

**Prepared Statement by U.S. Senator Chuck Grassley (R-Iowa)
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Hearing on the \$150 Billion Drug Market: A Dive into the Economics of Cartels
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The illicit drug market is massive. It's estimated that Americans spend over \$150 billion annually on illicit drugs.

According to Forbes' list of the World's Most Valuable Brands, the illicit drug market is competitive in value to Microsoft and Amazon.

And it exceeds the revenue of well-established brands like Facebook, Disney, McDonald's, and even Google.

These cartels mean business. Literally.

These aren't low-level operations. Cartels are organized, adaptive, and shrewd. They're in the business of making money and will do so at the expense of others, particularly Americans with substance use disorders.

How do cartels manage to rake in cash and still evade the law? They mimic legal businesses.

Cartels know their consumers' needs, create innovative ways to increase profit margins, and strategically diversify their goods and services.

First, cartels know their primary consumer: Americans, particularly those with a substance use disorder. They capitalize on our demand for drugs.

And it's getting even worse with the spread of illicit counterfeit pills. Fake pills are marketed as prescription drugs but often contain fentanyl or methamphetamine.

They're targeting naïve teens as a new consumer base to get more people addicted and keep loyal customers.

Second, cartels are dead-set on increasing their profit margins. What used to be a plant-based business has now shifted to synthetic drugs, because of the lower risks, yet higher rewards.

Synthetics can be created almost anywhere and tiny amounts are more potent, yet more profitable to drug dealers.

We've seen this strategy play out already with methamphetamine.

During the '90s and early 2000s, regulations limited domestic production of meth. This presented an opportunity for Mexican cartels, which they quickly exploited. Meth is addictive and can be produced cheaply.

We're seeing this again with fentanyl.

Because of cartels' business acumen, they're lacing deadly drugs with fentanyl and spreading them widely.

Thanks to Mexican cartels and Chinese criminal organizations, fentanyl is the culprit for our country's spike in overdose deaths, and is the #1 cause of death for Americans ages 18 to 45.

Cartels are also increasing their profits by holding onto their dirty money by hiding funds and laundering their proceeds. In fact, according to the Office of National Drug Control Policy, over 98% of the proceeds derived from drug trafficking remain in the hands of traffickers.

Lastly, cartels keep diverse portfolios. Nowadays, they don't limit their business to only making and selling drugs.

For instance, the Zetas cartel in Mexico have diversified beyond drugs to extortion, kidnapping and human trafficking, blossoming into what officials call a "polycriminal organization."

They then go on to launder their dirty money, which funds their next criminal enterprise. By having a hand in multiple criminal acts, cartels can insulate themselves from the risk of losing power, profits, or prestige.

For all we know about the economics of cartels, we're not winning our fight against them.

We're seeing unprecedented overdose deaths, increased spread of illicit fentanyl, and fake pills landing in the hands of our youth. This is a public health and national security crisis.

To end this scourge of drugs, we must limit demand and stop the supply. But we also have to go after the traffickers' illicit finances.

I believe today's panel is more than capable to discuss these issues and offer insights on how to upend the cartel business model.