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Senate Caucus on International Narcotics Control
*****AS-PREPARED*** Opening Statement – “The Precursor Pipeline”**
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Precursor chemicals are building blocks used to manufacture fentanyl and other synthetic drugs. They are difficult to regulate because they often have perfectly legal uses. Chinese chemical suppliers and Mexican cartels exploit this situation. Rather than supplying, for instance, fentanyl directly to the U.S. as they once did, Chinese chemical companies now supply the precursor chemicals to Mexican cartels and transnational criminal organizations – specifically Jalisco (huh-lee-sko) New Generation and Sinaloa (see-nuh-low-uh). The cartels then use their own chemists to manufacture the fentanyl, to distribute to victims in the United States.

The motive, of course, is money. The authors of the recent Financial Action Task Force report titled *Money Laundering From Fentanyl and Synthetic Opioids* put it succinctly: “Taking the profits out of synthetic opioid trafficking is one of the most effective ways to address a growing transnational crime and public health emergency in several countries.”

That’s why I prioritize attacking the financial networks of the criminal cartels. I’m pleased by the State Department’s announcement that it will appoint a Synthetic Drugs Envoy to tackle the synthetic drugs and precursor chemical markets, but as Co-Chairman Grassley and I have warned (letter into record), if this envoy is to be effective, he or she must target the financial networks of these illicit conglomerates.

Currently, cartels and other actors easily launder funds into, through, and out of the United States. Without coordination, federal agencies won’t have a true understanding of the magnitude of the money laundering problem in the United States, or the ability to gauge whether our counter-measures are effective.

Senator Grassley requested to hold this hearing, and for good reason. It is past time we recognize that only through bipartisan, inter-governmental cooperation can we sever the financial arteries that empower cartels and finance the precursor chemicals trade.

That is why I introduced an amendment to the National Defense Authorization Act to establish a cross-border financial crime center that would operationalize FATF recommendations. It would:

- coordinate, across all federal agencies, investigations and information-sharing related to financial crimes with a nexus to the U.S. border;
- ensure uniform training is provided to United States and, as appropriate, foreign law enforcement agencies;
- build the capacity of foreign law enforcement and private-sector partners to combat money laundering;
- establish domestic public-private partnerships to help real-time sharing of money laundering trends and techniques; and
- strengthen international information-sharing agreements, including import-export trade data.

I'm pleased that Homeland Security Investigations included this center as part of its Strategy for Combating Illicit Opioids.

Let's borrow from playbooks that have already achieved success. In a single day, the U.S. sanctioned more than 150 entities aiding Russia in its unprovoked war against Ukraine. Treasury briefed my staff that between January and May of 2023 only 87 targets associated with the illicit fentanyl trade were sanctioned. Sanctions hit the cartels in their funding, and restrict their access to the United States. Let's apply the sanctions playbook to the U.S. overdose crisis – which caused 110,000 deaths, including 434 Rhode Islanders, in 2022.

Chinese money-laundering organizations use mirror payment schemes to avoid cross-border transactions and launder cartel cash right here in the United States. We need to make the geographic targeting orders permanent, extend anti-money laundering safeguards to investment advisors, and push towards a complete and timely implementation of the Corporate Transparency Act. Each day we delay, criminals launder ill-gotten gains through the U.S. financial system.

Pushing countries like China and Mexico to take swift action is also key. That is why Co-Chair Grassley and I have pressed China – most recently in May – to increase information sharing on precursor chemicals; strengthen the enforcement of labeling laws; and implement and enforce “know your customer” laws. Each of these asks is consistent with international treaties and guidance, and could help reduce the flow of precursor chemicals from China to Mexico.

In recent years, U.S. law enforcement collaboration with Mexican counterparts has declined significantly. I urge all relevant agencies to redouble their efforts to prevent trans-border crime and pursue criminal finance networks, as laid out in the U.S. Mexico Bicentennial Framework for Security, Public Health, and Safe Communities.

Last, I want to recognize Senator Feinstein, who served as both the Chair and Co-Chair of this Caucus at different points for 13 years. The Caucus accomplished much under her leadership, and she had a clear passion for reducing the number of overdose deaths in our country. I am honored to have served with her on this Caucus.