

**CHINA IN OUR BACKYARD:
HOW CHINESE MONEY LAUNDERING
ORGANIZATIONS ENRICH THE CARTELS**

HEARING

BEFORE THE
SUBCOMMITTEE ON HEALTH CARE
AND FINANCIAL SERVICES
OF THE
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AND ACCOUNTABILITY
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C O N T E N T S

Hearing held on April 26, 2023 Page 1

WITNESSES

Mr. Anthony Ruggiero, Senior Director and Senior Fellow, Foundation for
Defense of Democracies; and Former Deputy Assistant to the President,
Senior Director for Counterproliferation and Biodefense, National Security
Council
Oral Statement 5
Mr. Christopher Urben, Former Assistant Special Agent in Charge, Special
Operations Division, U.S. Drug Enforcement Administration
Oral Statement 7
Ms. Channing Mavrellis, Illicit Trade Director, Global Financial Integrity
Oral Statement 8

*Written opening statements and statements for the witnesses are available
on the U.S. House of Representatives Document Repository at:
docs.house.gov.*

INDEX OF DOCUMENTS

- * Questions for the Record: to Mr. Ruggiero; submitted by Rep. Gosar.
- * Questions for the Record: to Mr. Urben; submitted by Rep. Gosar.

**CHINA IN OUR BACKYARD:
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Wednesday, April 26, 2023

HOUSE OF REPRESENTATIVES
COMMITTEE ON OVERSIGHT AND ACCOUNTABILITY
SUBCOMMITTEE ON HEALTH CARE AND FINANCIAL SERVICES
Washington, D.C.

The Subcommittee met, pursuant to notice, at 2:30 p.m., in room 2247, Rayburn House Office Building, Hon. Lisa C. McClain [Chairwoman of the Subcommittee] presiding.

Present: Representatives McClain, Gosar, Grothman, Fry, Luna, Langworthy, Burlison, Porter, Casar, Balint, Lee, and Crockett.

Mrs. MCCLAIN. The Subcommittee on Health Care and Financial Services will come to order.

Welcome. Thank you for coming. Appreciate it.

Without objection, the Chair declares a recess at any time. I recognize myself for the purpose of making an opening statement.

Welcome to the Subcommittee on Health Care and Financial Services. Today's oversight hearing focuses on the role that Chinese money laundering organizations are playing to enrich the cartels. We will hear from former Federal law enforcement and foreign policy experts to better understand how these criminal organizations came to dominate the money laundering industry. We will also learn about the different tools Congress and the Administration can use to cutoff these networks, which is critical.

Illicit fentanyl presents one of the biggest, if not the biggest, threat to public safety that the United States, in my opinion, has ever seen. Fentanyl is now the leading cause of death for Americans aged 18 to 45, unfortunately claiming more American lives in that group than suicide, COVID-19, and automobile accidents. In 2020 alone, 2,759 Michiganders lost their life to drug overdose poisoning, with approximately 75 percent of those drug overdose deaths involving synthetic opioids like fentanyl.

President Biden's open border policies have exacerbated the fentanyl crisis. Cartels have taken advantage of the open border and overwhelmed officials, smuggling deadly narcotics across our borders and into American communities all over our great country. And it only takes a tiny amount to kill.

Looking into the profits from this dangerous enterprise, criminal organizations based in the People's Republic of China have captured the money laundering business of the cartels and for the car-

tels. These Chinese money laundering organizations have developed an incredibly efficient system that is increasingly difficult for our law enforcement to detect. Quite frankly, they are really smart on how they do it.

Prior to the rise of Chinese money laundering organizations, cartels laundered their own profits on the Black-Market Peso Exchange and had to wait at least 6 weeks before they received their “clean” funds. Disturbingly, now Chinese money laundering organizations have a system that ensures that cartels receive their profits within hours of handing over illicit drugs to a courier.

Not only are these Chinese money laundering organizations able to do this quickly and with incredible efficiency, they do it at a fraction of the cost that the cartels were previously forced to pay.

Altogether, the efficiency and cost effectiveness of the Chinese money laundering organization has significantly increased the cartels’ bottom line and allowed their illicit business to grow and expand. And it is kind of like that common phrase “follow the money,” right?

As a result, more and more Americans are losing their lives to synthetic opioid addiction and fentanyl poisoning, and Chinese money laundering organizations have a nearly foolproof system in place that does not require placing illicit funds into the United States banking system. And I think that is a really key point for us to understand.

Using Chinese banking apps and other popular Chinese encrypted communications technologies, like WeChat, Chinese money laundering organizations are able to launder cartel drug money all while evading detection by U.S. law enforcement.

It is no secret that China has become a global hub of money laundering activity. The State Department estimated that \$154 billion in illicit funds pass through China each and every year. It is imperative that Congress work to understand the extent of the Chinese Communist Party’s complicity in these money laundering schemes. Wealthy Chinese Party elites are turning a blind eye to these laundering networks and China’s role in this illicit drug manufacturing.

Americans are tired of seeing their friends and loved ones fall prey to fentanyl and opioid addiction. And as a Members of Congress, we owe it to our constituents to do everything that we can to eradicate this dangerous drug from our communities. We must hold these bad actors accountable.

I want to thank the witnesses, and we look forward to your testimony.

I now yield to Ranking Member Porter for her opening statement. With that, the floor is yours, ma’am.

Ms. PORTER. Thank you very much, Madam Chairwoman.

If there is one number that I want us to remember today, it is 97. That is how many times more Americans died from synthetic opioids in 2021 than 1999. This is a five-alarm fire, but the fire has been burning for years. And it really started raging during the last decade, and China-based money laundering organizations have fueled it.

Plain and simple, these organizations are making it easier for drug cartels to do business. They are processing illegal money flows

quicker and cheaper for the cartels, and the cartels are getting richer and richer selling deadly synthetic opioids.

And let us not forget, it is not just money launderers. China-based suppliers have been providing the raw materials for synthetic opioids for years.

Republican or Democrat, there should be no question that China-based suppliers and money launderers are a big part of the opioid crisis and that more must be done to stop them. But if there is one thing I have learned about tackling the issues that matter here in Congress, you rarely get to boil it down to one problem, one attack line, or one easy fix, and that is especially true when it comes to issues involving multiple countries.

You think it is hard to get Democrats and Republicans to agree on regulations? Try getting the Chinese Communist Party to come to the table with the U.S. to regulate China-based fentanyl suppliers and money laundering organizations.

It is especially hard when we are still resetting the relationship with China after the last Administration. This Administration has the task of undoing the tension with China just enough to get China to work jointly on this problem.

However difficult, this task could not be more important. At the end of the day, the Chinese Communist Party needs to recognize and own its role in failing to stop a crisis that is claiming too many lives.

The best tools the United States and China have to address these issues are the ones that we unlock cooperatively, but we also need to be prepared to act alone, especially if the Chinese Communist Party does not or will not do its part. And that means sanctions.

On April 14, the Treasury Department imposed sanctions on two entities and five individuals based in China who are responsible for supplying chemicals to produce fentanyl for U.S. markets. I am all about holding powerful people accountable, and penalizing big fentanyl suppliers is certainly a step in the right direction. But just like any problem that builds over the course of decades, one set of sanctions is not going to fix the problem. Not even one type of solution is going to fix the problem.

To end the opioid epidemic, we have to be just as serious about expanding access to drug treatment resources as we are about cracking down on drug traffickers. The opioid crisis is a complex, multifaceted problem, and it is going to require collaboration across Government agencies and across party lines.

With that challenging road ahead, we simply cannot afford distractions. Unfortunately, at the same time that Republicans announced this very important hearing, they also tossed in a big distraction that they like to call the "Biden border crisis."

As badly as we need immigration reform and have for years, this issue is not about immigration. At the end of the day, cracking down on an illegal drug market is primarily an economic issue. That is why we are talking about it in the Health Care and Financial Services Subcommittee.

Believe me, I will be at the front of the line anytime we need to tell our government to do more on an issue, but let us not misidentify the problem. This issue has been decades in the mak-

ing, and the buck does not stop with any one person for years and years of increasing fentanyl deaths.

We all have to commit to doing more. If we avoid political finger pointing—and I am proud that the Chairwoman and I have a history of doing exactly that—I am hopeful that this hearing will be a step toward finding solutions.

I yield back.

Mrs. MCCLAIN. Thank you. And I could not agree more. This issue is not a Democrat-Republican issue, socioeconomic. This issue affects each and every American, and we have to work together to find solutions to fight against the CCP. So, I am pleased to work with my colleague.

I am also pleased to introduce our witnesses today, who are here to discuss the rise of Chinese money laundering organizations and their work for the cartels.

Mr. Chris Urben is the managing director at Nardello and Company. And prior to joining Nardello and Company, Mr. Urben was responsible for developing and leading sensitive global undercover DEA operations that dismantled several of the most significant transnational criminal organizations.

Mr. Urben has spent several decades with the DEA, where he has developed an extensive global network in various fields of law, finance, and international investigations. Welcome.

Next, Mr. Anthony Ruggiero. Did I say that correctly?

Mr. RUGGIERO. Ruggiero.

Mrs. MCCLAIN. Ruggiero? OK. Is a Senior Fellow at the Foundation for Defense of Democracies and the Senior Director of FDD's Nonproliferation and Biodefense Program. Mr. Ruggiero's broad experience in the field of counterproliferation, nonproliferation, and sanctions spans more than 20 years, including more than 19 years in the U.S. Government in both Republican and Democrat Administrations.

Most recently, Mr. Ruggiero—OK, say it again.

Mr. RUGGIERO. Ruggiero.

Mrs. MCCLAIN. Ruggiero?

Mr. RUGGIERO. Yes.

Mrs. MCCLAIN. Ruggiero. Am I saying that right? Mr. Ruggiero served as Deputy Assistant to the President for National Security Affairs and National Security Council's Senior Director for Counterproliferation and Biodefense.

Ms. Channing—OK, you got to help me—Morales?

Ms. MAVRELLIS. Mavrellis.

Mrs. MCCLAIN. Mavrellis?

Ms. MAVRELLIS. Mm-hmm.

Mrs. MCCLAIN. Mavrellis, thank you. Is the Illicit Trade Director for Global Financial Integrity, a Washington, DC, based think tank, and Ms. Mavrellis has over a decade of experience working on issues related to anti-money laundering and countering terrorism financing.

Thank you all for coming to testify on this very important issue today.

And pursuant to the Committee Rule 9, the witnesses will please stand and raise their right hand.

Do you solemnly swear or affirm that the testimony that you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

[A chorus of ayes.]

Mrs. MCCLAIN. Let the record show that the witnesses all answered in the affirmative.

We appreciate all of you being here today and look forward to your testimony. Let me remind the witnesses that we have read your written statements, and they will appear in full in the hearing record.

Please limit your oral arguments to 5 minutes. And as a reminder, please press the button on the microphone in front of you so that you—so that we know it is on and Members can hear you.

When you begin to speak, the light in front of you will turn green. After 4 minutes, it will turn yellow. When the red light comes on, your 5 minutes has expired, and we would ask you to wrap up as soon as possible.

So, with that, I recognize the first witness. Please begin with your testimony, and our first witness is Mr. Ruggiero.

Thank you.

**STATEMENT OF ANTHONY RUGGIERO
SENIOR DIRECTOR AND SENIOR FELLOW
FOUNDATION FOR DEFENSE OF DEMOCRACIES
FORMER DEPUTY ASSISTANT TO THE PRESIDENT
SENIOR DIRECTOR FOR COUNTERPROLIFERATION AND
BIODEFENSE
NATIONAL SECURITY COUNCIL**

Mr. RUGGIERO. Thank you. Chairwoman McClain, Ranking Member Porter, and distinguished Members of the Subcommittee, thank you for the opportunity to address you today on this important issue.

More than 100,000 Americans died from drug overdoses in a 12-month period ending in November 2022. This is both a national security and a public health crisis that requires bipartisanship to meet the challenge.

Narcotraffickers have a problem. They run a cash business inside the United States without an easy way to repatriate profits back to Mexico. At some level, the financial measures to combat money laundering have worked and made it more difficult for the cartels to simply drive bulk U.S. dollars over the border. That is where Chinese money launderers come in. They see an opportunity for profit and have exploited it.

The scheme, as we know it, involves some of the largest banks in China, which are also the largest banks in the world. While the Biden administration has focused on combatting U.S. demand for drugs and the export of fentanyl precursors from China, it has not tackled the problem of the Chinese financial sector's role in laundering the proceeds from drug sales.

While Chinese banks fear losing access to the U.S. financial system, the current Administration and its successors may avoid strong actions against Chinese banks because they fear the impact on the global economy. In my written testimony, I provided exam-

ples of how governments in the United States and Europe have and can target these banks without causing broader disruptions.

I also provided four recommendations for Congress and four recommendations for the Biden Administration. Specifically, Congress should revise and update the Fentanyl Sanctions Act, including increasing sanctions on foreign persons that engage in or facilitate opioid trafficking, and revise it to target individuals or entities that are grossly negligent with respect to financial transactions, precursor exports, or other such actions that facilitate narcotics traffickers.

Congress can also develop persistent oversight measures, including require a Presidential certification prior to lifting any fentanyl-related sanctions and also borrow from the Global Magnitsky sanctions regime and insert an authority that requires the Administration to review and respond to any congressional nominations for sanctions imposition.

This Committee can also task Government Accountability Office with examining whether narcotics-related anti-money laundering sanctions and export control measures are being effectively enforced by the interagency.

For the Administration, I recommend issuing a new advisory to financial institutions on illicit financial schemes and methods related to the trafficking of fentanyl and other synthetic opioids, and I recommend that they surge capacity to Treasury, Justice, and other departments to address the narco-trafficking issue.

When we see things like yesterday, with regard to North Korea, which is a separate subject, fines and large fines, those usually take years in the making. So, surging capacity hopefully can shorten that.

The Administration also should not shy away from specifically naming China's role in money laundering. Every public statement on the issue should remind the American public that China is essential to the operations of the drug cartels. In private, the message to Chinese banks should be even more blunt. Chinese banks are processing tens of millions of dollars in transactions for narco-traffickers, and the U.S. Government is prepared to use all available tools to stop it.

The Administration should increase cooperation with Mexico and Canada, using the senior-level Trilateral Fentanyl Committee as a launching point for actions on illicit finance and identifying the transfer of illicit cargo across all three countries.

The Chinese financial sector must be incentivized to cooperate on the fight against narco money laundering. While the Chinese Communist Party and Chinese President Xi Jinping restrict U.S.-China diplomatic engagement, the Chinese financial sector values its access to the U.S. financial system. But that access should come with conditions. Chinese banks, individuals, and companies cannot finance the drug trade that is killing Americans.

Thank you for inviting me to testify, and I look forward to addressing your questions.

Mrs. MCCLAIN. Thank you.

And now, Mr. Urben, for your opening testimony or your statement?

**STATEMENT OF CHRISTOPHER URBEN
FORMER ASSISTANT SPECIAL AGENT IN CHARGE
SPECIAL OPERATIONS DIVISION
U.S. DRUG ENFORCEMENT ADMINISTRATION**

Mr. URBEN. Good afternoon, Chairwoman McClain, Ranking Member Porter, and distinguished Members of this Subcommittee. Thank you for this opportunity to address you today on this important issue.

I saw Chinese organized crime increased involvement in money laundering firsthand as I served as a group supervisor with the Drug Enforcement Administration. I spent 24 years working for DEA, where I helped dismantle significant international and drug trafficking money laundering organizations around the world.

In 2018, I was assigned to DEA's Special Operations Divisions, where I supervised a team that focused on this new and evolving threat. We were receiving reports from the field that drug cartels were using Chinese organized crime networks to launder the cash. This was a dramatic change from business operations that have been going in the past.

Chinese organized crime would charge only 1 to 2 percent to launder the funds that they were laundering, and they could deliver the funds to the traffickers in their home countries immediately and could guarantee payment of the laundered funds. I knew from my prior experience that the most predominant laundering method that had been employed by the cartels was known as the Black-Market Peso Exchange. It was complex and dangerous, resulting in transaction costs of between 7 and 10 percent and delays of at least a week or more.

Because the Black-Market Peso was connected to the cartels, laundering involved a constant risk of violence, theft, and law enforcement intervention. My team focused on understanding and combatting this new threat. Money is the lifeblood of the cartels, and the methods that Chinese organized crime was using enriched and enabled them to traffic even more fentanyl and other deadly drugs into the United States.

This was also adversely affecting the integrity of our Nation's financial system. The DEA seized hundreds of millions of dollars in criminal proceeds that Chinese organized crime was generating, arrested and debriefed participants, and persuaded some of them to cooperate. We also seized and searched numerous phones and other records reflecting how Chinese organized crime was transforming money laundering.

These enforcement actions provided the insight that allows me to explain how the network operates. As reflected by the graphic in Exhibit 1 in my testimony, the current Chinese money laundering model involves at least three participant countries—the United States, China, and Mexico.

Here is how it works. Every day in the United States, Chinese money brokers pick up narcotic proceeds from the sales of fentanyl, methamphetamine, heroin, cocaine in the form of bulk U.S. cash. A drug distributor, for example, gang in New York that owes payment to the Mexican cartel delivers to the Chinese broker, proceeds.

That Chinese broker then sells the U.S. dollars to Chinese customers who want to spend the money in the U.S. acquiring real estate, paying for college tuition, gambling, or making other investments.

The Chinese customers pay in China for the cash they received in the U.S. The proceeds in China are used to buy goods for export to Mexico or South America, where the goods are sold by the Chinese brokers in Mexico to recoup their funds. The Chinese brokers accomplish all of this with a trusted electronic encrypted communications network that allows this to happen instantly.

What makes this so effective and hard to detect? First, it minimizes the movement of funds. Dollars stay in the U.S., pesos stay in Mexico, and RMB stays in China.

Second, it takes advantage of the huge and increasing volume of trade with China and the existence of capital flight controls, ensuring a constant stream of customers for this cash.

Third, it uses technology to its advantage. Advertising the sale of the dollars on Internet chat rooms and then communicating, again, primarily via WeChat, which is an encrypted network that is resistant to surveillance by U.S. law enforcement and that facilitates speed and trust within the Chinese organized crime network. It is a key component to that.

While the threat of Chinese organized crime is real and growing, much more can be done to combat it. More investigative resources, such as translators, data scientists, and experienced targeting analysts, would enable law enforcement to have the tools needed to detect and investigate these networks where they operate.

In the private sector, where I work now for Nardello and Company, the global investigative firm, I am also seeing greater awareness by the business community that it needs to understand this emerging threat and develop the tools to address it. More investments in training and detection will facilitate private sector organizations' compliance with anti-money laundering laws and help protect the integrity of our financial system.

Congress also can play a vital role in providing resources, incentives, and the authority for the Government and the private sector to work together to combat this threat.

Thank you again for this opportunity to be here today.

Mrs. McCLAIN. Thank you very much.

Next, Ms. Mavrellis, for your opening statement.

**STATEMENT OF CHANNING MAVRELLIS
ILLICIT TRADE DIRECTOR
GLOBAL FINANCIAL INTEGRITY**

Ms. MAVRELLIS. Thank you. Chairwoman McClain, Ranking Member Porter, and distinguished Members of the Subcommittee, it is an honor and a privilege to testify before you today about Chinese money laundering organizations, or CMLOs.

In the last few years, reporting has increased on the involvement of CMLOs with the laundering of narcotics proceeds in the Western Hemisphere. However, this is not a new phenomenon, having been documented by the Drug Enforcement Administration since at least 2016. More importantly, the drivers behind the involvement of

CMLOs are solidly linked to other countries' domestic policies, not U.S. immigration or border policies.

Specifically, China's economic policy in regard to foreign exchange controls prevents money from freely moving into or out of the country unless it abides by strict rules. Those Chinese citizens seeking to exchange or transfer in excess of \$50,000 frequently turn to informal means.

Additionally, Mexico adopted a stricter AML/CFT policy in 2010 by placing stringent restrictions on the deposit of U.S. dollars into Mexican bank accounts, combatting narcotics-related bulk cash, and pushing cartels to search for new money laundering strategies such as the use of CMLOs. At the same time, Colombia has taken steps to develop one of Latin America's most rigorous AML regimes, causing some cartels to look outwards for help in laundering or moving narcotics proceeds.

CMLOs and transnational criminal organizations, TCOs, operating in the U.S. have a symbiotic relationship. TCOs face the age-old problem of laundering and repatriating the proceeds of crime from one jurisdiction to another and from one currency to another. This is particularly difficult with large volumes of cash proceeds, which is a common thing for drug trafficking organizations, or DTOs.

On the other hand, CMLOs are looking to access large volumes of U.S. currency by informal means. They each have what the other wants.

While other professional money laundering organizations profit from the purchase of criminal proceeds, CMLOs' primary objective is to gain access to U.S. dollars outside of formal channels in order to evade China's currency controls. Therefore, while other professional money laundering organizations and brokers may charge a 10 to 15 percent commission, CMLO brokers can undercut the competition by only charging up to 6 percent or nothing at all. They make their profit by reselling the U.S. currency to Chinese nationals.

Once a commission is agreed upon and the cash collected in the U.S., CMLO brokers are able to provide DTOs with near instant access to a corresponding amount of funds. For example, Mexican pesos in Mexico.

CMLOs have several options on how to handle the U.S. currency. They frequently use money laundering mechanisms that are unique to the Chinese context. They can make the funds available to the Chinese citizens via an informal value transfer system, specifically through flying money—also known as *fei ch'ien*—or through a mirror exchange via the Chinese underground banking system.

According to a former DEA senior supervisory agent, the CMLO will typically use WeChat, a Chinese instant messaging system, to offer the currency on message boards. A CMLO associate and the Chinese buyer will meet in person to exchange the cash, and then the buyer transfers an agreed-upon amount of renminbi from their Chinese bank account to the CMLO's Chinese bank account.

Another tried and true method that has been frequently used by CMLOs and narcotics traffickers is the Black-Market Peso Exchange, BMPE, a type of trade-based money laundering scheme

that is particularly difficult to detect since the value of commodities, rather than the money itself, is shifted.

BMPE schemes have often been conducted as a two-country transaction involving the destination and source countries, for example, the U.S. and Colombia. With the involvement of CMLOs, the schemes have now become three-country transactions with renminbi made available in China that can be used to purchase Chinese goods, which are exported to the TCO's country of choice and then sold, with the profits going to the TCO.

As long as CMLOs can provide low commission rates, near real-time mirror exchanges, and handle large volumes of cash, they will remain a preferred money laundering service for DTOs. Correspondingly, and looking to the future, the drivers behind CMLO success are unlikely to abate. With the government's authoritarian nature and crackdowns a constant, an ever-expanding middle class, and President Xi publicly vowing to adjust excessive incomes of China's super rich, the demand for U.S. dollars will be sustained, if not grow.

The U.S., as well as the international community, need to take the threat presented by CMLOs very seriously. My recommendations include the following.

Study the role of Chinese professional money laundering networks to gain greater insight on how they operate.

Target the individuals, entities, and countries facilitating financial crimes and money laundering by applying economic and other targeted financial sanctions, as well as exploring policies to hold accountable countries that fail to sufficiently investigate financial crimes.

Continue to make combatting corruption a high priority in the U.S. national security strategy.

And finally, provide sufficient resources to FinCEN to ensure that it can appropriately take on existing as well as emerging challenges from financial crime risks.

Thank you, and I look forward to your questions.

Mrs. MCCLAIN. Thank you all for your testimony.

It is very enlightening, and I think if I have it in a nutshell—and please correct me if I am wrong—but the Chinese money laundering plan/scheme does it more efficiently, right, in hours instead of weeks, charges less of an interest rate—two percent as opposed to seven or eight.

The money actually does not hit our banking systems at all. And with the money laundering, they never touch the drugs. It is literally just the money changing hands. Do I have it in a nutshell?

Mr. URBEN. In a general sense, yes. I mean, it eventually hits our banking system because once it is sold to Chinese nationals here—

Mrs. MCCLAIN. Can you talk a little bit more about that, please?

Mr. URBEN. Sure, sure. So, I think the easiest way to do it is once—let us stay within the United States. Once a Chinese broker picks up those narco dollars, which were the day before they were the proceeds of fentanyl, heroin, cocaine, and all that.

Mrs. MCCLAIN. They have a bag of cash.

Mr. URBEN. They have a bag of cash. So, the Chinese broker receives that from the distribution gang. Let us say, let us just keep it with New York, right?

Mrs. MCCLAIN. OK.

Mr. URBEN. They then go out on the Internet chat room or WeChat and advertise those dollars. Chinese nationals, whether back in Mainland China or here in the United States, buy those dollars. So, you would have a transaction similar in nature where a bag of cash would be delivered in this example or maybe a cashier's check, depending on what that—

Mrs. MCCLAIN. Is your mic on, sir? OK. Can you just speak into the mic a little closer?

Mr. URBEN. Sure, sure. Once that cash is received by the Chinese national, right, back in China there is a bank-to-bank transaction that happens with RMB for the equivalent amount.

Mrs. MCCLAIN. So, stop right there for a second. That is happening in China?

Mr. URBEN. That bank-to-bank transaction for the equivalent amount is in Mainland China, correct.

Mrs. MCCLAIN. OK.

Mr. URBEN. It does not—the cash does not—the RMB does not exit China. It stays within China. That Chinese national receives the \$100,000 in cash and then uses it to acquire real estate, pay college tuition, gamble, buy other investments.

Mrs. MCCLAIN. And they do that with cash here in the United States, or do they use our banking system?

Mr. URBEN. So, eventually, it will go into the banking system most likely, to purchase—

Mrs. MCCLAIN. But not necessarily by the Chinese national. I am the Chinese national. I have purchased \$100,000 just of cash, right? I paid a premium for it. I have \$100,000 of cash.

I now, as the Chinese national, can use that. Either I deposit that in my bank account here in the United States?

Mr. URBEN. Yes, you would deposit it in your bank account or pay for whatever services or asset you were buying.

Mrs. MCCLAIN. But talk to me how we can do that in the banking system? Because I have to have a trail of where that money came from, unless I do it several deposits under, I think it is \$10,000, right?

Mr. URBEN. Yes. I mean, they would file the correct CTR or suspicious activity report with it. But the Chinese national depositing has a story or can legitimately say, at least to the banking official, why they are depositing, let us say a cashier's check that they have gotten as part of that money laundering process, what appears to be maybe a relative or some way they were involved with the renminbi.

Mrs. MCCLAIN. And how are we tracking that? Probably no different than we track any other funds that come?

Mr. URBEN. It is very difficult to track because it is disconnected from the actual events of the drug money laundering, right? So, it is difficult for the bank to detect that under the current selectors that they are looking at.

So, they need to be trained. There need to be additional guidance, and there needs to be—

Mrs. MCCLAIN. And that is what you are recommending is perhaps additional training, resources for additional training on that. Because unless we choke their money supply off, we are not fixing this problem.

Mr. URBEN. No.

Mrs. MCCLAIN. Maybe it is sanctions. I mean, maybe there is not just one lever that we pull.

Mr. URBEN. I think all the levers need to be pulled to impose costs on the Chinese money laundering organizations, right, to make it more difficult for them. So, the financial institutions can certainly do this with enhanced due diligence, but it is going to take an increased effort and cooperation with the Government to share intelligence, and then additional enhanced reporting and compliance.

Ms. MAVRELLIS. I will add that one of the challenges is that so much of the current anti-money laundering countering the financing of terrorism or AML/CFT system is very much focused on the financial system in terms of instilling safeguards in formal financial institutions' formal channels.

The challenge is that either the Chinese money laundering organizations are using informal channels, so they do not touch the system, or a lot of times, these Chinese nationals that are purchasing the cash are, as Mr. Urben said, they are using those cash in making deposits in, for example, real estate, which—

Mrs. MCCLAIN. But it would be a cash deposit, right?

Ms. MAVRELLIS. It would be, but it is still an exempted, you know, sector, as well as college tuition, making a cash payment for college tuition.

Mrs. MCCLAIN. Thank you. And I am all out of time. Do you want—OK, all right.

The Chair now recognizes Ms. Lee.

Ms. LEE. Thank you so much, Madam Chair.

Thank you so much to the panel. I appreciate the seriousness and the urgency of this topic, but I do question sometimes the way that we use our time and our resources in this Committee.

We spent all morning talking about waste and fraud and abuse in our Government programs, yet this hearing feels like we are not always getting to the heart of the matter. And it feels like sometimes we spend more time looking to create a bogeyman or for a bogeyman than we do looking for humane and proven solutions, and this is not a laughing matter.

The opioid crisis facing this country is a real, legitimate threat. Since 1999, drug overdoses have killed over 1 million Americans. That is far higher than the 58,220 American troops killed during the Vietnam War.

In my home city of Pittsburgh, more than 1,590 people have died from drug overdoses since January 2021, and we are in this Subcommittee chasing our tails and listening to another hearing on China. What are we really going to do about this?

Former President Trump had discussed sending special forces to target cartel leaders and was apparently seeking battle plans to strike Mexico. Republican Congressmen have introduced a bill to authorize the use of military force to put us at war with cartels,

and Senators have indicated that they are open to sending U.S. troops to Mexico even without that nation's permission.

Republicans would rather invade sovereign nations and line the pockets of war-profiteering friends than spend a single penny actually helping Americans suffering from addiction. The only other effort we seem willing to do are trying to lock up more Black and Brown folks for possession and shutting down all immigration from the Southern border. We can do better, and we can do more.

Our neighborhoods and cities need help to expand treatment programs, especially in rural and low-income communities. People need to know about the risk of fentanyl being laced into other substances. And first responders need to understand things like synthetic opioids decreasing the effectiveness of Narcan in helping people who are overdosing.

I have seen firsthand how communities can come together to tackle this problem head on. Pennsylvania recently decriminalized fentanyl testing strips, and a study by the University of Pittsburgh found that the overdose rate fell by 30 percent in Pennsylvania in counties that implemented a community-focused strategy.

We have got to look outside the box that is our failed prison system and fund the programs that work. I have been here in Congress just over 100 days, and I am already sick and tired of kangaroo court hearings. And I imagine the regular folks whose hard-working tax dollars are wasted here are sick of it, too.

We have a duty to our constituents and the American people. I ask the Committee to stop putting our politics over people's lives.

I have no questions, and I yield back.

Mrs. McCLAIN. The Chair now recognizes the gentlelady from Florida, Mrs. Luna.

Mrs. LUNA. Thank you so much for being here.

To just correct my colleague from across the aisle, China is a boogyman. And as we see moving forwards toward 2023, they are not here to be our friend. They are coming to eat our lunch. But furthermore, the reason why we focus on China is if you have read any of the materials presented before this Committee, you will see that China is, indeed, working with cartels and the government of Mexico in order to bring fentanyl into this country.

As someone who has had many of my family members impacted by that, it is not just a Black and Brown issue, and I say that as a Hispanic American woman. This is an issue affecting all communities, regardless of socioeconomic status or race.

And, so, to say that we are sitting here wasting people's time because we are addressing the very real threat of China is actually something that is a slap in the face to every single American that has actually ever had a family member that struggled with drug addiction. So, save me the pearl-clutching.

To ask some questions of you, Ms. Mavrellis, do you know if any BRICS countries are currently aiding in some of these CMLOs that are currently engaged with this illegal black-market exchange?

Ms. MAVRELLIS. I am unaware of any BRICS countries. There are definitely issues—you have issues in terms of Brazil and synthetics being produced there. It also serves as an exit country for narcotics going to Europe.

India has similar issues with currency control. So, there can be challenges there in terms of accessing U.S. capital or other capital. But another issue is definitely Russia in terms of not necessarily involving narcotics money laundering here, but accessing the U.S. financial system or trying to evade sanctions.

But by far, it is definitely China that is responsible for—and I say China, I am kind of using it as both the government as well as illicit state and non-state actors. They are responsible for a lot of the transnational crime as well as illicit financial flows that are occurring.

Mrs. LUNA. Thank you. Mr. Urben, can you tell me what the policy is in China for if you are caught selling drugs?

Mr. URBEN. It is severe, you know, criminal penalties and a prison sentence if you are caught selling drugs. I do not know the exact—

Mrs. LUNA. To my understanding, it is execution.

Mr. URBEN. OK.

Mrs. LUNA. So, the reason I bring that up is because there seems to be this notion and idea that if you want border security because you want to protect people from actually consuming and bringing drugs into this country, that somehow it is considered inhumane. But I would ask anyone on this panel if they have ever had a family member that has been strung out, to see the long-term impacts of that.

In my opinion, if you are selling drugs to someone, if you are responsible for their death, you do deserve the death penalty because you are ruining a life, and you are ruining a family.

Mr. Ruggiero, could you tell me what can we do as part of Congress to ensure that we are obviously functioning in a nonpartisan fashion in an effort to really protect the United States from this continued issue with China?

Mr. RUGGIERO. Well, thank you.

You know, in my written testimony, I talk about different ways to improve the Fentanyl Sanctions Act, which was a bipartisan effort several years ago. I think there is ways to increase oversight measures to make sure that the administration is actually tackling the role of Chinese banks. As I noted in my opening and in my written testimony, there is this fear of going after Chinese banks.

And as Mr. Urben showed, you know, the other thing, if I could use his graphic, the dark lines there, the black lines ensure that there are sort of three separate financial systems having those transactions. And so, what we really need, as I said in my written and my oral testimony, is we need the Chinese banks. We need them incentivized to look for these types of transactions.

And part of that comes from us not being afraid to use the tools—the United States, that is—that we have. And if the Administration does not have those tools, to come to Congress and ask them for it.

Mrs. LUNA. Thank you so much for your time. Obviously, we are here to get answers.

Chairwoman, I yield my time.

Mrs. MCCLAIN. Thank you. The Chair now recognizes Ranking Member Porter.

Ms. PORTER. Thank you very much.

Republicans and Democrats both should, and I believe do, want to address the devastating fentanyl problem. But to do that, we have to correctly define the problem, and I appreciate your educational approach from across the panel to this hearing.

I want to take a minute, though, to just kind of press on this statement that Republicans made when they announced this hearing. “President Biden’s border crisis is enriching China and the cartels as they partner together to traffic deadly fentanyl to the United States.”

So, I want to evaluate this theory a little bit. Do you think this sums up the problem? Raise your hand.

[No response.]

Ms. PORTER. OK. So, if this a Biden border crisis, we should see it in the data. So, I brought a chart, and I hope it is big enough that you can read.

This shows CDC data on drug-related overdose deaths from 1999 to 2021, and the gray line here shows the trend in overdose deaths from synthetic opioids like fentanyl.

So, Mr. Ruggiero, the worse fentanyl trafficking gets, we are going to see the impact in the fatality data. If the Biden border crisis was the driver of all of this, when would it have started on this graph?

Mr. RUGGIERO. January 2021.

Ms. PORTER. Correct. Because that is when President Biden was sworn into office. But the problem pre-dates that, as you can see. The gray line started spiking in 2013, but it really took off in 2017.

So, fentanyl—

Mrs. LUNA. Will the gentlewoman yield for a question real quick?

Ms. PORTER. No, I want to finish—

Mrs. LUNA. I just want to point out that Biden was the Vice President under the Obama—

Ms. PORTER. I did not yield yet.

Mrs. LUNA. Sorry. I just wanted to point that out.

Thank you.

Ms. PORTER. OK. I did not yield. So, you cannot talk. And now we have a little issue here.

So, President Trump restricted immigration starting back in 2020 with the onset of the pandemic. So, did fentanyl deaths go down in 2020, Mr. Ruggiero?

Mr. RUGGIERO. No.

Ms. PORTER. No. They actually went up. So, if pandemic migration restrictions did not cutoff the fentanyl supply that is killing Americans, I think we can safely stop blaming immigration for what is a cartel problem.

So, let us focus on the other part of Republicans’ statement. China-based suppliers and money launderers and the cartels are to blame for this issue.

Ms. Mavrellis, what policy solutions are available to Congress and the President to address this specific policy issue?

Ms. MAVRELLIS. Well, I definitely support Mr. Ruggiero’s statement in terms of targeting the Chinese financial system. If you look at China as an actor in itself and its response to different challenges, it moves swiftly toward internal threat, so things like internal narcotics trafficking.

If you look at issues in terms of like the wildlife trafficking within the country, how it impacted or was related to COVID-19, they swiftly moved to close down wet markets. However, if you look at overall wildlife trafficking, they are the number-one illegal consumer of wildlife goods. You have issues with ivory trafficking.

So, they are only going to make strong movements if it impacts them internally. So, it is trying to hold them—or trying to find a way for them to see how this relates to them or makes an impact.

They have been cracking down on Chinese underground banking systems. Every time they do, they seize tens of billions of dollars' worth of funds. The challenges there, they are doing it because of potential losses they are facing internally from evasion, things like that. It is not just because of—it is related to illicit proceeds or illicit financial flows, things like that.

So, definitely putting pressure on the financial system. I would say also looking at ways to have better ways to address informal mechanisms. So, the flying money, the Chinese underground banking systems, the trade-based money laundering, those are all very difficult to address because so much of the current AML/CFT policy and system—and not just the U.S., but globally—is faced toward the formal financial system.

So, we are kind of leaving our backdoor open.

Ms. PORTER. Yes. I thought that was really interesting in your testimony the quote you gave from somebody who said we have done a pretty good job of closing the front door, which is the financial system, but we left the backdoor of international trade wide open.

In my remaining time, I just wanted to ask you about, in your written testimony, you talk about trade transparency units, and I was intrigued and wanted to hear why can't we get that? These are voluntary, right, agreements to exchange trade data. Why can't we have the data flow more frequently?

Because getting it a month after the transaction means that, essentially, you are losing sight of the flows of those trade-based transactions.

Ms. MAVRELLIS. I think part of it was just it was not designed for the idea of catching things in real time. It is more kind of an auditing system. The way that things like SARs and CTRs, they are used kind of to look at what has happened versus being able to stop something necessarily in real time.

So that is why GFI, Global Financial Integrity, really pushes for the free and public exchange of trade data and also pushes for greater exchange of trade data between TTUs, which are heavily located within Latin America.

Ms. PORTER. Thank you.

Mrs. MCCLAIN. Thank you. The Chair now recognizes the gentleman from South Carolina, Mr. Fry.

Mr. FRY. Thank you, Madam Chair. I really appreciate you having this hearing. I was just in district yesterday visiting a recovery center, actually, and talking to them about some of their plans to expand access to people in the Pee Dee region of South Carolina and what they were doing.

And when I was in the state legislature just last year, and even before, I led an effort, it was a bipartisan effort to address some

of the challenges related to the opioid epidemic in the state. We passed 18 bills, had a record investment.

And I look at the numbers, and they just frustrate me, quite frankly, because you see the numbers of overdose deaths continually climb. And of course, we know that it is fentanyl. It is fentanyl that is coming across, predominantly, our Southern border, that is coming into this country, that is laced into multiple drugs and is killing everybody, really, quite frankly. It does not matter what demographic you are, what race, what gender or sex, age brackets. You name it, it is killing everybody in this country.

And there is a lot of, I think, things that we can do in Congress to address it. There are a lot of things that states and local governments can do to address it. But this is really interesting to me because I look at this, and of course, fentanyl—you know, you look at the headlines every single day. “Three found dead in downtown L.A. after possible fentanyl overdoses.”

Headline, “Texas School District on third fentanyl overdose as police make fourth arrest connected with drug deals.” Headline, “35 fentanyl-related overdose deaths in King County in less than 1 month.” Headline, “Fentanyl deaths in young children on the rise in accidental deaths.”

We cannot continue to allow this to happen. I am actually really intrigued by all of your testimony on things that we can do and the problem, as you see it, as it pertains to the cash-flow.

So, Mr. Urben, in an article from August 2022, you stated that, “One reason Chinese MLOs were successful is because they are trusted.” Can you explain this further, and what can Congress do to break up that trust between China and the cartels?

Mr. URBEN. Yes, and thank you. Thank you, sir.

In regard to trusted, right, it is a trusted network. So, there are a couple of components to that. One is historically going back decades, the Chinese underground banking system, right? So, where they facilitated payment of workers that were abroad back to China.

So, this network had already existed in the Chinese diaspora around the globe, right? So, you could have whether it be Mexico or the U.S. So, that is the initial trust within the culture of China when it comes to finances.

The encrypted app, WhatsApp, allows them a trusted network to communicate across that network, right? So, the person that they are communicating with, they are essentially ensured that they know to some degree who that person is because they have WeChat handles that stay consistent over time.

Now if you compare that to, as I described, the old Black-Market Peso Exchange, which cost the Mexican cartels and the Colombian cartels dramatically more in terms of cost and manpower, right, because it was not a trusted network, right, and that is why violence was imposed if moneys went missing or they were seized by law enforcement.

So, that is how I describe trust in that it allows the Chinese network to move the cash quickly, right, and then I think it has not been detailed yet. They absorb all the risk, right? So, I think that is a tremendous point that the Chinese money launderers offer to

the Mexican cartel, which was not there before. So, they are absorbing the risk.

So, if it gets seized by law enforcement or it goes missing, there is—violence is not part of the equation because they have taken the loss, essentially. So—

Mr. FRY. Thank you. And we have heard from the other two witnesses, but for you specifically, what policy suggestions would you recommend to make money coming in from China clearer and to prevent that criminality?

Mr. URBEN. So, whether it was money coming in from China or funds that I detailed in that diagram, you know, it is enhanced due diligence, right? There has to be enhanced due diligence so there is a track record of where those funds came from so investigations can followup on that in the future.

I think there is a couple components that I think that would help with this. One is scaling up, like I mentioned before, specific subject matter experts and expertise that can leverage data, whether it is in the financial system or it is judicially acquired data by law enforcement.

So, there is vast amount of data that exist that we can leverage now. It is difficult to do that because we need specific data scientists. I want to say data targeters, analysts that can take that data and give snapshots of insights to provide that to law enforcement for action.

So, I think that is the first component. The other one is dedicating resources to sufficient authority to deal with these encrypted apps. That has been going on in terms of law enforcement and dealing with the encrypted apps for a number of years. But specifically, with this one, we need to negate the ability of Chinese money laundering organizations to leverage WeChat, as I have described before.

Mr. FRY. Thank you, Madam Chair. I yield my time.

Mrs. MCCLAIN. Thank you. The Chair now recognizes the gentleman from Arizona, Mr. Gosar.

Mr. GOSAR. Thank you, first to the witnesses, for coming here. This is very, very important.

So, the capturing by the Chinese of the illegal drug trade is self-inflicted to a large degree, thanks to the U.S.'s fiat money system. Because the dollar dominates all other currencies currently, foreign nationals cannot afford expensive U.S. goods priced in dollars.

Conversely, U.S. consumers have access to cheap foreign goods priced in a comparatively weak currency like the yuan, currently. This leaves Chinese nationals flush with U.S. dollars, but unable to use the money in the U.S. due to protectionist Chinese laws, giving the U.S.-based Chinese criminals an opening to work with the cartels.

Chinese criminals agree to take U.S. dollars from the cartels earned from the drug and trafficking trade and exchange them for a Latin American currency. That leaves the U.S.-based Chinese criminals with ready-to-invest cash in the United States, exactly what these rich Mainland Chinese need in order to circumvent Chinese protectionist law that prevents them from directly investing in the United States without a middleman. The U.S.-based Chinese

criminals then take the cash and invest in United States securities, stocks, real estate on behalf of Mainland China.

So, status quo U.S. monetary policy enriches Chinese nationals, who utilize U.S.-based Chinese criminal middlemen to divert—to invest dirty money obtained from the cartels whose drug trafficking is killing our young folks.

A return to the gold standard would be a great step to halt the enrichment of the Chinese by ending the flow of cheap goods to the United States, a one-way dumping that has destroyed the U.S. manufacturing base there over the past 40 years. Jobs will flow back, and there might be even more—there would be no more rich Chinese who would need to have help from criminals to invest their money in the United States.

Mr. Ruggiero and Mr. Urben, is the Chinese Communist Party complicit in the trafficking of illegal drugs like fentanyl in the United States?

Mr. RUGGIERO. Well, I am not—thank you. I am not sure if they are complicit, but I think the Chinese Communist Party and the Chinese financial system, as was mentioned by another panelist earlier, when they want to crack down within the financial sector, they have the tools to do that. And so—

Mr. GOSAR. But where are the chemicals coming from?

Mr. RUGGIERO. Currently, in China. Many instances, China.

Mr. GOSAR. Yes. Thank you.

Mr. RUGGIERO. If you are talking about the precursors.

Mr. GOSAR. Yes, yep. How about you, Mr. Urben? Do you agree?

Mr. URBEN. Well, I mean, in terms of the investigative efforts that I was behind when I was with DEA, I did not have visibility on these things within Mainland China.

Mr. GOSAR. OK. But we definitely know the chemicals are a plethora on China, right?

Mr. URBEN. Absolutely. They are the primary source of precursor chemicals for the manufacture of fentanyl.

Mr. GOSAR. What evidence in the public record exists to back up the assertion that the Chinese Communist Party is involved in money laundering and drug trafficking from narcotics flowing across our Southern border in the United States?

Mr. URBEN. I am not aware of it being in the public record in terms of that specifically, sir.

Mr. GOSAR. OK. Mr. Urben, in your experience investigating money laundering from China, would you consider another situation where the rapid creation of several corporations or LLCs, for example, with no discernible legitimate business indicative of a potential money laundering scheme?

Mr. URBEN. To answer your question based on the details that you told me, a number of LLCs created with—with no background to it that would legitimize why it was created is customarily used to launder funds, especially if there are numerous ones created, and you do not know who the beneficial owners are.

Mr. GOSAR. So, what does it signal to you when there are multiple LLCs layered on top of each other with no unique or distinguishable services attributed to them?

Mr. URBEN. The end of your question, what should be? I would view it as a potential money laundering set-up to—

Mr. GOSAR. That is where I am going. So now either witness, have you seen instances where Chinese nationals use different companies to hide money originating from China or the fact that there is Chinese ownership involved?

Yes, ma'am?

Ms. MAVRELLIS. So, there was a very infamous case that came out a couple of years ago of Xizhi Li, and he was laundering tens of millions of narcotics proceeds. He is—correct me if I am wrong—either a U.S. citizen—or sorry, U.S. national or a permanent resident. But he is a Chinese national, and he was in the U.S.

And he used several different methods. He used a U.S. seafood company. He used a Guatemalan casino. And he used U.S. and Chinese banking accounts to conduct these transactions.

Mr. GOSAR. Thank you very much. You have been very enlightening. We need to spend a little more time understanding this.

So, thank you, and I yield back.

Mrs. MCCLAIN. Thank you. The Chair now recognizes Ms. Balint.

Ms. BALINT. Thank you so much.

Excuse me. Thank you all for being here. I really appreciate it.

Windham County, Vermont, where I live, has the highest rate of opioid deaths in my state. And according to the Vermont Department of Health, most opioid-related accidental and undetermined deaths right now among Vermonters involve fentanyl.

And combatting the opioid epidemic and ensuring that Americans have access to recovery and treatment is extremely important to me. I literally am here representing families who have lost children to fentanyl.

I am grateful, I am grateful for President Biden's leadership on this issue. In 2021, President Biden imposed sanctions on foreign nationals involved in the illicit drug trade. The Departments of State and Treasury have sanctioned roughly 40 individuals and entities involved in the illicit drug trade since 2021, including individuals who traffic and cartels that traffic mostly in fentanyl in the United States.

Ms. Mavrellis, can you explain how imposing sanctions like these help to tackle drug trafficking in the United States? I think Vermonters would like to understand this better.

Ms. MAVRELLIS. Sure. Well, as a fellow Vermonter or, rather, a flatlander, I should say, it is definitely—imposing sanctions makes it harder or raises the cost of doing business for cartels or for any other individual that is involved. And when it comes down to it, they are focused on the bottom line, and that is why we always talk about following the money and being able to not just detect, but seize narcotics proceeds.

When it comes to our success, I think the global estimate is less than 1 percent of illicit proceeds are detected. As GFI's founding president, Raymond Baker, says, we are a decimal point away from failure.

And, so, no matter how much you stop in terms of the actual products going over the border, if you are not stopping the flows of money coming back, that is just going to keep getting reinvested more and more into the scheme. So, it is incredibly important to shut down the financial flows and raise the cost of doing business.

Ms. BALINT. Thank you. I appreciate that.

The other thing I wanted to ask you about is the Biden-Harris Administration has been working closely with global partners to eliminate the North American-wide threat of fentanyl. We have got Mexican President Obrador and Prime Minister Trudeau of Canada working together on a Trilateral Fentanyl Committee.

And again, I think Vermonters would be very much—obviously, Canada is our neighbor to the north. We would be very interested to know how this multinational committee can combat the fentanyl problem that we are seeing in Vermont.

Ms. MAVRELLIS. I am not aware of this committee, but I would say being able to have the three countries align their policies is extremely important. When it comes to how TCOs operate or they are going to look for jurisdictional arbitrage. So, they are going to try to use jurisdictions that have weaker controls, that have weaker policies and regulations, and exploit those in order to conduct business more easily.

Ms. BALINT. It feels like working with global partners is really the only way that we are going to be able to attack this problem. It is massive. Is that fair to say?

Ms. MAVRELLIS. Yes. I mean, it is not an easy solution, particularly when it comes to how do you solve a problem like China? A lot of other times, like I have said before, many countries will generally actively try to combat transnational crime, even if it is maybe not having a huge impact on them. China is one of those countries that really does not always participate. It is looking very inward to its inward impact.

So, for example, we talk about, you know, the production of precursors and other chemicals. They have thousands of pharmaceutical companies. They have tens of thousands of chemical companies. This is a large part or at least a good contributor to their economy, and they are not going to necessarily crack down on these industries and sectors if it is going to have an important repercussion.

The same way China is responsible for about 80 percent of counterfeit items globally. That means it has probably a very significant amount of citizens employed in that. So, they are not necessarily going to cut down or crack down on counterfeiting maybe as directly as necessary because it is going to have serious repercussions internally in terms of unemployment and impacts to the country as GDP.

Ms. BALINT. Thank you.

In closing, I just want to say we cannot do this alone. We have to be working in partnership with any willing partners that will help us to deal with this, and this is what Vermonters, the people I represent, need from us. We have to do whatever it takes to save lives.

So, thank you.

Mrs. MCCLAIN. Thank you. The Chair now recognizes Mr. Burlison.

Mr. BURLISON. This is new territory for me. This is wild. It is like watching the show Ozark, right?

So, what is remarkable is how they are laundering the money. So can you elaborate what kind of—are they—what is the pattern

where they purchase goods from China, and how is that able to—then they sell them in Mexico. Is that what is happening?

Mr. URBEN. Yes. So that is—that is the third component to complete the money laundering cycle, right? So just going back, the Mexican cartel has already been made whole. They have already moved the funds within the United States. And once that bank-to-bank transaction happens in China, right, it goes from the Chinese broker to a Chinese manufacturer.

The Chinese manufacturer manufactures goods and ships those to a Mexican business that sells those goods. The funds from the sale of those goods may complete the Chinese broker who initially provided the funds to make the Mexican drug cartel whole. So that happens on an ongoing basis.

And this was a very simplistic chart up there, obviously. You have to think of when I said the dollars stay in the U.S., pesos in Mexico, and RMB in China. There are giant pots of funds there, right? There is billions of dollars that are flowing through this whole process over the course of the year.

So, it is not a one-for-one transaction in terms of that \$100,000, for example, that was a bank-to-bank transaction in RMB or \$100,000 worth of goods were produced and sent to Mexico. It is vast components of this that are put together to ship the goods and then sell them in Mexico.

So that is happening on an ongoing basis, and it undermines, you know, the integrity of their markets as well because those businesses most likely are trying to avoid taxes and regulation related to those goods. They do not have to spend money or wire money to China for the purchase of those goods. They are providing funds in Mexico for the goods they are going to receive and sell.

So, there is a multitude of players in this, and that is, again, a very simplistic detailed mapping of how the money moves. But those goods are being produced on an ongoing basis and sent and sold, whether it be in Mexico, Central America, or South America.

Mr. BURLISON. To what extent has China acknowledged—do they acknowledge any of this? Have they helped or aided the United States in any of the previous transactions or events that occurred that were known criminal activities?

Mr. URBEN. I mean, again, my visibility with Chinese assistance on the investigations that I was involved in, again, I coordinated with our office in Beijing and the embassy. We provided the information.

My visibility was limited, at best, of what was happening in China or the assistance that we were given in terms of the investigative efforts. We mostly focused our investigative efforts outside of China to deliver judicial endgames.

Ms. MAVRELLIS. I will add that they have not—they do not have the reputation of responding quickly or being a collaborative player when it comes to providing information, investigative information. And that is why we suggest that the U.S. Government looks for opportunities to have policies to hold accountable countries that are failing to sufficiently investigate financial crimes or share information. There is definitely challenges in cooperation with China and receiving that information in terms of financial intelligence.

Mr. BURLISON. So, within this, there has got to be someone who is keeping ledgers or some books, right? Someone, one of these brokers has got to somehow in their communications be keeping track of a ledger. Would that not be true?

Mr. URBEN. In a general sense, it is true, right? So, for the visibility that we did have, whether it be on a Chinese broker in Mexico or a Chinese broker within the U.S., the law enforcement actions that we were able to participate in, there was data there. And that is when I was describing earlier, there is the data to leverage.

I do not want to get into the specifics of what there is to leverage because it might affect an ongoing operation. But in each place, there are very sophisticated detailed records and ongoing transactions that they have to keep track of. So, it all balances out in the end.

And again, just our visibility in China was very, very limited.

Mr. BURLISON. There has got to be—so because the money moved, because everything was received, they have built up a trust factor, right, and then that machine continues?

Ms. MAVRELLIS. I mean, the systems that are being used, so the flying money. When we talk about flying money or fei ch'ien, that is just basically the Chinese system of hawala. So, you have that, you have the underground banking that is conducting these mirror exchanges where funds in one location are made available or they are received, and then they are made available in another location.

These transactions have been around, or these types of methods have been around for hundreds of years. They have traced it back to like Tang Dynasty. So, they are very, very long—very, very well-established. They are often used for legitimate reasons like sending remittances. That is how they historically have been. But they also are perverted to engage in this type of illicit activity.

But as Mr. Urben said, because these systems are so much based on trust, because you are going back and forth with these shipments, with the movement of value, and you are kind of expecting them to balance each other out, it is based on trust. So that when a Mexican cartel engages with a Chinese money laundering organization, they know that the systems are in place and that they have been there for a very long time.

These systems are also very much reliant on family connections. A lot of times, they are inside the Chinese—they are, No. 1, definitely inside the Chinese community, and there is largely between family connections.

Mrs. MCCLAIN. Thank you. The Chair now recognizes the gentleman from Wisconsin, Mr. Grothman.

Mr. GROTHMAN. Thank you.

Just in general for you folks, do we have a fentanyl problem in China? Do you know how many people die every year of fentanyl overdose in China?

Ms. MAVRELLIS. I can tell you there is not a fentanyl problem in terms of what we are seeing here. I have no figures about how many people die from it. It is difficult. The numbers that are released by the Chinese government are not necessarily absolutely realistic or reflect the current situation, but I would say not at the same level.

Mr. GROTHMAN. Why is that? Why is that?

Ms. MAVRELLIS. They have very draconian measures in terms of cracking down on those individuals who use or traffic the goods or traffic narcotics. You know, they were successfully able to get rid of opium within a few—short period after the country opened up because they did not want to have that kind of activity within their country.

Mr. GROTHMAN. OK. Well, you said draconian. Give me an example of draconian.

Ms. MAVRELLIS. So, technically, they do not exist anymore, but they are putting individuals like drug users, they go around and actually try to count the number of drug users within society, and those that are considered drug users are put into kind of rehabilitation programs, which involves forced labor. And, as noted earlier, there can be extreme cases such as the death penalty.

Mr. GROTHMAN. OK. I will ask you, Mr. Urben, would you describe China as being complicit in America's drug overdose epidemic?

Mr. URBEN. China, in terms of the government or the country?

Mr. GROTHMAN. Yes.

Mr. URBEN. Again, the insight in terms of the investigative efforts we had, was not in Mainland China. It was outside of China. So, those efforts—

Mr. GROTHMAN. OK.

Mr. URBEN [continuing]. Clearly indicated—

Mr. GROTHMAN. Well, the money in winding up back in China. Correct?

Mr. URBEN. Absolutely.

Mr. GROTHMAN. And the ingredients in the fentanyl is produced in China, isn't it?

Mr. URBEN. Precursors are the ones—precursor suppliers supply the Mexican cartel; they are in China.

Mr. GROTHMAN. Right. Do you think China would be capable of—given that they have seen that they have a fentanyl problem in their own country, do you think China would be capable of stopping the flow of fentanyl to this country?

Mr. URBEN. I think they should be, yes.

Mr. GROTHMAN. OK. Do you think they could be?

Mr. URBEN. Yes. I think—I think we talked about draconian measures—

Mr. GROTHMAN. So, it is the will. It is the will. Does China know that over 100,000 Americans are dying every year of illegal drug overdoses?

Mr. URBEN. Yes.

Mr. GROTHMAN. OK. Does this bother them? Does anybody—has the Administration brought this up?

Ms. MAVRELLIS. I mean, I do not know if they have brought it up with them, but like with any country, their priority, first and foremost, is domestic. So, they are going to focus on—

Mr. GROTHMAN. I would think that if we had an illegal drug and it was being shipped across the border, and every year, 20,000 Canadians were dying, I think we would feel we had an obligation to do something about that.

Ms. MAVRELLIS. That is correct. It is what makes China relatively unique in how they handle issues like this.

Mr. GROTHMAN. Then, in other words, they do not handle issues like this, right?

Ms. MAVRELLIS. Correct.

Mr. GROTHMAN. That is what is unique. And I would think, given the relationship that we have with China, being a major trading partner, I would think that China over time likes to become more and more part of the developed world. I would think the Biden Administration should be doing the things or encouraging China to do the things that are necessary to save 100,000 American lives a year.

Now I know, you know, I have been down on the border. I know people are streaming across the border. I know if you just look at the border you feel the Biden Administration does not care that 100,000 people are dying. But I just wondered, what specific actions is the Biden Administration taking, if any, to make it clear to the Chinese how upset we are that 100,000 of our citizens are dying every year?

Mr. Ruggiero, we will start with you.

Mr. RUGGIERO. Well, I think it has been mentioned before that the Biden Administration is using their sanctions authorities against—

Mr. GROTHMAN. Individual people. But I am saying with the government, with the government.

Mr. RUGGIERO. Sure. Yes, I think they have to incentivize the Chinese—

Mr. GROTHMAN. And they are not doing that right now, though, right?

Mr. RUGGIERO. They are not doing that. There—it is not a priority. I mean, your question about—

Mr. GROTHMAN. Only a 100,000 lives. Not a priority.

Mr. RUGGIERO. Right. Your question about whether China is complicit, I would just say they are clearly making a choice to not stop the precursors coming here and on the money.

Mr. GROTHMAN. OK. We will give you another quick question here. Does the Chinese Communist Party perceive a benefit from helping Americans become dependent on potentially fatal and addictive drugs like fentanyl? I mean, when they report this to the Chinese government, 107,000 Americans died last year, most from a drug the ingredients produced in China, do they do anything, or does the Biden Administration ask them to do anything?

Mr. RUGGIERO. Well, I would say that if there are no consequences for that action, I think for them, for the Chinese government, they would probably say that they have changed the rules—

Mr. GROTHMAN. Why do we care? It is just 100,000 American lives. They are kind of like why they do not enforce the border.

OK, thank you.

Mrs. MCCLAIN. Thank you. The Chair now recognizes Ms. Crockett.

Ms. CROCKETT. Thank you so much, Madam Chair.

And good afternoon to each of you. Thank you so much for being here.

The issue of today's hearing is not simply a domestic problem. It is a global one. We need international cooperation with countries

like China and Mexico to combat drugs and fentanyl coming into our country.

Unfortunately, testimony provided at the House Financial Services Subcommittee hearing late last month showed that China's willingness to cooperate on drug enforcement efforts sharply declined following a period of short-lived collaboration with the last Administration, bringing bilateral relations to a standstill.

It is no surprise then that China has tried every which way to get out of working with our country to address the fentanyl drug crisis that we are experiencing. Just last August, Speaker Pelosi visited Taiwan to applaud the island's governmental democracy. Yet following the visit, China retaliated by formally suspending its agreement with the United States that bans the export of fentanyl.

But as Dr. Gupta, Director of the Office of National Drug Control Policy, explained, China used this visit to "as a pretext to step back from its cooperation in an effort to counter crime and narcotics."

Ms. M—because I am not going to slaughter your name today. No, no, no. I do not want to do that to you, and yes, so I am not going to do that to you.

How has China leveraged its geopolitical interests, including its interest in Taiwan, to no longer work in good faith to combat cross-border drug trafficking?

Ms. MAVRELLIS. I cannot speak specifically to Taiwan, but I think it gives them a reason to say that they will pull back. They know that the U.S. does care about this issue of fentanyl trafficking, illicit financial flows, as evidenced by this hearing and other hearings that have been held. So, you know, if they want to have the U.S. take notice, that is one way to do so.

Ms. CROCKETT. All right. Let me ask you then, in your opinion, what could the U.S. do to secure greater cooperation from China, if anything? I put the "if" for you.

Ms. MAVRELLIS. I know. It is a big question. I am not saying that this cannot be achieved, but as I think a lot of us have said, China, first and foremost, focuses on the impact internally. Most other countries obviously do the same. They are going to put their internal domestic policy priorities first, but they are also going to try and if there is something internally that is happening that is impacting another country, they do make those efforts to address it. That is not happening as much from China.

The collaboration, it can be hit or miss. Sometimes you get lucky. I will point to ivory trafficking. For a very, very long time, there was no advancement on getting China to stop ivory trafficking. And it was not until President Xi actually himself came in and kind of said this is ending, was the trade kind of shut down to a relatively good degree.

Ms. CROCKETT. So, in short, we need a willingness on the part of China, obviously, right?

Ms. MAVRELLIS. Yes.

Ms. CROCKETT. And typically, we cannot necessarily make people wake up 1 day and decide to be willing. And, so, I know that there has been some conversations as it relates to sanctions, but there literally has to be a will. And sometimes that will come with force, and sometimes it comes with just because you happen to actually care.

And unfortunately, we are not really seeing either one right now. But we are seeing good signs of cooperation from other international partners. About 2 weeks ago, members of the Mexican Security Cabinet visited D.C. and renewed Mexico's commitment under the U.S.-Mexico Bicentennial Framework to counter fentanyl trafficking.

But we need to also fight these drugs here at home. You talked about kind of usually most people focus on the domestic side of things. And, so, President Biden's 2022 National Drug Control Strategy has bolstered international and domestic law enforcement operations to disrupt the international fentanyl supply chain and provided \$275 million to dismantle illicit financial operations in high-intensity drug trafficking areas.

The administration is also building cooperative frameworks between Federal and local law enforcement agencies and public health departments to ensure that people have access to treatment for opioid disorders, which obviously would hopefully decrease some of the demand.

And you know, once again, I do want to thank all of you for being here. I am about out of time, but I want to be clear that right now I want to point out that rather than investing, helping to invest in these efforts such as the ones that I have mentioned, my colleagues on the right, through the debt ceiling fight that we are about to endure in 2 seconds, they have decided that they want to cut DEA funding by 22 percent.

This would effectively undermine border management and drug interdiction efforts, and that would be a travesty. So, I hope that we can get somewhere on the debt ceiling and make sure that we do a good budget that funds everything to make sure that we can fight all the wars that we need to, domestically and internationally, especially when it comes to drugs.

Thank you so much.

Mrs. McCLAIN. Thank you. The Chair now recognizes Mr. Langworthy.

Mr. LANGWORTHY. Thank you, Madam Chair.

The opioid crisis is the leading cause of death of Americans age 18 to 45. Now just last Thursday, in my district, in my hometown of Jamestown, New York, law enforcement made an arrest and seized 40 grams of fentanyl. This has been something that has happened in this community time after time.

But that is enough to kill 40,000 people. A single fentanyl overdose is absolutely one too many, and I have sat with the families and the victims of this terrible drug and have seen its impact firsthand. And it is a real scourge throughout upstate New York.

But that seizure alone could have killed the entire population of two of the counties of the seven in my district. It is just unthinkable.

And now extrapolate that across the context of the estimated 11,000 pounds of fentanyl that has come across the border since January of this year. We cannot afford to delay action in addressing this crisis. We have to get real about it. And as we continue to hear today, it is clear that the Chinese are a huge part of this crisis and contributing to the deaths in our country every single

day, and we must find a solution to stop the spread of this scourge and the addiction and the death that it has brought our country.

Mr. URBEN, is China complicit in America's drug overdose epidemic?

Mr. URBEN. Again, you are talking about the country and the CCP? I did not have insight during the investigative efforts that I supervised up to a year and half ago.

Mr. LANGWORTHY. OK. So, there is not—is there evidence of the Chinese Communist Party being involved in money laundering operations around that?

Mr. URBEN. I did not have insight into that specific question in terms of the CCP or Mainland China.

Mr. LANGWORTHY. OK. Is there evidence that China is weaponizing or capitalizing the fentanyl crisis by supplying necessary precursor chemicals to produce the drugs?

Mr. URBEN. Again, insight within Mainland China we did not have. We have already discussed precursors come from China into Mexico for the cartels, and the moneys are laundered back.

Mr. LANGWORTHY. OK. Well, switching gears then.

Mr. URBEN. Yes, sir.

Mr. LANGWORTHY. Is there evidence that China is carrying out operations like this all over the world, or is this really targeting the United States?

Mr. URBEN. That is a very broad question. In terms of the investigative efforts that I was involved in, the Chinese money laundering model is around the world.

Now, it is much different here in the United States because essentially the Mexican cartel funds, as we were discussing earlier, essentially put on steroids the funds and the moneys that were being laundered here. But in terms of the Chinese diaspora, the Chinese underground banking system, WeChat, whether it be in Africa or in other parts of the world—the Far East, obviously—that Chinese money laundering model exists there, too.

Mr. LANGWORTHY. OK. Is the United States currently working with any of these other affected countries to tackle China's threat in this same regard?

Mr. URBEN. So, again, this was an evolving threat, right? It was new intelligence that you had to fuse in terms of insight to action, but we are always working with our partners overseas and in countries that we could align with, whether it, again, be Africa, the Far East.

You could take the Five Eyes. You could take Australia, for example, Canada, the UK, certainly partners that we have established relationships with in Europe. Always trying to synchronize their intelligence with ours and in investigative enforcement efforts.

So, yes, that was happening while I was at DEA in terms of what we were trying to achieve.

Mr. LANGWORTHY. OK. And last, have we seen—you have talked a lot about the money laundering. Have we seen cryptocurrencies or other digital assets used in these Chinese operations?

Mr. URBEN. So that is a very good question. During my time at DEA, the crypto was a very limited component of the money laundering cycle or scheme that I described there. It was more used on

an individual basis for whether it be a trafficker or a criminal network of some nature where they would use that as an asset that they can move from point A to point B.

However, over the last year, there is new intelligence that crypto and digital money laundering is a greater component of, let us say, that it is offered as—whether it be cash, a cashier’s check, or crypto.

So that it is a greater involvement over the last 18 months, whereas previous to 18 months, it really had a limited component of the money laundering cycle.

Mr. LANGWORTHY. Very good. Thank you very much for your testimony.

And I yield back.

Mrs. MCCLAIN. Thank you. I now recognize Ranking Member Porter for her closing statement.

Ms. PORTER. Thank you very much, Madam Chairwoman.

Earlier, I showed everyone a graph with the trend line of deaths from synthetic opioids over the last couple of decades. But it is important to remember that that line represents people, real lives, too many people whose lives were lost too soon.

We owe them and their families not only a careful examination of the true causes of the opioid crisis, but the action that addresses the roots of the problem. The United States needs to continue to address the opioid crisis from every possible angle. We need to cut-off the supply of fentanyl, including by sanctioning China-based suppliers and money launderers.

To do that, though, we have to be able to engage with China and impose sanctions. I am confident that the Administration will continue to do that.

At the same time, we also need to help those harmed by fentanyl by expanding drug treatment resources. There are Republicans and Democrats on record willing to work across the aisle to do those things, and count me as one of them.

In fact, Madam Chairwoman, a few weeks ago, I sat down with my copy of the Director of National Intelligence 2023 Annual Threat Assessment. You know, just a little joyful reading. I later called my staff into my office to tell them which of the issues in that report most concerned me. And Madam Chairwoman, the topic of this hearing was one of them.

So, I want to thank you for continuing to tackle issues of pressing importance to our country in this Subcommittee. I could not have picked a better topic myself.

Now we are not going to agree on everything, but I think we have done a good job today of avoiding making this topic unnecessarily partisan, and I hope that this hearing is the beginning of some incredible progress.

Thank you again to our witnesses for sharing your expertise. I know you are all technical experts on an incredibly complicated area of finance. I appreciate your patience as you explained, sometimes again and again, the flow of funds and the process for this harmful activity.

Thank you again, and I yield back.

Mrs. MCCLAIN. Thank you, Ranking Member Porter.

And I, too, appreciate working with you on these issues. At some point in time, we have to figure out solutions to the issues, and these are very complicated, very complex issues, and if we truly care about the American people and a way to move our country forward is let us find something that we can agree on that we can move forward on.

So, I appreciate you all being here, again, and taking the time out of your busy schedules to talk about this important issue. And really, starting with me, give me a better understanding of what the issue is because we have to understand, and we have to spend some time on problem identification before we can jump right to solutions.

Republicans and Democrats both agree that our communities should be free from fentanyl and other illegal narcotics. As Members of Congress, we have an obligation, an obligation to do everything we can to ensure that our communities are safe.

We know that Mexican cartels are responsible for smuggling fentanyl across our Southern border in record numbers. In 2020 alone, over 107,000 Americans lost their lives to a drug overdose, and 67 percent of those Americans' drug overdoses were a result of fentanyl.

The cartels cannot operate efficiently without the money laundering networks that they set up by these Chinese criminal organizations. The efficiencies and cost effectiveness of Chinese money laundering organizations have enriched the cartels and allowed their dangerous businesses to thrive.

The Biden Administration and Congress must take action to cut-off these financial networks that these Chinese criminal organizations rely on to launder their money. Follow the money and choke the money off. I think we will get their attention.

Today, we have heard from experts on the current obstacles to detecting these money laundering networks and possible policy actions that Congress and the Administration can take to crack down on the illicit businesses, and I look forward to talking to you more in depth about what some of those ideas and policies and actions, what we can do to correct this problem.

We cannot continue to stay idle while more and more Americans are killed by fentanyl. I look forward to working with Ranking Member Porter as we search for bipartisan solutions to this issue.

And without objection, the Members will have five legislative days to submit materials and to submit additional written questions for the witnesses, which will be forwarded to the witnesses for their response.

If there is no further business, without objection, I want to thank you, again, for your time.

The Subcommittee stands adjourned.

[Whereupon, at 4 p.m., the Subcommittee was adjourned.]

