**Questions 1 to 3**

President Biden’s Executive Order 14059 imposes sanctions on individuals and entities involved in the illicit drug trade. Treasury is required to consult with State before using the sanction authority granted by this Executive Order. In your response to questions for the record submitted on November 17, 2021, you indicated that few international partners have similar narcotics-related sanctions authorities to the U.S.

**Question 1:**

Will the lack of similar sanctions programs in other countries dilute the overall effectiveness of

U.S. sanctions imposed on individuals and entities involved in the illicit drug trade by Executive Order 14059?

**Answer 1:**

INL is committed to working with partner countries to target those involved in the illicit drug trade and to continuing our close collaboration with the Department of the Treasury to implement Executive Order 14059. Executive Order 14059 is already showing its demonstrable effectiveness, with six tranches of narcotics trafficking designations since its announcement in December 2021. INL respectfully recommends that further questions regarding the impact of Executive Order 14059 be directed to the Department of the Treasury.

**Question 2:**

What specific diplomatic and other steps is INL engaging in to encourage partner nations to establish narcotics sanctions programs similar to the U.S.?

**Answer 2:**

 INL continues to publicize successful examples of the U.S. government’s application of Executive Order 14059, and to inform international partners in appropriate bilateral and multilateral settings on the scope and application of this and similar authorities.

**Question 3:**

What gaps remain in the U.S.’ sanctions regime as it relates to illicit finance associated with the narcotics trade?

**Answer 3:**

 INL coordinates the Department of State’s consultation role in the Department of the Treasury’s administration of Executive Order 14059. The Department of the Treasury would be best placed to provide an analysis on any gaps in the sanctions regime as it relates to illicit finance associated with the narcotics trade.

**Questions 4 to 7**

**Question 4:**

The 2022 *International Narcotics Control Strategy Report (INCSR)* on money laundering notes that “money laundering investigations are not a priority” in China. This has likely contributed to the rise of Chinese money laundering organizations that help Central and South American drug cartels launder their ill-gotten gains.

What money laundering techniques are most frequently used by these Chinese money laundering organizations?

**Answer 4:**

Criminal organizations involving the People’s Republic of China (PRC) actors primarily utilize trade-based money laundering methods, online banking applications, and mirror currency swaps to evade PRC foreign exchange controls on currency transfers out of the PRC. Current data points to individuals within the PRC that coordinate with members of the Chinese diaspora in Latin and North America to launder proceeds of the North American drug trade as a particular problem. Significant amounts of money laundering also appear to be facilitated through gambling and casino operations worldwide. These activities remain difficult to monitor and investigate.   INL and the Drug Enforcement Administration continue to seek cooperation with the PRC to investigate and prosecute these networks.

The 2022 *International Narcotics Control Strategy Report* (*INCSR*) on money laundering notes that “money laundering investigations are not a priority” in China. This has likely contributed to the rise of Chinese money laundering organizations that help Central and South American drug cartels launder their ill-gotten gains.

**Question 5:**

What sanctions has the United States imposed on Chinese money laundering organizations?

**Answer 5:**

 The Department of State lacks specific authorities to sanction Chinese money laundering organizations. However, the Department of the Treasury possesses authority under Executive Order 13581 that can impose sanctions targeting significant transnational criminal organizations that threaten U.S. interests, such as criminal organizations engaged in money laundering.

**Question 6:**

Does State need additional authorities to target these groups?

**Answer 6:**

The Department of the Treasury possesses authority under Executive Order 13581 that can enable sanctions targeting significant transnational criminal organizations that threaten U.S. interests, such as criminal organizations engaged in money laundering. INL coordinates Department of State guidance to the Department of the Treasury on the implementation of sanctions under Executive Order 13581.

**Question 7:**

The 2022 *INCSR* on money laundering also notes that China’s “financial intelligence unit is not a member of the Egmont Group and often lacks opacity or political will to effectively share financial intelligence.” Would China’s participation in the Egmont group benefit the United States’ efforts to combat narcotics-related illicit finance?  If China were to join, what guardrails should be implemented to protect U.S. national security interests while also increasing bilateral cooperation?

**Answer 7:**

The People’s Republic of China (PRC) absence from the Egmont Group of Financial Intelligence Units (FIU) means that it does not participate in the sharing of information between technical experts and FIU-to-FIU information exchanges through that forum. Although the FIU of the PRC, China’s Anti-Money Laundering Monitoring and Analysis Centre (CAMLMAC), has negotiated information sharing arrangements with other FIUs, the CAMLMAC’s ability to share information securely without reliance on the Egmont Group is limited.

 However, the PRC participates in many other bodies, including the Financial Action Task Force and its regional body, the Asia/Pacific Group on Money Laundering. PRC participation in Egmont would enhance information sharing and allow it to contribute to several anti-money laundering/countering the financing of terrorism (AML/CFT) initiatives, including disrupting proceeds from illicit drug trade. It would also provide CAMLMAC access to Egmont Group FIU best practices, training, technical assistance, and operational and strategic discussions involving FIU experts from around the world.

FinCEN is a founding member of the Egmont Group and represents the United States in that forum.  I respectfully refer you to FinCEN and others at the U.S. Department of the Treasury for additional information regarding terms for PRC participation in the Egmont Group, and potential guardrails to protect U.S. national security interests.

**Question 8:**

Mexican drug cartels source precursor chemicals to make synthetic drugs such as fentanyl from China and India. The 2022 *INCSR*, President states that “the United States will look to expand cooperation with China, India, and other chemical sources countries in order to disrupt the global flow of synthetic drugs and their precursor chemicals.”

Given the ongoing tensions between the United States and China, how will INL increase cooperation with its Chinese counterparts?

**Answer 8:**

The Administration continues to press the People’s Republic of China (PRC) government at the senior-most levels to take meaningful action on our counternarcotics-related concerns. INL funds a Department of Justice Resident Legal Advisor (RLA) at Embassy Beijing focused on bolstering cooperation related to U.S. synthetic opioids-related concerns. The RLA promotes criminal law reform, law enforcement cooperation, and efforts to combat wildlife trafficking. INL funding also supports Drug Enforcement Administration expert exchanges to increase information sharing with PRC counterparts, joint investigations, and the promotion of policies to stem the flow of synthetic opioids to the United States. We have successfully engaged with the PRC on counternarcotics through multilateral channels such as the UN Commission on Narcotic Drugs and will continue these efforts with our like-minded partners and allies.

**Question 9:**

What financial investigative techniques do recipients of INL funding or support employ to target the precursor supply chain?

**Answer 9:**

INL programming enables partners to take effective action domestically and cooperate internationally to prevent and deter money laundering, disrupt illicit financial networks, and identify and disrupt the use of digital assets and online platforms in precursor chemical trafficking. This mitigates the financial incentives and facilitates the prosecution of members of transnational organized criminal groups engaged in the precursor supply chain.

INL trains and equips financial intelligence units; trains and mentors law enforcement, prosecutors, and judges on financial crime, money laundering, and online trafficking methodologies; assists countries to adopt and implement confiscation regimes; and builds capacity to cooperate across borders. These efforts lead to enhanced coordination of operations and task forces with regional and USG law enforcement partners, and to increased reporting by financial institutions which supports the identification, targeting, arrest and prosecution of malign actors.

**Question 10:**

What role does INL play in the U.S-India Counternarcotics Working Group, and what progress has this working group made in terms of attacking the precursor supply chain and related illicit finances?

**Answer 10:**

The U.S.-India Counternarcotics Working Group (CNWG) held the first in-person meeting July 7-8, 2022, in New Delhi, following shorter virtual engagements in 2020 and 2021. Counternarcotics cooperation with India continues to be an Administration priority, and this first in-person meeting built a strong base to continue to grow this bilateral relationship. INL is the Secretariat for the CNWG, which is led by Office of National Drug Control Policy (ONDCP), INL, and the Department of Justice for the United States. The CNWG brought together a wide cross-section of the U.S. and Indian interagency to cover a wide array of topics with substantive engagement from both sides. The meeting secured two key deliverables: the signing of an Amended Letter of Agreement which will allow INL to obligate funds to projects in India, and agreement on a sub-working group structure for the CNWG.

The CNWG discussions also covered topics focused on curtailing the illegal production, manufacturing, trafficking, and distribution of illicit drugs and the precursor chemicals used to manufacture them; addressing the regulation and production of fentanyl and synthetic opioids; reducing drug availability; and drug demand reduction challenges and best-practices. Next steps will be an Executive Group meeting in September, and then subsequent sub-working groups on law enforcement cooperation, multilateral policy and regulatory issues, and drug demand reduction during the remainder of 2022 and early 2023.  The United States will host the next annual meeting in Washington in late spring/early summer 2023.

**Question 11:**

INL often hosts training for drug producing and transit countries to help them attack narcotics-related illicit finance. In 2021, the Drug Enforcement Administration worked with INL to provide training to drug source countries, such as Mexico and Colombia, on money laundering techniques.

How does INL assess these programs’ effectiveness?

**Answer 11:**

INL continues to support Mexico’s capacity to target the revenue of transnational criminal organizations to dismantle their business model and reduce their incentive to traffic illicit narcotics to the United States. Through the Bicentennial Framework for Security, Public Health, and Safe Communities, we are working together to improve our effectiveness on disrupting illicit financiers. In Colombia, INL works with a variety of partners and implementers on programming related to anti-money laundering. INL gauges the impact of these efforts through an approach that compares stated project objectives against quarterly reports and other ad hoc data collection and observation.

**Question 12:**

What anti-money laundering skills or training do allied countries need most?

**Answer 12:**

 INL illicit finance programs build partner capacity to analyze financial transactions with modern analytical systems, interdict illicit goods and bulk cash, and investigate and prosecute financial crimes through case-based mentoring and anti-money laundering training and certification. For example, in Colombia, INL works with partners to help detect, investigate, and prosecute complex money laundering and asset forfeiture cases more effectively. INL’s future programming may include training for compliance officers, trade-based money laundering typologies, bulk cash smuggling controls, and anti-money laundering educational campaigns.