**Senator Sheldon Whitehouse**

**Senate Caucus on International Narcotics Control**

**Opening Statement – “The Role of the Federal Government in Attacking the Financial Networks of Cartels”**

**July 12, 2022**

Drug cartels, like kleptocrats and other criminals, skirt U.S. laws and exploit regulatory gaps to launder and protect the proceeds of their crimes in an international dark economy that facilitates much evil in the world. The U.S. must do more to expose and dismantle the cartels’ finances and these international dark economy networks.

First, we need to better understand the magnitude of narcotics-related illicit finance, and how it fits into the international dark economy. The Office of National Drug Control Policy prioritized dismantling the financial networks of cartels in its *2022* *National Drug Control Strategy*, but we currently lack a system to track narcotics-related illicit finance investigations across the various national drug control program agencies. As a result, we don’t have a credible estimate of the narcotics-related funds laundered through the U.S. financial system, and we don’t know if our efforts to counter the networks are effective. The Justice Department can remedy this by collecting information on all relevant investigations and prosecutions.

Second, we must insist on better efforts in partner nations to defend their institutions from corruption and ensure narcotics traffickers are successfully prosecuted. To that end, Co-Chair Grassley and I wrote to Treasury urging it to use the attaché and liaison programs authorized by the *Fiscal Year 2021 National Defense Authorization Act* to deploy to allied countries experts with experience in narcotics-related illicit finance. Weak efforts, and even outright support of the dark economy, should have both diplomatic and trade consequences.

Third, we should strengthen effective programs to combat trade-based money laundering, like the Department of Homeland Security’s Trade Transparency Units. The Department has agreements with 18 partner nations which let U.S. law enforcement and their international counterparts generate actionable leads against criminal organizations involved in trade-based money laundering. Costing about $200,000 each to implement, Trade Transparency Units are net revenue raisers, and should be expanded and encouraged to share data with relevant U.S. counterparts, to the extent allowable under bilateral agreements.

Fourth, we must close loopholes cartels use to launder their illicit proceeds, for instance in the real estate sector, or with investment advisors, or even via stored value instruments like gift cards. The administration should start by making geographic targeting orders permanent, nationwide, and applicable to commercial real estate; by imposing reporting requirements on investment advisors; and by implementing a final rule subjecting stored value cards to cross-border reporting requirements.

Congress can help strengthen and modernize our anti-money laundering framework. Co-Chair Grassley and I have introduced the *Combating Money Laundering, Terrorist Finance and Counterfeiting Act of 2022* toincrease penalties for commonly-used money laundering methods, like bulk cash smuggling and tax evasion, and provide additional tools to keep up with newer techniques, such as those used by Chinese Money Laundering Organizations.

And finally, we need to make better use of sanctions. Through the Russian Elites, Proxies, and Oligarchs programs or the KleptoCapture task force, we have seen the power of sanctions. I am pleased that the Office of National Drug Control Policy, in its *2022 National Drug Control Strategy*, calls “to increase the number of individuals and entities targeted as transnational criminal organization enablers through sanctions by 365 percent by 2025.” Good. Go get them.

Cartels who exploit our financial system and those who enable them to do so are complicit in the nearly 108,000 drug overdose deaths that occurred in the United States in 2021. It is both a health and a national security imperative that the federal government dismantle the vast international dark economy that enables drug trafficking organizations’ illicit finance.

I look forward to hearing from our witnesses about their agency’s respective roles in doing so. However, I note my disappointment with the Justice Department for its refusal to provide a witness for this hearing, despite ample notice. As the sole prosecuting agency for narcotics and money laundering cases, its testimony would have been valuable to this Caucus. This seems to be an unfortunately persistent problem for the Department, very different from other executive agencies.

And with that, I turn it over to Co-Chair Grassley.