

**Senator Sheldon Whitehouse**

**Senate Caucus on International Narcotics Control**

**\*\*\*AS-PREPARED\*\*\* Opening Statement – “Opaque Shell Companies: A Risk to National Security, Public Health, and Rule of Law”**

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A modern drug cartel runs more like a Fortune 500 conglomerate than like a street gang. With departments specializing in logistics, accounting, recruitment, and chemical science, cartels manage their empires with deadly sophistication. They operate like enormous businesses because they profit like enormous businesses. Globally, drug trafficking revenues total as much as \$652 billion, according to estimates from Global Financial Integrity. Mexican cartels like Sinaloa and Jalisco New Generation operate in the billions.

Enforcement against these massive organizations usually focuses on their distribution networks. It makes sense. The product is contraband, and the cases are easy once the drugs are found. But the distribution network is only a part of the operation. They have international supply chains bringing precursor chemicals from China for their fentanyl mills. They have networks of shell entities and accounts to launder their dirty profits. Both their supply chains and their revenue management operate through shell companies and enablers.

This includes U.S. shell entities, I’m sorry to say. In 2021, Treasury Secretary Yellen said, “...there’s a good argument that...the best place to hide and launder ill-gotten gains is actually the United States.” Yes, the U.S. has allowed cartels, terrorist groups, rogue states, Chinese money laundering organizations, and foreign oligarchs to use phony U.S. shell corporations in their illicit schemes. These shell companies may exist only on paper, but they enable deadly threats to Americans’ lives and security.

Nearly 108,000 Americans died of overdose in 2022, according to the CDC. 436 Rhode Islanders died that year. The death of those 436 people ripples across my small state in a tide of heartbreak. Fentanyl and other synthetic opioids are behind many of these deaths. Fentanyl’s death toll is the direct result of shell corporations — shell corporations that hide the delivery of precursor chemicals, and shell corporations that hide the profits from sales.

One DOJ indictment last year alleged that cartel operatives designed a network of shell companies in Wyoming to launder millions of dollars for the Sinaloa cartel. In another case, narco-traffickers in New Jersey were charged with using a shell company to buy fentanyl-related substances from China, which they pressed into counterfeit pills. The United States recently sanctioned Syrian drug traffickers who used “seemingly legitimate businesses” to traffic captagon and launder money. These examples are but the tip of an iceberg.

While this hearing is focused on the national security and health threats posed by shell companies serving the drug cartels, we cannot not forget that terrorist groups, Putin’s oligarch cronies, North Korean operatives, and many others who wish harm to Americans use these same opaque corporate structures. Let me be clear. The network of shell corporations servicing these foes, and the enablers who facilitate them, are a clear and present threat to our national security.

In the battle with narco-lords, a little sunlight into the shadows of the dark economy can go a long way. So I thank co-chair Grassley for our years of work together to shine beams of sunlight into that shadow economy.

Our Corporate Transparency Act is one such beam of light. On January 1<sup>st</sup> of this year, the Treasury Department established a so-called “beneficial ownership” register to sort out this anonymous shell company mess—at long last helping law enforcement and national security officials identify who’s behind the webs of American shell companies that facilitate corruption and criminality. We can make it no longer true that “the best place to hide and launder ill-gotten gains is actually the United States.”

This year, Treasury also announced proposals to send some daylight into dirty money in the investment advisor industry and in the residential real estate sector. I will be submitting encouraging comments in due course, and recommending commonsense guardrails also on commercial real estate purchases.

It is regrettable that well-paid, white-collar American professionals – lawyers, investment advisors, brokers and accountants – provide services to bad actors. Again, this is a national security frontier, in the global clash of civilizations between rule of law and corruption. My ENABLERS Act would crack down on those aiding and abetting America’s enemies by beaming some daylight into key sectors like the legal and accounting industries.

We can organize our efforts better against the global dark economy. I’ve introduced a bill to establish a cross-border financial crime center to coordinate, across all federal agencies, investigations and information related to financial crimes with a nexus to the U.S. border.

Finally, we should provide greater resources to the Treasury Department, the Department of Justice, and other federal agencies on the front lines against financial crime and corruption.

Time and time again, we have seen those seeking to harm the U.S. use opaque corporations to cover their tracks and evade accountability. We passed the beneficial ownership transparency law to defend our safety and security against enemies who do their dirty work through U.S. anonymous shell companies.

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