

**Questions for the Record from Senator Sheldon Whitehouse**  
**U.S. Senate Caucus on International Narcotics Control**  
**“The Precursor Pipeline”**  
**Submitted on October 30, 2023**

1. Trade Transparency Units

Trade based money laundering (TBML) has become a more prominent means to launder illicit proceeds due to gaps in trade-based information sharing between countries. Trade Transparency Units (TTUs) allow the United States and certain partner nations to share trade data to identify global TBML trends.

- **How does HSI use trade data from the U.S. and other countries to inform its drug-related money laundering investigations?**

**Response:** U.S. Immigration and Customs Enforcement’s Homeland Security Investigations (HSI) examines the foreign trade data collected from the Trade Transparency Units (TTU) and compares it to the U.S. importation and exportation data to identify discrepancies. HSI has identified instances of transnational criminal organizations utilizing the Black-Market Peso Exchange trade-based money laundering technique to transfer proceeds from narcotic sales in the United States to international destinations. Through investigative techniques, HSI targets the vulnerable links of the criminal activity in the United States and leverages its legal authorities to interdict the flow of illicit proceeds, arrest individuals involved in the facilitation of this movement, and seize proceeds related to the criminal acts.

- **Precursor chemicals often transit through multiple countries en route to their final destination. How does HSI use the TTU program or other data sources to identify methods of conveyance, obfuscation, or other trends related to the precursor chemical trade?**

**Response:** HSI utilizes TTU partnerships to identify instances of the transshipment of precursor chemicals and other trade related to transnational criminal organizations. This cooperation between HSI and foreign customs agencies allows HSI criminal investigators access to additional resources and certified documents that can assist with the identification of perpetrators involved in the movement of precursor chemicals, the analysis of suspected transshipment routes used by criminal organizations, and the creation and preparation of criminal investigations.

2. Narcotics Enforcement Agreements

Precursor chemicals can be hidden, mislabeled, or diverted by individuals and companies during international transshipment. As part of the recently published Strategy for Combatting Illicit Opioids, HSI aims to Enhance Narcotics Enforcement Agreements (NEAs) with Express Consignment Carriers.

- **How effective are NEAs in assisting HSI’s detection of precursor chemicals entering Mexico from China?**

**Response:** Narcotics Enforcement Agreements (NEAs) are used to identify the recipients and locations of chemicals being shipped. More recently, the rise of consolidated shipments coming through the United States, which are ultimately destined for Mexico, have created a substantial blind spot in tracking these chemicals. Express Consignment Carriers (ECCs) with NEAs operating in the United States represent hundreds of millions of shipments coming into the United States per year. These ECC shipments are high-risk for precursor chemicals due to the very short span for interdiction, which can be just a few hours due to expedited shipment processing, and the massive volume of incoming shipments. NEAs help notify HSI and U.S. Customs and Border Protection (CBP) as the shipments come in, and when shipments are targeted, help the ECC route the shipment to HSI and CBP for inspection and, if appropriate, enforcement action. NEAs help to enhance coordination and cooperation, although the targeting is still done by HSI and CBP. HSI is seeking to expand NEAs to include upgraded systems accesses which would assist with targeting efforts. Law enforcement requires additional data sets from carriers to improve targeting and effectively stem the flow of precursor chemicals used to produce illicit narcotics from being imported into the United States.

**What challenges are associated with detecting and interdicting precursor chemicals or synthetic opioids that are shipped by private consignment carriers? Are there additional authorities or legislation needed to overcome these challenges?**

**Response:** Consolidated shipments pose a glaring vulnerability. They consist of large boxes or pallets containing dozens or hundreds of smaller packages. Each individual package bears pre-printed domestic labels, and no entry filing is made for these individual items. The large boxes or pallets, referred to as master cartons, are sent to a freight forwarder, with all entry documents reflecting a single shipment destined for the freight forwarder. Subsequently, the freight forwarder unpacks the master carton and disperses all the smaller packages into the mail-stream for last-mile delivery, typically handled by services like the United States Postal Service, United Parcel Service, or Federal Express.

This method of smuggling, known as master carton smuggling, enables dozens or hundreds of packages to enter the United States without any entry or customs documents filed with CBP. HSI and CBP heavily rely on importation documents, such as manifests and bills of lading, to effectively target specific individuals, and addresses associated with receiving precursor chemicals. Master carton smuggling exploits a loophole within customs regulations, ensuring that CBP and HSI remain unaware of the ultimate recipients of these shipments.

**Questions for the Record from Senator Charles E. Grassley**  
**U.S. Senate Caucus on International Narcotics Control**  
**“The Precursor Pipeline”**  
**Submitted on October 30, 2023**

1. Former Deputy Attorney General Rosen issued a memo titled “Adjudication of Venue Disputes Related to Multi-district Investigations and Prosecutions of International Narcotics Trafficking.” Also known as the Rosen memo, it was designed to sort out agency and jurisdiction issues for international narcotics cases.
  - **Was this memo in effect in May 2022?**

**Response:** The Rosen memo is an internal memorandum within the U.S. Department of Justice (DOJ), and therefore HSI respectfully defers to DOJ for details on if the memorandum was in effect in May of 2022.

2. The Chinese Embassy wrote in a letter to Senators Whitehouse and Grassley, “China is not the main source of chemicals of Mexico” and that “the amount of chemicals exported to Mexico from the U.S. far exceeds that from China.”
  - **Please explain which country sends more precursor chemicals to Mexico and provide any data you have supporting your response.**

**Response:** China remains the number one exporter of precursor chemicals used for illicit fentanyl and methamphetamine production seized in the United States. To date, the majority of precursor chemicals originate from China, with some documented instances of the precursors transiting through the United States as part of the shipping route to Mexico.

As an example, Operation Hydra is a major Homeland Security Investigations (HSI) initiative targeting transnational criminal organizations involved in the synthetic drug supply chains to include the interdiction of chemicals used in the production of illicit narcotics. Since inception, China has been the originating country in 63 percent of the precursor chemicals seized by HSI during Operation Hydra.

3. You testified that the Government of Mexico uses third party companies to destroy precursor chemicals.
  - **Please list the names of those companies.**

**Response:** The Government of Mexico has not shared information with HSI on which third parties they use to destroy precursor chemicals.

**Questions for the Record from Senator Ben Ray Luján**  
**U.S. Senate Caucus on International Narcotics Control**  
**“The Precursor Pipeline”**  
**Submitted on October 30, 2023**

1. Recently, it was reported that 360 bundles, totaling 602 pounds of methamphetamine, was uncovered through NII screening at the Santa Teresa Port of Entry in New Mexico. While it's noted that no arrests have been made in connection with this drug seizure, CBP has confirmed that the case remains under investigation.
  - **To gain a clearer understanding, could you provide more specific details regarding the exact resources HSI is currently deploying for these types of investigations?**

**Response:** Many HSI field offices have dedicated investigations toward transnational criminal organizations (TCOs) responsible for the smuggling, transportation, and distribution of controlled substances through air, land, and sea Ports of Entry. In addition to these investigative groups, HSI-led task forces are utilized to combat the distribution of fentanyl and other controlled substances, as well as the smuggling of illicit proceeds derived from the sale of these controlled substances. Dedicated Task Force Officers (TFOs) from multiple federal, state, local, and tribal law enforcement agencies work side-by-side with HSI to increase communication, coordination, and resources.

To generate criminal investigations, HSI leverages federal partners to expand knowledge and capabilities both in the homeland and abroad. HSI partners with U.S. Customs and Border Protection (CBP) including CBP's National Targeting Center to target shippers and their illicit shipments transiting to and through the United States. HSI leverages the resources of Organized Crime Drug Enforcement Task Force (OCDETF) Strike Forces, which combine resources from the Federal Bureau of Investigation, the Drug Enforcement Administration, CBP, and state and local law enforcement agencies along with U.S. Attorney's Offices to investigate and prosecute drug trafficking organizations operating along the Southwest border. Additionally, HSI coordinates with the United States Intelligence Community to identify sources of narcotic precursors used in the production of fentanyl and methamphetamine in Mexico by TCOs.

HSI works with CBP to identify related targets of interest via border crossing data or commercial entry data. Specifically, at Southwest border field offices, HSI's investigative objective is to link border seizures to TCOs and identify co-conspirators for potential federal prosecutions. For example, nearly every investigation initiated in the HSI San Antonio area of responsibility can be attributed to a TCO with a nexus to narcotics, weapons, and human smuggling. HSI also works alongside federal partners to disrupt and dismantle TCOs that are increasingly using digital assets as part of criminal schemes. Additionally, and particularly at field offices along the Southwest border, HSI collaborates with foreign partners regarding current threats to the United States and continually receives investigative leads through international partnerships. In addition to the resources listed above, HSI deploys a variety of investigative methods to combat

TCOs, including confidential informants and sources of information; financial investigations; funding to purchase information and purchase evidence; undercover agents (UCAs) and covert electronic devices for these UCAs; forensic examinations of electronic devices; pen registers; and other investigative tools.

- **Furthermore, what additional resources does HSI require to further enhance their capability in investigating and prosecuting high-level members of TCOs effectively?**

**Response:** Investigations into complex criminal conspiracies operating in multiple nations require intensive coordination between multiple law enforcement agencies and our international counterparts. Appropriately resourcing HSI to support these investigations with the trained investigators, analysts, and the technical equipment necessary is imperative to successful outcomes.

HSI investigations into these organizations acquire significant amounts of data. For example, the search of one cellular telephone can produce over 100 gigabytes of data for analysis. Investigations into organizations of dozens of individuals with multiple mobile devices, computers, and accounts can easily require thousands of gigabytes of data to be analyzed. Ensuring HSI has the latest tools to quickly analyze that data to further investigations is vital to targeting TCO leadership and ensuring organizational toppling outcomes.

Lastly, targeting the illicit financial networks that fund and launder the proceeds of TCO activity involves unique challenges due to complex laundering techniques. For example, HSI investigates third-party money laundering organizations that use digital mixing services to move digital assets through multiple platforms, making tracing of these digital assets difficult to accomplish. In order to meet these challenges, HSI created the Cross-Border Financial Crimes Center, bringing together the banking industry, U.S. federal law enforcement agencies, and our international partners to coordinate efforts to identify these illicit networks and dismantle them through financial investigations and prosecutions. As described above, HSI continues to leverage federal partners to target illicit financial networks that support TCOs, including DOJ OCEDEF Strike Forces and U.S. Attorney's Offices to investigate and prosecute drug trafficking organizations operating along the Southwest border, and the United States Intelligence Community to identify sources of narcotic precursors used in the production of fentanyl and methamphetamine in Mexico by TCOs.