</sup>

Just ahead of President Biden’s visit to Mexico City for the NALS, Mexican security forces captured Ovidio Guzmán, son of imprisoned Joaquin “El Chapo” Guzmán

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<sup>26</sup> U.S. Department of State, U.S. Relations With Mexico, Bilateral Relations Fact Sheet, Bureau of Western Hemisphere Affairs, September 13, 2023, <https://www.state.gov/u-s-relations-with-mexico/>

<sup>27</sup> The White House, “Remarks by President Biden, Prime Minister Trudeau, and President López Obrador in Joint Press Conference,” January 10, 2023, <https://www.whitehouse.gov/briefing-room/speeches-remarks/2023/01/10/remarks-by-president-biden-prime-minister-trudeau-and-president-lopez-obrador-in-joint-press-conference/>

(former leader of the Sinaloa Cartel) on January 4, 2023.<sup>28</sup> Ovidio Guzmán was one of the most wanted criminals in the United States for his role in trafficking fentanyl and other drugs. On April 14, 2023, the U.S. Department of Justice announced federal indictments for alleged fentanyl trafficking against the “Chapitos” (Ovidio Guzmán López and his three brothers, all children of former Sinaloa Cartel leader, Joaquín Guzmán Loera, alias “El Chapo.”) Ovidio Guzmán was extradited to Chicago on September 15, 2023, and was charged in the Northern District of Illinois with drug trafficking from around May 2008 and continuing to at least October 21, 2021, along with additional money laundering and firearms charges. He is accused of conspiring to distribute cocaine, heroin, methamphetamine, and marijuana from Mexico and elsewhere for importation into the United States.<sup>29</sup> The capture and extradition of Ovidio Guzmán demonstrated Mexico’s political will to send him to the U.S. to face justice.

On November 17, 2023, President Biden met with President López Obrador on the margins of the APEC Summit in San Francisco and discussed the devastating effects of the fentanyl and synthetic opioid crisis. President Biden expressed appreciation for the full commitment AMLO has made to confront this challenge domestically, as well as bilaterally, trilaterally with Canada through the Trilateral Fentanyl Commission, and multilaterally through the Global Coalition to Address Synthetic Drug Threats. The leaders discussed ways the U.S. and Mexico can expand law enforcement cooperation to combat the trafficking of people, illicit drugs, and arms, and dismantle the violent TCOs that run these trafficking networks and terrorize our communities.<sup>30</sup> As fentanyl deaths

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<sup>28</sup> Mary Beth Sheridan and Kevin Sieff, “Mexico Captures Son of El Chapo, Alleged Fentanyl Trafficker, Ahead of Biden Visit,” *Washington Post*, January 5, 2023,

<https://www.washingtonpost.com/world/2023/01/05/mexico-ovidio-guzman-el-chapo/>

<sup>29</sup> Parker Asmann, Fentanyl Seizures on US-Mexico Border at Record High Amid Production Ban, Insight Crime, November 21, 2023, <https://insightcrime.org/news/fentanyl-seizures-mexico-border-record-high-amid-production-ban/> and U.S. Department of Justice, Son of Joaquin Guzman Loera aka “El Chapo” Arraigned on Federal Criminal Charges Following his Extradition from Mexico to the United States for International Drug Trafficking, September 18, 2023, <https://www.justice.gov/opa/pr/son-joaquin-guzman-loera-aka-el-chapo-arraigned-federal-criminal-charges-following-his#:~:text=Guzman%20Lopez%20was%20subsequently%20extradited,illinois%20and%20pleaded%20not%20guilty.>

<sup>30</sup> The White House, “Readout of President Joe Biden’s Meeting with President Andrés Manuel López Obrador of Mexico,” November 17, 2023, <https://www.whitehouse.gov/briefing-room/statements-releases/2023/11/17/readout-of-president-joe-bidens-meeting-with-president-andres-manuel-lopez-obrador-of-mexico/>

due to domestic consumption and record TCO-related homicides in Mexico continue to rise especially close to the U.S-Mexican border, perhaps the Mexican government will be more inclined to cooperate on curbing fentanyl flows.<sup>31</sup> While the diplomatic rapprochement between Presidents Biden and AMLO on combating the fentanyl crisis appears promising, we still need to see more concrete examples of arrests, extraditions and interdiction actions to disrupt and dismantle illicit trafficking networks that are fueling the fentanyl epidemic in the U.S.

### ***Conclusion and Recommendations***

The illicit fentanyl crisis continues to log record numbers of overdoses and poisonings in the U.S. The illicit fentanyl trade is enriching and empowering the Mexican transnational criminal organizations and their Chinese chemical suppliers and money runners. The U.S., China and Mexico must intensify domestic and international efforts against the illicit fentanyl trade. This can be achieved through drug demand and supply reduction, narcotics detection and interdiction, and counter-money laundering measures to keep up with the rapid changes in the production, marketing, financing and delivery of illicit fentanyl. The following measures could help to stem the global flows of illicit fentanyl and precursor chemicals contributing the fentanyl epidemic in the U.S.:

On the domestic front:

1. The U.S. should assign more human, financial and technology resources to detect, intercept and disrupt fentanyl flows to our borders and within the country and secure appropriate funding from Congress. Interdiction programs include the deployment of more non-intrusive inspection scanners, forward operating laboratories to provide onsite, rapid testing for fentanyl to frontline personnel, and expanded application of artificial intelligence to detect anomalies in traffic coming across the border to curb illicit fentanyl flows into the U.S.

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<sup>31</sup> Will Grant, "People will keep dying: Fentanyl crisis grips Mexico's border cities," *BBC News*, February 6, 2024, <https://www.bbc.com/news/world-latin-america-68101263>

2. The U.S. should task the intelligence community to leverage signals, financial and digital intelligence to better understand and pursue Chinese and Mexican illicit fentanyl trafficking and money laundering networks. Their exploitation of the cyber-physical domain to move drugs and money and manage their global supply chains is an emerging threat.
3. The U.S. should identify, monitor and dismantle online illicit drug markets and the use of social media for the marketing, sale and promotion of drug consumption, especially to minors, and consider duty of care requirements to reduce the risk of harm to users.
4. The U.S. should decrease illicit drug demand through expanded treatment and prevention programs, educating all Americans of the deadly dangers from fentanyl-laced counterfeit drugs and opioids.
5. The U.S. Departments of Treasury and Justice should continue to designate, sanction and indict Chinese and Mexican fentanyl traffickers and money launderers and bring them to justice.

On the international front:

1. Through regular bilateral counternarcotics meetings, the U.S. should hold the PRC accountable for the export of fentanyl and pre-cursor chemicals used for illicit narcotics and request reports on specific law enforcement actions against illicit fentanyl manufacturers and traffickers. If the PRC does not demonstrate good faith in countering illicit fentanyl flows, the U.S. should consider specific punitive measures like threatening to withdraw most favored nation status, imposing tariffs or applying multilateral diplomatic pressure from partner countries also suffering from drug trafficking.
2. On the financial front, the U.S. should ensure that the PRC applies requisite “know your customer” (KYC) compliance regulations to Chinese companies engaged in the international chemical trade and that the PRC detects, disrupts and prosecutes Chinese illicit fentanyl suppliers and money laundering networks associated with the fentanyl trade in the U.S. and abroad.

3. The U.S. should revitalize U.S.-Mexican cooperation to curb drug production, trafficking and the laundering of drug proceeds under the auspices of the Bicentennial Framework for Security, Public Health, and Safe Communities that is aimed to protect our people, prevent transborder crime, pursue criminal networks and disrupt illicit financiers. The U.S. should request for regular reporting from Mexican counterparts on law enforcement actions aimed at disrupting global illicit fentanyl flows.
4. If Mexico does not demonstrate credible political will to address the illicit fentanyl trade, the U.S. should consider designating the Sinaloa Cartel and the Jalisco Cartel New Generation (Cartel de Jalisco Nueva Generación – CJNG) as Foreign Terrorist Organizations (FTOs) - foreign organizations engaged in terrorist activity that threatens the security of U.S. nationals or the national security (national defense, foreign relations, or the economic interests) of the United States. This would provide U.S. government agencies expanded powers to pursue and freeze the assets of the cartels and their collaborators, including American and Chinese facilitators under the material support of terrorism statute.
5. With both the PRC and Mexico, the U.S. should establish specialized units or task forces at the national and international levels to share intelligence and law enforcement information and investigate Chinese and Mexican criminal networks engaged in the illicit fentanyl drug trade.

The illicit fentanyl trade is a global business that relies on international trade, supply chains and financing and is impacting health, security, and prosperity around the world. Illicit fentanyl producers, traffickers and their financiers are exploiting increasing demand, porous borders and cyberspace to further expand their operations around the world. Therefore, the U.S., China and Mexico must double down on domestic and international cooperative measures to stem the flow of illicit fentanyl and disrupt the synthetic drug trade that is killing tens of thousands of Americans each year.

March 20, 2024

**Testimony Submitted to the U.S. Senate before the Emerging Threats and Spending  
Oversight Subcommittee of the Committee on Homeland Security and Governmental  
Affairs**

**“Strengthening International Cooperation to Stop the Flow of Fentanyl into the United  
States”**

**Christopher J. Urben  
Managing Director, Nardello & Co.  
Assistant Special Agent in Charge (Retired), Special Operations Division  
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Chairman Hassan and Ranking Member Romney, and distinguished members of this Subcommittee, thank you for the opportunity to address you today on the importance of international cooperation in combating the global trade in fentanyl and other deadly narcotics. This growing trade has killed hundreds of thousands of Americans, destabilized Mexico and our southern border, and adversely affected our nation’s communities and its financial integrity. International cooperation, particularly with Mexico and China, but also with law enforcement agencies and financial regulators around the world, can help stop the flow of fentanyl into the United States and the movement of narcotics proceeds through our financial system.

I saw firsthand the damage done by the international trade in narcotics, including fentanyl and other deadly drugs, during a 24-year career as an agent and executive with the US Drug Enforcement Administration (“DEA”). I started off on the front lines targeting leaders of transnational criminal organizations (“TCOs”), who were trafficking drugs into the United States and laundering crime proceeds through US financial institutions and trade-based money laundering. I also spent time abroad, at US Embassies in Brussels and Copenhagen, working with our international partners to increase international collaboration against TCOs and malicious state actors. In 2018, I was assigned to the DEA’s Special Operations Division (“SOD”), where I supervised a team that focused on a new and evolving threat: Chinese Money Laundering Organizations (“CMLOs”) and other elements of Chinese organized crime globally.

Over the course of my career with the DEA, I observed the transformative potential of international cooperation in achieving our mission and increasing global stability. The clearest example of this potential is Plan Colombia, the US-Colombian initiative launched in 2000 to provide security and economic development assistance to help combat the spread of narcotics, train law enforcement personnel, and promote economic growth.

At the time Plan Colombia was started, Colombia was struggling with cartel-initiated violence, as Mexico is now, and battling insurgencies led by the FARC (*Fuerzas Armadas Revolucionarias de Colombia* or Revolutionary Armed Forces of Colombia) and AUC (*Autodefensas Unidas de Colombia* or United Self-Defense Forces of Colombia). As a result of decades of partnership between US and Colombian authorities—which has included extensive work between the DEA and trusted Colombian counterparts, resulting in the extradition of high-level narcotics traffickers

to the US to face justice—the country has been transformed. It now has a stable government that is free of insurgencies, it has seen a significant reduction in violence, and it has become a solid long-term partner of the United States in combating the global narcotics trade and associated money laundering.

During my work in Brussels and Copenhagen, I collaborated extensively with counterparts from European countries, some of which were young democracies that until recently were under the control of the Soviet Union, on significant criminal, regulatory, and national security matters. Our collaboration helped us hold accountable criminals operating out of those countries, increased the capacity of those countries to counteract the destabilizing influence of TCOs and other malign actors, and kept our country safe.

When I returned to the US, I saw the profound negative effect of the *lack* of international cooperation in the dramatic increase in the flow of fentanyl and other synthetic opioids into the country, and the increased flow of money through CMLOs, cryptocurrency, and other emerging money laundering techniques.

Lack of international cooperation with China on counternarcotics matters has enabled Chinese-manufactured fentanyl precursor chemicals to be exported to Mexico and other countries – sometimes directly to United States – where they can be transformed into drugs that are killing hundreds of thousands of Americans.

Lack of collaboration with China on anti-money laundering practices has contributed to the rise of CMLOs as a primary vehicle through which Mexican drug cartels and other TCOs launder their cash. CMLOs charge only one to two percent of the amount they are laundering, can deliver funds to the traffickers in their home countries immediately, and can guarantee payment of laundered funds. Previously, money launderers charged higher rates, required longer turnaround times, and made no guarantees. The CMLO model is a dramatic improvement for TCOs: it has allowed them to ship a greater amount of dangerous drugs into the United States and achieve greater profits from that deadly trade.

Several aspects of the CMLO threat could be addressed much more effectively if US and Chinese law enforcement and financial regulators were able to work together. In particular:

- Desire to avoid Chinese capital controls ensures a constant stream of customers looking to buy dollars in the US, making it harder to separate legitimate from illegitimate transactions. Lack of US-China collaboration allows the Chinese to evade capital controls without detection, while fueling CMLO activity in the United States.
- CMLOs use technology to their advantage, advertising the sale of dollars in Internet chat rooms and communicating and transacting primarily via *WeChat*, an encrypted network that facilitates speed and trust within the CMLO. As these encrypted *WeChat* transmissions are resistant to surveillance by US law enforcement, they cannot be used to disrupt CMLOs or build cases against their leaders. However, Chinese authorities, who have access to *WeChat* and other Chinese communication tools, could share information on CMLO activity with US law enforcement if the two countries were collaborating effectively.

Thus, both US and Chinese authorities have an interest in working more closely together to combat money laundering activity linked to TCOs.

Our relationship with Mexico on these matters is stronger, but there is still significant opportunity for improvement. The Mérida Initiative's emphasis on shared responsibility led to significant international cooperation, but the persistence of TCO activity in Mexico, and of drug smuggling activity across the US-Mexico border, reflected the limitations of that approach. In 2021, the governments of Mexico and the United States announced a security cooperation plan: the Bicentennial Framework for Security, Public Health, and Safe Communities. The Bicentennial Framework sought to reopen and improve bilateral channels to address illegal drug trafficking and organized crime, facilitate extraditions, and allow US agents to work in Mexico, among other topics. For its part, the Mexican government stated that it sought to leave behind the failed, warlike security approach associated with the launch of the Merida Initiative and to prioritize more effective anti-violence strategies. The Bilateral Framework has promise, but it has not achieved a Plan Colombia-type transformation of Mexico, has not effectively halted TCO activity, and has not stopped the flow of fentanyl into the US from Mexico.

There is promise for the future, however. The resumption of dialogue between the US and China on counternarcotics matters is an encouraging sign. We have strong relationships with Mexican authorities, and the approaching presidential election in Mexico offers the possibility of a new bilateral emphasis on combating narcotics trafficking and money laundering activity. We have a long history of collaboration with both countries in important areas, despite disagreements on other areas. Progress on these critical topics is possible.

In the meantime, we can work more effectively with other governments and private sector partners around the world to combat the flow of fentanyl into the US. Sanctions, if applied globally and on a quicker timetable, can effectively cut off manufacturers of precursor chemicals and facilitators of TCO activity, including CMLOs, from the global financial system, diminishing their capabilities and making them targets for further enforcement efforts. Investments and enhancements in port and border security around the world would reduce the flow of fentanyl and precursor chemicals through transit points into the United States.

The private sector can also help. At Nardello & Co., a global investigative firm that I joined in 2022, we are working on ways to help financial institutions and other entities identify and address CMLO activity by shutting down accounts and reporting suspicious activity to the authorities. If done on a global scale, CMLOs and other launderers of TCO proceeds would find it much more difficult to move the money that is the lifeblood of the fentanyl trade. Shipping companies also can enhance the security of their operations to prevent their unwitting use to facilitate the flow of drugs into the US.

Finally, the US could do more on its own to combat the flow of fentanyl into the United States by, for example, adopting laws that would enable law enforcement agencies to hold accountable more smugglers, distributors, and money launderers and facilitate seizures of fentanyl before it can kill.

Thank you to the Subcommittee for calling attention to this important issue. I look forward to answering your questions, and to future discussions with the Subcommittee and its staff about this important matter.