

THE SELECT COMMITTEE ON THE  
STRATEGIC COMPETITION BETWEEN  
THE UNITED STATES AND  
THE CHINESE COMMUNIST PARTY

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# THE CCP'S ROLE IN THE FENTANYL CRISIS

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## EXECUTIVE SUMMARY

The fentanyl crisis is one of the most horrific disasters that America has ever faced. On average, fentanyl kills over 200 Americans daily, the equivalent of a packed Boeing 737 crashing every single day. Fentanyl is the leading cause of death for Americans aged 18-45 and a leading cause in the historic drop in American life expectancy. It has led to millions more suffering from addiction and the destruction of countless families and communities. Beyond the United States, fentanyl and other mass-produced synthetic narcotics from the People's Republic of China (PRC) are devastating nations around the world. It is truly a global crisis.

The PRC, under the leadership of the Chinese Communist Party (CCP), is the ultimate geographic source of the fentanyl crisis. Companies in China produce nearly all of illicit fentanyl precursors, the key ingredients that drive the global illicit fentanyl trade. The House Select Committee on the Strategic Competition between the United States and the Chinese Communist Party (Select Committee) launched an investigation to better understand the role of the CCP in the fentanyl crisis. This investigation involved delving deep into public PRC websites, analyzing PRC government documents, acquiring over 37,000 unique data points of PRC companies selling narcotics online through web scraping and data analytics, undercover communications with PRC drug trafficking companies, and consultations with experts in the public and private sectors, among other steps.

The Select Committee's investigation has established that the PRC government, under the control of the CCP:

1. **Directly subsidizes the manufacturing and export of illicit fentanyl materials and other synthetic narcotics through tax rebates.** Many of these substances are illegal under the PRC's own laws and have no known legal use worldwide. Like its export tax rebates for legitimate goods, the CCP's subsidizing of illegal drugs incentivizes international synthetic drug sales from the PRC. The CCP has never disclosed this program.
2. **Gave monetary grants and awards to companies openly trafficking illicit fentanyl materials and other synthetic narcotics.** There are even examples of some of these companies enjoying site visits from provincial PRC government officials who complimented them for their impact on the provincial economy.

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3. **Holds ownership interest in several PRC companies tied to drug trafficking.** This includes a PRC government prison connected to human rights abuses owning a drug trafficking chemical company and a publicly traded PRC company hosting thousands of solicitations of open drug trafficking on its sites.
  4. **Fails to prosecute fentanyl and precursor manufacturers.** Rather than investigating drug traffickers, PRC security services have not cooperated with U.S. law enforcement and have even notified targets of U.S. investigations when they received requests for assistance.
  5. **Allows the open sale of fentanyl precursors and other illicit materials on the extensively monitored and controlled PRC internet.** A review of just seven e-commerce sites found over 31,000 instances of PRC companies selling illicit chemicals with obvious ties to drug trafficking. Undercover communications with PRC drug trafficking companies (whose identities were provided to U.S. law enforcement) revealed an eagerness to engage in clearly illicit drug sales with no fear of reprisal.
  6. **Censors content about domestic drug sales but leaves export-focused narcotics content untouched.** The PRC has censorship triggers for domestic drug sales (*e.g.*, “fentanyl + cash on delivery”), but no such triggers exist to monitor or prevent the export of illicit narcotics out of the PRC.
  7. **Strategically and economically benefits from the fentanyl crisis.** The fentanyl crisis has helped CCP-tied Chinese organized criminal groups become the world’s premier money launderers, enriched the PRC’s chemical industry, and had a devastating impact on Americans.

While the PRC government publicly acknowledged in November 2023 that the trafficking of fentanyl precursors and other illicit narcotics materials in the manner described above is illegal under Chinese law, the Select Committee found thousands of PRC companies openly selling these illicit materials on the Chinese internet—the most heavily surveilled country-wide network in the world. The CCP runs the most advanced techno-totalitarian state in human history that “leave[s] criminals with nowhere to hide” and has the means to stop illicit fentanyl materials manufacturers, yet it has failed to pursue flagrant violations of its own laws.

Armed with the knowledge gained in the course of this investigation, the United States should:

- **Establish a Joint Task Force – Counter Opioids (JTF-CO)** that concentrates all non-military elements of state power and executes
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a coordinated strategy to target the weak points in the global illicit fentanyl supply chain.

- **Provide law enforcement and intelligence officials with the statutory authorities, tools, and resources they need** to execute their responsibilities, including through enhancing international law enforcement cooperation, appropriately prioritizing fentanyl and anti-money laundering in intelligence and enforcement efforts; and recruiting and retaining top talent to combat the fentanyl threat.
  - **Strengthen U.S. sanctions authorities** and use those authorities in an aggressive and coordinated manner against entities involved in the fentanyl trade.
  - **Enact and use trade and customs enforcement measures** to restrict fentanyl trafficking.
  - **Close regulatory and enforcement gaps** exploited by PRC money launderers and fentanyl traffickers.
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## I. THE COST AND SOURCE OF THE FENTANYL CRISIS

Each morning, Americans across the nation wake up to find their child, spouse, or parent dead from a singular cause. The killer does not differentiate based on age, class, or race. Young or old, rich or poor, all succumb to this deadly substance. For some, death is swift; an overdose on a counterfeit pill leads them to essentially drown while unconscious, the powerful chemical causing receptors in the body to release fluid into the lungs.<sup>1</sup> For others, death only comes after years of grueling struggle with an overwhelming addiction.<sup>2</sup> The death, pain, and despair reverberate far beyond each victim, causing a historic tragedy that has devastated families, communities, and, ultimately, our nation and the entire world.

The substance is fentanyl, a deadly synthetic opioid that is up to 50 times stronger than heroin. Fentanyl kills on average over 200 Americans daily, the equivalent of a packed Boeing 737 crashing every single day.<sup>3</sup> Fentanyl is the leading cause of death for Americans aged 18-45 and a leading cause in the historic drop in American life expectancy.<sup>4</sup> It has devastated families, with over 2.6 million children being raised by other relatives due to their parents' addiction.<sup>5</sup> Fentanyl

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*"Fentanyl kills on average over 200 Americans daily, the equivalent of a packed Boeing 737 crashing every single day."*

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has likewise inflicted great harm on American communities, impacting suburban, urban, and rural areas alike.<sup>6</sup> While the human tragedy is by far the most pressing concern, the fentanyl crisis also has economic implications; a congressional report found that it cost the United States nearly \$1.5 trillion in 2020,<sup>i</sup> or 7% of gross domestic product.<sup>7</sup> The fentanyl

epidemic therefore does not just haunt our past and devastate our present, but also robs us of a better and more vibrant future. And this is just the cost to our country. In nations around the world, families suffer and grieve from the mass proliferation of PRC-origin synthetic narcotics like fentanyl. This is truly a global crisis.<sup>8</sup>

The PRC, under the leadership of the CCP, is the ultimate geographic source of America's fentanyl crisis. Companies in China earlier produced 97% of illicit fentanyl that entered the United States. Today, these Chinese companies produce nearly all fentanyl precursors that are used to manufacture illicit fentanyl worldwide.<sup>9</sup> The PRC's central role in the fentanyl crisis is uncontroversial, acknowledged by administrations of both parties and the bipartisan

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*"Today, these Chinese companies produce nearly all fentanyl precursors that are used to manufacture illicit fentanyl worldwide."*

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<sup>i</sup> This astronomical expense is especially sobering when considering the opportunity cost. In 2022, the U.S. federal government spent \$76.4 billion on education, \$24.04 billion on NASA, and \$6.9 billion on cancer research. Imagine a world without the fentanyl crisis where it instead spent \$1.5 trillion a year on these and other vital pursuits.

U.S. Commission on Combating Synthetic Opioid Trafficking.<sup>10</sup> The Drug Enforcement Administration (DEA),<sup>11</sup> Department of Justice (DOJ) indictments,<sup>12</sup> and independent experts have reached the same conclusion.<sup>13</sup>

For years, PRC companies directly shipped fentanyl and fentanyl analogues<sup>ii</sup> illegally into the United States. After years of diplomatic pressure, the PRC finally designated all fentanyl analogues as controlled substances in May 2019.<sup>14</sup> While this was a positive development, the PRC's designation left a gaping loophole for fentanyl precursors<sup>15</sup>—and Chinese chemical manufacturers pivoted to manufacturing and exporting the essential ingredients to produce fentanyl to the Mexican cartels.<sup>16</sup>

### **The PRC's Synthetic Narcotics Industrial Base Fuels Other Synthetic Drug Crises that Threaten America and the Rest of the World**

The output of the PRC's illegal synthetic narcotics industrial complex has profound implications beyond America's fentanyl crisis. PRC chemical companies provide over 80% of methamphetamine precursors for cartels.<sup>17</sup> The industrial complex also fuels waves of addiction and death around the world. For instance, PRC-based syndicates control the massive amounts of illegal methamphetamine trafficked into Australia.<sup>18</sup> The same is true for the ketamine flooding southeast Asia.<sup>19</sup> "China is also the dominant source country for precursors heading into Vietnam, and recent large seizures of precursors and pre-precursors originating in China have taken place in Laos, and precursors from China have long headed to Thailand too."<sup>20</sup> PRC chemical companies, along with those in India, send bulk shipments of illicit tramadol (an opioid) and tramadol precursors to Africa.<sup>21</sup> The PRC uses the same playbook in this part of the world. It promises to assist, falsely claims PRC companies do not violate Chinese law while expressing its inability to help; controls certain substances but fails to enforce its own laws; and uses Chinese organized crime to launder proceeds. "China likes to talk tough and schedule a lot [i.e., place substances on controlled lists], but does not enforce much, abroad especially."<sup>22</sup> It is therefore essential for the United States to work with partners around the world to address this global threat.

Although PRC officials would privately admit to U.S. officials that manufacturing and exporting precursors or other non-scheduled narcotics were still illegal under PRC law when they were tied to drug trafficking,<sup>23</sup> they denied the fact publicly—a clear signal to the Chinese chemical industry.

In November 2023, after significant U.S. diplomatic pressure, the PRC finally issued a Notice admitting publicly that such activity is illegal—another positive

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<sup>ii</sup> Fentanyl analogues are drugs that have a similar chemical structure to fentanyl and often have greater lethality.

development.<sup>24iii</sup> Although the acknowledgement of illegality in the Notice is important and long overdue, there is scant evidence that this Notice has deterred the PRC's chemical producers from engaging in illicit activity.<sup>25</sup> The PRC government does not police the mass exportation of these substances abroad.<sup>26</sup> There is little to no record of any PRC prosecutions for exporting these substances or any tangible reduction in PRC-based drug trafficking.<sup>27</sup> This is in stark contrast to the PRC's prosecution, including of foreigners, for domestic drug trafficking.<sup>28</sup> For years, the U.S. government has repeatedly brought cases and evidence to the PRC government's attention and asked them to prosecute the offenders under its own laws.<sup>29</sup> Based on discussions with former government officials and a review of PRC criminal law databases, with the exception of one case, the PRC government has thus far refused.<sup>30</sup> The Biden administration has recently brought the PRC government back to the table with the announcement of a working group. Both the previous and current administration have sought to work with this PRC government to resolve the fentanyl crisis through a Counternarcotics Working Group. This investigation seeks to go further, and we hope it informs the work of the Counternarcotics Working Group going forward.

#### **Fentanyl Supply Chains—PRC COVID Shutdowns Curtail Fentanyl Flows**

In early 2020, as the CCP locked down Wuhan and other cities in the Hubei and Hebei provinces—two regions known as a major source of fentanyl precursors for cartels—fentanyl became increasingly scarce in the United States.<sup>31</sup> Cartel fentanyl manufacturing stalled, supply dwindled, and prices skyrocketed. Cartel operatives complained, acknowledging that they are “all struggling to get the chemicals to Sinaloa from China,” which was required to make synthetic narcotics.<sup>32</sup> It was as if the United States had, completely accidentally, discovered an off switch for the fentanyl crisis.<sup>33</sup> This strong causal relationship continues today, with a blockchain analysis company recently accurately predicting the amount of fentanyl seized at the southwest border based on cryptocurrency payments that PRC manufacturers received for fentanyl precursors a few weeks earlier.<sup>34</sup> This was further confirmed by a supply chain analytics firm, which reviewed hundreds of thousands of data points relating to the movement of fentanyl precursor products to Mexican cartels and confirmed for the Select Committee that the PRC was the source for essentially all of the cartels' supplies.

In short, the PRC “has done little to halt the flow of fentanyl to the United States. Mexican drug trafficking groups continue to almost exclusively source

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<sup>iii</sup> Rather than focusing exclusively on the harm that fentanyl causes, however, the PRC devoted half of the Notice to warning its citizens about U.S. law enforcement's “long arm jurisdiction” and “fishing law enforcement risks.”



fentanyl precursor and pre-precursor chemicals in China, synthesize them into fentanyl, and smuggle them to the United States.”<sup>35</sup>

Because Chinese chemical manufacturers sell fentanyl precursors at extremely low margins,<sup>36</sup> fentanyl can be sold for a fraction of the cost of other drugs.<sup>37</sup> This has resulted in “an unlimited and endless supply of precursor chemicals [...] coming from China to Mexico” to be sold as fentanyl in the US, according to the DEA.<sup>38</sup> Last year, a single PRC chemical manufacturer shipped enough fentanyl precursors to produce over 25 million lethal doses to just one undercover agent.<sup>39</sup> In 2022, DEA seized over 379 million lethal doses of fentanyl,<sup>40</sup> and California has seized “enough fentanyl to potentially kill the entire population of North America, twice.”<sup>41</sup> These seizures represent a fraction of the total fentanyl smuggled into the country. PRC-fueled fentanyl has thus flooded the streets of the United States, outcompeting all other forms of narcotics. It is even used as a cost-efficient means of “cutting” other pricier narcotics, like cocaine.<sup>42</sup>

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*“A single PRC chemical manufacturer shipped enough fentanyl precursors to produce over 25 million lethal doses to just one undercover agent.”*

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The PRC is also the source of nitazenes<sup>43</sup> and xylazines (“tranqs”), deadly new chemicals resistant to naloxone treatment<sup>iv</sup> that are increasingly killing Americans.<sup>44</sup> Most nitazenes are substantially more potent than fentanyl, with one common variety estimated to be 25 times stronger than the deadly opioid.<sup>45</sup> Xylazine, when mixed with fentanyl, dramatically increases the risk of death and causes the user’s flesh to rot.<sup>46</sup> According to the DEA, PRC-produced nitazenes and xylazines are rapidly proliferating across the United States.<sup>47</sup> Unless the PRC illegal synthetic narcotics industry is stopped, nitazenes and tranqs may usher in a new onslaught of deaths in the ongoing opioid crisis.

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## II. THE CCP HAS FUELED AMERICA’S FENTANYL CRISIS

The PRC government, under the control of the CCP, provides subsidies to entities that export fentanyl and related precursors, provides support to Chinese

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<sup>iv</sup> Naloxone (common brand name, “Narcan”) is a life-saving medication that can counteract an opioid overdose, so resistance to this treatment is a matter of significant concern. Due to the potency of nitazenes, several naloxone treatments are often needed to have a chance of saving the overdose victim. Xylazine is a powerful sedative frequently found mixed with opioids. Due to Xylazine’s chemical composition, naloxone cannot help those who overdose on it.

companies openly engaged in the fentanyl trade, and owns and supports, in whole or in part, illicit drug manufacturers.

Specifically, our investigation has revealed that the PRC government offers government money in the form of tax rebates to companies to manufacture and export illegal synthetic narcotics, including fentanyl and fentanyl analogues. The original subsidies incentivized mass production of at least 14 fentanyl analogues, including 3-methylfentanyl, an analogue that has no medical use and is so potent that it has been reportedly used as a chemical weapon.<sup>48</sup> These subsidies were solely for *exporting* these deadly synthetic narcotics out of China.<sup>49</sup> This policy was in place at least as early as 2018 and continued during the height of diplomatic furor between the United States and the PRC over the massive amounts of illicit fentanyl materials it was sending to America.

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*“The PRC government offers ... tax rebates to companies to manufacture and export ... fentanyl.”*

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**The investigation has also established that the PRC government continues to subsidize the sale of fentanyl and illicit synthetic narcotics abroad today.** While the PRC government restricted access to the government website describing these subsidies in 2019,<sup>50</sup> it continued the program, expanding subsidies to all fentanyl analogues and precursors. The Select Committee found evidence

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*“The PRC government continues to subsidize the sale of fentanyl ... abroad today.”*

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confirming that these subsidies remain in place as of April 2024 on a PRC government website. This site does not reveal the subsidies when searching for “fentanyl” in English. Instead, it requires either input of specific rebate commodity codes or searching for “fentanyl” in Mandarin. In addition, the PRC government site

originally blocked our access when we attempted to look up illicit narcotics subsidies in English from a U.S.-based IP address (but not a Chinese Virtual Private Network (VPN)), though this function no longer seems to consistently occur.<sup>51</sup> The subsidies do not appear to have any legitimate rationale, because they subsidize the export of substances that were and are illegal under the PRC’s own laws and have no known legal use worldwide.

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*“The subsidies do not appear to have any legitimate rationale, because they subsidize the export of substances that were and are illegal under the PRC’s own laws and have no known legal use worldwide.”*

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The Select Committee also found that the PRC government rewarded companies in China that openly advertised their production and sale of illicit synthetic narcotics with government grants and awards. In internal documents, these companies boasted that they were owned by the PRC government and that

their illicit products were tax exempt, corroborating the existence of tax rebate subsidies.<sup>52</sup>

Finally, the investigation revealed that some PRC synthetic narcotics manufacturers are owned, in whole or in part, by PRC government entities and individuals. This includes a PRC government prison accused of significant human rights abuses.

#### **A. The PRC Government Subsidizes the Manufacturing and Export of Illicit Fentanyl Materials Through Tax Rebates**

As part of our investigation, the Select Committee obtained materials showing that, as far back as 2018, the PRC central government's Value-Added Tax (VAT) rebate system incentivized the export of at least 17 illegal narcotics that are Schedule I controlled substances and have no legitimate purpose.<sup>v</sup> This includes 14 fentanyl analogues. The PRC also subsidized the export of a synthetic cannabinoid and PCP ("angel dust"), which the DEA has stated has no legitimate use.<sup>53</sup> Most of these chemicals likewise fall under a United Nations Treaty as Schedule I controlled substances.<sup>54</sup> Several of the fentanyl analogues<sup>vi</sup> not only have no documented commercial use but also are known solely as drugs that briefly led to a surge of American opioid overdose deaths in the early 1980s.<sup>55</sup> Another, 3-methylfentanyl, is up to 6,000 times stronger than morphine and, due to its incredible lethality, may be considered a chemical weapon.<sup>vii</sup> <sup>56</sup> Public reporting indicates that the Russian Federation used it in the 2002 Moscow theater hostage crisis, with its deployment resulting in mass casualties among both hostages and hostage takers.<sup>57</sup>

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<sup>v</sup> The Select Committee, through DEA's legislative affairs office, consulted with a DEA chemist who confirmed this finding. The PRC subsidized Schedule I narcotics. These substances have no known industrial or medicinal use worldwide, including in the PRC.

<sup>vi</sup> These include Betahydroxyfentanyl, thiofentanyl, and 3-methylthiofentanyl.

<sup>vii</sup> The PRC's subsidies of deadly chemicals with no known legitimate purpose—and particularly 3-methylfentanyl, a potent chemical reportedly used as a chemical weapon—may violate a major international treaty. The Chemical Weapons Convention—of which the U.S. and China are both signatories—prohibits the development or production of chemical weapons. Chemical weapons include deadly chemicals that have no permitted use under the Convention. Here, the PRC, a signatory to the Convention, subsidized the export of deadly chemicals pursuant to the Convention's definition with no known legitimate purpose, including one reportedly used as a chemical weapon. In particular, because of 3-methylfentanyl's lethality and lack of any legitimate use, it appears that the PRC's subsidy of its production for exportation may violate the convention. *See generally*, Press Release, Bureau of Indus. and Sec., U.S. Dep't of Com., Commerce Expands and Aligns Restrictions with Allies and Partners and Adds 71 Entities to Entity List in Latest Response to Russia's Invasion of Ukraine (May 19, 2023), *available at* <https://www.bis.doc.gov/index.php/documents/about-bis/newsroom/press-releases/3273-2023-05-19-bis-press-release-russia-rules-and-joint-bis-fincen-alert/file> (sanctions to prevent Belarus from getting fentanyl and fentanyl precursors due to WMD concerns).

Product code	product name	unit of measurement	VAT refund rate%
29333300	Allentani, anidine,	kilogram	9.0
	cypermethrin, bromopampol,		
	diphenoxylate, diphenoxylate,		
	dipipramone, fentanyl,		
	ketenemone, methylphenidate,		
	pentazocine Levosine, pethidine,		
	meperidine intermediate A,		
	phencyclidine, meperidine,		
	piperbenzene, piperacillin,		
	propiram and trimethoprim and their salts		

Figure 1 - PRC export rebate subsidies for fentanyl, fentanyl analogues, PCP, and other chemicals. Screenshots taken Feb. 21, 2018.

Commodity code	product name	unit of measurement	VAT refund rate%
29333300	Allentani, anidine,	kilogram	10.0
	cyanidinamide, bromine,		
	difenofol, diphenoxylate,		
	dipixidone, fentanyl, ketaxifen,		
	methylphenidate, spray		
	Levoxine, pethidine, meperidine		
	intermediate A, phencyclidine,		
	bepiridine, piperoxymethanol,		
	piperidine, propiline and		
	trimethylididine and their salts		

Figure 2 - PRC export rebate subsidies for fentanyl, fentanyl analogues, PCP, and other chemicals. Screenshots taken Jan.8, 2019. Both the subsidized chemical list and the percentage of VAT rebate were adjusted between Feb 2018 (Fig. 1) and Jan. 2019 (Fig. 2).

Commodity code	product name	unit of measurement	VAT refund rate%
2933399075	3-methylfentanyl, 1-methyl-4-phenyl-4-piperidine propionate, norpiperone (and their salts)	kilogram	13.0

Figure 3 - PRC export rebate for 3-methylfentanyl (2019).

VAT “is a tax levied on all sales of commodities at every stage of production.”<sup>58</sup> VAT rebates for exports (usually in the form of a “monthly export VAT refund claim”) reduce (and, in some cases, eliminate) the tax that a company must pay on its exported goods, incentivizing the manufacture and export of goods subject to the rebate.<sup>59</sup> The PRC uses its “Export VAT Refund system as an active trade policy tool to regulate prices on its exports and improve its international

competitiveness.”<sup>60</sup> To this end, “[PRC] tax policy has created a VAT refund system based on the so-called ‘refund rate’” where “[t]he authorities set refund rates for product categories.”<sup>61</sup> Studies have found that the PRC government’s favoring of certain products with VAT refunds dramatically incentivizes their production and export.<sup>62</sup> These rebates also have a “significant and large” effect on PRC export volume—“on average, for each percentage point increase in the VAT rebate rate, the amount of exports increased by 13%.”<sup>63</sup>

By reducing or eliminating the tax on certain exports, the PRC government loses that tax revenue, incurring considerable costs.<sup>64</sup> VAT export rebates are overseen by the State Taxation Administration, an arm of the central PRC government that reports directly to the State Council.

While the PRC had individualized subsidies for over 14 fentanyl analogues in 2019, PRC law only authorized domestic sale or export of three types of fentanyl: fentanyl, sufentanil, and remifentanil (with alfentanil added to the authorized list in 2020).<sup>65</sup> The PRC government likewise only granted licenses for fentanyl analogue manufacturing and export to five companies.<sup>66</sup> There is thus no legitimate reason for the PRC government to create a nationwide (rather than company specific) subsidy for exporting even these three fentanyl analogues, let alone many more that are wholly illegal Schedule I narcotics.

The PRC government also adjusted the subsidies for illicit narcotics and which narcotics it subsidized from 2018 to 2020, showing that the subsidies were not a holdover from an earlier administrative error long ago. The Select Committee has reviewed data sets for the same product categories containing several of these synthetic narcotic export subsidies from 2018 and 2019. Several synthetic narcotics went on and off the list of products eligible for rebates during this time. The PRC failed to remove any fentanyl analogues. Moreover, during the height of diplomatic furor over the fentanyl crisis, the PRC government actually *increased* the VAT rebate for several fentanyl substances by an additional percent.<sup>67</sup> The Select Committee also obtained evidence showing that the PRC increased the rebates *again* in 2020 to 13%, at that point the highest potential subsidy for any PRC exported product.<sup>68</sup>

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*“The PRC increased the rebates again in 2020 to 13%, at that point the highest potential subsidy for any PRC exported product.”*

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Commodity code	product name	unit of measurement	VAT refund rates
29333300	Attentani, anilidine, cyanidinamide, bromine, difenofol, diphenoxylate, dipyrindone, fentanyl, ketoifen, methyphenidate, spray	kilogram	10.0
	Levosine, pethidine, mepredine, intermediate A, phenyclidine, bupiridine, piperocymethanol, piperidine, propiline and trimethylididine and their salts		
	Acetyl-alpha fentanyl, allylidine, alfameldine (and their salts)		
	Alfamethyl fentanyl, aferodidine, benzyl pyridine (and their salts)		
	Beta-hydroxyfentanyl, beta-hydroxy-3-methylfentanyl, betamethasamine (and their salts)		
	3-methylfentanyl, 1-methyl-4-phenyl-4-piperidine propionate, norpiperone (and their salts)		
	For flufentanil, 1-phenylallyl-4-phenyl-4-piperidine acetate (and their salts)		
	Ramifentanil and its salts		
	Thiofentanil, alpha thiofentanyl (and their salts)		
	Furidina, levotam, 3-methylthiofentanyl (and their salts)		
293339071	Acetyl-alpha fentanyl, allylidine, alfameldine (and their salts)	kilogram	13.0
293339072	Alfamethyl fentanyl, aferodidine, benzyl pyridine (and their salts)	kilogram	13.0
293339073	Beta-hydroxyfentanyl, beta-hydroxy-3-methylfentanyl, betamethasamine (and their salts)	kilogram	13.0
293339075	3-methylfentanyl, 1-methyl-4-phenyl-4-piperidine propionate, norpiperone (and their salts)	kilogram	13.0
293339076	For flufentanil, 1-phenylallyl-4-phenyl-4-piperidine acetate (and their salts)	kilogram	13.0
293339080	Ramifentanil and its salts	kilogram	13.0
293499071	Thiofentanil, alpha thiofentanyl (and their salts)	kilogram	13.0
293499073	Furidina, levotam, 3-methylthiofentanyl (and their salts)	kilogram	13.0

product name:

Figure 4 – List of known PRC export rebates for fentanyl substances and other chemicals (2019).

The PRC’s subsidies for illicit narcotics were also unusually high. Most Chinese VAT rebates are “3%, 6%, and 9% for different groups of commodities.”<sup>69</sup> The subsidies for the illicit synthetic narcotics were 13% (with one category raised to that level in 2020). While the PRC government has not disclosed the amount of illegal synthetic narcotics exports that the PRC government subsidized, studies have found that the cost can be “quite substantial.”<sup>70</sup>

Information about these subsidies disappeared from the PRC internet after initial reporting in Ben Westhoff’s 2019 book, *Fentanyl, Inc.*, with access to the VAT export rebate government database for non-PRC residents quietly removed by the PRC.<sup>71</sup>

In 2024, the Select Committee found another PRC government site documenting the PRC’s current VAT export rebates. It found that, rather than discontinuing the program, the PRC government expanded the export subsidies for illicit substances to “other fentanyls and their derivatives,” which would include all fentanyl analogues and precursors. The PRC scheduled all fentanyl analogues as controlled substances in 2019, meaning it currently subsidizes the export of drugs that are illegal under both U.S. and PRC law. It additionally currently subsidizes two fentanyl precursors highly prized by the cartels, NPP and ANPP, which the PRC scheduled in 2018.<sup>72</sup> The PRC also continues to subsidize

other illegal drugs with no known legitimate purpose, such as PCP (“angel dust”), MDMA, illicit amphetamines, cathinones, and synthetic cannabinoids.<sup>viii</sup> All of these illegal synthetic narcotics receive a full tax rebate, the maximum potential subsidy under this system.

The website did not reveal the fentanyl subsidies when searching for the term in English. Instead, it required either knowing the previous product code (e.g., 29333300) from the 2019 PRC export rebate website or searching “芬太尼” (“fentanyl” in Mandarin).

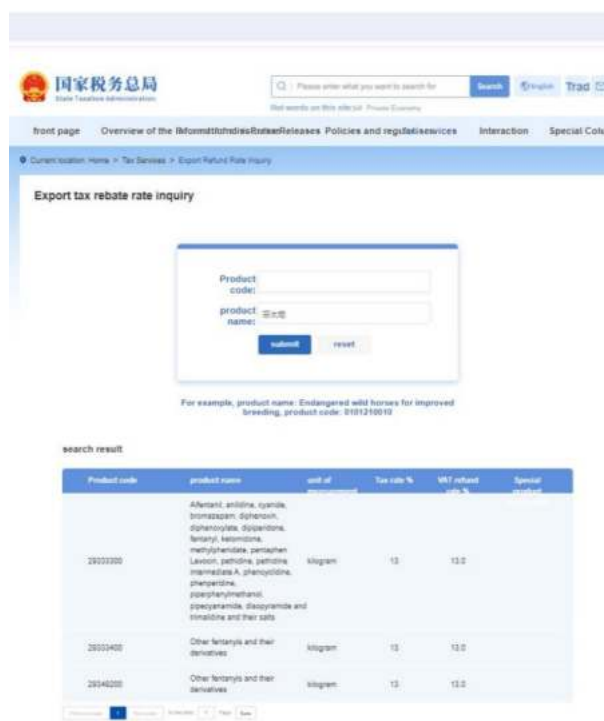


Figure 5 – PRC Export Tax Rebates for “other fentanyls and their derivatives” (twice), fentanyl, alfentanil, and Phencyclidine (PCP), among other chemicals.

<sup>viii</sup> The subsidies found on the PRC export VAT rebate site only pertain to a set number of items. It does not, for instance, subsidize commonly exported chemicals like ethylene dichloride, propylene, benzene, iodine, or sulfuric acid. Many other legitimate items receive a substantially lower VAT rebate, demonstrating that the PRC government selects illicit narcotics for subsidies and grants them the maximum possible subsidy amount.



查询结果

商品编码	商品名称	计量单位	征收税率%	增值税退税率%
2933990055	1-戊基-3-(1-萘甲酰基)吲哚(1-Pentyl-3-(1-naphthoyl)indole; CAS号: 209414-07-3)	千克	13	13.0

Figures 7 & 8 – 1-pentyl-3-(1-naphthoyl)indole, aka JWH-018, a synthetic cannabinoid marketed as “Spice” or “K2.” This substance has no legal purpose and is illegal for domestic use or export in China, yet the PRC subsidized it in 2019 (Fig. 7, above) and still subsidizes its export today (Fig. 8, below).



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State Taxation Administration

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### 出口退税率查询

商品代码:

商品名称:

例如 商品名称: 改良种用濒危野马, 商品代码: 0101210010

#### 查询结果

商品代码	商品名称	计量单位	征成税率%	退税成退税率%
29333600	4-乙酰基-N-苯乙基哌啶 (ANPP)	千克	13	13.0
29333700	N-苯乙基-4-哌啶酮 (NPP)	千克	13	13.0

Figure 9 – PRC export subsidies for NPP and ANPP, key fentanyl precursors that the PRC controlled in 2018.

国家税务总局  
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front page Overview of the Information Disclosure Releases Policies and regulations Interaction Special Column

当前位置: 首页 > 纳税服务 > 出口退税率查询

### Export tax rebate rate inquiry

Product code:

Product name:

例如, 产品名称: 改良种用濒危野马, 商品代码: 0101210010

#### search result

Product code	product name	unit of measurement	Tax rate %	WTR rebate rate %	Special
2902000010	Methylenedioxyamphetamine and its salts (MDMA)	kilogram	13	13.0	

Figure 10 – PRC export rebate subsidy for MDMA.

In addition, when first discovered in late February 2024, the database appeared to have an automated tripwire, where searches for fentanyl in English from a U.S. IP address resulted in the website blocking the user and stating, in English, “Your current behavior is detected as abnormal.” Accessing the website from a PRC IP address using a VPN did not trigger this response. As of April 10, 2024, the tripwire only appears to trigger intermittently.



*Figure 11 – Screen that originally appeared when Select Committee investigators attempted to access the export rebates for narcotics using a U.S. IP address. This screen now only intermittently appears when doing so.*

The documents the Select Committee reviewed only cover a small portion of the PRC’s original VAT export rebates. Due to the system’s tripwires and difficulty searching the site, the Select Committee’s investigation into the complete rebate list, including what other illicit substances the PRC government still subsidizes for export, is ongoing.

In discussions with American officials, the PRC government has repeatedly stated that it cannot control illegitimate actions within the PRC chemical industry because it cannot identify which manufacturers are exporting synthetic narcotics. The information above illustrates that the PRC government has not disclosed all relevant information related to PRC policy. To receive a VAT refund, a company must list the name and amount of the substance that they are exporting to show that it qualifies for the refund and to quantify the rebate amount due.<sup>73</sup> The PRC fentanyl refund thus requires that the PRC company provide the government with its full identification and record of its sales of illicit substances abroad. In other words, the PRC’s VAT refunds for fentanyl materials and other synthetic narcotics would necessarily give PRC law enforcement an opportunity to easily obtain extensive evidence of which chemical companies participate in the global illicit fentanyl trade from other elements of the PRC government. According to cabinet officials, agency heads, and other senior government officials that the Select Committee has consulted, the PRC government never raised this capability during negotiations on the fentanyl crisis and there is no evidence that they ever used it to enforce their own laws.

## The CCP's Subsidies Dramatically Increase Illicit Narcotics Sales

Treasury Secretary Janet Yellen recently rightly condemned the CCP's use of export subsidies for certain goods, as it results in market distortions that are harmful to the global economy.<sup>74</sup> Just as the CCP's subsidies of electronic vehicles (EVs) lead to the dumping of massive numbers of PRC EVs around the world, the CCP's subsidies of illegal narcotics lead to the dumping of massive numbers of illegal narcotics worldwide. And this is born out in the data.

As discussed in Section III below, the Select Committee used web scraping and data analytics programs to identify and analyze instances of PRC companies selling illicit synthetic narcotics on seven e-commerce sites. As part of its analysis, the Select Committee compared the amount of the PRC subsidized synthetic cannabinoid, JWH-018,<sup>75</sup> to nonsubsidized varieties of the same drug type. We found that **the subsidized synthetic cannabinoid was offered for sale at a 10 to 20 times higher rate** than the majority of similar drugs and greater than the next five most frequently sold synthetic cannabinoids *combined*. While this small data set has inherent limitations, the dramatic difference between subsidized versus non-subsidized narcotics offered for sale demonstrates how the CCP's illicit drug subsidies incentivizes fuel, and even direct the global illicit drug trade.

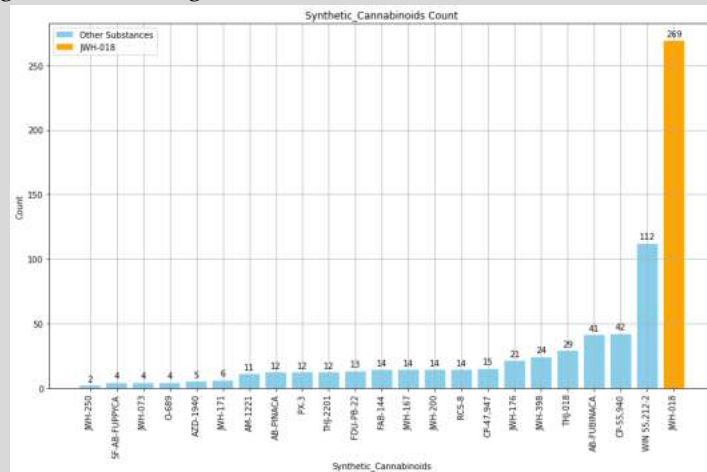


Table 1 – Number of posts offering sale of certain synthetic cannabinoids.

### B. The PRC Government Gave Monetary Grants and Awards to Companies Openly Trafficking Illicit Fentanyl Online

Our investigation also revealed that the PRC government provided grants and awards to companies engaging in open and notorious synthetic narcotics manufacturing and drug trafficking.<sup>76</sup>

For instance, in 2023, Shanghai's Minhang District announced that it would support Shanghai Ruizheng Chemical Technology Co., Ltd. as part of a "foreign

trade stabilization policy project” designed to boost exports.<sup>77</sup> The support included export credit premiums and export credit insurance support. The award was part of the Shanghai Science and Technology Innovation Policy Services,<sup>78</sup> that in turn appears to be part of a program run by the PRC’s national Ministry of Science and Technology.<sup>79</sup>

Ruizheng, also known as “the Richest Group,” is a notorious seller of fentanyl products, which it advertises widely and openly on Chinese websites like Alibaba.<sup>80</sup> Despite this, Ruizheng not only received PRC government awards but was also invited to PRC provincial government roundtables, such as a 2021 event discussing how small- and medium-sized technology businesses can contribute to the 14<sup>th</sup> Five-Year Plan.<sup>81</sup>

In another instance, Gaosheng Biotechnology — which a prominent think tank report identified as a prolific online seller of fentanyl precursors and synthetic narcotics<sup>82</sup>—received government awards and site visits from PRC government officials while it openly advertised the sale of illegal narcotics online. Specifically, Secretary of the Guangzhou Development Zone and Deputy Director of the Guangzhou Development Zone Management Committee both visited the company and spoke approvingly of its businesses impact on the provincial economy.

Gaosheng Biotechnology Co., Ltd. is a production and sales LLC (wholly state-owned), specialized in producing and exporting Pharmaceutical Intermediates which located in Shanghai, China. We own six subsidiary and we enjoy tax exemption privileges.

*Figure 12 – Gaosheng, a company openly selling fentanyl precursors and other illicit drugs online, boasting of its PRC tax exemption in internal corporate documents.*

Reviewing internal Gaosheng corporate records that an employee had inadvertently left on a public facing website,<sup>83</sup> we confirmed Gaosheng’s widespread international online presence, including sales accounts on 98 websites and boasting of sales to the U.S., Mexico, UK, Russia, and Germany. These documents also confirmed that Gaosheng sold dozens of dangerous synthetic narcotics, including fentanyl analogues, U-47700, heroin, and methamphetamine. At time of sale, these drugs were illegal under PRC law. In these corporate records, Gaosheng also noted that it is “wholly state-owned” and “enjoy[s] tax exemption privileges,” a description consistent with the VAT subsidies described in Section

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*“The PRC government offered to fund the creation of a second factory for a PRC-based criminal whose entire business model was producing synthetic narcotics and selling them abroad.”*

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II.A above. The internal records also showed that it created a new corporation, Hebei Zeqian Biotechnology, as part of its drug trafficking scheme. After negative western press about Gaosheng’s drug trafficking activities, Gaosheng invested 300 million RMB into this successor

entity, potentially as a means to avoid being targeted by U.S. law enforcement action and sanctions.

In addition, the Select Committee has interviewed former federal agents who investigated major PRC synthetic narcotics manufacturers. These agents provided corroborating information establishing that the PRC government offered to directly fund the creation of additional synthetic narcotic manufacturing facilities. Specifically, the PRC government offered to fund the creation of a second factory for a PRC-based criminal whose entire business model was producing synthetic narcotics and selling them abroad.<sup>84</sup>

### C. The PRC Government Holds Ownership Interests In Several Companies Trafficking Illicit Fentanyl Materials

Our investigation identified several instances where a PRC government entity had ownership interests in companies tied to the sale of illicit synthetic narcotics. These are effectively PRC state-owned enterprises in the illicit fentanyl trade. **Gaosheng**, for instance, stated in internal documents that it is a “wholly state-owned entity.”

**Yafeng:** Another state-owned company is Yafeng Biological Technology Co., Ltd., aka Hebei Shijiazhuang Yafeng Chemical Plant (hereafter, “Yafeng”). The sole owner

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*“Gaosheng ... stated in internal documents that it is a ‘wholly state-owned entity.’”*

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of Yafeng is Hebei Province Shijiazhuang Prison (河北省石家庄监狱), a PRC state-owned prison.<sup>85</sup> Disturbingly, the Hebei Province Shijiazhuang Prison is also tied to human rights abuses, particularly against Falun Gong practitioners. Allegations include rape, torture, and abuse resulting in death.<sup>86</sup>

Yafeng was formed in 2010, and, according to PRC corporate records, the company ended formal operations in 2022 (with a successor entity still operating today). In that time, Yafeng operated several websites that sold illicit synthetic narcotics, including cathinones, synthetic cannabinoids, and U-47700, a powerful synthetic opioid tied to overdose deaths.<sup>87</sup> U-47700 is expressly outlawed in not just the United States but also China.<sup>88</sup> It is also listed as a controlled substance by the United Nations.<sup>89</sup>

On one of its sites, Yafeng boasts “10 years’ experience,” with sales “mainly in America, Europe, Australia, Southeast Asia, Middle East, and South Africa.”<sup>90</sup> Yafeng advertises that its “packaging can be made to measure, normally foil bags and hidden food bags.” Foil bags and hidden food bags are common decoys or “stealth” packaging used by drug

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*“[State-owned corporation] Yafeng advertises that [it packages shipments with] foil bags and hidden food bags[,] common decoys ... used by drug distributors to avoid detection.”*

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distributors to avoid detection by customs and law enforcement.<sup>91</sup> It also “offer[s] our guarantee that 100% of our shipments will clear customs.”

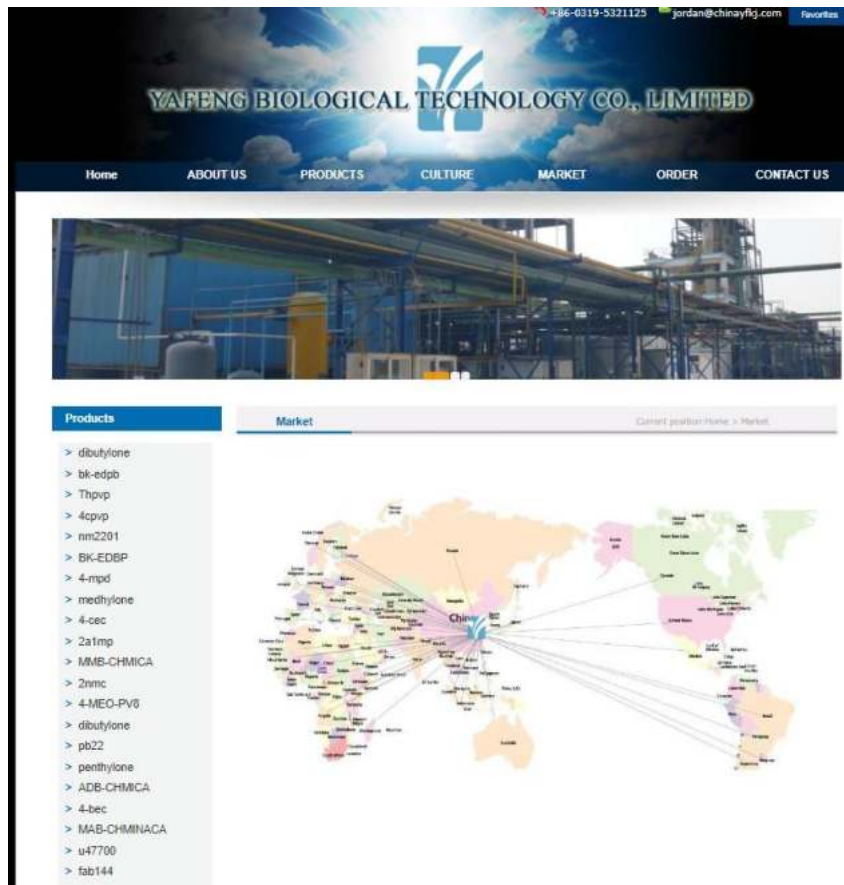


Figure 13 – Yafeng, a chemical company owned by a PRC prison, boasting of its international reach. The chemicals offered on the sidebar are all synthetic narcotics.

Yafeng also has broader ties into the PRC’s global illicit fentanyl trade. For instance, the same email address that registered Yafeng Biological’s website also registered at least nine other companies that advertised the sale of illicit fentanyl materials, including analogues and precursors, for several years. In addition, Yafeng’s latest website shares the same registered address as two other websites that prominently advertised the sale of fentanyl precursors and other drugs. Several of these websites share contact information (e.g., email addresses, WhatsApp numbers) in common. Based on these commonalities, it appears that at least one of these sites, protonitazene.com, is under the control of the Yafeng group. This new site advertises fentanyl precursors, nitazenes, and other synthetic narcotics with “hot sale to Mexico.”<sup>92</sup>

**Yuancheng Group:** In another example, first reported in *Fentanyl, Inc.*, Yuancheng Group, one of the largest exporters of fentanyl precursors worldwide during its operation,<sup>93</sup> received government grants and subsidies, and appeared to have a Chinese Communist Party member serving as its legal representative and the CEO of several of its subsidiaries and shell companies.<sup>94</sup> The company was “repeatedly praised by Communist Party officials,”<sup>95</sup> even as it openly engaged in illegal narcotics sales.

Yuancheng’s owner admitted in an interview with Westhoff that the company “knows these precursors are used to make fentanyl” and the “marketing materials ma[d]e this clear.”<sup>96</sup> It was not “selling to hospitals or pharmaceutical companies [but instead] tak[ing] orders from anyone,” accepting payment in “Bitcoin, Western union, and direct bank transfer” while promising “‘100% guaranteed clearance’ through customs.”<sup>97</sup> Nevertheless, the PRC government continued its support of Yuancheng for years.

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*Yuancheng was repeatedly praised by Communist Party officials, even as it openly engaged in illegal narcotics sales.*

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**Zhejiang Netsun:** As Secretary of State Antony Blinken recently noted, “In China, there’s really no distinction between private companies and the state.”<sup>98</sup> Secretary Blinken was speaking of the Chinese state’s control of the private sector. While not unique to the PRC chemical industry, this PRC government control extends to Chinese publicly traded companies involved in the illicit fentanyl trade. For instance, Zhejiang Wangsheng, also known as Zhejiang Netsun, is a publicly traded company registered on the Shanghai Stock Exchange. The PRC government has a small ownership stake in the company and a CCP member is on its board of directors, serving as Deputy General Manager. This is consistent with the PRC government practice of “golden shares” (aka “special management shares”) in sectors across the PRC economy.<sup>99</sup> “Golden shares have become a useful tool to keep companies like these in line with party objectives without the need for the state being a major stakeholder.”<sup>100</sup> Through this arrangement, “[t]he state takes company stakes that are often small but give it a board seat and power to ensure that corporate behavior hews to the party agenda.”<sup>101</sup> The specialized shares and board seat give the PRC government, through its director proxy, tremendous power over the company. This power may include decision making on hosted content (such as veto rights), personnel decisions, compensation packages, and investment or divestiture plans.<sup>102</sup> A 2018 PRC regulation likewise requires Netsun, as a publicly traded company, to have established a Chinese Communist

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*While the PRC government exerted control on Zhejiang through its CCP Member board seat and Party cells, the company’s e-commerce sites openly sold fentanyl analogues, fentanyl precursors, and other synthetic narcotics.*

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Party Cell that has a “greater say in corporate governance.”<sup>103</sup> While the PRC government exerted control on Netsun through its CCP Member board seat and Party cells, the company’s e-commerce sites openly sold fentanyl analogues, fentanyl precursors, and other synthetic narcotics, with many still available for sale today. Across only three of its e-commerce sites, the Select Committee identified over 400 sales of illicit narcotics (*e.g.*, fentanyl precursors, nitazenes) and chemicals found on the DEA Special Surveillance List (SSL)—a list that “identifies laboratory supplies which are used in the manufacture of controlled substances and chemicals.”<sup>104</sup> In addition, Netsun serves as the billing or technical contact (suggesting it is the web host) for over a hundred individual PRC chemical companies, including Yafeng, that previously or presently sell illegal drugs online.

### **III. THE CCP FAILS TO PROSECUTE FENTANYL PRECURSOR AND SYNTHETIC NARCOTICS MANUFACTURERS**

A nation cannot avoid responsibility for activities within its borders simply by ignoring what is obvious. The PRC government has the means to stop illicit fentanyl materials manufacturers, yet it continually fails to do so for those engaged in illegal activities. It runs the most advanced techno-totalitarian surveillance state in human history and, by its own rhetoric, has developed an omnipresent digital and physical surveillance state that “leave[s] criminals with nowhere to hide.”<sup>105</sup>

Yet it has failed to pursue flagrant violations of its own laws. Indeed, in certain instances, the PRC government has actively protected illicit fentanyl material manufacturers from potential legal actions. Drugs are still openly and notoriously trafficked by PRC companies on PRC-based websites, even though the PRC government admitted that these are criminal acts. The Select Committee has likewise found no evidence of new criminal enforcement actions. This failure—when combined with new evidence establishing that the PRC incentivizes the export of illegal drugs abroad and holds ownership stake in companies doing the same—casts doubt on the veracity of the PRC’s claims that it will act to stem the massive export of illicit fentanyl materials and other dangerous synthetic narcotics, and reinforces the need for global cooperation and communication between law enforcement agencies.

#### **A. The PRC Government Has Thwarted U.S. Law Enforcement Investigations into Illicit Fentanyl Manufacturers**

Most disturbing are reports of Chinese authorities notifying Chinese synthetic narcotic manufacturers when the U.S. asks for assistance, thereby allowing them to change their tactics to avoid further U.S. detection.<sup>106</sup> Multiple current and former federal agents

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*“PRC officials have notified the targets of an investigation when U.S. law enforcement sent a formal request for assistance.”*

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have described instances where PRC officials have notified the targets of an investigation when U.S. law enforcement sent a formal request for assistance in investigating a fentanyl or other synthetic narcotics manufacturer. This notification resulted in the target changing their operational techniques, making it harder to detect and deter their criminal activities. In the rare cases when U.S. law enforcement or embassy officials were granted permission to see a potential synthetic narcotics manufacturing site, the “Chinese regulatory authorities continue[d] to delay requests for access to inspect and investigate potential sites of illegal chemical production where precursors are made. [These] requests are often delayed for days, allowing any illegal operation to vacate or clean up the premises.”<sup>107</sup> When the United States managed to arrest and prosecute a PRC citizen, the PRC government not only refused to assist the investigation but also published warnings to the PRC drug trafficking community to avoid “falling into U.S. snares and arrest-entrapment.”<sup>108</sup>

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*“[The warnings] resulted in the target changing their operational techniques, making it harder to detect and deter their criminal activities.”*

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*“[W]hen presented with evidence of illicit fentanyl analogue trafficking by a criminal organization—which PRC officials agreed was illegal under Chinese law—PRC officials refused to prosecute, asked DOJ not to indict the organization[, then] falsely claimed [they had never received such evidence].”*

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PRC officials have also obfuscated, delayed, and attempted to dissuade American law enforcement from prosecuting criminal fentanyl traffickers.<sup>109</sup> For instance, when presented with evidence of major illicit fentanyl analogue traffickers committing felonies under PRC law, the PRC officials admitted that the targets had committed these crimes but refused to prosecute them. Instead, they actively prevented any attempts at further cooperation and asked DOJ *not* to indict the organization. In May 2018, a U.S. Department of Justice investigative team met with senior officials at the PRC’s Ministry of Public Security’s headquarters in Beijing to share information from DOJ’s investigation into the Zheng Drug Trafficking Organization. In that meeting, PRC officials admitted that the Zhengs were trafficking in fentanyl analogues but claimed that they could not prosecute the case because the substances were not scheduled under PRC law. DOJ then presented PRC officials with legal analysis of various Chinese felony provisions and evidence



Figure 14 – Fujing Zheng wanted poster.

establishing that the Zhengs had violated them, with the seniormost PRC official ultimately agreeing that the Zhengs had violated PRC law.<sup>110</sup> Despite this agreement, the officials refused to engage further, claiming that “different staff” handles these types of violations and that they would not be in until the following week. Despite the U.S. investigative team offering to change their flights to meet the “different staff” to discuss further cooperation, the PRC seniormost official refused and ended the meeting, stating that they would be in touch for further cooperation.

The PRC did not cooperate further despite repeated requests from the United States. The Department of Justice charged the Zhengs less than three months later, with the PRC asking DOJ not to prosecute the case shortly before the indictment. The U.S. Attorney General announced the indictment and asked the PRC to investigate the Zhengs under its laws.<sup>111</sup> It did not. Instead, Yu Haibin, a senior official with the office of the China National Narcotics Control Commission, falsely claimed that “[t]he U.S. side failed to provide China any evidence to prove Zheng violated Chinese law, and the U.S. knows clearly about that.”<sup>112</sup> The United States thereafter sanctioned the Zhengs, crippling the organization.<sup>113</sup>

In the past five years, the United States and its allies have indicted, sanctioned, or otherwise made public evidence establishing the involvement of dozens of Chinese individuals and entities engaged in fentanyl, fentanyl precursor, or other synthetic narcotics trafficking. Third party investigative groups have identified over a hundred more.

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*“Former PRC Foreign Minister Qin Gang admitted in 2022 that ‘not a single criminal case has been opened in China that involves the manufacturing, trafficking and smuggling of fentanyl-related substances since their scheduling.’”*

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Despite this evidence—which was established without any access to the PRC’s vast surveillance state—China has thus far done nothing to investigate or prosecute these groups. To the contrary, former PRC Foreign Minister Qin Gang admitted in 2022 that “not a single criminal case has been opened in China that involves the manufacturing, trafficking and smuggling of fentanyl-related substances since their scheduling.”<sup>114</sup> Aside from limited collaboration in 2017, “Beijing has not followed up on other major U.S. indictments of Chinese nationals on drug trafficking charges.”<sup>115</sup> The Select Committee has been unable to identify any new PRC prosecutions or enforcement actions.<sup>ix</sup>

The CCP’s failure to investigate these cases—and in many cases effectively notifying criminals of investigations into criminal conduct—is deeply disturbing.

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<sup>ix</sup> We requested that experts on Chinese law at the Congressional Research Service review publicly available information on PRC prosecutions to inform this report. They confirmed that they did not find any such prosecutions.

## B. The PRC Allows the Open Sale of Fentanyl Precursors and Other Materials that Fuel the Fentanyl Crisis on the Extensively Surveilled Chinese Internet

Despite the fact that the PRC government publicly acknowledged that the trafficking of fentanyl precursors and other illicit narcotics materials is illegal under Chinese law,<sup>117</sup> the Select Committee's investigation revealed that thousands of companies are still openly advertising and selling these illicit materials across the Chinese internet—the most heavily surveilled country-wide network in the world.<sup>118</sup>

The PRC's failure to enforce its laws is especially startling when considering the PRC's capabilities.<sup>119</sup> "The idea that you can be anonymous on the Chinese internet [...] that just doesn't happen."<sup>120</sup> The PRC requires that internet users use National IDs to sign into any social media service or website in the country.<sup>121</sup> It also can immediately locate an internet user through location tags.<sup>122</sup> The PRC government additionally has the ability to monitor financial payment applications

### Undercover Investigation Reveals Widespread, Blatant Sale of Illicit Narcotics Materials

In 2024, the Select Committee engaged in undercover communications with a small list of verified fentanyl precursor and other synthetic narcotics PRC vendors.<sup>116</sup> Of the 27 that responded, 26 offered to sell narcotics immediately. The communications made it clear that the undercover investigator was interested in the precursors and narcotics for illegal purposes. This did not deter any of them. In fact, one PRC fentanyl precursor vendor sent verified records of prior drug shipments to Texas to show that it was capable of making the deal. Another repeatedly called the undercover investigator on WhatsApp and forcibly tried to make the sale.<sup>x</sup>



*Figure 15 - A PRC chemical company repeatedly asking an undercover investigator if he wants to buy drugs, showing (without prompting) tracking confirmation of a drug parcel it recently successfully sent to a U.S. customer to confirm it.*

<sup>x</sup> The Select Committee provided all relevant information to federal law enforcement about these communications in a timely manner and made all incriminating evidence relating to the fentanyl vendors available to federal law enforcement upon request.

and banks, which are either under direct state control or subject to heavy regulation.<sup>123</sup>

As part of its investigation, the Select Committee used web scraping and data analytics tools to review content of a subset of seven e-commerce sites that routinely host PRC companies selling illicit narcotics. Six sites are based in the PRC<sup>124</sup> (including those controlled by the PRC government-tied public company Zhejiang NetSun)<sup>125</sup> and one in Singapore.<sup>xi</sup> The analysis was further narrowed by focusing solely on a subset of illicit synthetic narcotics—fentanyl materials (including analogues and precursors), nitazenes, xylazines, cannabinoids, and substances on the DEA SSL—meaning that this number heavily underrepresents the true scale of the PRC synthetic narcotic industry. This web scraping tool resulted in the accumulation of 37,000 unique data points.<sup>xii</sup> Within this data set, the Select Committee identified over 2,048 PRC companies offering over 31,000 sales of illicit narcotics or substances on the DEA SSL.<sup>126</sup> These companies sales pages included clear indicia of drug trafficking with advertisements that appeared to be catering to non-PRC (and, in many cases, specifically American or Mexican) customers.<sup>127</sup> These indicia include accepting Bitcoin (a cryptocurrency outlawed in Mainland China) as a form of payment;<sup>128</sup> selling multiple forms of illicit narcotics (*e.g.*, fentanyl precursors, Nitazenes, and synthetic cannabinoids) in a single advertisement;<sup>129</sup> offering special packaging and reimbursement if the package is “lost;”<sup>130</sup> guaranteeing chemicals would bypass customs (*e.g.*, “Double Clearance 100% pass delivery to USA, Canada, Germany, Netherland, Poland, Australia, Mexico, Russia”) [*sic.*];<sup>131</sup> and offering to “change chemical name on the parcel to ship” and “double customs clear[a]nce service to keep safe deliver[y].”<sup>132</sup> On just one of these sites in February 2024, the major PRC-based e-commerce platform Chemicalbook,<sup>xiii</sup> there were over 5,000 sales offered for narcotics precursors, many in bulk. There were likewise 85 advertisements for nitazenes, deadly opioids that are resistant to naloxone and increasingly found on American streets, 41 for U-series opioids (*e.g.*, U-47700), 303 for synthetic cannabinoids, and 256 for Xylazine. This activity is illegal under PRC law.<sup>133</sup>

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<sup>xi</sup> The Select Committee also individually reviewed dozens of PRC company websites, many hosted by Zhejiang NetSun, which had easily identifiable sales of illicit narcotics. DNS registries and corporate records checks confirmed these sites were hosted and headquartered in the PRC.

<sup>xii</sup> The Select Committee has arranged to provide this data to federal law enforcement for further investigative steps.

<sup>xiii</sup> In conversation with current and former federal law enforcement, the Select Committee confirmed that availability of illicit narcotics on these websites is a widely-known fact among fentanyl producers, and that—similar to indictments or sanctions of violating companies—increasing public scrutiny of these websites’ inaction is the most viable path to improved practices.

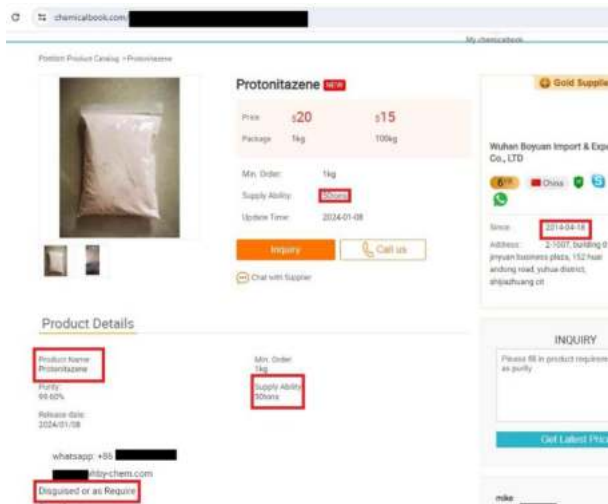


Figure 16 – PRC company website and PRC server advertisement for protonitazene, an opioid that is up to 25 times stronger than fentanyl and increasingly killing Americans. The company offers to “disguise” the packaging and can supply up to “50 tons.”



Figure 17 – Advertisement for powerful opioid on PRC website with company accepting payment in Bitcoin. Drug conspiracy, customs fraud, and accepting payment in Bitcoin are all illegal in China.



Figure 18 – PRC chemical company selling key ingredients required for cartels to manufacture fentanyl with “hot sale to Mexico.”



Figure 19 – Advertisement for an MDMA precursor offering WeChat ID to consummate drug sale. WeChat is a heavily monitored application in the PRC.

Importantly, this data set revealed that, while PRC companies sell vast amounts of synthetic narcotics online, the number of PRC companies actually doing so appears to be comparatively small. Within the 2,048 PRC companies,<sup>xiv</sup> we found just over 1,500 common linkages, such as multiple companies sharing the same phone numbers, fax numbers, email addresses, or other commonalities. In some instances, these associations suggest a common sales force used across companies. Many times, however, these commonalities demonstrated centralized control, with one company or group using dozens of company names to obfuscate their involvement. The manufacturers for these substances are also geographically concentrated in a handful of cities, with Shanghai and Wuhan alone responsible for a third of the identified illegal drug trade. In addition, we uncovered many instances where companies selling illicit synthetic narcotics also sold legitimate chemicals, sometimes on associated sites through a related company. These facts suggest that the companies engaged in synthetic drug trafficking are geographically concentrated, fewer in number than it may first appear, and reliant on the remaining part of legitimate global commerce.<sup>xv</sup>

Individual PRC company webpages, all of which are based on PRC servers like Alibaba cloud or Zhejiang Netsun, likewise sell a plethora of synthetic narcotics clearly aimed at drug trafficking. For example, protonitazene.com (which shares the same DNS address, email addresses, Wickr accounts, and phone number with a Yafeng website) sells dozens of types of nitazenes, fentanyl precursors, and other synthetic narcotics, with “hot sales to Mexico.”<sup>134</sup> This is merely one of hundreds of examples we encountered online. These postings are designed for one purpose: drug trafficking.<sup>135</sup>

### **Confidential Chinese Surveillance Contracts Reveal Vast Online Tracking Capabilities**

A review of a dozen never-before-reported-on PRC surveillance technology contracts revealed the startling extent of the PRC government’s knowledge and control over its populace. In one 135-page tender document, the PRC government explains its “One Person, One File” approach developed by Huawei. Using extensive surveillance technologies and data analytics,

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<sup>xiv</sup> Many of these sites had a multi-step company “verification service” that “audit[s] suppliers” and “ensures [the seller’s] products meet all relevant regulations and standards.” See, e.g., *ChemicalBook Audited Supplier*, CHEMICALBOOK, available at <https://web.archive.org/web/20240403212444/https://www.chemicalbook.com/ProductAdvertising.asp> (last accessed Apr. 13, 2024). These verification systems both corroborate that these companies are providing their true names and undercut any claim by these companies that they had no idea that these illicit activities were ongoing. For instance, many of the manufacturers selling illicit narcotics had the “audited supplier” verified badge, indicating that ChemicalBook had audited their business and found it acceptable for its website.

<sup>xv</sup> The implication of this finding is discussed in the policy recommendations section. See Section V, *supra*.

authorities collected and analyzed data to create detailed profiles about each resident. This “file” includes “basic personal information, face recognition captures, and comprehensive social information such as relationships, activity trajectories, and peer analysis.” The PRC government constantly updates this individual-specific file based on data it obtains from its omnipresent physical and digital surveillance techniques to understand “many persons and complex relationships” and receive “advance warning prediction, and suspicious behavior discovery [...] so as to fully realize the value of data.” The system not only watches for potential criminal activity like drug trafficking, but also captures everything from their sexual orientation to political inclinations and possible animosities toward the government (*e.g.*, victim of prior land seizure). These programs, when combined with the “community grid management” approach that focuses on integrating multiple surveillance platforms to strengthen social control, give the PRC government a disturbingly robust capability in identifying and arresting those who violate PRC law. For instance, in 2017, it only took security forces seven minutes to identify, locate, and detain a BBC reporter.

### **C. The PRC Government Censors Content About Domestic Drug Sales— But Leaves Export-Focused Narcotics Content Untouched**

The PRC government could prevent fentanyl- and drug trafficking-related content from being posted online in the first place. A recent Citizen Lab report found over “66,000 rules controlling the content that is available to people using search engines” in the PRC.<sup>136</sup> These rules involve algorithms that either limit results or “provid[e] no results or by limiting the results to selected sources, which are usually government agencies or state news organizations that follow the Communist Party’s line.”<sup>137</sup> Censored categories run the gamut from Winnie the Pooh<sup>138</sup> to prohibited conduct like “politics, violent terrorism, fraud and blackmail, pornography, vulgarity, gambling, rights infringement, rumors, and a broadly defined category of ‘other.’”<sup>139</sup>

The CCP will stop at nothing to silence its critics and eliminate dissent. It employs authoritarian tools of censorship, such as the so-called Great Firewall, to wall off the PRC internet from content that might invoke concepts such as democracy, human rights, or even basic historical facts. Yet the PRC government does not use this extensive censorship apparatus to block keywords associated with the export of fentanyl precursors.

The academic research institute Citizen Lab analyzed the censorship triggers in the PRC for illicit fentanyl materials. While some censorship appeared to exist for domestic-based fentanyl transactions (*e.g.*, “fentanyl + cash on delivery”), no such censorship triggers existed for any fentanyl precursors, the CAS numbers used to find them online, or anything related to the *export* of illicit narcotics.<sup>140</sup>

Thus, although the PRC uses this tool for tens of thousands of other topics, it does not do so for the export of deadly narcotics abroad.

#### **D. The PRC Aggressively Prosecutes Domestic Drug Trafficking But Leaves Illicit Drug Exports Untouched**

The issue is not that the PRC government does not want to use its security apparatus to investigate and prosecute drug trafficking. It does do so routinely, but only in cases that impact its domestic population. The PRC ruthlessly investigates, prosecutes (with no presumption of innocence), and *executes* many potential drug trafficker within its borders.<sup>144</sup> The PRC also routinely arrests and executes foreigners who it accuses of engaging in the drug trade within the PRC.<sup>145</sup> China's state-controlled Global Times stated that "China will never allow drug traffickers from any country to kill and poison the Chinese people."<sup>146</sup> It also stated that the Chinese public "detest drug trafficking and believe that having mercy with drug dealers would equal to infringing the rights of millions of Chinese."<sup>147</sup>

#### **Case Study: The PRC Controls Output from China's Chemical Producers**

When motivated to do so, the PRC government has shown a robust ability to police its chemical manufacturing industry. During a push related to pollution control, the PRC government "shut down 30 to 40 percent of all Chinese production capacity for monosodium glutamate and certain dyestuffs and pesticides," and implemented extensive permitting requirements and relocation of chemical factories.<sup>141</sup> External experts "expect[ed] China's environmental authorities to continue to push enforcement energetically" across companies that "account for nearly 50 percent of China's chemical production."<sup>142</sup>

Yet the PRC government has failed to address the rampant production and exportation of fentanyl materials by the same sector. To the contrary, the PRC government has not required even the most basic "know your customer" (KYC) protocols that other nations mandate around the world. Indeed, the PRC government does not even enforce its laws as "[p]erpetrators caught mislabeling precursor shipments [in China] often face only civil penalties and small fines rather than criminal charges."<sup>143</sup>

Despite this zeal, the PRC does not treat narcotics leaving its shores as a similar priority. As Brookings' Vanda Felbab-Brown noted:

With respect to drug trafficking, China's first objective is to minimize the flow of drugs into China for domestic consumption... China's second objective is to push illegal supply of scheduled drugs and precursors abroad, though China lacks an equal determination to counter Chinese smugglers and traders operating abroad, such as through cooperating with national authorities abroad, let alone developing its own indictment portfolios.<sup>148</sup>



While the PRC has recently shown some willingness to engage on drug trafficking concerns such as “shut[ting] down” certain companies and blocking “certain international payment accounts,”<sup>149</sup> some experts view it as “unlikely that China will end its approach of subordinating its anti-drug and anti-crime cooperation to its strategic calculus.”<sup>150</sup> Securing this cooperation, including by increasing enforcement of the PRC’s own laws against exporters of illicit fentanyl materials, is critical.

#### **IV. THE FENTANYL CRISIS ADVANCES THE PRC’S STRATEGIC AND ECONOMIC INTERESTS**

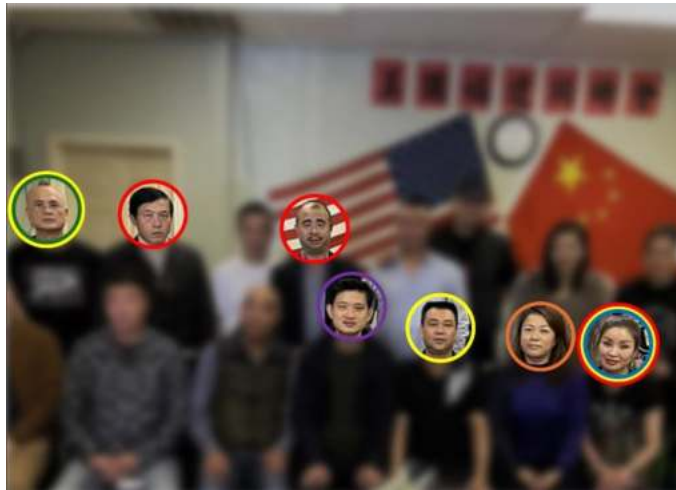
The Select Committee’s investigation has established that the PRC government, under the control of the CCP (1) directly subsidizes the exports of deadly illicit fentanyl materials and other synthetic narcotics that are illegal under its own laws; (2) gave monetary grants and awards to companies openly trafficking illicit fentanyl online; (3) holds ownership interest in some of these companies; (4) thwarted U.S. law enforcement investigations into illicit fentanyl manufacturers; (5) allows the open sale of fentanyl precursors and other materials that fuel the fentanyl crisis on the extensively surveilled Chinese internet; and (6) fails to use its expansive surveillance and security apparatus to stop it.

These actions and omissions are abhorrent, violate the laws of nations, and have led to profound human suffering in the United States and around the world. They also, as a factual matter, further the PRC’s strategic and economic interests. Information related to those potential interests is laid out below.

##### **A. The Fentanyl Crisis Benefits PRC Criminal Enterprises, Helping Solidify Support for the CCP**

The global illicit fentanyl trade has enriched the PRC itself, empowered its organized crime assets through lucrative money laundering, and offer PRC elites a means to move a certain amount of their capital abroad, thus diminishing the risk of their dissent. It allows the PRC to further its strategic interests by, per PRC Major General Qiao, “caus[ing] disasters in other countries and mak[ing] huge profits.”<sup>151</sup> Through subsidies, grants, and other incentives, the PRC harms Americans while enriching PRC companies. It also, through the drug trade, gains dominance over the world of illicit finance.<sup>152</sup> While the opacity of the PRC’s financial system makes it impossible to estimate, even earning a fraction of the Mexican cartels’ estimated \$6 to \$21 billion a year in profits would certainly qualify as “mak[ing] huge profits” under Qiao’s definition.<sup>153</sup>

As author Ben Westhoff has explained, the PRC government encouraged the export of fentanyl, fentanyl precursors, and other synthetic narcotics as they are “seen as a vital part of its economy.”<sup>154</sup> To foster these exports, it offered subsidies and tax breaks for chemical companies that produce and export those drugs that may run into the millions of dollars in potential revenue.<sup>155</sup> Each individual company can secure hundreds of thousands if not millions of dollars in potential revenue.<sup>156</sup> These companies also enjoy a symbiotic relationship with the PRC provincial authorities who consider it an imperative to achieve the provincial GDP goals set by Beijing.<sup>157</sup> As Westhoff noted in a 2019 interview, beyond any national policy, “you might [therefore] have a provincial official who wants to let these companies keep doing what they’re doing because it brings in more revenue for the area.”<sup>158</sup>



*Figure 20 - PRC consul general Zhu Di (purple) meeting with an Oklahoma Fujianese association in November 2022. This meeting included over a half-dozen individuals convicted, charged, arrested, or otherwise implicated in drug trafficking.*

*Red: Names surfaced in marijuana-related criminal scheme investigations.*

*Yellow: Oversaw nightclub police raided in drug and human trafficking investigations.*

*Orange: Arrested as part of illegal marijuana farm investigation.*

*Blue: Charged with drug-related offense*

*Green: Pleaded guilty to drug-related offense.*

*Source: ProPublica.*

In addition, illicit fentanyl material and the accompanying money laundering also benefits Chinese transnational criminal groups, many of whom have ties to the CCP and PRC government.<sup>159</sup> According to public reporting, Chairman Xi has “intensified [the PRC’s] alliance with Chinese organized crime overseas” as he has pursued greater international influence.<sup>160</sup> The partnership between the PRC government and organized crime “mix[es] geopolitics and corruption for mutual benefit” where, according to western national security officials, “in exchange for their services as overseas enforcers and agents of influence, the Chinese state

protects the mobsters.”<sup>161</sup> For example, Italian law enforcement has intercepted calls in which a local Chinese organized crime boss met with the “boss from Beijing,” a senior member of the PRC government who had met with the Italian Prime Minister and his cabinet earlier that day.<sup>162</sup> As recently revealed by ProPublica, PRC government officials are similarly “meeting with known criminals,” including leaders of Chinese organized criminal groups and drug traffickers in the United States.<sup>163</sup> Chang An Le, aka White Wolf, a notorious mobster who served a prison sentence for heroin trafficking in the United States, now serves as both the head of a Chinese organized crime syndicate in Taiwan and the Chinese Unity Promotion Party, a PRC front.<sup>164</sup> Wan Kuok “Broken Tooth” Koi, a U.S.-sanctioned drug trafficker, also serves on an advisory body to CCP leadership, according to U.S. intelligence.<sup>165</sup>

In the context of America and the fentanyl crisis, this partnership resulted in Chinese organized crime taking over money laundering for the cartels, further enriching PRC criminal networks and entrenching their influence.<sup>166</sup> According to retired DEA agent Thomas Cindric, “[a]t no time in the history of organized crime is there an example where a revenue stream has been taken over like this, and without a shot being fired.”<sup>167</sup>

The PRC’s success in taking over the cartels’ money laundering apparatus is because “the Chinese brokers mostly manage to bypass the U.S. and Mexican formal banking systems, thus evading anti-money laundering measures and simplifying one of the biggest challenges for the cartels, namely moving large

amounts of bulk money subject to law enforcement detection. The only interface with the formal banking system takes place in China, into which U.S. law enforcement agencies have little-to-no visibility.”<sup>168</sup> The criminal syndicates’ money laundering activities reportedly involve individuals affiliated with the Chinese state in certain instances. U.S. law enforcement investigating Chinese money laundering found “evidence indicating that... money laundering schemes

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*U.S. Southern Command’s Admiral Craig Faller likewise testified to Congress that Chinese launderers are the “number one underwriter” of drug trafficking in the Western Hemisphere,” with the Chinese government “at least tacitly supporting” money laundering.*

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*U.S. law enforcement investigating Chinese money laundering found “evidence indicating that ... money laundering schemes involved Chinese government officials and the Communist Party elite.”*

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involved Chinese government officials and the Communist Party elite.”<sup>169</sup> Specifically, they found evidence that Chinese organized criminal groups were moving “tens of millions of dollars among Chinese banks and companies with seeming impunity,” despite the fact that “China’s omnipresent security forces tightly control and monitor its state-

run economy.”<sup>170</sup> “More than \$3.8 trillion of capital has left China since 2006, making the country the world’s top exporters of hot money.”<sup>171</sup> Former Commander of U.S. Southern Command, Admiral Craig Faller, likewise testified to Congress that Chinese launderers are the “number one underwriter” of drug trafficking in the Western Hemisphere, with the Chinese government “at least tacitly supporting” money laundering.<sup>172</sup>

The money laundering system has an added benefit for PRC elite, namely that the “cash accumulated from street sales remain in the U.S.,” where it is “offered for sale to Chinese citizens eager to avoid currency controls, which limit moving yuan valued at more than \$50,000 out of China....”<sup>173</sup>

#### **B. The PRC Has Used Asymmetric Tactics Against the United States, Some PRC Officials Advocate “Drug Warfare”**

CCP General Secretary Xi Jinping has stated that the PRC’s “ideology and social system are fundamentally incompatible with the West”<sup>174</sup> and that it is the role of the PRC government to lead the construction of a “new world order [. . .] that will supplant the [liberal democratic] Westphalian system.”<sup>175</sup> The PRC has already engaged in behaviors that appear to be directly aimed at achieving this end. For instance, earlier this year, in sworn testimony before the Select Committee, the nation’s top cyber authorities warned America that the PRC had pre-positioned itself for devastating strikes at U.S. critical infrastructure that would result in mass American casualties.<sup>176</sup> This includes a scenario where, as CISA Director Easterly noted, the PRC could use its cyber forces to create a scenario where:

[M]any [oil and gas] pipelines [are] disrupted. Telecommunications going down so people can’t use their cell phone. People start getting sick from polluted water. Trains get derailed, air traffic control systems, port control systems are malfunctioning. This is truly an everything, everywhere, all at once scenario. And it’s one where the Chinese government believes that it will likely crush American will for the U.S. to defend Taiwan in the event of a major conflict there.<sup>177</sup>

Interestingly, PLA military strategists Qiao Liang and Wang Xiangsui anticipated exactly this type of strike against America two decades earlier, noting that PRC cyber forces could:

Bur[y] a computer virus and hacker detachment in the opponent’s computer system in advance, while at the same time carrying out a network attack against the enemy so that the civilian electricity network, traffic dispatching network, financial transaction network, telephone communications network, and mass media network are completely paralyzed, this will cause the enemy nation to fall into social panic, street riots, and a political crisis.<sup>178</sup>

This treatise, published by the People's Liberation Army Press, argued that the PLA cannot be successful in modern warfare without pursuing asymmetric means. As American military officers and historians have noted, it presaged other PRC techniques that are now commonplace,<sup>179</sup> such as setting up slush funds to influence an adversary nation's politics,<sup>180</sup> and gaining control of an adversary's media as part of a larger cognitive warfare operation.<sup>181</sup>

While it is not the focus of the book, Qiao and Wang in multiple sections discuss drug warfare as an effective tactic in asymmetric warfare:<sup>xvi</sup>

Aside from what we have discussed above, we can point out a number of other means and methods used to fight a non-military war, some of which already exist and some of which may exist in the future, for example psychological warfare that causes intimidation to the enemy and break down his will; smuggling warfare that throws markets into confusion and attacking economic order; media warfare that manipulates audio and video to guide public opinion; **drug warfare that cause disasters in other countries and make huge profits**; network warfare that is invisible and virtually impossible to guard against); technological warfare by self-setting and monopolizing patent standards; fabrication warfare (presenting a show of strength to the enemy); resources warfare that plunders reserves and seizes wealth; economic aid warfare that openly bestows favors while covertly taking control; cultural warfare that guides cultural trends to assimilate dissidents); international law warfare that seizes the initiative to establish rules), and more, too many to mention.<sup>182</sup>

The CCP routinely uses a variety of asymmetric tactics like those listed above against the United States and its allies, including rampant spreading of false information online;<sup>183</sup> smuggling U.S.-controlled goods to adversarial nations and sending massive amounts of counterfeit goods abroad;<sup>184</sup> hacking into U.S. critical infrastructure;<sup>185</sup> using TikTok as part of its "cognitive warfare campaign;"<sup>186</sup> gaining technological monopolies through IP theft and unfair trade practices;<sup>187</sup> acquiring rights to rare resources in around the world via corruption;<sup>188</sup> using the Belt and Road Initiative (BRI) as debt diplomacy;<sup>189</sup> genocide against the Uyghurs people through "cultural assimilation;"<sup>190</sup> and gaining control of international technological standards bodies.<sup>191</sup>

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<sup>xvi</sup> After the book's publication by the PLA Press, rather than facing career setbacks for making controversial arguments in favor of this type of asymmetric warfare, Qiao and Wang enjoyed a successful career within the PRC national security apparatus. Qiao attained the rank of major general in the PLA Air Force, deputy director of the creative department and deputy secretary-general of the Council for National Security Policy Studies. He has appeared frequently on Chinese state television to provide lectures on strategy. More recently, he has opined about how the PRC would defeat America in a future conflict. Wang retired from the military in 2012 and serves as a professor at Beihang University, one of the "seven sons of national defense."

The PRC-sourced illicit fentanyl and fentanyl precursors have indeed “spread[] disaster” in the United States.<sup>192</sup> As DEA Administrator Milgram noted, “Fentanyl is killing Americans at an unprecedented rate.”<sup>193</sup> Hundreds of thousands are dead, millions are addicted, and entire communities have suffered unimaginable harm.<sup>194</sup> In addition to the steep price in blood, the fentanyl crisis has also cost the American people over \$1.5 trillion dollars. It also impacts force readiness, both because it has taken a record toll on active-duty military personnel and because it is the leading cause of death for adults 18-45 who otherwise could serve in the military at a time of crisis.<sup>195</sup>

In addition to being consistent with the PRC government’s tacitly approved strategies, the enabling of fentanyl trafficking also provides another value: diplomatic leverage. As Brookings Institution’s Vanda Felbab-Brown has previously testified, “Unlike the U.S. Government, which seeks to delink counternarcotics cooperation with China from the overall bilateral geostrategic relationship, China subordinates its counternarcotics cooperation to its geostrategic relations.”<sup>196</sup> Put another way, illicit fentanyl is not a scourge to eradicate, but one of many items to negotiate. The PRC government suspended all counternarcotics and law enforcement cooperation with the United States, for instance, after House Speaker Nancy Pelosi visited Taiwan.<sup>197</sup>

Fentanyl is also a valuable rhetorical and propaganda tool for the PRC government. Through its state-owned organs and the PRC embassy, it decries the decadence of American-led western democracies, stating that the “root cause of U.S. fentanyl abuse problem is in itself” (i.e., the United States) and that the PRC will “not bear the responsibility for the abuse of fentanyl.”<sup>198</sup> Chinese Central TV even produced a documentary showing America’s devastation due to



*Figure 21 – Clip of Chinese state media broadcasting disinformation about a supposed U.S. civil war, with Weibo users superimposing inflammatory rhetoric.*

fentanyl (that it blames on U.S. companies), contrasting it with the tight controls on fentanyl in the PRC.<sup>199</sup> In response to criminal cases brought against PRC citizens for fentanyl trafficking, Chinese media claims that “the same trade has become ‘state run’ in the U.S.” and that there is insufficient evidence for any charges.<sup>200</sup> It also claims that the United States is “slandering China” and that its government has “not found a single case of fentanyl smuggling and manufacturing.”<sup>201</sup> PRC state media also states that the United States should blame itself for the fentanyl crisis, claiming that “while the epidemic is wreaking havoc on the U.S. economy and the workforce” Washington is both “at its wits’ end on how to fix it” and “at times, it seems uninterested.”<sup>202</sup> The PRC government has

increasingly relied on this type of anti-American rhetoric to hide the failures of its own policies. This has escalated to the point of absurdity, with PRC media publishing stories about an imminent or even ongoing civil war between the United States federal government and Texas, with PRC social media platforms similarly elevating the topic.<sup>203</sup> This domestic propaganda all serves to show its populace that the PRC government is a superior form of government over “failing” democracies, diverting attention from the CCP’s oppression, corruption, and self-inflicted economic woes.<sup>204</sup>

## V. POLICY SOLUTIONS

It is essential for U.S. decisionmakers to understand that the global illicit fentanyl trade has an Achilles’ heel. Unlike cartels and other wholly illegitimate enterprises, the PRC chemical companies fueling the fentanyl crisis often have significant legitimate business. In fact, many of these companies have customers in the United States, Europe, and around the world that buy legitimate chemicals for everyday use.<sup>205</sup> Based on our investigation, in most cases, it appears that fentanyl precursors and other synthetic narcotics are not necessarily the primary business purpose of the company but rather a “side hustle” designed to maximize profits and take advantage of the PRC government’s generous subsidies for sale of these illicit goods.<sup>206</sup> That makes these entities uniquely vulnerable to U.S. government tools (such as sanctions) that limit their ability to sell their products to non-criminal actors, thereby dramatically impacting their profits. The same is true for the PRC banks, e-commerce platforms that focus on chemical sales, transshippers, and other industries that enable the global illicit fentanyl trade. They are engaged in the drug trade alongside their legitimate business because they think that doing so will increase their profit margins without reprisal.<sup>207</sup>

The United States must make clear that is no longer the case. To do so, the United States must impose strong punitive measures that create economic, trade, and legal incentives so that the PRC companies end their involvement in the global illicit fentanyl trade. The United States must make clear that they can be part of global commerce or they can continue aiding the global illicit fentanyl trade, not both.<sup>208</sup>

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**Recommendation 1:** Establish Joint Task Force – Counter Opioids and fully empower it to fulfill its mission.

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Achieving this goal requires a centralized and empowered command structure that has plenary authority from the President to fight back against the PRC global illicit fentanyl trade and larger synthetic narcotics threat. The United States has successfully addressed other international drug threats previously using a similar strategy. While there are exceptional prosecutors, federal agents, intelligence analysts, and financial auditors in the field doing exemplary work, Congress can empower them to do even more with appropriate statutory

authorities. The United States needs a dedicated group of public servants operating under a coordinated and centralized strategy, with pooled resources to match their considerable goals.

Specifically, Congress should:

1. **Establish a Joint Task Force – Counter Opioids (JTF–CO) that concentrates all non-military elements of national power and executes the coordinated strategy outlined above that targets each of these weak points in the global illicit fentanyl supply chain.** The head of this group should report directly to the Attorney General and be dual-hatted as Special Assistant to the President on the National Security Council with authority over the opioids portfolio.<sup>209</sup> While this arrangement is unorthodox, this task force would help to further address a multifaceted problem that the U.S. government must solve. The arrangement has the chief virtue of placing all intelligence, investigative, economic, trade, and enforcement resources and mechanisms under a unified command, allowing for close coordination and a robust but streamlined interagency process.<sup>210</sup> A reinvigorated DEA Special Operations Division (SOD) could play a leading role in this effort. Under a clear Presidential mandate, the JTF-CO would engage in effective prioritization of targets for coordinated action against the entire fentanyl ecosystem, forcing fentanyl trafficking participants and enablers to internalize the significant economic risks that they will face if they choose to profit from the illegal drug trade.<sup>211</sup>

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**Recommendation 2:** Provide law enforcement and intelligence officials with the statutory authorities, tools, and support they need to execute their responsibilities.

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Congress should ensure law enforcement and intelligence professionals have the tools they need to succeed in the fight against fentanyl. Specifically, Congress should:

1. **Support international cooperation among law enforcement agencies to hold bad actors accountable.** Winning this battle will similarly require close coordination and robust communication between law enforcement agencies across the globe. Given the global nature of precursor production and fentanyl trafficking, no one country can successfully win this battle alone. To succeed in shutting down PRC-based precursor manufacturers, ending money laundering of PRC drug proceeds, and interdicting illicit shipments, law enforcement and other government agencies, as well as leaders, across the world must work together to share actionable information and hold bad actors accountable. Failing to do so means criminal producers of precursors can exploit this lack of coordination to



evade detection and prosecution. Even with those with whom we do not see eye to eye on every issue, there must be lines of communication between law enforcement agencies to hold criminals accountable.

2. **Direct the President to prioritize and appropriately resource counter-narcotics and anti-money laundering efforts in the Intelligence Community (IC).** The IC needs to have the focus and resources needed to address this historic threat. This includes prioritizing counter-narcotics and anti-money laundering as metrics of the IC's success and providing the tools needed to produce timely and accurate intelligence. In a manner that protects privacy and civil liberties, the IC should also work closely with Congress to ensure that it has the appropriate authorities for collection of foreign communications relating to drug trafficking and money laundering.
3. **Ensure the U.S. Government attracts and retains talent with the skills it needs to protect Americans from fentanyl.** For instance, the Combating Online Fentanyl Trafficking Act would incentive recruitment and retention of DOJ employees with unique cyber skills to combat online fentanyl trafficking.

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**Recommendation 3:** Codify, strengthen, and impose sanctions on entities involved in the fentanyl trade.

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Congress should also codify existing executive sanction authorities and expand the United States' ability to exert maximum economic pressure on the PRC government and its companies.

Specifically, Congress should:

1. **Codify Executive Order 14059.** EO 14059 clarified the power of the President to sanction those involved in the drug trafficking trade. Congress should codify this expansive authority.<sup>212</sup> Through these and other authorities, the United States should impose financial sanctions on the individuals and entities that have enabled the PRC's illicit synthetic narcotics regime, including leaders of chemical companies that produce precursors and synthetic narcotics, e-commerce platforms that host flagrant drug trafficking, financial institutions that enable money laundering through fiat or digital currencies, cargo companies that transship narcotics while remaining willfully blind to the practice, and relevant PRC government entities that have enabled the drug trade, where appropriate.<sup>213</sup> Finally, Congress should require regular reporting regarding the use of this

sanctions authority with justifications for all significant decisionmaking.

2. **Direct the President to impose sanctions and other financial remedies against PRC financial institutions that launder millions of dollars of drug proceeds for the illicit chemical manufacturers and cartels, while also taking appropriate steps to address money laundering that occurs using cryptocurrency.** Existing authorities give the Treasury Secretary the ability to engage in a range of regulatory actions to protect America from illicit finance risks and otherwise diminish a nation's ability to engage in deleterious activity.<sup>214</sup> These remedies include requiring all U.S. financial institutions to terminate correspondent relationships with the bank. While that should not be the first action taken to ensure compliance, the President should engage in a series of escalating enforcement steps to ensure that PRC financial institutions end their role in the synthetic narcotics trade. The Treasury Department has previously used this type of authority on a PRC bank that was laundering North Korean funds.<sup>215</sup> It could do so again to help end the fentanyl crisis. These actions should be paired with appropriate action to address the increasing use of cryptocurrency exchanges operating outside the United States to facilitate fentanyl-related money laundering.
3. **Enact the FEND Off Fentanyl Act.** The FEND Off Fentanyl Act (H.R. 3333) strengthens U.S. sanctions to target perpetrators of the fentanyl trade and transfers any property collected through sanctions to the Department of Justice Assets Forfeiture Fund. The Act strengthens anti-money laundering initiatives with a focus on Mexico, the PRC, and Myanmar, for their prominent role in the fentanyl trade.<sup>xvii</sup>

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<sup>xvii</sup> Another potential remedy is legislation that would formalize the right for immediate family members to sue a foreign entity for distributing illegal narcotics like fentanyl that results in the death of the victim. The causality and knowledge requirements could be the same as the "death resulting" provision found in 21 U.S.C. § 841. This legislation could furthermore allow for the prevailing party to obtain proceeds of the civil judgment through a court order to U.S. banks that have a correspondent banking relationship with a foreign bank that holds the responsible entity's assets. In addition, this legislation could create a class action lawsuit vehicle for victims' families that may not be able to prove causality related to the specific victim, but can show that a specific foreign entity has engaged in substantial activities that have aided and abetted opioid-based drug trafficking.

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**Recommendation 4: Enact and employ trade and customs enforcement measures to restrict fentanyl trafficking.**

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The United States should also reform its trade laws that enable illicit shipments of narcotics and employ additional trade and customs enforcement measures to restrict imports and punish violators.

Specifically, Congress should:

1. **Pass legislation amending the Tariff Act of 1930 to reduce the *de minimis* threshold for duty-free shipments into the United States with particular focus on foreign adversaries, including the PRC.** Approximately three million overseas packages arrive in the United States every day. Many fall under the current *de minimis* threshold of \$800, resulting in the parcels receiving minimal inspection and not having to pay duties, taxes, or fees.<sup>216</sup> Fentanyl precursors and dangerous synthetic drugs currently enter the United States through these *de minimis* packages.<sup>217</sup> During the course of its investigation, the Select Committee heard from California state law enforcement that the current form of the *de minimis* exception leaves America so vulnerable to drug smuggling that cartels increasingly have PRC-sourced fentanyl precursors shipped *first* into the United States before smuggling them to Mexico. In other words, the current form of the *de minimis* exception makes the United States the most vulnerable nation in North America to this form of drug trafficking. There is widespread bipartisan support for reforming the *de minimis* exception.<sup>218</sup> It would not only combat the fentanyl crisis and thus save lives, but also increase American competitiveness and help prevent the importation of goods produced with forced labor. Congress should enact appropriate reforms to address this vulnerability and support increased enforcement.
2. **Enact legislation directing U.S. Customs and Border Patrol (CBP) and DEA to levy escalating fines and remedies on entities that have been found to transship improperly labeled items on the DEA SSL or synthetic narcotics into the United States, Mexico, or Canada.** To enable this action, Congress should include additional funding, specifically for increased scrutiny of vessels originating from or transiting through PRC and Mexican ports and for increased DOD and DHS interdiction of such vessels. If a vessel is found to have transshipped the above listed products, legislation should direct CBP to impose a docking fee on all vessels operated by the entity that operated the vessel in violation. Fees should increase with each

violation. If vessels operated by that offending entity continue to transship such products, the United States should revoke foreign air carrier and docking permission for all craft affiliated with the company.<sup>219</sup> The legislation would additionally direct and properly resource the U.S. Coast Guard and U.S. Navy, in a manner consistent with international law and with respect for internationally recognized maritime borders, to interdict vessels owned by the offending entities to search for synthetic narcotics before they reach cartel-affiliated ports in Mexico based on intelligence that synthetic narcotics or other contraband is aboard.<sup>220</sup> If the transshippers thereafter continue in their behavior without sufficient reform, the United States should sanction the transshipping companies. The repeated failure to reform would demonstrate that the company is willfully blind to the illegal activity, which would allow the U.S. government to overcome the very low “reasonable basis” standard needed to survive challenges to any sanctions. Should the PRC not improve behavior and enforce higher standards of labeling at their ports within one year, Congress should consider imposing docking fees on all vessels originating from or transmitting via PRC ports. In addition, Congress should consider imposing Know Your Customer requirements on high-risk shippers.

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**Recommendation 5:** Close regulatory and enforcement gaps exploited by PRC money launderers and fentanyl traders.

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PRC-owned and operated brokers have effectively taken over the cartels’ money laundering business and exploit gaps in U.S. regulatory enforcement to launder fentanyl proceeds through payment services and to sell fentanyl precursors on commercial marketplaces.<sup>221</sup> The United States should take aggressive steps to close these gaps.

Specifically:

1. **PRC-based applications involved in money laundering and the fentanyl trade should be required to register as money services businesses.** There is ample evidence that certain PRC-based applications that provide money transmitting and payment services: engage in money laundering, have violated the PRC’s own anti-money laundering laws, and serve as principal payment systems to facilitate laundering of proceeds from fentanyl sales into the United States.<sup>222</sup> They are so well-known that even the PRC government has issued a record fine against a PRC company that runs one of these applications for flouting basic anti-money-laundering (AML) rules and having little to no compliance with essential KYC and “know

your business” procedures.<sup>223</sup> It is problematic that the PRC can identify these deep flaws in applications it regulates while the United States allows the same platform to assist in global money laundering without appropriate regulatory safeguards. The U.S. Department of the Treasury should therefore mandate that these applications register as money services businesses with the Financial Crimes Enforcement Network (FinCEN). If registered, they would be subject to suspicious activity reporting requirements, which in turn would allow U.S. law enforcement to track and interdict fentanyl money laundering more effectively.

- a. In addition, DOJ should conduct a review to ascertain whether Zyla, a cross-border payment facilitator for a major PRC money transfer application, is appropriately complying with U.S. law enforcement requests based on legal process. If Zyla’s conduct flouts U.S. legal process, then DOJ should consider further legal action to bring it into compliance.

2. **PRC online retailers and other PRC-based e-commerce applications and sites should be required to adopt measures to restrict the online sale of fentanyl precursors within a reasonable period of time or face penalties in the United States.** The Select Committee uncovered egregious evidence of synthetic narcotics trafficking aimed at Mexican cartels and American drug users on PRC-based e-commerce sites. These include major platforms like Chemicalbook, ChemNet, China Chem Net, among others. The United States should impose an ultimatum on global firms: close your platform to drug traffickers or face U.S. reprisal.

## ENDNOTES

<sup>1</sup> Tracy Hampton, *Study reveals fentanyl's effects on the brain*, THE HAR. GAZ. (Aug. 31, 2022), available at [www.news.harvard.edu/gazette/story/2022/08/study-reveals-fentanyls-effects-on-the-brain/](http://www.news.harvard.edu/gazette/story/2022/08/study-reveals-fentanyls-effects-on-the-brain/).

<sup>2</sup> Valerie Vierkant, *Researchers Identify Breakthrough In Understanding Fentanyl Abuse*, TEXAS A&M TODAY (Feb. 20, 2023), available at [www.today.tamu.edu/2023/02/20/researchers-identify-breakthrough-in-understanding-fentanyl-abuse/](http://www.today.tamu.edu/2023/02/20/researchers-identify-breakthrough-in-understanding-fentanyl-abuse/); *Drug Use Changes the Brain Over Time*, UNIV. OF UTAH, available at [www.learn.genetics.utah.edu/content/addiction/brainchange](http://www.learn.genetics.utah.edu/content/addiction/brainchange)

[<https://web.archive.org/web/20240315072159/www.learn.genetics.utah.edu/content/addiction/brainchange>] (last accessed Mar. 14, 2024); Dr. Robert L. Dupont, *Chemical Slavery: Understanding Addiction and Stopping the Drug Epidemic*, INST. FOR BEHAV. AND HEALTH (2018), available at [www.static1.squarespace.com/static/575830e0b09f958d96b6e4df/t/5bc3de15fcc0be3c647a09/1540211678564/Chemical\\_Slavery\\_Press\\_Release.pdf](http://www.static1.squarespace.com/static/575830e0b09f958d96b6e4df/t/5bc3de15fcc0be3c647a09/1540211678564/Chemical_Slavery_Press_Release.pdf).

<sup>3</sup> *Routes of Drug Use Among Drug Overdose Deaths—United States, 2020–2022*, CTRS. FOR DISEASE CONTROL AND PREVENTION (Feb. 15, 2024), available at <https://www.cdc.gov/mmwr/volumes/73/wr/mm7306a2.htm> (“More than 109,000 drug overdose deaths occurred in the United States in 2022; nearly 70% involved illegally manufactured fentanyls (IMFs)”).

<sup>4</sup> *Life Expectancy in the U.S. Dropped for the Second Year in a Row in 2021*, CTR. FOR DISEASE CONTROL AND PREVENTION (Aug. 31, 2022), available at [www.cdc.gov/nchs/pressroom/nchs\\_press\\_releases/2022/20220831.htm](http://www.cdc.gov/nchs/pressroom/nchs_press_releases/2022/20220831.htm); Rachael Rettner, *US Life Expectancy Dropped in 2017. Drug Overdose Deaths Are a Big Reason Why*, LIVE SCI. (Nov. 29, 2018), available at [www.livescience.com/64188-life-expectancy-decline-drug-overdose-deaths.html](http://www.livescience.com/64188-life-expectancy-decline-drug-overdose-deaths.html).

<sup>5</sup> *Raising the Children of the Opioid Epidemic*, GENERATIONS UNITED (2018), available at [www.gu.org/resources/grand-resource-help-for-grandfamilies-impacted-by-opioids-and-other-substance-use/](http://www.gu.org/resources/grand-resource-help-for-grandfamilies-impacted-by-opioids-and-other-substance-use/). Every 15 minutes, a U.S. infant is born with opioid exposure correlated with long-term tragic long-term health and societal implications. Megan L. Dolbin-MacNab & Lyn M. O’Connell, *Grandfamilies and the Opioid Epidemic: A Systemic Perspective and Future Priorities*, CLINICAL CHILD AND FAMILY PSYCH. REV. (Jan. 25, 2021), available at [www.ncbi.nlm.nih.gov/pmc/articles/PMC7829093/](http://www.ncbi.nlm.nih.gov/pmc/articles/PMC7829093/) (citing Honein et al., available at [www.ncbi.nlm.nih.gov/pmc/articles/PMC6482836/](http://www.ncbi.nlm.nih.gov/pmc/articles/PMC6482836/)).

<sup>6</sup> See, e.g., Dolbin-MacNab, *supra* note 5 (citing Rigg et al., available at [www.pubmed.ncbi.nlm.nih.gov/29754032/](http://www.pubmed.ncbi.nlm.nih.gov/29754032/)); Abene Clayton, *California seizes enough fentanyl in San Francisco to kill city's populations three times over*, THE GUARDIAN (Jun. 15, 2023), available at <https://www.theguardian.com/us-news/2023/jun/15/california-fentanyl-overdose-news-supervised-drug-use-san-francisco>; Trisha Thadani, *A disaster in plain sight*, S.F. CHRON. (Feb. 2, 2022), available at [www.sfchronicle.com/projects/2022/sf-fentanyl-opioid-epidemic/](http://www.sfchronicle.com/projects/2022/sf-fentanyl-opioid-epidemic/). It also disproportionately impacts indigenous people. See Joel Moreno, *Fentanyl crisis disproportionately impacting Native Americans in King County*, KOMO NEWS (May 23, 2023), available at [www.komonews.com/news/local/seattle-fentanyl-crisis-summit-address-devastating-toll-over-overdose-deaths-among-native-americans-drugs-fatal-indian-tribes-treatment-opioid-disparities-community-epidemic-life-expectancy-tribal-death-die](http://www.komonews.com/news/local/seattle-fentanyl-crisis-summit-address-devastating-toll-over-overdose-deaths-among-native-americans-drugs-fatal-indian-tribes-treatment-opioid-disparities-community-epidemic-life-expectancy-tribal-death-die).

<sup>7</sup> Claire Klobucista & Mariel Ferragamo, *Fentanyl and the U.S. Opioid Epidemic*, COUNCIL OF FOREIGN RELS. (Dec. 22, 2023), available at [www.cfr.org/backgroundunder/fentanyl-and-us-opioid-epidemic](http://www.cfr.org/backgroundunder/fentanyl-and-us-opioid-epidemic).

<sup>8</sup> While the focus of the Select Committee’s work is on the cost of fentanyl in the United States, it is essential to note that other nations likewise are increasingly facing greater harm from the drug. Oriol Guell, *Opioid overdoses cause more than 1,000 deaths a year in Spain*, EL PAIS (Oct. 23, 2019), available at [www.english.elpais.com/elpais/2019/10/22/inenglish/1571741308\\_549814.html](http://www.english.elpais.com/elpais/2019/10/22/inenglish/1571741308_549814.html). (Spain opioid overdose increased 50%); Mimi Pierce et al., *Is Europe facing an opioid crisis like the United States? An analysis of opioid use and related adverse effects in 19 European countries between 2010 and 2018*, EUR. PSYCHIATRY (Jun. 21, 2021), available at [www.ncbi.nlm.nih.gov/pmc/articles/PMC8316471/](http://www.ncbi.nlm.nih.gov/pmc/articles/PMC8316471/); Melissa Davey, *US-level mortality? Sounding the alarm about fentanyl overdose in Australia*, THE GUARDIAN (Sep. 2, 2022), available at [www.theguardian.com/society/2022/sep/03/us-level-mortality-sounding-the-alarm-about-fentanyl-overdose-in-australia](http://www.theguardian.com/society/2022/sep/03/us-level-mortality-sounding-the-alarm-about-fentanyl-overdose-in-australia).

<sup>9</sup> Letter from Rep. Susie Lee et al., to The Honorable Antony Blinken, Sec’y of State (Aug. 2, 2023), available at <https://craig.house.gov/sites/evo-subsites/craig.house.gov/files/evo-media-document/final-bipartisan-letter-to-secretary-blinken-on-prcs-role-in-fentanyl-crisis.pdf> (citing briefing to U.S.

International Trade Commission); *The CCP's Role in the Fentanyl Crisis, Hearing Before the H. Select Comm. on the CCP*, 118th Cong. (2024) (written testimony of Benjamin Westhoff); *Administrator Milgram Remarks as Delivered*, U.S. DRUG ENF'T ADMIN. (Oct. 4, 2023), available at [https://www.dea.gov/sites/default/files/2023-10/FINAL\\_Operation%20ChemKong%20Press%20Conference%20Remarks%20as%20Delivered.pdf](https://www.dea.gov/sites/default/files/2023-10/FINAL_Operation%20ChemKong%20Press%20Conference%20Remarks%20as%20Delivered.pdf) (“nearly all fentanyl precursors come from China.”).

<sup>10</sup> *Countering Illicit Fentanyl Trafficking, Hearing Before the S. Comm. on Foreign Rels.*, 118th Cong. (2023) (testimony of Dr. Rahul Gupta), available at <https://www.whitehouse.gov/wp-content/uploads/2023/02/Testimony-Dr.-Rahul-Gupta-Senate-FRC-Feb.-15-2023.pdf> (“Criminal elements, mostly in the People’s Republic of China, ship precursor chemicals to Mexico, where they are used to produce illicit fentanyl”); *Tackling Fentanyl: The China Connection, Hearing Before the Subcomm. on Africa, Glob. Health, Glob. Human Rights, and Int’l Orgs. of the H. Com. on Foreign Affs.*, 115th Cong. (2018) (testimony of Mr. Paul E. Knierim), available at [www.congress.gov/event/115th-congress/house-event/108650/text](http://www.congress.gov/event/115th-congress/house-event/108650/text); *Final Report, COMM’N ON COMBATING SYNTHETIC OPIOID TRAFFICKING* (Feb. 8, 2022), available at [www.rand.org/pubs/external\\_publications/EP68838.html](http://www.rand.org/pubs/external_publications/EP68838.html) (“Mexico is the principal source of this illicit fentanyl and its analogues today. In Mexico, cartels manufacture these poisons in clandestine laboratories with ingredients—precursor chemicals—sourced largely from the People’s Republic of China (PRC);” “PRC appear to be, directly or indirectly, the primary sources of chemical precursors used to synthesize fentanyl and other novel synthetic opioids.” (citation omitted)).

<sup>11</sup> See, e.g., *Fentanyl Flow to the United States*, U.S. DRUG ENF’T ADMIN., (Jan. 2020), available at [www.dea.gov/sites/default/files/2020-03/DEA\\_GOV\\_DIR-008-20%20Fentanyl%20Flow%20in%20the%20United%20States\\_0.pdf](http://www.dea.gov/sites/default/files/2020-03/DEA_GOV_DIR-008-20%20Fentanyl%20Flow%20in%20the%20United%20States_0.pdf); see also Lauren Greenwood & Kevin Fashola, *Illicit Fentanyl from China: An Evolving Global Operation*, U.S.–CHINA ECON. AND SEC. REVIEW COMM’N (Aug. 24, 2021), available at [www.uscc.gov/sites/default/files/2021-08/Illicit\\_Fentanyl\\_from\\_China-An\\_Evolving\\_Global\\_Operation.pdf](http://www.uscc.gov/sites/default/files/2021-08/Illicit_Fentanyl_from_China-An_Evolving_Global_Operation.pdf).

<sup>12</sup> *Sealed Indictment, United States vs. Hubei Amarvel Biotech Co., Ltd., et al.*, 23-CRIM-302 (SDNY 2023) (“Today, fentanyl-related precursors are principally sourced from China-based chemical manufacturers, many of which openly advertise such precursors on the Internet. These China-based chemical manufacturers ship fentanyl-related precursors around the world, including to the United States and to Mexico, where drug cartels operate clandestine laboratories, use the precursors to synthesize finished fentanyl at scale, and distribute the deadly fentanyl into and throughout the United States”).

<sup>13</sup> RICARDO BARRIOS ET AL., CONG. RSCH. SERV., IF10890, *CHINA PRIMER: ILLICIT FENTANYL AND CHINA’S ROLE* (2024), available at <https://crsreports.congress.gov/product/pdf/IF/IF10890> (While China was the primary source of illicit fentanyl in the US before 2019, patterns changed after the Chinese imposed stricter controls on the drug trade, according to the Congressional Research Service. Since then, Mexico-based organizations – like the Sinaloa Cartel – source precursor chemicals from China to then produce the illicit drugs in Mexican labs before shipping them into the US); Vanda Felbab-Brown, *China and Synthetic Drugs Control: Fentanyl, Methamphetamines, and Precursors*, BROOKINGS INST. (Mar. 2022), available at [www.brookings.edu/wp-content/uploads/2022/03/FP\\_20221107\\_drug\\_trafficking\\_felbab\\_brown.pdf](http://www.brookings.edu/wp-content/uploads/2022/03/FP_20221107_drug_trafficking_felbab_brown.pdf).

<sup>14</sup> *China: Announcement to place all fentanyl-related substances under national control*, UNODC LAB. AND SCI. SERV. PORTALS (Apr. 2019), available at [www.unodc.org/LSS/Announcement/Details/f2adea68-fbed-4292-a4cc-63771c943318](http://www.unodc.org/LSS/Announcement/Details/f2adea68-fbed-4292-a4cc-63771c943318).

<sup>15</sup> The PRC has refused to label as controlled substances three fentanyl precursors that presently fuel the cartels’ fentanyl industry, despite the U.S., Mexico, and United Nations all listing them as illegal substances used in the narcotics trade. United Nations Convention Against Illicit Traffic in narcotic Drugs and Psychotropic Substances, Dec. 20, 1988, available at [https://www.unodc.org/pdf/convention\\_1988\\_en.pdf](https://www.unodc.org/pdf/convention_1988_en.pdf) (March 2022 revision to Table 1). These precursors include N-Phenyl-4-piperidinamine (4-AP), tert-Butyl 4-(phenylamino)piperidine-1-carboxylate (boc-4-AP), and norfentanyl, three precursors scheduled for international control by the U.N. after its member states recognized its high likelihood for use in drug manufacturing but notably not controlled in the PRC.

<sup>16</sup> Barrios, *supra* note 13. While China ultimately controlled two fentanyl, NPP and 4-ANPP, after significant diplomatic pressure, it did not control other chemicals widely recognized as precursors for illicit fentanyl.

<sup>17</sup> Sean O’Connor, *Meth Precursor Chemicals from China: Implications for the United States*, U.S.–CHINA ECON. AND SEC. REV. COMM’N (July 18, 2016) available at

www.uscc.gov/sites/default/files/Research/Staff%20Report\_PrecursorChemicalReport%20071816\_0.pdf (“around 80 percent of precursor chemicals used in Mexican meth come from China.”).

<sup>18</sup> Felbab-Brown, *supra* note 13. “China is also the dominant source country for precursors heading into Vietnam, and recent large seizures of precursors and pre-precursors originating in China have taken place in Laos, and precursors from China have long headed to Thailand too.” *Id.*

<sup>19</sup> *Id.*

<sup>20</sup> *Id.*

<sup>21</sup> Laura Salm-Reifferscheidt, *Tramadol: the opioid taking over Africa*, THE INDEPENDENT (Aug. 12, 2019), available at <https://www.independent.co.uk/health-and-wellbeing/tramadol-opioid-africa-drugs-togo-a9010916.html>.

<sup>22</sup> *Id.*

<sup>23</sup> See Section III.A, *infra*.

<sup>24</sup> See (国家禁毒委员会办公室) [China Off. of the Nat’l Narcotics Control Comm’n], (国家禁毒委员会办公室发布通告 提醒相关企业和个人谨慎销售可制毒物品) [*The Office of the National Narcotics Control Commission issued a notice reminding relevant companies and individuals to be cautious in selling substances that can be used to make narcotics*], TENCENT (Nov. 16, 2023), <https://mp.weixin.qq.com/s/ZhbYujIwr28E7k6MJjC66Q> [<https://web.archive.org/web/20240227190236/https://mp.weixin.qq.com/s/ZhbYujIwr28E7k6MJjC66Q>]. The Notice provides that the “Criminal Law of the People’s Republic of China” outlaws “illegally producing, trading, transporting [...] raw materials and preparations used to make drugs.” The Notice also stated that it is “strictly prohibited for any organization or individual to produce, trade, or transport the items specified in [non-scheduled precursors and other drug ingredients] for others knowing that they are manufacturing drugs.” Doing so would result in the offender being “punished as an accomplice in the crime of manufacturing drugs.” The Notice acknowledged that other activities corresponding to fentanyl precursor sales, such as falsely declaring goods to customs, are likewise unlawful. It furthermore stated that “[p]ostal, express delivery companies and logistics companies” must report any instances of “illegal mailing, transportation, or entrainment of suspected narcotic drugs or psychotropic drugs, precursor chemicals and other drug-making raw materials” to “public security organs.” *Id.*

<sup>25</sup> See Section III.B., *infra*.

<sup>26</sup> Felbab-Brown, *supra* note 13; see also Section III.B., *infra*.

<sup>27</sup> See Section III.D., *infra*. The Select Committee had Library of Congress Chinese law experts canvas PRC criminal case databases. It did not find any cases relating to fentanyl precursor exports. The sole exception was a 2017 joint U.S. Department of Homeland Security and PRC Ministry of Public Security operation.

<sup>28</sup> See Section III.D., *infra*. See also *China sentences Canadian citizen to death in drugs case*, FR. 24 (Jan. 14, 2019), available at [www.france24.com/en/20190114-china-sentences-canadian-citizen-schellenberg-death-drugs-case-justice](http://www.france24.com/en/20190114-china-sentences-canadian-citizen-schellenberg-death-drugs-case-justice).

<sup>29</sup> *The CCP’s Role in the Fentanyl Crisis, Hearing Before the H. Select Comm. on the CCP*, 118th Cong. (2024) (written testimony of DEA Assistant Special Agent in Charge Donald Im (ret.)).

<sup>30</sup> *Id.*; *Stopping the Poison Pills: Combatting the Trafficking of Illegal Fentanyl from China, Hearing Before the S. Caucus on Int’l Narcotics Control*, 115th Cong. (2018) (testimony of Matthew C. Allen), available at <https://www.ice.gov/sites/default/files/documents/Testimony/2018/ChinaFentanylTestimony.pdf> (detailing 2017 collaboration between Homeland Security Investigation’s New Orleans Office and the PRC’s Narcotics Control Bureau).

<sup>31</sup> Leon Krauze, *With coronavirus hurting drug business, there’s an opportunity to corner cartels*, WASH. POST (May 26, 2020), available at [www.washingtonpost.com/opinions/2020/05/26/with-coronavirus-hurting-drug-business-theres-an-opportunity-corner-cartels/](http://www.washingtonpost.com/opinions/2020/05/26/with-coronavirus-hurting-drug-business-theres-an-opportunity-corner-cartels/).

<sup>32</sup> Deborah Bonello, *Coronavirus is leading to shortages of fentanyl and meth*, VICE NEWS (Mar. 19, 2020), available at <https://www.vice.com/en/article/wxek4m/coronavirus-is-leading-to-shortages-of-fentanyl-and-meth>; Keegan Hamilton *Sinaloa Cartel Drug Traffickers Explain Why Coronavirus is Very Bad for Their Business*, VICE NEWS (Mar. 23, 2020), available at [www.vice.com/en/article/bvgazz/sinaloa-cartel-drug-traffickers-explain-why-coronavirus-is-very-bad-for-their-business](http://www.vice.com/en/article/bvgazz/sinaloa-cartel-drug-traffickers-explain-why-coronavirus-is-very-bad-for-their-business); Hepeng Jia, *COVID-19 mostly behind it, China’s chemical industry struggle to rev up*, C&EN (Mar. 30, 2022), available at [www.cen.acs.org/business/economy/COVID-19-mostly-behind-China-chemical-industry/98/web/2020/03](http://www.cen.acs.org/business/economy/COVID-19-mostly-behind-China-chemical-industry/98/web/2020/03).



<sup>33</sup> *Cartels are scrambling’: Coronavirus snarls global drug trade*, L.A. TIMES (Apr. 20, 2020), available at [www.latimes.com/world-nation/story/2020-04-20/cartels-are-scrambling-virus-snarls-global-drug-trade](http://www.latimes.com/world-nation/story/2020-04-20/cartels-are-scrambling-virus-snarls-global-drug-trade).

<sup>34</sup> *Crypto and the Opioid Crisis: What Blockchain Analysis Reveals About Global Fentanyl Sales*, CHAINALYSIS (Mar. 7, 2024), available at [www.chainalysis.com/blog/cryptocurrency-fentanyl-analysis-2023/](http://www.chainalysis.com/blog/cryptocurrency-fentanyl-analysis-2023/).

<sup>35</sup> Felbab-Brown, *supra* note 13. This is in contrast to the PRC’s demonstrated capacity to prevent the export of illegal narcotics by its synthetic chemical industry when it so desires. For instance, the Department of State’s International Narcotics Control Strategy Report since the May 2019 PRC class scheduling of fentanyl analogues showed a marked reduction in fentanyl analogues seized at the border that were directly shipped from the PRC. See, e.g., BUREAU OF INT’L NARCOTICS AND LAW ENF’T AFFS., U.S. DEP’T OF STATE, INTERNATIONAL NARCOTICS CONTROL STRATEGY REPORT VOL. 1, DRUG AND CHEMICAL CONTROL (2020), available at <https://www.state.gov/wp-content/uploads/2020/06/Tab-1-INCSR-Vol.-I-Final-for-Printing-1-29-20-508-4.pdf>; BUREAU OF INT’L NARCOTICS AND LAW ENF’T AFFS., U.S. DEP’T OF STATE, INT’L NARCOTICS CONTROL STRATEGY REPORT VOL. 1, DRUG AND CHEMICAL CONTROL (2021), available at <https://www.state.gov/wp-content/uploads/2021/02/International-Narcotics-Control-Strategy-Report-Volume-I-FINAL-1.pdf>; BUREAU OF INT’L NARCOTICS AND LAW ENF’T AFFS., U.S. DEP’T OF STATE, INT’L NARCOTICS CONTROL STRATEGY REPORT VOL. 1, DRUG AND CHEMICAL CONTROL (2022), available at <https://www.state.gov/wp-content/uploads/2022/03/22-00767-INCSR-2022-Vol-1.pdf>.

<sup>36</sup> *Crypto and the Global Fentanyl Trade*, ELLIPTIC (2023), available at [www.elliptic.co/resources/elliptic-report-crypto-and-the-global-fentanyl-trade](http://www.elliptic.co/resources/elliptic-report-crypto-and-the-global-fentanyl-trade) (“As a result, the industry appears to be very competitive. This meant that it was not difficult to shop around for deals among all the suppliers willing to service our requests, which suggests slim profit margins for some”).

<sup>37</sup> SAM QUINONES, *THE LEAST OF US: TRUE TALES OF AMERICA AND HOPE IN THE TIME OF FENTANYL AND METH* (2021).

<sup>38</sup> Greenwood & Fashola, *supra* note 11.

<sup>39</sup> Indictment, United States vs. Hubei Amarvel Biotech Co., Ltd., et al., 23-CRIM-302 (SDNY 2023).

<sup>40</sup> *Drug Enforcement Administration Announces the Seizure of Over 379 million Deadly Doses of Fentanyl in 2022*, U.S. DRUG ENF’T ADMIN. (Dec. 20, 2022), available at <https://www.dea.gov/press-releases/2022/12/20/drug-enforcement-administration-announces-seizure-over-379-million-deadly#:~:text=United%20States%20Drug%20Enforcement%20Administration&text=The%20DEA%20Laboratory%20estimates%20that,times%20more%20potent%20than%20heroin;Public%20Safety%20Alert,U.S.%20Drug%20Enf't%20Admin.,DEA%20Laboratory%20Testing%20Reveals%20that%206%20out%20of%2010%20Fentanyl-Laced%20Fake%20Prescription%20Pills%20Now%20Contain%20a%20Potentially%20Lethal%20Dose%20of%20Fentanyl>, available at [www.dea.gov/alert/dea-laboratory-testing-reveals-6-out-10-fentanyl-laced-fake-prescription-pills-now-contain](http://www.dea.gov/alert/dea-laboratory-testing-reveals-6-out-10-fentanyl-laced-fake-prescription-pills-now-contain).

<sup>41</sup> Press Release, Off. of Gov. Gavin Newsom, California Seized Enough Fentanyl to Potentially Kill the Entire Population of North America, Twice, (Dec. 23, 2022), available at [www.gov.ca.gov/2022/12/23/california-seized-enough-fentanyl-to-potentially-kill-the-entire-population-of-north-america-twice/](http://www.gov.ca.gov/2022/12/23/california-seized-enough-fentanyl-to-potentially-kill-the-entire-population-of-north-america-twice/).

<sup>42</sup> See generally Beau Kilmer et al., *Rapid Changes in Illegally Manufactured Fentanyl Products and Prices in the United States*, RAND CORP. (May 13, 2022), available at [www.rand.org/pubs/external\\_publications/EP68916.html](http://www.rand.org/pubs/external_publications/EP68916.html) (The RAND Corporation found in an analysis of DEA nationwide data sourced from 2013-2021 that the share of heroin that had fentanyl mixed into it grew from “<1% to ~40%” while the median price per gram of fentanyl sold at the >10 to < 100 gram level “fell by more than 50% from 2016 to 2021.”); DEA Bulletin, U.S. Drug Enf’t Admin., *Deadly Contaminated Cocaine Widespread in Florida* (2018), available at <https://www.dea.gov/sites/default/files/2018-07/BUL-039-18.pdf> (“A review of cocaine exhibits acquired by law enforcement authorities during operations across Florida and analyzed by forensic laboratories during the period from 2016 to 2017 revealed the widespread adulteration of cocaine with fentanyl and fentanyl-related substances.”).

<sup>43</sup> Adam Holland et al., *Nitazenes—heralding a second wave for the UK drug-related death crisis?*, THE LANCET (Jan. 12, 2024), available at [www.thelancet.com/journals/lanpub/article/PIIS2468-2667\(24\)00001-X/fulltext](http://www.thelancet.com/journals/lanpub/article/PIIS2468-2667(24)00001-X/fulltext) (noting that various forms of nitazenes are 50 to 500 times more potent than heroin, making most of them substantially more potent than fentanyl).

<sup>44</sup> See *New, Dangerous Synthetic Opioid in D.C., Emerging in Tri-State Area*, U.S. DRUG ENF’T ADMIN. (June 1, 2022), available at [www.dea.gov/stories/2022/2022-06/2022-06-01/new-dangerous-synthetic-opioid-dc-emerging-tri-state-area](http://www.dea.gov/stories/2022/2022-06/2022-06-01/new-dangerous-synthetic-opioid-dc-emerging-tri-state-area) (“A drug that was never approved for medical use, nitazines are being sourced from China and being mixed into other drugs.”); Julie Wernau, *FDA Restricts Imports of ‘Tranq’*

*Drug Xylazine*, WALL ST. J. (Feb. 28, 2023), available at [www.wsj.com/articles/fda-restricts-imports-of-tranq-drug-xylazine-5711892c](http://www.wsj.com/articles/fda-restricts-imports-of-tranq-drug-xylazine-5711892c) (“Federal regulators said they would restrict imports of xylazine, an animal tranquilizer commonly manufactured in China that is being diverted into the illicit drug supply to deadly effect.”).

<sup>45</sup> David Ovalle, *On the streets, opioids sometimes more potent than fentanyl: Nitazenes*, THE WASH. POST (Dec. 10, 2023), available at <https://www.washingtonpost.com/health/2023/12/10/nitazenes-opioid-stronger-than-fentanyl/>.

<sup>46</sup> Public Safety Alert, U.S. Drug Enf’t Admin., DEA Reports Widespread Threat of Fentanyl Mixed with Xylazine, available at <https://www.dea.gov/alert/dea-reports-widespread-threat-fentanyl-mixed-xylazine>.

<sup>47</sup> U.S. Drug Enf’t Admin., *supra* note 44.

<sup>48</sup> Patrick Kozakiewicz, *Moscow Theater Crisis: Unknown Chemical Agent Revisited*, CBRNE (Mar. 10, 2014), <https://www.cbrneportal.com/moscow-theater-crisis-unknown-chemical-agent-revisited/>

[<https://web.archive.org/web/20180617165328/https://www.cbrneportal.com/moscow-theater-crisis-unknown-chemical-agent-revisited/>] (“Later, Boris Grebenyuk, the All-Russia Disaster Relief Service chief, said the services used trimethyl phentanylum (3-methylfentanyl), a fentanyl analog that is about 1000 times more potent than morphine.”). 3-methyl fentanyl has likewise killed many Americans and Europeans due to overdose deaths during the time that the CCP subsidized its manufacture and export. See Ilkka Ojanperä et al., *An epidemic of fatal 3-methylfentanyl poisoning in Estonia*, 122 INT’L J. OF LEGAL MED. 395, 395-400 (2008), available at <https://www.semanticscholar.org/paper/An-epidemic-of-fatal-3-methylfentanyl-poisoning-in-Ojanper%C3%A4-Gergov/38ecf7e64edd4db424adaf2eb97d2edd09b2f2d9>; Magie Fox, *New synthetic opioids are killing even more people, CDC says*, NBC NEWS (Jul. 11, 2018) (“Another is 3-methylfentanyl, which is four times as powerful. Deaths from these drugs nearly doubled from 2016 to 2017, the CDC said.”).

<sup>49</sup> Piyush Chandra & Cheryl Long, *VAT rebates and export performance in China: Firm-level evidence*, J. OF PUBLIC ECON. (2013) available at [www.doi.org/10.1016/j.jpubeco.2013.03.005](http://www.doi.org/10.1016/j.jpubeco.2013.03.005) (for “Chinese exports,” the “empirical findings demonstrate significant and large effects of VAT rebates on export volume” — “on average, for each percentage point increase in the VAT rebate rate, the amount of exports increased by 13%.”).

<sup>50</sup> The website that previously granted access to the export rebate database—<http://hd.chinatax.gov.cn/fagui/action/initchukou.do>—was taken down when Ben Westhoff’s *Fentanyl, Inc.* first noted the existence of them in 2019 and instead redirects to the State Taxation Administration homepage. There is presently no way for an individual outside the PRC to access this database. See *The CCP’s Role in the Fentanyl Crisis*, *supra* note 9 (“...following the publication of *Fentanyl, Inc.*, the Chinese State Taxation Administration website stopped making this information publicly available.”).

<sup>51</sup> The PRC government has a new site where this data is locatable: <https://web.archive.org/web/20240226214943/https://hd.chinatax.gov.cn/nszx2023/cktslxc2023.html>.

<sup>52</sup> See discussion of Gaosheng’s internal records in Section II. B., *infra*.

<sup>53</sup> *Phencyclidine*, U.S. DRUG ENF’T ADMIN. (Apr. 2023), available at [https://www.deadiversion.usdoj.gov/drug\\_chem\\_info/pcp.pdf](https://www.deadiversion.usdoj.gov/drug_chem_info/pcp.pdf) (establishing that “PCP is no longer produced or used for medical purposes in the United States”).

<sup>54</sup> *International Drug Control Conventions*, U.N. COMM’N ON NARCOTIC DRUGS, available at [www.unodc.org/unodc/en/commissions/CND/Mandate\\_Functions/Scheduling.html](http://www.unodc.org/unodc/en/commissions/CND/Mandate_Functions/Scheduling.html).

<sup>55</sup> GL Henderson, *Designer Drugs: Past History and Future Prospects*, J. FORENSIC SCL., 569 (1988); Olaf H. Drummer, *Fatalities caused by novel opioids: a review*, FORENSIC SCIS. RSCH. (May 7, 2018), available at <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6609322/> (“3-Methylfentanyl, known as “China White”, was first reported to cause hospitalizations and many deaths in California (and some in neighbouring States) and Pennsylvania in the 1980s as well as a number of other fentanyl derivatives.”).

<sup>56</sup> Drummer, *supra* note 55 (“China White, or 3-methylfentanyl, is some 6,000 times more potent than morphine and is active from a few micrograms.”); Susan B. Glasser & Peter Barker, *Russia Confirms Suspicions About Gas Used in Raid*, WASH. POST (Oct. 31, 2022), available at [at <https://web.archive.org/web/20070314004159/https://www.newscientist.com/article/ns/?id=dn2979>.](https://web.archive.org/web/20070313010109/https://pqasb.pqarchiver.com/washingtonpost/access/229153381.html?dids=229153381:229153381&FMT=ABS&FMTS=ABS:FT&fmac=&date=Oct+31%2C+2002&author=Susan+B.+Glasser++and+Peter+Baker&desc=Russia+Confirms+Suspicions+About+Gas+Used+in+Raid; Debora MacKenzie, <i>Mystery of Russian gas deepens</i>, NEWSIDENTIST.COM (Oct. 29, 2022), available</a></p></div><div data-bbox=)

<sup>57</sup> Kozakiewicz, *supra* note 50 (“Later, Boris Grebenyuk, the All-Russia Disaster Relief Service chief, said the services used trimethyl phentanylum (3-methylfentanyl), a fentanyl analog that is about 1000 times more potent than morphine.”).

<sup>58</sup> Liam Ebrill et al., *The Allure of the Value-Added Tax*, INT’L MONETARY FUND (June 2022), available at [www.imf.org/external/pubs/ft/fandd/2002/06/ebrill.htm](http://www.imf.org/external/pubs/ft/fandd/2002/06/ebrill.htm).

<sup>59</sup> *Sourcing from China: Export VAT Refund*, DELOITTE, available at [https://www2.deloitte.com/content/dam/Deloitte/mx/Documents/China/Sourcing\\_from\\_China\\_Export\\_VAT.pdf](https://www2.deloitte.com/content/dam/Deloitte/mx/Documents/China/Sourcing_from_China_Export_VAT.pdf) (last accessed Apr. 1, 2024) (explaining how if the VAT rate is “When Chinese exporters incur VAT on costs (raw materials, overheads, machinery), they would typically pay 17 percent VAT on costs. If the VAT refund rate of the goods exported is less than 17 percent, such as 13 percent, the exporter is left with a 4 percent cost.”); See also Bing Lu & Hong Ma, *The “Matthew effect” in rebates: How does VAT rebates allocation affect firm export performance*, J. OF PUBLIC ECON. (2023), available at [www.doi.org/10.1016/j.jpubeco.2023.104982](http://www.doi.org/10.1016/j.jpubeco.2023.104982) (“A few studies that directly examine the impact of VAT rebates on Chinese exports, including Bai et al. (2011), Chao et al. (2001) and Chen et al. (2006), who use industry level data, and Gourdon et al. (2022) and Lee et al. (2021) who rely on more disaggregate product level data. All these studies find that VAT rebates strongly promote exports.”).

<sup>60</sup> *Chinese Government announces significant reduction to VAT rates as China enters new VAT legislative phase*, KPMG (Mar. 5, 2019), available at <https://kpmg.com/cn/en/home/insights/2019/03/china-tax-alert-08.html>.

<sup>61</sup> Harm Hostra, *VAT in China*, MS ADVISORY (May 12, 2022), available at <https://www.msadvisory.com/vat-in-china/>; *PRC Value-Added Tax*, PRICEWATERHOUSECOOPERS (Jan. 15, 2024), available at <https://taxsummaries.pwc.com/peoples-republic-of-china/corporate/other-taxes> (“The VAT refund rate for exported services is the same as the applicable VAT rate. For exported goods, the VAT refund rates range from 0% to 13%.”).

<sup>62</sup> Piyush Chandra & Cheryl Long, *VAT rebates and export performance in China: Firm-level evidence*, J. OF PUBLIC ECON. (2013) available at [www.doi.org/10.1016/j.jpubeco.2013.03.005](http://www.doi.org/10.1016/j.jpubeco.2013.03.005) (for “Chinese exports,” the “empirical findings demonstrate significant and large effects of VAT rebates on export volume” — “on average, for each percentage point increase in the VAT rebate rate, the amount of exports increased by 13%.”).

<sup>63</sup> *Id.*

<sup>64</sup> Studies have found that this cost can be “quite substantial.” See *id.* As explained, “VAT rebates in China have absorbed substantial government financial resources since their formal implementation in 1994.” *Id.* (discussing how the central government pays for the majority of the rebate, with the local government having to pay the remainder). The PRC government has never explained why it has incurred “substantial” costs to incentive the export of highly addictive and deadly drugs abroad.

<sup>65</sup> See (化学药品目录集) [*Chemical Drug Catalog Collection*], (国家药品监督管理局药品审评中心) [DRUG EVALUATION CTR. FOR THE STATE DRUG ADMIN.], available at [www.cde.org.cn/hymj/listpage/9cd8db3b7530c6fa0c86485e563f93c7](http://www.cde.org.cn/hymj/listpage/9cd8db3b7530c6fa0c86485e563f93c7) (last accessed Apr. 1, 2024) (listing only variants of Fentanyl, Remifentanil, Alfentanil, and Sufentanil); (重磅！宜昌人福3类仿制药盐酸阿芬太尼即将获批上市) [*Heavy! Yichang Renfu's Class 3 generic drug alfentanil hydrochloride is about to be approved for marketing*], PHIRDA (Feb. 21, 2020), available at [http://www.phirda.com/artilce\\_21404.html?cid=1](http://www.phirda.com/artilce_21404.html?cid=1) (noting alfentanil was first approved for production by the PRC government in 2020). See also BEN WESTHOFF, FENTANYL, INC.: HOW ROGUE CHEMISTS ARE CREATING THE DEADLIEST WAVE OF THE OPIOID EPIDEMIC (2019) (“only three types of fentanyls are allowed to be legally manufactured in China”). Even these three types of fentanyls fall under the Regulations on the Administration of Narcotic Drugs and Psychotropic Substances (revised in 2016). Mazul Yaopin He Jingshen Yapoin Guanli Tiaoli (麻醉药品和精神药品管理条例) [Reguls. on the Admin. of Narcotic Drugs and Psychotropic Substances] (promulgated by the Standing Comm. Nat’l People’s Cong., Aug. 3, 2005; rev’d Feb. 6, 2016) St. Council Gaz., Supp. 2016 2, available at [https://www.gov.cn/gongbao/content/2016/content\\_5139413.htm](https://www.gov.cn/gongbao/content/2016/content_5139413.htm) (China).

<sup>66</sup> China’s National Medical Products Administration only lists five companies lawfully permitted to produce and export fentanyl, sufentanil, alfentanil, and remifentanil. No companies are allowed to produce the other illicit narcotics listed in the subsidies. See also Westhoff, *supra* note 65 (only five companies are legally permitted to manufacture and export fentanyl in the PRC).

<sup>67</sup> *The CCP’s Role in the Fentanyl Crisis*, *supra* note 9.

<sup>68</sup> (关于提高部分产品出口退税率的公告) [Announcement on increasing the export tax rate for some products], (中华人民共和国财政部) [Ministry of Fin. of China] (Mar. 17, 2020), available at [https://web.archive.org/web/20231129194847/http://szs.mof.gov.cn/zhengcefabu/202003/t20200317\\_3484123.htm](https://web.archive.org/web/20231129194847/http://szs.mof.gov.cn/zhengcefabu/202003/t20200317_3484123.htm) (including the attachment at <https://web.archive.org/web/20240225181257/http://szs.mof.gov.cn/zhengcefabu/202003/P020200317628211806329.xls> showing increase to commodity code 29333300 to 13%).

<sup>69</sup> *Id.*

<sup>70</sup> See Chandra & Long, *supra* note 62 (discussing how the central government pays for the majority of the rebate, with the local government having to pay the remainder : “VAT rebates in China have absorbed substantial government financial resources since their formal implementation in 1994”).

<sup>71</sup> *The CCP’s Role in the Fentanyl Crisis*, *supra* note 9 (“...following the publication of *Fentanyl, Inc.*, the Chinese State Taxation Administration website stopped making this information publicly available.”). A review of the Internet Archive after the publication of *Fentanyl, Inc.* reveals a HTTP 302 message. See Internet Archive page for previous PRC Export Tax Rebate Database, available at <https://web.archive.org/web/20200131071813/http://hd.chinatax.gov.cn/fagui/action/InitChukou.do> (capturing an HTTP 302 error before redirecting the user to the PRC Ministry of State Taxation Administration homepage). An HTTP 302 error occurs when the requested resource has been temporarily moved to a new location.

<sup>72</sup> Press Release, U.S. Drug Enf’t Admin., China Announces Scheduling Controls On Two Fentanyl Precursor Chemicals (Jan 5, 2018), available at <https://www.dea.gov/press-releases/2018/01/05/china-announces-scheduling-controls-two-fentanyl-precursor-chemicals>.

<sup>73</sup> *The CCP’s Role in the Fentanyl Crisis*, *supra* note 9 (“...VAT rebates [] are tax reimbursements given to companies for tax money already paid during the production of their products.”); Alexander Chipman Koty, *Export Tax Rebates in China Increase for 397 Products*, ASIAN BUS. CONSULTANTS, available at [www.theabcgrouppllc.com/export-tax-rebates-in-china-increase-for-397-products](http://www.theabcgrouppllc.com/export-tax-rebates-in-china-increase-for-397-products) (last accessed Apr. 1, 2024) (“Applying for export tax rebates – In order to receive an export tax rebate, exporters must provide their business license and export approval documentation to the relevant local authorities, and submit monthly tax declarations. Export approval documentation includes a summarized declaration form for export tax refunds, a customs declaration form for exports, and a VAT declaration form for export tax refunds, among others.”); Gidon Gautel, *China’s Five-in-One Business License: Pressure Mounts for Foreign Businesses to Implement*, CHINA BRIEFING (Aug. 9, 2017), available at [www.china-briefing.com/news/five-one-business-license-pressure-mounts-foreign-businesses-implement](http://www.china-briefing.com/news/five-one-business-license-pressure-mounts-foreign-businesses-implement); *Export VAT Rebate in China*, DEZAN SHIRA & ASSOC. (Aug. 2019), available at [www.dezshira.com/library/qa/export-vat-rebate-china.html](http://www.dezshira.com/library/qa/export-vat-rebate-china.html) (explaining the same [and manager vs. trading company differential]).

<sup>74</sup> See Yellen warns China’s industry ramp up is distorting world economy, BLOOMBERG (Mar. 27, 2024) available at <https://www.bloomberg.com/news/articles/2024-03-27/yellen-sounds-alarm-on-china-roiling-world-with-industry-ramp-up?embedded-checkout=true>; Alice Hancock & Edward White, *EU launches 2 probes into China solar manufacturers*, FIN. TIMES (Apr. 3, 2024), available at <https://www.ft.com/content/5e677032-82c6-4761-9053-a441ef1a71c4> (EU opening two probes into PRC market distorting subsidies of electronic vehicles); Alex Willemyns, *U.S. and China feud over subsidies for green tech*, RADIO FREE ASIA (Mar. 27, 2024), available at <https://www.rfa.org/english/news/china/yellen-green-technology-03272024104304.html>.

<sup>75</sup> *The CCP’s Role in the Fentanyl Crisis*, *supra* note 9 (“The synthetic cannabinoid JWH-018 also received a 13 percent rebate.”). Using the same commodity/product code, the Select Committee confirmed that JWH-018 continued to have the 13% rebate (a full tax exemption subsidy) in 2024.

<sup>76</sup> As described below, these grants were often national government funds awarded by provisional governments. See also *id.* (in discussing a known illicit drug manufacturing chemical company, “Some of these companies have listed addresses in “special industrial zones” offering government-subsidized land and rent, shared manufacturing infrastructure, and other resources.”

<sup>77</sup> (2022年度闵行区稳外贸政策项目拟扶持企业项目企业名单公示) [Announcement of the list of enterprises planned to be supported by the Minhang District Foreign Trade Stabilization Policy Project in 2022], (闵行区经济委员) [MINHANG DIST. ECON. COMM’N] (Jul. 29, 2023), available at <https://www.sh-hitech.com/tzbt/8454.html> [<https://web.archive.org/web/20240414212908/https://www.sh-hitech.com/tzbt/8454.html>]. The Minhang District Economic Commission is connected to the Shanghai PRC provincial government and has CCP members on the Committee. See Press Release, Shanghai

Mun. Gov't, Press Release for Media Briefing of the Shanghai Municipal Government on August 25, 2020 (Aug. 27, 2020), available at <https://service.shanghai.gov.cn/sheninfo/newsdetail.aspx?Id=bc31bad7-0da1-4fe2-9190-ff0f2803efa1> [<https://web.archive.org/web/20240414213200/https://service.shanghai.gov.cn/sheninfo/newsdetail.aspx?Id=bc31bad7-0da1-4fe2-9190-ff0f2803efa1>] (noting that the Shanghai municipal government had a press conference to discuss city initiatives in the Minhang District, with a member of the Chinese Communist Party speaking on behalf of the Minhang District Economic Commission).

<sup>78</sup> Several other companies boast that their work is directly tied to government-owned universities and academies, such as Zhejiang University, or receive money from provincial funds like the Shanghai Science and Technology Innovation Fund. While the Select Committee lacks the means of corroborating this information, the fact that companies selling narcotics feel comfortable advertising their ties to PRC government organizations and funding streams is alarming.

<sup>79</sup> The announcement stated that awardees were only selected after District Economic Commission engaged in due diligence through a "project review." The award matches the logo for the national PRC Torch grant and award program. For discussion of this program, see Westhoff, *supra* note 65.

<sup>80</sup> Steven Dudley, et al, *The Flow of Precursor Chemicals for Synthetic Drug Production in Mexico*, INSIGHT CRIME (May 2023), available at [www.insightcrime.org/wp-content/uploads/2023/05/The-Flow-of-Precursor-Chemicals-for-Synthetic-Drug-Production-in-Mexico-InSight-Crime-March-2023-3.pdf](http://www.insightcrime.org/wp-content/uploads/2023/05/The-Flow-of-Precursor-Chemicals-for-Synthetic-Drug-Production-in-Mexico-InSight-Crime-March-2023-3.pdf).

<sup>81</sup> (上海市科技企业联合会调研科技中小企业创新能力) [*Shanghai Federation of Science and Technology Enterprises investigates the innovation capabilities of small and medium-sized science and technology enterprises*], SOHU (July 5, 2021), available at [https://www.sohu.com/a/475542794\\_100053214](https://www.sohu.com/a/475542794_100053214); [https://web.archive.org/web/20240224215630/https://www.sohu.com/a/475542794\\_100053214](https://web.archive.org/web/20240224215630/https://www.sohu.com/a/475542794_100053214).

<sup>82</sup> Michael Lohmuller et al., *Lethal Exchange: Synthetic Drug Networks in the Digital Era*, C4ADS (Nov. 17, 2020), available at [www.c4ads.org/reports/lethal-exchange/](http://www.c4ads.org/reports/lethal-exchange/).

<sup>83</sup> Archived Document (not posted by Select Committee) from Gaosheng Website, SLIDESHARE, available at <https://www.slideshare.net/ssuser968761/1-75337462> (last accessed Apr. 1, 2024); see also Lohmuller et al., *supra* note 82.

<sup>84</sup> The Select Committee spoke with two former federal agents who provided this information and provided corroborating documentation.

<sup>85</sup> The Select Committee consulted with a retired senior DEA official, who corroborated the information that its investigation uncovered on the prison facility.

<sup>86</sup> *China: Falun Gong practitioner said to have been tortured in detention*, AMNESTY INT'L (Sep. 23, 2016), available at [www.amnesty.org/en/wp-content/uploads/2021/05/ASA1748692016ENGLISH.pdf](http://www.amnesty.org/en/wp-content/uploads/2021/05/ASA1748692016ENGLISH.pdf); *Shijiazhuang No. 1 Detention Center*, FALUN INFO (Feb. 2, 2022), available at [www.faluninfo.net/shijiazhuang-no-1-detention-center/](http://www.faluninfo.net/shijiazhuang-no-1-detention-center/); *Investigative Report on the Persecution of Falun Gong by Wu Zhenhua, Li Zunying, Zang Shengye, Zhang Zhenjiang, Fan Guohua, Guo Sushan, and Ma Wensheng*, WORLD ORG. TO INVESTIGATE THE PERSECUTION OF FALUN GONG (Jan. 2, 2021), available at [www.upholdjustice.org/node/518](http://www.upholdjustice.org/node/518).

<sup>87</sup> *Homepage*, YAFENG BIOLOGICAL TECHNOLOGY CO., LTD., available at <https://web.archive.org/web/20240214015942/http://www.chinayfkj.com/> (last accessed Apr. 9, 2024).

<sup>88</sup> Press Release, U.S. Drug Enf't Admin., China Announces Scheduling of New Psychoactive Substances/fentanyl-class Substances (June 19, 2017), available at <https://www.dea.gov/press-releases/2017/06/19/china-announces-scheduling-controls-new-psychoactive-substancesfentanyl>

<sup>89</sup> *Annex I: Non-fentanyl opioids and related new psychoactive substances with no currently known legitimate uses*, INT'L NARCOTICS CONTROL BOARD, available at [https://www.incb.org/documents/Global\\_Projects\\_OPIOIDS/INCB.GRIDS.OPIOIDS.NoFOs\\_list.pdf](https://www.incb.org/documents/Global_Projects_OPIOIDS/INCB.GRIDS.OPIOIDS.NoFOs_list.pdf) (last accessed Apr. 13, 2024).

<sup>90</sup> *About Us*, YAFENG BIOLOGICAL TECH. CO., LTD., available at <https://web.archive.org/web/20240214015942/http://www.chinayfkj.com/> (last accessed Apr. 9, 2024).

<sup>91</sup> Indictment, *United States v. Zheng et al.*, Case No. 1:18 CR 474 (N. Oh.). Case: 1:18-cr-00474-JRA.

<sup>92</sup> *Protonitazene*, HK BENTON PHARM CHEMICAL CO., LTD., available at <https://www.protonitazene.com/> [<https://web.archive.org/web/20240228011845/https://www.protonitazene.com/>] (last accessed Apr. 1, 2024).

<sup>93</sup> *The CCP's Role in the Fentanyl Crisis*, *supra* note 9.

<sup>94</sup> Westhoff, *supra* note 65 at 199.

<sup>95</sup> *Id.* at 192, 193.

<sup>96</sup> *Id.* at 202.

<sup>97</sup> *Id.*

<sup>98</sup> Lingling Wei, *China's New Way to Control its Biggest Companies: Golden Shares*, WALL ST. J. (Mar. 8, 2023), available at <https://www.wsj.com/articles/xi-jinpings-subtle-strategy-to-control-chinas-biggest-companies-ad001a63>.

<sup>99</sup> *Id.*

<sup>100</sup> *Id.*

<sup>101</sup> *Id.*

<sup>102</sup> *Id.*

<sup>103</sup> *Chinese Communist Party Cells in Private Companies: Though Not Yet Universal, Increasingly Situated to Play Greater Roles in Corporate Governance*, SAYARI (Apr. 7, 2021), available at [www.sayari.com/resources/chinese-communist-party-cells-in-private-companies-though-not-yet-universal-increasingly-situated-to-play-greater-roles-in-corporate-governance/](http://www.sayari.com/resources/chinese-communist-party-cells-in-private-companies-though-not-yet-universal-increasingly-situated-to-play-greater-roles-in-corporate-governance/).

<sup>104</sup> Special Surveillance List of Chems., Prods., Materials and Equip. Used in the Manufacture of Controlled Substances and Listed Chems., 88 Fed. Reg. 73,044 (Oct. 24, 2023) (notice), available at <https://www.federalregister.gov/documents/2023/10/24/2023-23478/special-surveillance-list-of-chemicals-products-materials-and-equipment-used-in-the-manufacture-of>.

<sup>105</sup> *China's enormous surveillance state is still growing*, THE ECONOMIST (Nov. 23, 2023), available at <https://www.economist.com/china/2023/11/23/chinas-enormous-surveillance-state-is-still-growing> (citing People's Daily).

<sup>106</sup> *The CCP's Role in the Fentanyl Crisis*, *supra* note 29. ("When we passed leads regarding a China-based company involved in drug or precursor chemical trafficking, Ministry of Public Security officials would ask for additional details of the company in question and the scope of our investigation. We subsequently determined and realized through sources, the targeted company, if owned or was linked to a Chinese Communist Party (CCP) member, would be notified and warned that US law enforcement authorities were either investigating or monitoring them.")

<sup>107</sup> Greenwood & Fashola, *supra* note 11.

<sup>108</sup> Jacob Gu, *China Warns Its Citizens on 'Entrapment' by US Law Enforcement*, BLOOMBERG (July 10, 2023), available at <https://www.bloomberg.com/news/articles/2023-07-10/china-warns-its-citizens-on-entrapment-by-us-law-enforcement>.

<sup>109</sup> *The CCP's Role in the Fentanyl Crisis*, *supra* note 29 ("Outside of a handful of successful cooperative results, thousands of leads were met with silence or responses that, 'a crime was not committed according to China's laws.' Regardless of proven drug funds transferred into Chinese banks directly linked to a specified unlawful activity, even under Chinese law, they would reply that there were no crimes committed on Chinese soil.")

<sup>110</sup> In greater detail, the U.S. prosecutor asked the PRC officials to confirm their interest in prosecuting the Zhengs if they had the legal means to do so. The PRC officials strongly reiterated their desire to assist through criminal prosecution, so long as they had a chargeable case. At that point, the prosecutor pulled out another three-inch thick binder of evidence, along with a treatise on Chinese law verified by an expert at the Library of Congress. The prosecutor then presented comprehensive analysis with accompanying evidence of how the Zhengs had violated a half-dozen PRC felonies. After the presentation, there was a long moment of silence followed by a quiet and frantic discussion in Mandarin among the PRC delegation. Ultimately, the seniormost PRC official confirmed to the American prosecutor in English that it appears that the Zhengs did violate these PRC laws but, unfortunately, the PRC officials present at the meeting did not handle *those types* of violations. The prosecutor asked if the correct officials were available to speak with his team. The PRC officials said they were not in today. The prosecutor said his team could return the next day, at which point the PRC official said that the right officials were not available then either. The prosecutor asked when they were available, with the PRC official asking in turn when the American delegation was flying back to Ohio. The prosecutor said the flight was on Friday, with the PRC official expressing dismay that the correct officials for these types of violations were not available until the following Monday. The prosecutor then said that they would change their flight and meet with these officials on Monday. At that point, the seniormost PRC official said that would not be necessary and that they would be in touch for further cooperation. The meeting ended immediately thereafter. The PRC did not cooperate further.

<sup>111</sup> Off. of Pub. Affs., *Attorney General Sessions Makes Multiple Major Announcements as the Justice Department Continues to Combat the Opioid Crisis*, U.S. DEP'T OF JUSTICE (Aug. 22, 2018), available at [www.justice.gov/opa/speech/attorney-general-sessions-makes-multiple-major-announcements-justice-department-continues](http://www.justice.gov/opa/speech/attorney-general-sessions-makes-multiple-major-announcements-justice-department-continues) ("We also allege that the Zheng organization manufactured counterfeit drugs that purported to be Adderall and discussed manufacturing various trademarked cancer drugs,

but were fake. They were actually bath salts. Adulteration of medicine with synthetic drugs would of course be illegal in both the United States and China.”)

<sup>112</sup> Afterward, a senior Department of Justice official sent a letter to his Chinese counterpart making the formal request for the PRC to prosecute the Zhengs for clear violations of Chinese law. The correspondence included a comprehensive collection of relevant evidence. The Chinese official replied with a form response that ignored the evidence and the request for assistance. Mo Hong'e, *China takes unprecedented effort in fentanyl control despite U.S. slander*, ECNS (Sep. 21, 2018), available at <https://web.archive.org/web/20240414142819/https://www.ecns.cn/news/2018-09-21/detail-ifyyehna1449279.shtml>. Near in time to the indictment, the Chinese government provided a small amount of redundant evidence to the prosecution team and asked them not to prosecute the case. See also Steven Jiang, *China downplays role in US opioid epidemic*, CNN (Nov. 3, 2017), available at [www.cnn.com/2017/11/03/health/china-drugs-fentanyl-trump/index.html](http://www.cnn.com/2017/11/03/health/china-drugs-fentanyl-trump/index.html) (“The suspects’ arrest will depend on evidence provided by the US and evidence discovered by Chinese police,” he said. “The two countries have different laws governing such substances – and China can only take actions based on its domestic laws and what its law enforcement officers find.”).

<sup>113</sup> Press Release, U.S. Dep’t of the Treasury, *Treasury Targets Chinese Persons Involved with Drug Trafficking Org. Moving Fentanyl* (July 17, 2020), available at <https://home.treasury.gov/news/press-releases/sm1063>; OFAC *Sanctions Internet-based Suppliers of Illicit Fentanyl and Other Synthetic Drugs*, CHAINALYSIS (Nov. 9, 2022), available at [www.chainalysis.com/blog/ofac-sanctions-suppliers-of-illicit-fentanyl/](http://www.chainalysis.com/blog/ofac-sanctions-suppliers-of-illicit-fentanyl/).

<sup>114</sup> *Ambassador Qin Gang Takes an Interview with Newsweek on the Fentanyl Issue*, EMBASSY OF CHINA IN THE U.S. (Sept. 30, 2022), available at [https://web.archive.org/web/20240414143913/http://us.china-embassy.gov.cn/eng/dshd/202209/t20220930\\_10775097.htm](https://web.archive.org/web/20240414143913/http://us.china-embassy.gov.cn/eng/dshd/202209/t20220930_10775097.htm).

<sup>115</sup> Felbab-Brown, *supra* note 13.

<sup>116</sup> The Select Committee investigator chose the vendors based on a verified list of active synthetic narcotics vendors provided by award-winning academics that study this issue that the Select Committee then confirmed with a leading AI supply chain and logistics firm and through its own open source investigation. The Select Committee investigator did not purchase any narcotics or engage in any acts illegal under U.S. or PRC law and coordinated with U.S. law enforcement, as appropriate. The Select Committee investigator engaged with and offered full transparency to federal law enforcement relating to these efforts.

<sup>117</sup> This includes chemicals unscheduled under PRC law but still sold to an individual when there is indicia that the chemicals would be used for drug trafficking.

<sup>118</sup> The PRC Ministry of Public Security published a “Notice” on Weixin, the PRC’s version of WeChat, a platform that is ubiquitous in China. The Notice, “remind[ed] relevant enterprises and individuals to be cautious in selling drug-formulating substances.” Seong Hyeon Choi & Vanessa Cai, *US-China relations: Beijing warns companies against selling equipment, precursors for fentanyl*, S. CHINA MORNING POST (Nov. 17, 2023), available at [www.scmp.com/news/china/diplomacy/article/3241885/china-warns-companies-against-selling-equipment-precursors-fentanyl](http://www.scmp.com/news/china/diplomacy/article/3241885/china-warns-companies-against-selling-equipment-precursors-fentanyl). In the remainder of the Notice, however, the PRC publicly acknowledged for the first time what was already clear under its laws: that “a person who produces, sells, transports, imports, or exports non-regulated chemicals [i.e., precursors] and equipment [i.e., pill presses and dyes] for another person, knowing that the latter will use them in the illicit manufacture of narcotic drugs or psychotropic substances, shall be punished as an accomplice to the crime of drug manufacture.” It also noted that exporting “goods or articles prohibited or restricted by the state” or “goods or articles on which taxes should be paid” is “an act of smugglings, which constitutes a crime.”]

<sup>119</sup> As the master of the world’s most comprehensive surveillance state, it uses a nationwide surveillance panopticon, acquisition of vast amounts of personal data without independent judicial oversight, and AI analysis to constantly monitor for any activities it sees as a threat to its rule. Under the PRC Criminal Procedure Law, all public security organs (police), PR curatorial organs (prosecutors), and national security organs have access to PRC residents’ private communications and data as “technical investigative measures.” *Zhonghua Renmin Gongheguo Zingshi Susong Fa* (中华人民共和国刑事诉讼法) [PRC Crim. Proc. Law] (promulgated by the Standing Comm. Nat’l People’s Cong., July 1, 1979; rev’d Oct. 26, 2018), General Off. of the Standing Comm. Nat’l People’s Cong., <https://flk.npc.gov.cn/detail2.html?ZmY4MDgwODE2ZjEzNWY0NjAxNmYxZDFiODFiMDEzNTE%3D> [https://perma.cc/C4XH-J8VY] (China). Under PRC Ministry of Public Security (MPS) Rules, this includes (but is not limited to) “monitoring of records, location tracking, monitoring of

communications, and location surveillance.” Gong’an Jiguan Banli Xingshi Anjian Chengxu Guiding (公安机关办理刑事案件程序规定) [Procedural Reguls. on the Handling of Crim. Cases by Pub. Sec. Organs] (promulgated by the Min. Pub. Sec., Dec. 3, 2012, effective Jan. 1, 2013) art. 255, St. Council Gaz., translated in <https://perma.cc/JL6K-U88R> (China) (English translation by US-Asia Law Institute at New York University School of Law) (MPS Rules). There is no requirement for an independent judiciary to approve these steps via a search warrant, as MPS officials approve it internally. MPS Rules, art. 256. According to MPS Rules, PRC authorities may use these techniques not only on criminal suspects and defendants but also on others whose activities are directly related to the criminal activity. *Id.*, art. 255. Under the PRC Cybersecurity Law, technology companies like WeChat and Alibaba, are required to assist MPS and other PRC entities in this surveillance and furthermore require that users register their real identities. See Zhonghua Renmin Gongheguo Wangluo Anquan Fa (中华人民共和国网络安全法) [PRC Cybersecurity Law] (promulgated by the Standing Comm. Nat’l People’s Cong., Nov. 7, 2016, effective June 1, 2017) arts. 1, 5, 24, Xinhua News Agency, translated in <https://perma.cc/48Y9-B3ZH> (China) (English translation provided by DigiChina, Stanford University). The Cybersecurity Law requires network operators to provide technical support and assistance to the public security organs and the national security organs in the authorities’ activities of protecting national security and investigating crimes. *Id.*, art. 28. The law does not define such technical support and assistance. They furthermore are obligated to monitor all user content and, upon discovering any information prohibited by law from being published or transmitted, it must take immediate steps to stop the transmission of such information, delete the information, and report the information to the relevant authorities. *Id.*, art. 47. Under the PRC Data Security Law, organizations and individuals must also cooperate with PRC authorities in data requires relating to criminal and national security investigations. Zhonghua Renmin Gongheguo Shuju Anquan Fa (中华人民共和国数据安全法) [PRC Data Security Law] (promulgated by the Standing Comm. Nat’l People’s Cong., June 10, 2021, effective Sept. 1, 2021) art. 35, Nat’l People’s Cong, translated in <https://perma.cc/F4NP-ALRD> (China) (English translation provided by DigiChina).

<sup>120</sup> Keena Alwahaidi, ‘They can track people over time’: Inside China’s extensive surveillance network, CBC (Dec. 8, 2022), available at [www.cbc.ca/radio/thecurrent/china-surveillance-network-1.6677778](http://www.cbc.ca/radio/thecurrent/china-surveillance-network-1.6677778).

<sup>121</sup> *Id.*

<sup>122</sup> Joy Dong, *China’s Internet Censors Try a New Trick: Revealing Users’ Locations*, N.Y. TIMES (May 18, 2022), available at [www.nytimes.com/2022/05/18/business/china-internet-censors-ip-address.html](http://www.nytimes.com/2022/05/18/business/china-internet-censors-ip-address.html).

<sup>123</sup> Anh Cao, *How the Party is Increasing Control of China’s Banks*, FAIRBANK CTR. FOR CHINESE STUD. (Aug. 15, 2023), available at <https://fairbank.fas.harvard.edu/news/how-the-party-is-increasing-control-of-chinas-banks/>. In 2018, the PRC began requiring all mobile payments to be cleared by the People’s Bank of China (PBOC), meaning that the CCP touches all mobile payment transactions in China. See Andrew Liu, *An Analysis of the PBOC’s New Mobile Payment Regulation*, 39 CATO J. 87, 87 (2019), available at <https://www.cato.org/sites/cato.org/files/serials/files/cato-journal/2019/2/cj-v39n1-6.pdf>. “By gaining access to the billions of proprietary consumer data points collected by mobile payment providers, the CCP and PBOC gain incredible insight into the behavior of the hundreds of millions of Chinese citizens that use mobile payment platforms.” *Id.* The National Financial Regulatory Administration (NFRA), previously called the China Banking and Insurance Regulatory Commission, regulates the financial industry (with the exception of securities). *China Regulator to Speed Reform of Smaller Financial Institutions*, REUTERS (Dec. 3, 2023), <https://www.reuters.com/world/china/china-regulator-speed-reform-smaller-financial-institutions-2023-12-03/>.

<sup>124</sup> One of these websites, Foreign-Trade.com, plays an outsized role in flagrant online drug trafficking by PRC companies. While this website bears indicia of a PRC-operated website and the Select Committee has identified evidence tying it to the PRC, Foreign-Trade uses a privacy service that obfuscates most of its corporate information. Federal law enforcement should consider further research into this site to understand its ownership structure and what policies, if any, it has in place to identify drug trafficking on its site.

<sup>125</sup> See Section II.C., *supra*.

<sup>126</sup> This is the final number after de-duplication.

<sup>127</sup> Specific Listing for 1-boc-4-AP, a Currently Controlled List I Chem., 87 Fed. Reg. 67,550 (Nov. 9, 2022) (final rule), available at <https://www.federalregister.gov/documents/2022/11/09/2022-24155/specific-listing-for-1-boc-4-ap-a-currently-controlled-list-i-chemical>; *Three precursors of the most common synthesis routes used in illicit fentanyl manufacture now under international control*, UNODC LAB. AND SCI. SERV. PORTALS (Apr. 2022), available at



www.unodc.org/LSS/Announcement/Details/b152bda5-5d71-4f7e-9d68-1bdd9af04a83; U.N. Convention Against Illicit Traffic in narcotic Drugs and Psychotropic Substances, art. 10, Dec. 20, 1988, available at [https://www.unodc.org/pdf/convention\\_1988\\_en.pdf](https://www.unodc.org/pdf/convention_1988_en.pdf). For the fentanyl precursors norfentanyl, 4-Piperidone, and 1-Boc-4-AP, while the PRC has refused to schedule them, its November 2023 Notice makes clear that the PRC government considers any sale of these chemicals tied to drug trafficking as a crime.

<sup>128</sup> See, e.g., *Xylazine free base*, CHEMICALBOOK, available at [https://web.archive.org/web/20240414004000/https://www.chemicalbook.com/ProductDetail\\_EN\\_xylazine-free-base\\_2452943.htm](https://web.archive.org/web/20240414004000/https://www.chemicalbook.com/ProductDetail_EN_xylazine-free-base_2452943.htm) (last accessed Apr. 1, 2024); *Xylazine*, CHEMICALBOOK, available at [https://web.archive.org/web/20240408181619/https://www.chemicalbook.com/ProductDetail\\_EN\\_xylazine\\_2538983.htm](https://web.archive.org/web/20240408181619/https://www.chemicalbook.com/ProductDetail_EN_xylazine_2538983.htm) (last accessed Apr. 1, 2024); *Protonitazene*, CHEMICALBOOK, available at [https://web.archive.org/web/20240414032622/https://www.chemicalbook.com/ProductDetail\\_EN\\_prot-onitazene\\_2511822.htm](https://web.archive.org/web/20240414032622/https://www.chemicalbook.com/ProductDetail_EN_prot-onitazene_2511822.htm) (last accessed Apr. 1, 2024).

<sup>129</sup> 1H-Benzimidazole-1-ethanamine, N,N-diethyl-5-nitro-2-[(4-propoxyphenyl)methyl]-, CHEMICALBOOK, available at [https://www.chemicalbook.com/ProductDetail\\_EN\\_1h-benzimidazole-1-ethanamine-nn-diethyl-5-nitro-2-4-propoxyphenylmethyl\\_2162666.htm](https://www.chemicalbook.com/ProductDetail_EN_1h-benzimidazole-1-ethanamine-nn-diethyl-5-nitro-2-4-propoxyphenylmethyl_2162666.htm) (last accessed Apr. 1, 2024) (listing many illicit synthetic narcotics for sale in a picture).

<sup>130</sup> *Xylazine*, *supra* note 128.

<sup>131</sup> *Xylazine*, CHEMICALBOOK, available at [https://web.archive.org/web/20240414033340/https://www.chemicalbook.com/ProductDetail\\_EN\\_xylazine\\_723687.htm](https://web.archive.org/web/20240414033340/https://www.chemicalbook.com/ProductDetail_EN_xylazine_723687.htm) (last accessed Apr. 1, 2024).

<sup>132</sup> *Xylazine*, CHEMICALBOOK, available at [https://web.archive.org/web/20240326010417/https://www.chemicalbook.com/ProductDetail\\_EN\\_xylazine\\_1917814.htm](https://web.archive.org/web/20240326010417/https://www.chemicalbook.com/ProductDetail_EN_xylazine_1917814.htm) (last accessed Apr. 1, 2024).

<sup>133</sup> See (国家禁毒委员会办公室) [China Off. of the Nat'l Narcotics Control Comm'n], “(国家禁毒委员会办公室发布通告 提醒相关企业和个人谨慎销售可制毒物品) [The Office of the National Narcotics Control Commission issued a notice reminding relevant companies and individuals to be cautious in selling substances that can be used to make narcotics],” TENCENT (Nov. 16, 2023), <https://mp.weixin.qq.com/s/ZhbYujIwr28E7k6MjJC66Q> [<https://web.archive.org/web/20240227190236/https://mp.weixin.qq.com/s/ZhbYujIwr28E7k6MjJC66Q>]. The Notice provides that the “Criminal Law of the People’s Republic of China” outlaws “illegally producing, trading, transporting [...] raw materials and preparations used to make drugs.” The Notice also stated that it is “strictly prohibited for any organization or individual to produce, trade, or transport the items specified in [non-scheduled precursors and other drug ingredients] for others knowing that they are manufacturing drugs.” Doing so would result in the offender being “punished as an accomplice in the crime of manufacturing drugs.” The Notice acknowledged that other activities corresponding to fentanyl precursor sales, such as falsely declaring goods to customs, are likewise unlawful. It furthermore stated that “[p]ostal, express delivery companies and logistics companies” must report any instances of “illegal mailing, transportation, or entrainment of suspected narcotic drugs or psychotropic drugs, precursor chemicals and other drug-making raw materials” to “public security organs.” *Id.*

<sup>134</sup> *Protonitazene*, *supra* note 92.

<sup>135</sup> See generally Tara John et al., *The US sanctioned Chinese companies to fight illicit fentanyl. But the drug’s ingredients keep coming*, CNN (Mar. 30, 2023), available at [www.cnn.com/2023/03/30/americas/fentanyl-us-china-mexico-precursor-intl/index.html](http://www.cnn.com/2023/03/30/americas/fentanyl-us-china-mexico-precursor-intl/index.html) (chemist finding that similar PRC-based narcotics trafficking posts in early 2023 were “obviously a list curated to help people create illicit drugs.”).

<sup>136</sup> Steven Lee Myers, *China’s Search Engines Have More Than 66,000 Rules Controlling Content*, *Report Says*, N.Y. TIMES (Apr. 26, 2023), available at [www.nytimes.com/2023/04/26/business/china-censored-search-engine.html](http://www.nytimes.com/2023/04/26/business/china-censored-search-engine.html); Jeffrey Knockel et al., *Missing Links: A comparison of search censorship in China*, CITIZEN LAB (Apr. 26, 2023), available at [www.citizenlab.ca/2023/04/a-comparison-of-search-censorship-in-china/](http://www.citizenlab.ca/2023/04/a-comparison-of-search-censorship-in-china/).

<sup>137</sup> Myers, *supra* note 136.

<sup>138</sup> Stephen McDonnell, *Why China censors banned Winnie-the-Pooh*, BBC (July 17, 2017), available at [www.bbc.com/news/blogs-china-blog-40627855](http://www.bbc.com/news/blogs-china-blog-40627855).

<sup>139</sup> Jeffrey Knockel et al., *Missing Links: A comparison of search censorship in China*, CITIZEN LAB (Apr. 26, 2023), available at [www.citizenlab.ca/2023/04/a-comparison-of-search-censorship-in-china/](http://www.citizenlab.ca/2023/04/a-comparison-of-search-censorship-in-china/).

<sup>140</sup> Analysis conducted by Citizen Labs at the Select Committee’s request. For instance, there is no censorship triggers for “fentanyl +” any of the following terms “America,” “United States,” “Mexico,” “Europe,” “Africa,” “Australia,” “International,” “Abroad,” “Foreign,” “Customs” or “Border.”

<sup>141</sup> Sheng Hong, *China's Chemical Industry: New Strategies for a New Era*, MCKINSEY & CO. (Mar. 20, 2019), available at <https://web.archive.org/web/20240414005230/https://www.mckinsey.com/industries/chemicals/our-insights/chinas-chemical-industry-new-strategies-for-a-new-era>.

<sup>142</sup> *Id.*

<sup>143</sup> BUREAU OF INT'L NARCOTICS & LAW ENF'T AFFS., U.S. DEP'T OF STATE, INT'L NARCOTICS CONTROL STRATEGY REP. VOL. 1, DRUG & CHEM. CONTROL (2021), available at <https://www.state.gov/wp-content/uploads/2021/02/International-Narcotics-Control-Strategy-Report-Volume-I-FINAL-1.pdf>.

<sup>144</sup> Benjamin Haas, *Thousands in China watch as 10 people sentenced to death in sport stadium*, GUARDIAN (Dec. 17, 2017), available at [www.theguardian.com/world/2017/dec/18/thousands-china-watch-executed-sport-stadium](http://www.theguardian.com/world/2017/dec/18/thousands-china-watch-executed-sport-stadium).

<sup>145</sup> See generally *Philippines: China Executed 2 Filipinos Convicted of Drug Trafficking*, VOA (Dec. 2, 2023), available at [www.voanews.com/a/philippines-china-executed-2-filipinos-convicted-of-drug-trafficking/7381736.html](http://www.voanews.com/a/philippines-china-executed-2-filipinos-convicted-of-drug-trafficking/7381736.html); Choi Si-young, *China executes S. Korean for drug trafficking*, KOR. HERALD (Aug. 4, 2023), available at [www.koreaherald.com/view.php?ud=20230804000619](http://www.koreaherald.com/view.php?ud=20230804000619); *China's latest use of the death penalty for drug offences condemned*, AMNESTY INT'L (Mar. 29, 2011), available at [www.amnesty.org/en/wp-content/uploads/2021/07/asa170162011en.pdf](http://www.amnesty.org/en/wp-content/uploads/2021/07/asa170162011en.pdf) (China does not tell the world how many people it executes, but is believed to put to death thousands of people each year — more than the rest of the world combined); Aurelie Placais, *China reduces the number of crimes punishable by death to 46, but keeps drug trafficking in the list*, WORLD COAL. (Oct. 7, 2015), available at [www.worldcoalition.org/2015/10/07/china-reduces-the-number-of-crimes-punishable-by-death-to-46-but-keep-drug-trafficking-in-the-list/](http://www.worldcoalition.org/2015/10/07/china-reduces-the-number-of-crimes-punishable-by-death-to-46-but-keep-drug-trafficking-in-the-list/).

These include two Filipinos who allegedly smuggled just over four kilograms of heroin within the PRC's borders. *China's latest use of the death penalty for drug offences condemned*, AMNESTY INT'L (Mar. 29, 2011), available at [www.amnesty.org/en/wp-content/uploads/2021/07/asa170162011en.pdf](http://www.amnesty.org/en/wp-content/uploads/2021/07/asa170162011en.pdf). In another instance, the PRC executed a Canadian oil rig worker who it accused of smuggling methamphetamine shortly after the Canadians arrested Huawei Chief Financial Officer Meng Wanzhou, which many saw as a diplomatic ploy rather than a just sentence. See *China sentences Canadian citizen to death in drugs case*, FR. 24 (Jan. 14, 2019) available at [www.france24.com/en/20190114-china-sentences-canadian-citizen-schellenberg-death-drugs-case-justice](http://www.france24.com/en/20190114-china-sentences-canadian-citizen-schellenberg-death-drugs-case-justice).

<sup>146</sup> *China will never allow drug traffickers from any country to kill and poison its people: Chinese Embassy in Canada*, GLOB. TIMES (Aug. 11, 2021), available at [www.globaltimes.cn/page/202108/1231146.shtml](http://www.globaltimes.cn/page/202108/1231146.shtml).

<sup>147</sup> *Id.*

<sup>148</sup> Felbab-Brown, *supra* note 13 (emphasis added).

<sup>149</sup> Press Release, White House, Background Press Call on the Counternarcotics Working Group Trip to Beijing (Jan. 28, 2024), available at <https://www.whitehouse.gov/briefing-room/press-briefings/2024/01/28/background-press-call-on-the-counternarcotics-working-group-trip-to-beijing/> (“We have information that the PRC started taking action against Chinese synthetic drug and chemical precursor suppliers right around the time of the summit and in the following months. So we saw companies shut down. We saw international payment accounts blocked.”).

<sup>150</sup> Felbab-Brown, *supra* note 13.

<sup>151</sup> QIAO LIANG & WANG XIANGSUI, UNRESTRICTED WARFARE: CHINA'S MASTER PLAN TO DESTROY AMERICA (1999) (translated from original Mandarin by native Mandarin speaker on Select Committee Staff).

<sup>152</sup> *China in Our Backyard: How Chinese Money Laundering Organizations Enrich the Cartels*, Hearing before the H. Comm. on Oversight and Accountability, Subcomm. On Health Care and Fin. Servs., 118th Cong. (202) (testimony of Anthony Ruggiero), available at <https://www.fdd.org/analysis/2023/04/26/china-in-our-backyard/>.

<sup>153</sup> *Follow the Money: The CCP's Business Model in Fueling the Fentanyl Crisis*, Hearing before the H. Comm. on Fin. Servs., Subcomm. on Nat'l Sec., Illicit Fin., and Int'l Fin. Insts., 118th Cong. (2023) (testimony of Vanda Felbab-Brown), available at <https://www.brookings.edu/articles/chinas-role-in-the-fentanyl-crisis/>.

<sup>154</sup> *China's Role in Illicit Fentanyl Running Rampant on US Streets*, OFF. OF REP. DAVID TRONE (Jan. 8, 2023), available at <https://trone.house.gov/2023/01/08/chinas-role-in-illicit-fentanyl-running-rampant-on-us-streets/>; Westhoff, *supra* note 65.

<sup>155</sup> *Id.*

<sup>156</sup> *Chinese businesses fueling the fentanyl epidemic and receive tens of millions in crypto payments*, ELLIPTIC (May 23, 2023), available at [www.elliptic.co/blog/chinese-businesses-fueling-the-fentanyl-epidemic-receive-millions-in-cryptocurrency-payments](http://www.elliptic.co/blog/chinese-businesses-fueling-the-fentanyl-epidemic-receive-millions-in-cryptocurrency-payments).

<sup>157</sup> Westhoff, *supra* note 65. See also *The CCP's Role in the Fentanyl Crisis*, *supra* note 29 (“These provincial governors and other CCP leaders compete with one another for higher positions based on economic performance in their province. Hence, the pursuit of economic growth and competition, created an atmosphere of reduced oversight, regulations, accountability and enforcement, leading to significant corruption throughout China’s provincial governments, and even up to high level military and CCP party members. Chinese Customs and Trade Ministry Officials in certain provinces either participated or and encouraged capital investment with incentives such as subsidies or reduced taxes and tariffs for exporting companies, or reduced inspections and lax regulations. Many China-based chemical companies that supplied fentanyl precursors and illicit drugs benefited from these incentives for many years.”).

<sup>158</sup> Interview with Ben Westhoff, *Fentanyl as a dark web profit center, from Chinese labs to U.S. Streets*, NPR (Sept. 4, 2019), available at <https://www.npr.org/transcripts/757089868?storyId=757089868>. Moreover, the PRC government “has prioritized biopharmaceuticals as one of ten key sectors in the Made in China 2025 initiative,” increasing the demand for provincial success in this sector and making it unlikely that any provincial official would want to shut down a biopharmaceutical company. This fact, along with “the pharmaceutical and chemical sectors play[ing] an important role in local economies and the careers of local administrators, reduc[es] incentives to police bad actors.” Comm’n on Combating Synthetic Opioid Trafficking, *supra* note 10.

<sup>159</sup> *Follow the Money*, *supra* note 153 (“The triads’ connections to China’s legal system, economy and enterprises remain significant and essential. Like many criminal groups around the world, the triads use legal businesses as fronts for their illegal operations and money-laundering, and they plug into the infrastructure and transportation networks of legal businesses. But they also provide a variety of services to Chinese legal business enterprises, including those connected to government officials and the CCP, such as in the promotion and facilitation of Chinese businesses abroad, the building up of networks of political influence for China abroad, and the informal information gathering and enforcement against Chinese fugitives and Chinese diaspora outside of China, such as to prevent criticism of the regime”).

<sup>160</sup> This conclusion relied on interviews with more than two dozen current and former national security officials in Europe and the U.S., Chinese immigrants, human rights advocates, and others, as well as exhaustive review of court records and other documents. Sebastian Rotella, *Outlaw Alliances: How China and Chinese Mafias Overseas Protect Each Other's Interests*, PROPUBLICA (July 12, 2023), available at [www.propublica.org/article/how-beijing-chinese-mafia-europe-protect-interests](http://www.propublica.org/article/how-beijing-chinese-mafia-europe-protect-interests). For other examples of Chinese organized crime working to the benefit of the PRC government, see Gerry Shih, *China's backers and 'triad' gangs have a history of common foes. Hong Kong protesters fear they are next.*, WASH. POST (July 23, 2019), available at [www.washingtonpost.com/world/asia\\_pacific/chinas-backers-and-triad-gangs-have-history-of-common-foes-hong-kong-protesters-fear-they-are-next/2019/07/23/41445b88-ac68-11e9-9411-a608f9d0c2d3\\_story.html](http://www.washingtonpost.com/world/asia_pacific/chinas-backers-and-triad-gangs-have-history-of-common-foes-hong-kong-protesters-fear-they-are-next/2019/07/23/41445b88-ac68-11e9-9411-a608f9d0c2d3_story.html) (describing how triad gangs attacked Hong Kong protesters). See also JM Cole, *On the Role of Organized Crime and Related Substate Actors in Chinese Political Warfare Against Taiwan*, TAIWAN MIN. OF JUST. INVESTIGATIVE BUREAU (2018), available at [https://www.mjib.gov.tw/FileUploads/eBooks/6f2646ebb06a4ddba2449c950a42533d/Section\\_file/8a0b255919bc48e1bc3d2a38825cd3c8.pdf](https://www.mjib.gov.tw/FileUploads/eBooks/6f2646ebb06a4ddba2449c950a42533d/Section_file/8a0b255919bc48e1bc3d2a38825cd3c8.pdf) (“A few words are nevertheless necessary to explain how and why triads have had the ability to play a role in the CCP’s campaign against Taiwan. Soon after its victory in the Chinese Civil War in 1949, the CCP made a one-time “offer” to criminal organizations across China, which basically said collaborate with us or die. The crime syndicates that agreed to the terms of this “offer” were allowed to prosper, but as part of the deal they had to develop a symbiotic relationship with the party-state apparatus, providing local assistance whenever “muscle” was needed to intimidate civil society or would-be opponents of CCP rule.”).

<sup>161</sup> Sebastian Rotella, *Outlaw Alliances: How China and Chinese Mafias Overseas Protect Each Other's Interests*, PROPUBLICA (July 12, 2023), available at [www.propublica.org/article/how-beijing-chinese-mafia-europe-protect-interests](http://www.propublica.org/article/how-beijing-chinese-mafia-europe-protect-interests).

<sup>162</sup> *Id.*

<sup>163</sup> Sebastian Rotella et al., *A Diplomat's Visits to Oklahoma Highlight Contacts Between Chinese Officials and Community Leaders Accused of Crimes*, PROPUBLICA (Mar. 22, 2024), <https://www.propublica.org/article/oklahoma-marijuana-china-diplomat-visits>.

<sup>164</sup> *Chang An-lo*, WIKIPEDIA, available at [www.en.wikipedia.org/wiki/Chang\\_An-lo](http://www.en.wikipedia.org/wiki/Chang_An-lo) (last accessed Apr. 1, 2024).

<sup>165</sup> James Griffiths, *US blacklists Chinese triad boss ‘Broken Tooth’ in latest round of anti-corruption sanctions*, CNN (Dec. 10, 2020), available at [www.cnn.com/2020/12/10/asia/us-sanction-broken-tooth-triad-china-intl-hnk/index.html](http://www.cnn.com/2020/12/10/asia/us-sanction-broken-tooth-triad-china-intl-hnk/index.html).

<sup>166</sup> Sebastian Rotella & Kirsten Berg, *How a Chinese American Gangster Transformed Money Laundering for Drug Cartels*, PROPUBLICA (Oct. 11, 2022), available at [www.propublica.org/article/china-cartels-xizhi-li-money-laundering](http://www.propublica.org/article/china-cartels-xizhi-li-money-laundering).

<sup>167</sup> *Id.* See also *The CCP’s Role in the Fentanyl Crisis*, *supra* note 29 (“China’s massive export economy has helped create the world’s largest money laundering system, fueled by the multi-billion-dollar illicit drug industry.”).

<sup>168</sup> *Follow the Money*, *supra* note 153.

<sup>169</sup> Rotella & Berg, *supra* note 166.

<sup>170</sup> *Id.*

<sup>171</sup> *Id.*

<sup>172</sup> S. Comm. on Armed Servs., *To Receive Testimony on United States Southern Command and United States Northern Command in Review of the Defense Authorization Request for Fiscal Year 2022 and the Future Years Defense Program*, 117th Cong. (2021), available at [https://www.armed-services.senate.gov/imo/media/doc/21-12-12\\_03-16-2021.pdf](https://www.armed-services.senate.gov/imo/media/doc/21-12-12_03-16-2021.pdf).

<sup>173</sup> Thomas J. Dusterberg, *Fentanyl Is a Growth Industry in China’s Weakening Economy*, WALL ST. J. (June 19, 2023), available at [www.wsj.com/articles/fentanyl-is-a-growth-sector-in-chinas-weakening-economy-drug-trade-crime-syndicate-overdose-daba1c2c](http://www.wsj.com/articles/fentanyl-is-a-growth-sector-in-chinas-weakening-economy-drug-trade-crime-syndicate-overdose-daba1c2c); see Felbab-Brown, *supra* note 13 (“Although it is not clear what percentage of the cartels’ illicit profits is laundered through Chinese money transfer networks, U.S. officials fear that the effectiveness of their money laundering is such that it is even displacing established Mexican and Colombian money launderers and putting the flows of cartel money even more out of reach of U.S. law enforcement.”). See also *The CCP’s Role in the Fentanyl Crisis*, *supra* note 29 (“China’s strict capital flight restrictions implemented in 2016, limit Chinese citizens from transferring large sums of cash abroad. The TBML system has allowed many wealthy Chinese citizens and government officials a way to bypass these regulations and transfer billions in wealth to more stable economies.”).

<sup>174</sup> *Strategic Support for Achieving the Great Chinese Rejuvenation*, one in a series of official texts on “Xi Jinping Thought,” (Beijing: National Defense University 2018) quoted by Matt Pottinger et al., *Xi Jinping in his own words*, FOREIGN AFFS. (Nov. 30, 2022), available at <https://www.foreignaffairs.com/china/xi-jinping-his-own-words>.

<sup>175</sup> *Id.*

<sup>176</sup> *The CCP Cyber Threat to the American Homeland and National Security*, Hearing Before the H. Select Comm. on the Strategic Competition Between the United States and the Chinese Communist Party, 118th Cong. (2024), available at <https://selectcommitteeontheccp.house.gov/media/remarkstranscripts/hearing-transcript-ccp-cyber-threat-american-homeland-and-national>.

<sup>177</sup> *Id.*

<sup>178</sup> This treatise was translated and sold abroad as *Unrestricted Warfare*. Qiao & Wang, *supra* note 151 at 123.

<sup>179</sup> David Barno & Nora Bensahel, *A New Generation of Unrestricted Warfare*, WAR ON THE ROCKS (Apr. 19, 2016), available at <https://warontherocks.com/2016/04/a-new-generation-of-unrestricted-warfare/>.

<sup>180</sup> Sam Cooper, *Two high-level memos allege Beijing covertly funded Canadian election candidates*, GLOB. NEWS (Mar. 8, 2023), available at [www.globalnews.ca/news/9534893/high-level-memos-beijing-2019-election-candidates/](http://www.globalnews.ca/news/9534893/high-level-memos-beijing-2019-election-candidates/).

<sup>181</sup> Michael Martina, *US accuses China of global media manipulation*, REUTERS (Sep. 29, 2023), available at [www.reuters.com/world/us-accuses-china-global-media-manipulation-2023-09-28/](http://www.reuters.com/world/us-accuses-china-global-media-manipulation-2023-09-28/); Letter from Sen. Tom Cotton & Sen. Marco Rubio to The Honorable Janet Yellen, Sec’y Treasury (Aug. 9, 2023), available at [www.cotton.senate.gov/imo/media/doc/forbes\\_letter1.pdf](http://www.cotton.senate.gov/imo/media/doc/forbes_letter1.pdf); Mackenzie Smith & Toby Mann, *China is trying to buy influence with media in the Pacific as it aims to strengthen its presence in the region*, PACIFIC BEAT (Aug. 2, 2023), available at [www.abc.net.au/news/2023-08-02/china-buys-influence-solomon-islands-star-newspaper-pacific/102668914](http://www.abc.net.au/news/2023-08-02/china-buys-influence-solomon-islands-star-newspaper-pacific/102668914); Nita Farahany, *TikTok is part of China’s cognitive warfare campaign*, THE GUARDIAN (Mar. 25, 2023), available at [www.theguardian.com/commentisfree/2023/mar/25/tiktok-china-cognitive-warfare-us-ban](http://www.theguardian.com/commentisfree/2023/mar/25/tiktok-china-cognitive-warfare-us-ban); Josh Baughman & Peter Singer, *China’s social-media attacks are part of a larger ‘cognitive warfare’ campaign*, DEF. ONE (Oct. 17, 2023), available at [www.defenseone.com/ideas/2023/10/chinas-social-media-attacks-are-part-larger-cognitive-warfare-campaign/391255/](http://www.defenseone.com/ideas/2023/10/chinas-social-media-attacks-are-part-larger-cognitive-warfare-campaign/391255/).

- <sup>182</sup> Qiao & Wang, *supra* note 151 (emphasis added) (translated from original Mandarin by native Mandarin speaker on Select Committee Staff). *Unrestricted Warfare* referenced drug warfare again in its section on "combination warfare," which described how an aggressor can combine two or more seemingly unrelated aggressive techniques (e.g., drug warfare, psychological warfare, smuggling warfare) to make a new and more powerful means of defeating their enemy.
- <sup>183</sup> Donie O'Sullivan et al., *China is using the world's largest known online disinformation operation to harass Americans, a CNN review finds*, CNN (Nov. 13, 2023), available at [www.cnn.com/2023/11/13/us/china-online-disinformation-invs/index.html](http://www.cnn.com/2023/11/13/us/china-online-disinformation-invs/index.html).
- <sup>184</sup> Press Release, U.S. Dep't of Just., Chinese Nationals Charged with Illegally Exporting U.S.-Origin Electronic Components to Iran and Iranian Military Affiliates (Jan. 30, 2024), available at <https://www.justice.gov/usao-dc/pr/chinese-nationals-charged-illegally-exporting-us-origin-electronic-components-iran-and>; Channing Mavrellis & John Cassara, *China's Role in Transnational Crime & Illicit Financial Flows*, GLOB. FIN. INTEGRITY (Oct. 27, 2022), available at [gfintegrity.org/press-release/china-plays-an-outsized-role/](http://gfintegrity.org/press-release/china-plays-an-outsized-role/).
- <sup>185</sup> *The CCP Cyber Threat to the American Homeland and National Security*, *supra* note 176.
- <sup>186</sup> Farahany, *supra* note 181.
- <sup>187</sup> Zeba Siddiqui, *Five Eyes intelligence chiefs warn on China's 'theft' of intellectual property*, REUTERS (Oct. 18, 2023), available at [www.reuters.com/world/five-eyes-intelligence-chiefs-warn-chinas-theft-intellectual-property-2023-10-18/](http://www.reuters.com/world/five-eyes-intelligence-chiefs-warn-chinas-theft-intellectual-property-2023-10-18/).
- <sup>188</sup> Michael J. Kavanagh & William Clowes, *China Cash Flowed Through Congo Bank to Former President's Cronies*, BLOOMBERG (Nov. 28, 2021), available at [www.bloomberg.com/news/features/2021-11-28/africa-s-biggest-data-leak-reveals-china-money-role-in-kabila-s-congo-looting?embedded-checkout=true](http://www.bloomberg.com/news/features/2021-11-28/africa-s-biggest-data-leak-reveals-china-money-role-in-kabila-s-congo-looting?embedded-checkout=true).
- <sup>189</sup> CK Tan, *China vows Belt and Road ramp up despite debt-trap criticism*, NIKKEI ASIA (Oct. 10, 2023), available at [www.asia.nikkei.com/Spotlight/Belt-and-Road/China-vows-Belt-and-Road-ramp-up-despite-debt-trap-criticism](http://www.asia.nikkei.com/Spotlight/Belt-and-Road/China-vows-Belt-and-Road-ramp-up-despite-debt-trap-criticism).
- <sup>190</sup> Lindsay Maizland, *China's Repression of Uyghurs in Xinjiang*, COUNCIL ON FOREIGN RELS. (Sep. 22, 2022), available at [www.cfr.org/backgrounder/china-xinjiang-uyghurs-muslims-repression-genocide-human-rights](http://www.cfr.org/backgrounder/china-xinjiang-uyghurs-muslims-repression-genocide-human-rights).
- <sup>191</sup> Valentina Pop, et al, *From Lightbulbs to 5G, China Battles West for Control of Vital Technology Standards*, WALL ST. J. (Feb. 8, 2021), available at [www.wsj.com/articles/from-lightbulbs-to-5g-china-battles-west-for-control-of-vital-technology-standards-11612722698](http://www.wsj.com/articles/from-lightbulbs-to-5g-china-battles-west-for-control-of-vital-technology-standards-11612722698).
- <sup>192</sup> Qiao & Wang, *supra* note 151.
- <sup>193</sup> Press Release, U.S. Drug Enf't Admin., U.S. Dep't of Just., DEA Warns of Increase in Mass-Overdose Events Involving Deadly Fentanyl (Apr. 6, 2022), <https://www.dea.gov/press-releases/2022/04/06/dea-warns-increase-mass-overdose-events-involving-deadly-fentanyl>.
- <sup>194</sup> See Section I, *supra*.
- <sup>195</sup> Meryl Kornfield, et al, *Fentanyl has taken a record toll on Army. Families demands answers.*, THE WASH. POST (June 12, 2023), available at [www.washingtonpost.com/national-security/2023/06/12/fentanyl-overdoses-military-fort-bragg/](http://www.washingtonpost.com/national-security/2023/06/12/fentanyl-overdoses-military-fort-bragg/); *DEA Administrator on Record Fentanyl Overdose Deaths*, U.S. DRUG ENF'T ADMIN., available at [www.getsmartaboutdrugs.gov/media/dea-administrator-record-fentanyl-overdose-deaths](http://www.getsmartaboutdrugs.gov/media/dea-administrator-record-fentanyl-overdose-deaths).
- <sup>196</sup> *Follow the Money*, *supra* note 153.
- <sup>197</sup> Phelim Kine, *Beijing cuts U.S. cooperation to protest Pelosi's Taiwan visit*, POLITICO (Aug. 5, 2022), available at [www.politico.com/news/2022/08/05/beijing-protest-pelosi-taiwan-00050155](http://www.politico.com/news/2022/08/05/beijing-protest-pelosi-taiwan-00050155); Barrios, *supra* note 13.
- <sup>198</sup> Xinhua, *Root cause of U.S. Fentanyl abuse problem is "in itself" — Chinese embassy*, PEOPLE'S DAILY ONLINE (Sept. 3, 2021), available at <https://web.archive.org/web/20230924004702/http://en.people.cn/n3/2021/0903/c90000-9891885.html>; Yuandan Guo (郭媛丹), "(【环时深度】专访公安部禁毒情报技术中心副处长花镇东：“芬太尼危机”根源是美国！)" [Exclusive Interview with Hua Zhendong, Deputy Director of the Anti-Narcotics Intelligence Technology Center of the Ministry of Public Security: The root cause of the 'fentanyl crisis' is the United States], Huanqiu Shibao (环球时报) [GLOB. TIMES] (Oct. 13, 2021), available at <https://web.archive.org/web/20221219161634/https://finance.sina.com.cn/tech/2021-10-13/doc-iktzscyx9339209.shtml>; Wu Changhua (吴昌华), "Lanyong Fen Tai Ni Zhe Kou Guo, Zhongguo Bu Bei! ("滥用芬太尼这口'锅,' 中国不背!)" [China will not bear the responsibility for the abuse of fentanyl in the U.S.], Wangyi Xinwen (网易新闻) [NETEASE NEWS] (Sept. 2, 2021), available at

<https://web.archive.org/web/20240403213318/https://c.m.163.com/news/a/GIU2JT56053469LG.html>;  
*Remarks by spokesperson of the Chinese Embassy in the United States on the fentanyl issue*, EMBASSY OF CHINA IN THE U.S. (May 30, 2023), available at [https://web.archive.org/web/20240121220840/http://us.china-embassy.gov.cn/eng/lcbt/sgfyrbt/202305/t20230531\\_11086289.htm](https://web.archive.org/web/20240121220840/http://us.china-embassy.gov.cn/eng/lcbt/sgfyrbt/202305/t20230531_11086289.htm); Yin Yeping, *U.S. blames China for drug trafficking to disguise its own failure: experts*, GLOB. TIMES (July 22, 2020), available at <https://web.archive.org/web/20230804231257/https://www.globaltimes.cn/content/1195344.shtml>.

<sup>199</sup> CCTV, “(在美国每5分钟就有一个人死于药物过量！美国阿片类药物滥用 却甩锅给中国？揭穿美国毒品泛滥真相 | 《破局芬太尼》 CCTV中文国际) [Every 5 minutes someone dies from a drug overdose in the United States! Is the U.S. blaming China for opioid abuse? Exposing the truth about the drug epidemic in the United States | “Breaking Fentanyl” CCTV Chinese International],” YOUTUBE (June 13, 2023), <https://www.youtube.com/watch?v=JteJcxrflcU>.

<sup>200</sup> Zhongxinshe Huayu, “美国通缉贩售芬太尼的中国公民·同样买卖在美国却成了国营” [The U.S. issues warrant on Chinese citizen for fentanyl trafficking, while the sale of fentanyl in the US is becoming state-owned], 网易新闻 [NetEase News], September 7, 2021, <https://web.archive.org/web/20240403213252/https://c.m.163.com/news/a/GJAL39IQ0514DTKM.html>; Global Times, *China urges U.S. to scrap warrant on ‘fentanyl trafficker,’ provide more evidence*, PEOPLE’S DAILY ONLINE (Sept. 1, 2021), available at <https://web.archive.org/web/20240414022342/http://en.people.cn/n3/2021/0901/c90000-9890412.html>.

<sup>201</sup> Zhao Yusha, *Ministry urges US to stop slandering China over its own opioid problem*, GLOB. TIMES (Sept. 4, 2019), available at <https://web.archive.org/web/20230804231257/https://www.globaltimes.cn/content/1163493.shtml>.

<sup>202</sup> Wang Linggui, *U.S. playing tricky with its fentanyl problems*, CHINA DAILY (Oct. 10, 2019), available at <https://web.archive.org/web/20240414022342/http://en.people.cn/n3/2021/0901/c90000-9890412.html> (“In fact, the US should blame itself as the root cause of its fentanyl epidemic”); Xinhua, *Explainer: Why blaming China won’t address opioid epidemic in America?* PEOPLE’S CHINA DAILY (Sept. 20, 2023), available at <https://web.archive.org/web/20240414030611/http://en.people.cn/n3/2023/0920/c90000-20074272.html> (“Today, the epidemic is wreaking havoc on the U.S. economy and workforce. Although fully aware of the problem, Washington seemed at its wits’ end over how to fix it fundamentally. At times, it seems uninterested”).

<sup>203</sup> Erin Burnett, *Chinese media seizes on US tensions to float false ‘civil war’* <https://www.cnn.com/videos/world/2024/02/08/china-media-us-disinformation-pkg-ripley-ebof-vpx.cnn> (last accessed Apr. 9, 2024); Kerry Allen, *Misinformation spreads in China on ‘Civil War’ in Texas*, BBC (Feb. 2, 2024), available at [www.bbc.com/news/world-us-canada-68185317](http://www.bbc.com/news/world-us-canada-68185317); Dong Zhe & Zhuang Jing, *Is Texas on the brink of war with the US?*, RADIO FREE ASIA (Feb. 7, 2024), available at <https://www.rfa.org/english/news/afcl/fact-check-texas-02072024164301.html> (showing Weibo posts of tanks allegedly being sent to the “frontlines” in Texas).

<sup>204</sup> One could also suggest that it diverts from China’s own growing, though early-stage, drug problem that the PRC government has failed to combat. See generally *Follow the Money: The CCP’s Business Model in Fueling the Fentanyl Crisis*, Hearing before the H. Comm. on Fin. Servs., Subcomm. on Nat’l Sec., Illicit Fin., and Int’l Fin. Insts., 118th Cong. (2023) (testimony of John. A Cassara), available at <https://www.congress.gov/118/meeting/house/115542/witnesses/HHRG-118-BA10-Wstate-CassaraJ-20230323.pdf>; *Follow the Money*, supra note 153 (“Both internally and externally, China emphasizes its ‘effectiveness’ in stemming drug abuse in China, though in reality Chinese drug use has been growing steadily for the past four decades”); Shannon Tiezzi, *China’s Growing Drug Problem: China’s drug problem is getting worse, despite harsh penalties*, DIPLOMAT (Mar. 28, 2015), available at [www.thediplomat.com/2015/05/chinas-growing-drug-problem/](http://www.thediplomat.com/2015/05/chinas-growing-drug-problem/).

<sup>205</sup> *Crypto and the Global Fentanyl Trade*, supra note 36.

<sup>206</sup> See, e.g., *Homepage*, TYPUGROUP CO., LTD., available at <http://www.typugroup.com/> (“specializes in the production of APIs, fungicides, daily chemicals, and dye intermediaries”) and Typu’s Foreign-Trade site, available at <https://www.foreign-trade.com/exporter/typugroup/> (“provid[ing] all kinds of research chemicals, cannabinoids, opioid chemicals” with “100% customs clearance”); RICHEST GROUP, available at <https://www.chem-rubber.com/> (last accessed Apr. 1, 2024) (Shanghai Ruizheng / Richest Group (“Shanghai Ruizheng cooperates with global brands, such as ZhongTai, XinFa, Tianye, Erdos, Junzheng and so on.”) while also engaging in extensive drug trafficking, see Section II.B., supra).

<sup>207</sup> While the Select Committee has broad jurisdiction, its focus is on strategic competition with the Chinese Communist Party. The recommendations herein thus focus on directly addressing the source

of the fentanyl crisis in the PRC. Like the broader investigative report, it does not analyze other issues tied to the fentanyl crisis, like border security, domestic law enforcement, and medical treatment.

<sup>208</sup> Fatima Hussein, *More sanctions for deadly fentanyl if bill becomes law*, ASSOCIATED PRESS (Apr. 25, 2023), available at <https://apnews.com/article/biden-fentanyl-china-mexico-drug-policy-opioids-6cf58911caf1f69d17d469a92b8bcd91> (“Vanda Felbab-Brown, a senior fellow at the Brookings Institution, called for wider sanctions on Chinese firms.” I don’t think sanctions will change the behavior of the Chinese government, to willingly enforce drug laws within China,” she said, “**But I do believe there is potential that sanctions will impact Chinese industry actors if sanctions are done in fairly large numbers.**”) (emphasis added); Exec. Order No. 14,059, 31 C.F.R. 599 (app. A), reprinted in 50 U.S.C. 1701, available at <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/12/15/executive-order-on-imposing-sanctions-on-foreign-persons-involved-in-the-global-illicit-drug-trade/> (E.O. 14,059); Press Release, Off. of the Press Sec’y, White House, Fact Sheet: Overview of Foreign Narcotics Kingpin Designation Act (Apr. 15, 2009), available at <https://obamawhitehouse.archives.gov/the-press-office/fact-sheet-overview-foreign-narcotics-kingpin-designation-act>.

<sup>209</sup> DOJ created Task Force Vulcan, a multi-agency group designed to address the MS-13 threat, which reported directly to the Attorney General. This model was proven highly effective. See Press Release, Off. of Public Affairs, U.S. Dep’t of Just., The Department of Justice Announces Takedown of Key MS\_13 Criminal Leadership (July 15, 2020), available at <https://www.justice.gov/opa/pr/departments-justice-announces-takedown-key-ms-13-criminal-leadership>.

<sup>210</sup> At present, within the Department of Justice alone, information about fentanyl traffickers can be found within DEA’s Special Operations Division, FBI TOC-East, the Narcotics and Dangerous Drug Section, the Money Laundering and Asset Recovery Section, the OCADETF Fusion Center, each U.S. Attorney’s Office that has an open Chinese-origin fentanyl case, and every FBI and DEA field office investigating the same. Similar balkanization can also be found across the federal government, with critical information separately housed within the Department of Treasury, Department of Homeland Security, Department of State, Department of Commerce, Department of Defense, U.S. Postal Inspection Service, and the Central Intelligence Agency, among others. While it is possible to query these databases, more can be done to put the data in one place and then comprehensively analyzing it for enforcement actions. If even a plurality of this data was brought together and analyzed by one dedicated team, the U.S. government would glean invaluable information about how to combat fentanyl trafficking that it could use with streamlined interagency decision making to effectively target the weak points in the global illicit fentanyl trade *en masse*.

<sup>211</sup> For sanctions in particular, under Executive Order 14059 and the Kingpin Act, the United States can sanction any entity the U.S. government has “reason to believe” the target is involved in or enables international narcotics trafficking. See *Fulmen Co. v. Office of Foreign Assets Control*, 547 F. Supp. 3d 13, 24 (D.D.C. 2020) (citing *Holy Land Found. For Relief & Dev. V. Ashcroft*, 219 F. Supp. 2d 57, 75 (D.D.C. 2002), *aff’d*, 333 F.3d 156, 357 U.S. App. D.C. 35 (D.C. Cir. 2003)). See also E.O. 14,059; *supra* note 208. Once sanctioned, a target is effectively cut off from global trade, as no individual with any ties to the U.S. economy can transact with them without incurring civil or criminal liability. See DEP’T OF COM. ET AL., COMPLIANCE NOTE: OBLIGATIONS OF FOREIGN-BASED PERSONS TO COMPLY WITH U.S. SANCTIONS AND EXP. CONTROL LAWS (Mar. 6, 2024), available at <https://ofac.treasury.gov/media/932746/download?inline> (“These measures [sanctions] can create legal exposure not only for U.S. persons, but also for non-U.S. companies who continue to engage with sanctioned jurisdictions or persons in violation of applicable laws”). Penalties for violations of the Kingpin Act range from civil penalties of up to \$1.075 million per violation to more severe criminal penalties. Criminal penalties for corporate officers may include up to 30 years in prison and fines up to \$5 million. Criminal fines for corporations may reach \$10 million. Other individuals could face up to 10 years in prison and fines pursuant to Title 18 of the United States Code for criminal violations of the Kingpin Act or related regulations. See Off. of Foreign Asset Control, *Counter Narcotics Trafficking Sanctions*, U.S. DEP’T OF THE TREASURY, available at [https://home.treasury.gov/system/files/126/narco\\_overview\\_of\\_sanctions.pdf](https://home.treasury.gov/system/files/126/narco_overview_of_sanctions.pdf) (last accessed Apr. 1, 2024). Given the reported low profit margins and tight competitiveness within the PRC illicit fentanyl trade, most PRC businesses facing this pressure will choose legitimacy over fentanyl and bankruptcy. See *Crypto and the Global Fentanyl Trade*, *supra* note 36. (“As a result, the industry appears to be very competitive. This meant that it was not difficult to shop around for deals among all the suppliers willing to service our requests, which suggests slim profit margins for some”); *Final Report*, COMM’N ON COMBATING SYNTHETIC OPIOID TRAFFICKING (Feb. 8, 2022), available at [www.rand.org/pubs/external\\_publications/EP68838.html](http://www.rand.org/pubs/external_publications/EP68838.html) (“With producers in the PRC having moved

from exporting finished fentanyl to exporting much cheaper precursors, that amount in revenue could be substantially less. Clearly, that is a truly tiny amount compared with the amount in the total pharmaceutical industry in the PRC or its chemical exports.”).

<sup>212</sup> The codification should clearly provide the President discretionary authority to sanction PRC shipping companies that the President deems to be negligent in handling and shipping improperly labeled fentanyl precursors and sanction PRC port operators from which those improperly labeled shipments originate.

<sup>213</sup> Press Release, Off. of Pub. Affs., U.S. Dep’t of Just., Nicolás Maduro Moros and 14 Current and Former Venezuelan Officials Charged with Narco-Terrorism, Corruption, Drug Trafficking and Other Criminal Charges (Mar. 26, 2020), *available at* <https://www.justice.gov/opa/pr/nicol-s-maduro-moros-and-14-current-and-former-venezuelan-officials-charged-narco-terrorism>; CLARE RIBANDO SEELKE, CONG. RSCH. SERV., IF10715, VENEZUELA: OVERVIEW OF U.S. SANCTIONS POLICY (2024), *available at* <https://crsreports.congress.gov/product/pdf/IF/IF10715>.

<sup>214</sup> Press Release, *supra* note 213; Press Release, U.S. Dep’t of the Treasury, Targeting Key Sectors, Evasion Efforts, and Military Supplies, Treasury Expands and Intensifies Sanctions Against Russia (Feb. 24, 2023), *available at* <https://home.treasury.gov/news/press-releases/jy1296>.

<sup>215</sup> Press Release, U.S. Dep’t of the Treasury, FinCEN Further Restricts North Korea’s Access to the U.S. Financial System and Warns U.S. Financial Institutions of North Korean Schemes (Nov. 2, 2017), *available at* <https://home.treasury.gov/news/press-releases/sm0205>.

<sup>216</sup> Press Release, Bureau of U.S. Customs & Border Protection, U.S. Dep’t of Homeland Sec., De Minimis Value Increases to \$800 (Mar. 11, 2016), *available at* <https://www.cbp.gov/newsroom/national-media-release/de-minimis-value-increases-800>.

<sup>217</sup> Rana Foroohar, *Small packages are causing big problems in the US*, FIN. TIMES (Nov. 13, 2023), *available at* [www.ft.com/content/1fe394c6-6fe4-4093-aa68-1a4d251f1666](http://www.ft.com/content/1fe394c6-6fe4-4093-aa68-1a4d251f1666).

<sup>218</sup> Press Release, Off. of Rep. Earl Blumenauer, Reps. Blumenauer, Dunn, Sens. Brown, Rubio Introduce Legislation to Strengthen American Competitiveness, Close Import Loophole (June 15, 2023), *available at* <https://blumenauer.house.gov/media-center/press-releases/reps-blumenauer-dunn-sens-brown-rubio-introduce-legislation-to-strengthen-american-competitiveness-close-import-loophole>; Letter from Mr. Alan Wilson, S.C. Att’y Gen. et al. to The Honorable Joseph R. Biden, Jr., President (Jan. 18, 2024), *available at* [www.ag.ky.gov/Press%20Release%20Attachments/De%20Minimis%20Letter%20-%20President%20Biden.pdf](http://www.ag.ky.gov/Press%20Release%20Attachments/De%20Minimis%20Letter%20-%20President%20Biden.pdf); Press Release, Off. of Sen. Tammy Baldwin, Baldwin, Cassidy Introduce Bill to Stop China from Exploiting Loophole that Undercuts U.S. Manufacturers, Allows Fentanyl in U.S. (June 14, 2023), *available at* <https://www.baldwin.senate.gov/news/press-releases/baldwin-cassidy-introduce-bill-to-stop-china-from-exploiting-loophole-that-undercuts-us-manufacturers-allows-fentanyl-in-us>.

<sup>219</sup> FAA, NAT’L REGULS. REQUIREMENTS, GEN 1.2 FLIGHTS INTO OR OVER U.S. TERRITORIAL AIRSPACE § 3.1.1, *available at* [https://www.faa.gov/air\\_traffic/publications/atpubs/aip\\_html/part1\\_gen\\_section\\_1.2.html](https://www.faa.gov/air_traffic/publications/atpubs/aip_html/part1_gen_section_1.2.html); 19 C.F.R. § 4.1 (2023).

<sup>220</sup> In these instances, the United States would coordinate, as appropriate, with the nation under which the ship is flagged or registered. Shiprider agreements could also be used as part of these interdiction efforts.

<sup>221</sup> See Section IV.A, *supra*.

<sup>222</sup> See Rotella & Berg, *supra* note 166.

<sup>223</sup> Jing Yang, *Tencent Faces Possible Record Fine for Anti-Money-Laundering Violations*, WALL ST. J. (Mar. 14, 2022), *available at* [https://www.wsj.com/articles/tencent-faces-possible-record-fine-for-anti-money-laundering-violations-11647242561?mod=article\\_inline](https://www.wsj.com/articles/tencent-faces-possible-record-fine-for-anti-money-laundering-violations-11647242561?mod=article_inline).