

EXPOSING CHINA'S SUPPORT FOR THE TALIBAN ACT

DECEMBER 19, 2023.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. MCHENRY, from the Committee on Financial Services,
submitted the following

R E P O R T

[To accompany H.R. 4765]

[Including cost estimate of the Congressional Budget Office]

The Committee on Financial Services, to whom was referred the bill (H.R. 4765) to require the Secretary of the Treasury to carry out a study on Chinese support for Afghan illicit finance, and for other purposes, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “Exposing China’s Support for the Taliban Act”.

SEC. 2. STUDY ON CHINESE SUPPORT FOR AFGHAN ILLICIT FINANCE.

(a) FINDINGS.—Congress finds the following:

(1) Though China and Afghanistan share only a small land border, when it comes to illicit financial activity between the two countries, China has a demonstrated history of permissiveness regarding trafficking and money laundering that could support both the Taliban and its associates.

(2) A 2014 Financial Action Task Force report titled, “Financial Flows Linked to the Production and Trafficking of Afghan Opiates” found evidence of import/export companies registered in China that were transferring funds to Afghanistan, likely as part of trade-based money laundering schemes centered around illicit opium production and trafficking, which, per the United Nations Office on Drugs and Crime (UNODC), is one of the Taliban’s main sources of income.

(3) Since the U.S. withdrawal from Afghanistan in August 2021, China has announced its willingness to lend financial support and legitimacy to the Taliban-led government in Afghanistan, including Afghan Interior Minister, Sirajuddin Haqqani, a member of the U.S.-sanctions designated Foreign Terrorist Organization, the Haqqani Network.

(4) China’s permissive policies regarding Afghan illicit finance run counter to the strategic interests of the United States with respect to countering traf-

ficking and preventing terrorist groups from accessing the international financial system.

(5) China's role as a critical source of financial wherewithal for the Taliban and its associates to process and implement drug and other illicit-activity transactions warrants further study as these actions pose a threat both to the safety and security of the people of Afghanistan and the international community.

(6) Congress needs to better understand how China could leverage its relationships and resources within Afghanistan and how these activities could directly or indirectly provide financial support to terrorist organizations, including the Taliban and its associates.

(b) STUDY.—

(1) REQUIREMENT.—Not later than one year after the date of the enactment of this Act, the Secretary of the Treasury shall provide to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate a report on the financial activities of the Government of China and Chinese entities in connection with the finances of Afghanistan and the Taliban.

(2) MATTERS INCLUDED.—The report under paragraph (1) shall include the following:

(A) An assessment of the activities undertaken by the Government of China and Chinese-registered companies to support illicit financial networks in Afghanistan, particularly such networks involved in narcotics trafficking, illicit financial transactions, official corruption, natural resources exploitation, and terrorist networks.

(B) An assessment of financial, commercial, and economic activities undertaken by the Government of China and Chinese companies in Afghanistan to support Chinese policies counter to American strategic interests.

(C) Any recommendations to Congress regarding legislative or regulatory improvements necessary to support the identification and disruption of Chinese-supported illicit financial networks in Afghanistan.

(3) FORM.—The report under paragraph (1) may include a classified annex.

PURPOSE AND SUMMARY

Introduced on July 20, 2023, by Representative Stephen Lynch, H.R. 4765, the *Exposing China's Support for the Taliban Act*, requires the Department of the Treasury (Treasury) to carry out a study and brief Congress on the financial activities of China and Chinese entities in connection with the finances of Afghanistan and the Taliban, including activities that support illicit financial networks. This bill was introduced in the 117th Congress as an amendment to the FY2023 NDAA and the America COMPETES Act, and as a standalone bill, H.R. 6524.

BACKGROUND AND NEED FOR LEGISLATION

China and Afghanistan share a small land border. However, there is a significant amount of illicit financial activity, including trafficking and money laundering, between the two countries. China, in particular, has allowed these with activities to support both the Taliban and its associates.

A 2014 Financial Action Task Force report titled, "Financial Flows Linked to the Production and Trafficking of Afghan Opiates" found evidence of import/export companies registered in China that were transferring funds to Afghanistan. These companies are likely part of trade-based money laundering schemes centered around illicit opium production and trafficking. The United Nations Office on Drugs and Crime (UNODC) has identified this as one of the Taliban's main sources of income.

Subsequent to the U.S. withdrawal from Afghanistan in August 2021, China has lent its financial support and legitimized the Taliban-led government in Afghanistan. This includes recognizing Afghan Interior Minister, Sirajuddin Haqqani, who is a member of

the U.S.-sanctions designated Foreign Terrorist Organization, the Haqqani Network. China's permissive policies regarding Afghan illicit finance are counter to the strategic interests of the United States with respect to countering trafficking and preventing terrorist groups from accessing the international financial system.

China plays a critical role for the Taliban—allowing them and their associates to process and implement drug and other illicit transactions. This relationship warrants further study as these actions pose a threat both to the safety and security of the people of Afghanistan and the international community. H.R. 4765 will help Congress better understand China's role in leveraging its relationships and resources within Afghanistan and how these activities could provide financial support to terrorist organizations, including the Taliban and its associates.

HEARING

Pursuant to clause 3(c)(6) of rule XIII, the following hearing was used to develop H.R. 4765: The Subcommittee on National Security, Illicit Finance, and International Financial Institutions of the Committee on Financial Services held a hearing on April 27, 2023, titled "Oversight of the Financial Crimes Enforcement Network (FinCEN) and the Office of Terrorism and Financial Intelligence (TFI).

COMMITTEE CONSIDERATION

The Committee on Financial Services met in open session on July 26, 2023, and ordered H.R. 4765 to be reported favorably to the House as amended by a recorded vote of 49 ayes to 0 nays (Record vote no. FC-80), a quorum being present. Before the question was called to order the bill favorably reported, the Committee adopted an amendment in the nature of a substitute offered by Mr. Lynch by voice vote.

COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the record votes on the order to report legislation and amendments thereto. H.R. 4765 was ordered reported favorably to the House as amended by a recorded vote of 49 ayes to 0 nays (Record vote no. FC-80), a quorum being present.

Record vote no. FC- 80

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. McHenry	X	—	—	Ms. Waters	X	—	—
Mr. Hill	X	—	—	Mrs. Velázquez	—	—	—
Mr. Lucas	X	—	—	Mr. Sherman	X	—	—
Mr. Sessions	X	—	—	Mr. Meeks	—	—	—
Mr. Posey	X	—	—	Mr. Scott	X	—	—
Mr. Luetkemeyer	X	—	—	Mr. Lynch	X	—	—
Mr. Huizenga	X	—	—	Mr. Green	X	—	—
Mrs. Wagner	X	—	—	Mr. Cleaver	—	—	—
Mr. Barr	X	—	—	Mr. Himes	X	—	—
Mr. Williams (TX)	X	—	—	Mr. Foster	X	—	—
Mr. Emmer	X	—	—	Mrs. Beatty	X	—	—
Mr. Loudermilk	X	—	—	Mr. Vargas	X	—	—
Mr. Mooney	X	—	—	Mr. Gottheimer	X	—	—
Mr. Davidson	X	—	—	Mr. Gonzalez	X	—	—
Mr. Rose	X	—	—	Mr. Casten	X	—	—
Mr. Steil	X	—	—	Ms. Pressley	X	—	—
Mr. Timmons	X	—	—	Mr. Horsford	X	—	—
Mr. Norman	X	—	—	Ms. Tlaib	X	—	—
Mr. Meuser	X	—	—	Mr. Torres	X	—	—
Mr. Fitzgerald	X	—	—	Ms. Garcia	X	—	—
Mr. Garbarino	X	—	—	Ms. Williams (GA)	X	—	—
Mrs. Kim	X	—	—	Mr. Nickel	X	—	—
Mr. Donalds	X	—	—	Ms. Pettersen	X	—	—
Mr. Flood	X	—	—				
Mr. Lawler	X	—	—				
Mr. Nunn	X	—	—				
Ms. De La Cruz	X	—	—				
Mrs. Houchin	X	—	—				
Mr. Ogles	X	—	—				

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c) of rule XIII of the Rules of the House of Representatives, the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the goal of H.R. 4765 is for Treasury to carry out a study and brief Congress on the financial activities of China and Chinese entities in connection with the finances of Afghanistan and the Taliban, including activities that support illicit financial networks.

CONGRESSIONAL BUDGET OFFICE ESTIMATES

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

H.R. 4765, Exposing China's Support for the Taliban Act			
As ordered reported by the House Committee on Financial Services on July 26, 2023			
By Fiscal Year, Millions of Dollars	2023	2023-2028	2023-2033
Direct Spending (Outlays)	0	0	0
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	0	0
Spending Subject to Appropriation (Outlays)	0	*	not estimated
Increases <i>net direct spending</i> in any of the four consecutive 10-year periods beginning in 2034?	No	Statutory pay-as-you-go procedures apply?	No
		Mandate Effects	
Increases <i>on-budget deficits</i> in any of the four consecutive 10-year periods beginning in 2034?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No
* = between zero and \$500,000.			

NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

Pursuant to clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the estimate of new budget authority, entitlement authority, or tax expenditures or revenues prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1973.

FEDERAL MANDATES STATEMENT

Pursuant to section 423 of the Unfunded Mandates Reform Act, the Committee adopts as its own the estimate of the Federal mandates prepared by the Director of the Congressional Budget Office.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

EARMARK IDENTIFICATION

Pursuant to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee has carefully reviewed the provisions of the bill and states that the provisions of the bill do not contain any congressional earmarks, limited tax benefits, or limited tariff benefits within the meaning of the rule.

DUPLICATION OF FEDERAL PROGRAMS

Pursuant to clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee states that no provision of the bill establishes or reauthorizes a program of the Federal Government known to be duplicative of another Federal program, including any program that was included in a report to Congress pursuant to section 21 of the Public Law 111–139 or the most recent Catalog of Federal Domestic Assistance.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Section 1. Short title

This Act may be cited as the “Exposing China’s Support for the Taliban Act”.

Section 2. Study on Chinese support for Afghan illicit finance

Section 2 provides findings regarding the financial activities between China and Chinese entities in connection with the finances of Afghanistan and the Taliban, including activities that support illicit financial networks. Section 2 further requires the U.S. Treasury Department to carry out a study and brief Congress on the financial activities of China and Chinese entities in connection with the finances of Afghanistan and the Taliban within one year of enactment of this Act.