



The Domestic Fentanyl Crisis in Strategic Context:



Part II—China and the Fentanyl Supply Chain



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Editor's Note: The views expressed in this report are those of the author and do not reflect the official position of the United States Military Academy, Department of the Army, or Department of Defense.

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Introduction

This report is the second in a three-part series that examines the role of the People's Republic of China (PRC) in the ongoing fentanyl crisis in the United States. The previous volume traced the origins of the fentanyl crisis and its consequences for national security.¹ While many of the underlying conditions of the crisis are domestic in origin, it was also shown that criminal organizations originating in and with ties to the PRC play a major role in sustaining the illegal fentanyl trade. This report continues the argument. It provides evidence of the PRC's complicity in the fentanyl crisis by describing how its domestic policy and law enforcement efforts fail to adequately undermine fentanyl production and sometimes even facilitate it. This sets the stage for the final report, which argues that the US government should treat the fentanyl epidemic as part of a strategy of asymmetric warfare by the Chinese Communist Party (CCP).

Although the PRC is undoubtedly the primary global source of illegally exported fentanyl and its precursors, it is important to distinguish between the unintended consequences of the fentanyl epidemic in the United States that benefit the Chinese Communist Party strategically and a deliberate asymmetric campaign by the CCP that uses drug warfare. There is no single piece of smoking-gun evidence of such a deliberate campaign. However, the evidence in this report and the one that follows paint a picture of significant PRC contributions to the ongoing fentanyl crisis.

China and the Fentanyl Supply Chain: A Tale of Two Faces

Publicly and officially, the PRC has made significant gestures of cooperation with the United States in meeting the opioid crisis challenge. Unofficially and illicitly, considerable evidence suggests the PRC actively supports and facilitates the flow of fentanyl into the United States. PRC officials continue to claim a narrative of fentanyl addiction as a US

¹ Nicholas Dockery, "The Domestic Fentanyl Crisis in Strategic Context, Part I: From Prescription to National Security Epidemic," The Modern War Institute, December 2024, www.mwi.westpoint.edu/the-domestic-fentanyl-crisis-in-strategic-context-part-i-from-prescription-to-national-security-epidemic/

problem.² In an interview with China Global Television Network, an international English-language news channel based in Beijing, the deputy secretary-general of the China National Narcotics Control Commission (CNNCC) criticized the United States for its role in creating the fentanyl crisis, attributing it to “its own misuse of prescription drugs.”³ Despite criticism, CNNCC’s spokesman declared readiness to provide full support in material control, intelligence sharing, law enforcement, and combating transnational crimes.⁴ In the words of Liu Pengyu, spokesperson for the Chinese embassy in Washington, “It is very clear that there is no fentanyl problem in China, and the fentanyl crisis in the United States is not caused by the Chinese side, and blindly blaming China cannot solve the U.S.’ own problem.”⁵ While there is some truth to Pengyu’s statement—the United States must do more to address the problem of addiction—currently, Chinese companies, possibly with the full support or willful blindness of the PRC government, are fanning the flames of this crisis.

Diplomatic Gestures

The CCP contends that it cooperates with the United States to stem opioid abuse and is committed to fighting the opioid crisis, even though illicit fentanyl production and fentanyl smuggling do not happen frequently in China.⁶ According to one report, there were only fourteen documented fentanyl cases among drug users between 2005 and 2009.⁷ The CCP boasts that it took proactive steps to combat the illegal fentanyl trade starting in 2015 by adding 116 new psychotropic substances, including six fentanyl analogs, to its controlled

² Vanda Felbab-Brown, “China and Synthetic Drugs Control: Fentanyl, Methamphetamines, and Precursors,” *Foreign Policy at Brookings*, March 2022, www.brookings.edu/wp-content/uploads/2022/03/FP_20221107_drug_trafficking_felbab_brown.pdf.

³ Antoni Slodkowski, “US, China Hold High-Level Talks on Anti-Narcotics Cooperation,” *Reuters*, June 20, 2024. www.reuters.com/world/us-china-hold-high-level-talks-anti-narcotics-cooperation-2024-06-20/.

⁴ Slodkowski, “US, China Hold High-Level Talks on Anti-Narcotics Cooperation.”

⁵ Michael Martina, “US Committee Finds China is Subsidizing American Fentanyl Crisis,” *Reuters*, April 16, 2024, <https://www.reuters.com/world/us/us-committee-finds-china-is-subsidizing-american-fentanyl-crisis-2024-04-16/>.

⁶ Felbab-Brown, “China and Synthetic Drugs Control,” 25.

⁷ Ma JL, LY Pang, L Zhong, and LM Zhang, “Abuse and Rational Use of Fentanyl,” *Clinical Medicine Journal* 10 (2012): 44–47. Cited in Yanping Bao, Shiqu Meng, Jie Shi, and Lin Lu, “Control of fentanyl-related substances in China,” *The Lancet* 6, no. 7 (July 2019): E15, [www.thelancet.com/journals/lanpsy/article/PIIS2215-0366\(19\)30218-4/fulltext](http://www.thelancet.com/journals/lanpsy/article/PIIS2215-0366(19)30218-4/fulltext).

substances list.⁸ In 2018, the CCP regulated thirty-two additional psychoactive substances, declaring a commitment to addressing the proliferation of synthetic drugs.⁹

At the G20 Summit in December 2018 in Argentina, Chinese President Xi Jinping committed to President Donald Trump that the PRC would schedule or control fentanyl and related substances following counternarcotic negotiations.¹⁰ Including fentanyl control on the summit agenda between the PRC and the United States highlights the issue's significance to the highest levels of international diplomacy.¹¹

In response to the summit, five months later, China's Ministry of Public Security, National Health Commission, and State Drug Administration jointly announced they would place all fentanyl and its analogs on the Supplementary List of Non-medicinal Narcotic Drugs and Psychotropic Drugs. Within the PRC, this action effectively controls all types of fentanyl, restricting use to a special government grant.¹² Initially, these discussions demonstrated progress. The Drug Enforcement Administration (DEA) confirmed the implementation of the controls, and at least one US official working for the US Immigration and Customs Enforcement's Homeland Security Investigations testified to Congress that

⁸ Bao et al, "Control of fentanyl-related substances in China."

⁹ Ministry of Public Security, National Health Commission, State Drug Administration. "Announcement on the Inclusion of 32 Substances Such as 4-Chloroethylcathinone in the Supplementary Catalogue of Controlled Varieties of Non-Medical Narcotic Drugs and Psychotropic Substances," August 16, 2018. www.mps.gov.cn/n6557558/c6219874/content.html; Bao et al, "Control of fentanyl-related substances in China."

¹⁰ Mark Landler, "U.S and China Call Truce in Trade War," New York Times, December 1, 2018, <https://www.nytimes.com/2018/12/01/world/trump-xi-g20-merkel.html>.

¹¹ For example, Presidents Richard Nixon and Ronald Reagan notably engaged in nuclear arms negotiations with the Soviet Union during the Cold War, significantly shaping global policy. President Bill Clinton also championed major international engagements like the North American Free Trade Agreement (NAFTA) and participated in the Kyoto Protocol discussions on climate change, bringing economic and environmental issues into global policy discussions. These historical instances demonstrate how pivotal issues, from trade and environmental protection to security, have consistently emerged in international forums involving US Presidents. The dialogue on fentanyl between President Trump and General Secretary Xi Jinping aligns with this pattern, marking the opioid crisis as a critical cross-border issue that requires international cooperation and high-level diplomatic engagement. See also Ben Westcott, "How China's Xi Jinping Blew a Golden Opportunity with US President Donald Trump," CNN, October 31, 2020, <https://www.cnn.com/2020/10/30/world/trump-china-xi-election-intl-hnk/index.html>.

¹² Zhang Yang, "From May 1st, the Entire Class Fentanyl Substances Will Be Regulated," State Council Information Office of the People's Republic of China, accessed June 27, 2024, www.scio.gov.cn/34473/34474/Document/1651166/1651166.htm<http://www.scio.gov.cn/34473/34474/Document/1651166/1651166.htm>.

they had observed a measurable decrease in the number of Chinese manufacturers willing to produce and distribute finished fentanyl products.¹³ The PRC effectively honored its agreement by implementing a series of regulatory measures to control fentanyl and its analogs, including placing all fentanyl-related substances on its controlled narcotics list as of May 1, 2019.¹⁴ At that time, the PRC's inclusion of 170 controlled psychotropic substances on the list, including twenty-five fentanyl analogs and two precursors, arguably contributed to a reduction in the exportation of finished fentanyl.¹⁵ By October 2021, the PRC introduced testing standards for fentanyl and synthetic cannabinoids, enhancing control over addictive substances.

The PRC also points to its regulatory framework and active participation in counternarcotics cooperation as evidence of commitment to addressing the global opioid crisis. Officials argue its comprehensive approach aligns with the United Nations' 2030 Agenda for Sustainable Development, Goal 3, which aims to "ensure healthy lives and promote well-being for all ages."¹⁶ The PRC claims its actions focus on strengthening the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol. The CNNCC emphasized the PRC's "zero tolerance" policy toward illegal drugs and robust support for the three United Nations drug control conventions.¹⁷

¹³ US Drug Enforcement Administration, "Fentanyl Flow to the United States," DEA Intelligence Report, DEA-DCT-DIR-008-20, January 2020; *Hearing on Oversight of Federal Efforts to Combat the Spread of Illicit Fentanyl, Before the Subcommittee on Oversight and Investigations*, US House of Representatives Committee on Energy and Commerce, 116th Congress (July 16, 2019) (written statement of David Prince, deputy assistant director, transnational organized crime, homeland security investigations), page 2. Available at <https://www.congress.gov/116/meeting/house/109817/witnesses/HHRG-116-IF02-Wstate-ChesterK-20190716.pdf>.

¹⁴ Ministry of Public Security of the People's Republic of China. "China to Include All Fentanyl-Related Substances into Control List Since May 1 2019." April 1, 2019. www.mps.gov.cn/n2254314/n2254487/c6473090/content.html

¹⁵ Bao et al, "Control of fentanyl-related substances in China."

¹⁶ United Nations. "Transforming Our World: The 2030 Agenda for Sustainable Development." Sustainable Development Knowledge Platform. Accessed June 14, 2024. www.sustainabledevelopment.un.org/post2015/transformingourworld.

¹⁷ Zekun Yang, "China Steadfast in Fighting Drug-Related Crimes," *China Daily*, June 27, 2023, govt.chinadaily.com.cn/s/202306/27/WS649a4ac7498ea274927c1a7b/china-steadfast-in-fighting-drug-related-crimes.html.

In the summer of 2024, the United States and the PRC reengaged in high-level discussions to enhance counternarcotics cooperation after a five-year hiatus. This renewed collaboration led to both nations jointly targeting a major operation linked to drug money laundering. The PRC's public security department praised the successful joint effort as an exemplary demonstration of effective antidrug cooperation between the two superpowers.¹⁸ However, a report by Reuters revealed that the PRC has yet to control three common fentanyl-making chemicals that the United Nations Commission on Narcotic Drugs in 2022 added to a list of precursors that member states—including China—are required to regulate.¹⁹

Evidence of China's Involvement or Passivity to the Illicit Fentanyl Trade

Despite the PRC ending the exportation of finished fentanyl products in 2019, the precursors from which it is manufactured are shockingly easy to obtain from China in the United States and distressingly challenging to control. The PRC engages in a number of tactics that either actively support the drug trade or inhibit prosecution of it. The CCP consistently obstructs internal efforts to prosecute traffickers, resulting in superficial or entirely ineffective legal action. Legal reforms, touted by the CCP as crackdowns on fentanyl production, are riddled with loopholes and inconsistently enforced by authorities, allowing traffickers to exploit the system. This deliberate manipulation of legal mechanisms further cements the CCP's commitment to protecting these criminal enterprises. Furthermore, both official US government investigations and independent research allege that the PRC's reluctance to curb fentanyl distribution and its ties to organized crime hinder international efforts to prosecute known Chinese drug traffickers.²⁰

¹⁸ Slodkowski, "US, China Hold High-Level Talks on Anti-Narcotics Cooperation."

¹⁹ Maurice Tamman, Laura Gottesdiener, and Stephen Eisenhammer, "We Bought Everything Needed to Make \$3 Million Worth of Fentanyl. All It Took Was \$3,600 and a Web Browser," *Reuters*, July 25, 2024, <https://www.reuters.com/investigates/special-report/drugs-fentanyl-supplychain>.

²⁰Chao Wang et al., "The Evolving Regulatory Landscape for Fentanyl: China, India, and Global Drug Governance," *International Journal of Environmental Research and Public Health* 19, no. 4 (2022): 2074, doi.org/10.3390/ijerph19042074.

PRC Domestic Tactics: Ownership and Support

The CCP holds ownership stakes in several companies involved in trafficking illicit fentanyl materials. The Terrorism, Transnational Crime, and Corruption Center (TraCCC) at George Mason University's Schar School of Policy and Government has uncovered a startling connection between illicit fentanyl sales and officially registered Chinese companies. TraCCC's research revealed that 40 percent of websites advertising illegal fentanyl link to these registered businesses.²¹ TraCCC's discovery challenges the common belief that rogue operators in the PRC are primarily responsible for the production of illegal fentanyl. Specifically, TraCCC's investigation examined over 350 English-language websites advertising fentanyl on Chinese-hosted web platforms, utilizing the Chinese search engine Baidu to gather data. Their research team identified the registration information of Chinese companies advertising on these websites and traced the global shipping routes of fentanyl products.²²

TraCCC's research also uncovered one of the primary networks involved in this trade: the Yuancheng Group, a Chinese chemical company based in Wuhan. This group comprises at least thirty-four companies in China and Hong Kong and has registered more than 112 websites. Further investigation showed that the Yuancheng Group has shipped products to forty-three countries across multiple continents. The study's findings highlight the sophisticated and far-reaching nature of the fentanyl trade, demonstrating how legitimate businesses may involve themselves in the distribution of illegal drugs.²³

Additionally, the European Monitoring Centre for Drugs and Drug Addiction and Europol

²¹ Louise Shelley, "Fentanyl, COVID-19, and Public Health," *World Medical & Health Policy* 12, no. 4 (2020): 390-397, doi.org/10.1002/wmh3.355.; Yulia Krylova and Judith Deane, ed. "The Illicit Business Behind the Opioid Epidemic: Conference Report." George Mason University's Schar School of Policy and Government, Terrorism, Transnational Crime, and Corruption Center (TraCCC), September 2020.

²² Danny Vincent. "Why a Deluge of Chinese-Made Drugs Is Hard to Curb." BBC News, April 18, 2024, www.bbc.co.uk/news/business-68669244.

²³ *Hearing on Follow the Money: The CCP's Business Model Fueling the Fentanyl Crisis, Testimony Before the Subcommittee on National Security, Illicit Finance, and International Financial Institutions*, US House of Representatives Committee on Financial Services, 118th Congress (March 23, 2023) (written statement of John A. Cassara, retired Special Agent, US Treasury). Available at <https://www.congress.gov/118/meeting/house/115542/witnesses/HHRG-118-BA10-Wstate-CassaraJ-20230323.pdf>; Krylova et al. "The Illicit Business Behind the Opioid Epidemic: Conference Report."

reported that chemical and pharmaceutical companies in the PRC openly sold new psychoactive substances.²⁴

In 2023, the PRC introduced a comprehensive policy package to stabilize and enhance its foreign trade amid global economic challenges. The Ministry of Commerce announced measures to bolster trade and support domestic businesses, focusing on initiatives to create opportunities, stabilize critical-product trade, and support foreign-trade companies.²⁵ As part of this broader strategy, Shanghai's Minhang District announced its support for Shanghai Ruizheng Chemical Technology, a subsidiary of the Richest Group, through a "foreign trade stabilization policy project" to boost exports.²⁶ Shanghai Ruizheng conducts chemical research, development, and production.²⁷ Known for openly promoting its fentanyl products on popular Chinese websites like Alibaba, the company has gained significant notoriety in the illicit drug trade.²⁸ According to the Richest Group advertisements, the company holds "independent import and export rights" and claims to have served thousands of customers in over one hundred countries, with an emphasis on member countries of the Belt and Road Initiative (BRI).²⁹

The support package for Shanghai Ruizheng included export credit premiums and insurance provided under the Shanghai Science and Technology Innovation Policy Services,

²⁴ Shelley, "Fentanyl, COVID-19, and Public Health"; Europe Monitoring Centre for Drugs and Drug Addiction (EMCDDA) and Europol, *EU Drug Markets Report 2019* (Luxembourg: Publications Office of the European Union, 2019), 18. www.emcdda.europa.eu/publications/joint-publications/eu-drug-markets-report-2019_en.

²⁵ "China Introduces Policies to Stabilize Foreign Trade," Xinhua, April 23, 2023, english.news.cn/20230423/6c42dfcdd53a444fb6ad0d7451e223b7/c.html.

²⁶ US Congress, House, Select Committee on the Strategic Competition Between the United States and the Chinese Communist Party, "The CCP's Role in the Fentanyl Crisis," 118th Cong., 2nd sess., 2024, <https://www.congress.gov/event/118th-congress/house-event/117142>; Ben Westhoff, *Fentanyl, Inc.: How Rogue Chemists Are Creating the Deadliest Wave of the Opioid Epidemic* (New York: Atlantic Monthly Press, 2019).

²⁷ "Enterprise Certification," ChemicalBook, www.chemicalbook.com/EnterpriseCertification_EN_22960901.htm.

²⁸ Dudely et al. "The Flow of Precursor Chemicals for Synthetic Drug Production in Mexico." InSight Crime, May 2023. www.insightcrime.org/wp-content/uploads/2023/05/The-Flow-of-Precursor-Chemicals-for-Synthetic-Drug-Production-in-Mexico-InSight-Crime-March-2023-3.pdf.

²⁹ Richest Group. "About Us." Richest Group. Accessed January 4, 2025. <https://www.richest-group.com/about.html>.

a program likely managed by the PRC's National Ministry of Science and Technology.³⁰ Furthermore, the Minhang District's emphasis on international trade and intelligent manufacturing, along with its support for companies like Shanghai Ruizheng, suggests a link between legitimate business activities and the production of precursor chemicals used in fentanyl synthesis.³¹

The Richest Group's extensive global network and promotion of fentanyl products resemble the activities of Jian Zhang and his company, Zaron Bio-Tech (Asia), which is registered in Hong Kong but operates out of Shanghai. Zhang's associates—Na Chu, Yeyou Chu, Cuiying Liu, and Keping Zhang—used money-service businesses to launder narcotics proceeds, facilitating fentanyl shipments to the United States. Zaron Bio-Tech, which produces food additives, operates in China, Vietnam, Thailand, and Singapore and is involved in activities similar to Richest Group's Shanghai Ruizheng, particularly in the trafficking of fentanyl and other controlled substances. This connection suggests that Shanghai Ruizheng may be part of a broader international network linked to the global trafficking of synthetic narcotics.³²

Shanghai Ruizheng Chemical Technology operates production facilities in Hubei, Shandong, and Hebei provinces, regions that are also home to several entities designated by the US Department of the Treasury for their involvement in illicit drug manufacturing and trafficking.³³ In Hubei, the company's factory in Hubei Xianning is located near Hubei Vast Chemical, a company linked to fentanyl precursor production and associated with the drug trafficking organization known as the Syndicate and run by Du Changgen.

The Syndicate supplies narcotics traffickers in the United States, dark web vendors, money launderers, and Mexico-based criminal organizations, including the Sinaloa Cartel and the Jalisco New Generation Cartel, both designated by the Office of Foreign Assets

³⁰ US Congress, "The CCP's Role in the Fentanyl Crisis."; The decision was likely influenced by the Minhang District Economic Commission, which is connected to the Shanghai municipal government and includes members of the CCP on its committee.

³¹ Shanghai Municipal People's Government. "Shanghai Launches Innovative Zones Linked to FTZ." August 19, 2024. english.pudong.gov.cn/2024-08/19/c_1015191.htm.

³² US Department of the Treasury. "Treasury Targets Chinese Fentanyl Trafficker and His Organization." April 27, 2018. home.treasury.gov/news/press-releases/sm0372.

³³ US Department of the Treasury (TREAS). "Treasury Sanctions China-Based Network for Trafficking Synthetic Drugs." December 7, 2023. home.treasury.gov/news/press-releases/jy1779.

Control under the Foreign Narcotics Kingpin Act and Executive Order 14059: Imposing Sanctions on Foreign Persons Involved in the Global Illicit Drug Trade.³⁴ The Syndicate is responsible for manufacturing and distributing large quantities of fentanyl, nitazenes, methamphetamine, MDMA precursors, and other illicit chemicals used in the production of these drugs.³⁵ In Hebei, Shanghai Ruizheng's factory in Shijiazhuang is close to Hebei Guanlang Biotechnology, a company involved in trafficking methamphetamine and fentanyl precursors and owned by Du Changgen.

Support for companies like Richest Group and its subsidiary companies aligns with broader CCP policies aimed at bolstering China's foreign trade position and supporting domestic businesses.³⁶ The CCP has increased its presence and control in private companies through various means, including party cells, official placements, and financial incentives.³⁷ Even where there is less clear evidence of ownership, the CCP provides substantial material and social support to these companies. The party provides tax rebates, grants, and awards to companies involved in exporting synthetic narcotics.³⁸ Given the CCP's deep involvement in the private sector and its history of supporting companies engaged in questionable practices, the support for Shanghai Ruizheng is arguably part of a larger pattern of indirect facilitation of the fentanyl trade.

Furthermore, Gaosheng Biotechnology, identified by a prominent think tank as a prolific online seller of fentanyl precursors and synthetic narcotics, also received

³⁴ TREAS. "Treasury Sanctions China-Based Network for Trafficking Synthetic Drugs."

³⁵ TRM Labs. "US Treasury and DOJ Take Action Against Chinese Fentanyl Trafficking Network." www.trmlabs.com/post/u-s-treasury-and-doj-take-action-against-chinese-fentanyl-trafficking-network.; TREAS. "Treasury Sanctions China-Based Network for Trafficking Synthetic Drugs."; C4ADS. "Tweaking the Record." January 16, 2020. c4ads.org/commentary/2020-1-16-tweaking-the-record/.

³⁶ State Council of the People's Republic of China. "China to Stabilize Foreign Trade, Improve Trade Structure." March 4, 2023. english.www.gov.cn/statecouncil/ministries/202303/04/content_WS64029775c6d0a757729e794e.html.

³⁷ Jeffery Becker, "Fused Together: The Chinese Communist Party Moves Inside China's Private Sector." Center for Naval Analyses (CNA), September 2024. www.cna.org/our-media/indepth/2024/09/fused-together-the-chinese-communist-party-moves-inside-chinas-private-sector.

³⁸ US Congress, "The CCP's Role in the Fentanyl Crisis."; Mike Gallagher, "How China's Ruling Party Fuels US Fentanyl Crisis." Hudson Institute, May 1, 2024. www.hudson.org/drug-policy/how-chinas-ruling-party-fuels-us-fentanyl-crisis-mike-gallagher.

government awards and visits from PRC officials.³⁹ The secretary and the deputy director of the Guangzhou Development Zone Management Committee visited Gaosheng Biotechnology, praising its economic impact on the province despite its open advertisement of illegal narcotics online.⁴⁰ Gaosheng publicly boasted on its external website that it is wholly state-owned and specializes in producing and exporting pharmaceutical intermediates like the potent synthetic opioid U-47700. Gaosheng Biotechnology is located in Shanghai and has six subsidiary companies that benefit from tax exemption privileges.

Similarly, Yafeng Biological Technology Company, which formally ceased operations in 2022, openly sold illicit synthetic narcotics, including cathinones, synthetic cannabinoids, and U-47700, through multiple websites. Although formally dissolved, a successor entity continues Yafeng's operations.⁴¹ Yafeng is linked to the PRC's global illicit fentanyl trade. The email address used to register Yafeng Biological Technology's website also registered nine other companies selling fentanyl precursors and analogues. Yafeng's latest site shares a registered address with two others advertising fentanyl materials. These sites also share contact details like email addresses and WhatsApp numbers. Based on these connections, it appears Yafeng controls protonitazene.com, a site promoting fentanyl precursors and synthetic narcotics, including a "hot sale to Mexico."⁴²

Anhui Ruihan Technology Company, located in Hefei, China, sells fentanyl precursors to the United States and Mexico. One of its products, identified as CAS: 125541-22-2, is a key ingredient in fentanyl production. In September 2023, a company representative started negotiating with an undercover DEA agent pretending to be a trafficker. CAS: 125541-22-2, known by the identifier assigned by the Chemical Abstracts Service, is a chemical linked to fentanyl and listed by the International Narcotics Control Board as having no legitimate uses. One kilogram of this chemical can

³⁹ Michael Lohmuller, Nicole Cook, and Logan Pauley. "Lethal Exchange: Synthetic Drug Networks in the Digital Era." C4ADS, November 17, 2020. c4ads.org/reports/lethal-exchange/.

⁴⁰ Lohmuller, "Lethal Exchange: Synthetic Drug Networks in the Digital Era," 19.; US Congress, "The CCP's Role in the Fentanyl Crisis," 19.

⁴¹ Yafeng Biological Technology Co., Ltd., homepage, accessed April 9, 2024, web.archive.org/web/20240214015942/http://www.chinayfkj.com/; US Congress, "The CCP's Role in the Fentanyl Crisis," 20.

⁴² US Congress, "The CCP's Role in the Fentanyl Crisis," 21.; Protonitazene, HK Benton Pharm Chemical Co., Ltd., web.archive.org/web/20240228011845/https://www.protonitazene.com.

potentially produce up to 1.3 kilograms of fentanyl. Anhui Ruihan confirmed it could ship twenty-five kilograms of this substance, which could produce around 32.5 kilograms of fentanyl. It also provided a Bitcoin address for payment and reassured the agent of the company's expertise in customs clearance.⁴³

The case of Wan Kuok Koi, known as Broken Tooth, sheds light on the intricate web of criminal activities intertwined with larger PRC initiatives. As a member of the CCP's Chinese People's Political Consultative Conference and a leader of the 14K Triad, a notorious Chinese organized crime syndicate, Broken Tooth is deeply involved in drug trafficking, illegal gambling, racketeering, and human trafficking. Despite these illicit activities, he has managed to maintain a position within the CCP.⁴⁴ Broken Tooth established the World Hongmen History and Culture Association and Dongmei Group to legitimize the Triad's operations and further its criminal agenda.⁴⁵ He masked illegal activities under the pretext of supporting China's BRI and other CCP programs.

These enterprises, closely tied to BRI projects, connect to criminal networks, engage in illicit activities, and actively assist Chinese nationals, showcasing a pattern of complicity in criminal behavior to advance PRC interests. The complex network of criminality led by Broken Tooth raises earnest questions about the PRC's support and facilitation of criminal activities in Southeast Asia. This pattern of behavior suggests a concerning overlap between state-sponsored initiatives and organized crime, potentially indicating the PRC's willingness to leverage criminal networks to further its geopolitical and economic goals in the region. The US Department of the Treasury's sanctions against Wan and his associates highlight the international community's growing awareness and concern over these connections between Chinese organized crime and state-backed projects.

PRC Domestic Tactics: Obstruction and Protection

Credible reports also suggest the PRC government actively obstructs US law enforcement investigations that target illicit fentanyl manufacturers, further exacerbating

⁴³ Tamman, et al., "We Bought Everything Needed to Make \$3 Million Worth of Fentanyl."

⁴⁴ US Department of the Treasury (TREAS), "Treasury Sanctions Corrupt Actors in Africa and Asia," press release, December 9, 2020, [home.treasury.gov/news/press-releases/sm1206](https://www.treasury.gov/news/press-releases/sm1206).

⁴⁵ TREAS, "Treasury Sanctions Corrupt Actors in Africa and Asia."

international concerns. Allegedly, PRC authorities notify manufacturers when US agencies seek cooperation, enabling them to modify operational tactics and evade detection.⁴⁶ PRC officials also deliberately delay communicating with US officials, especially when presented with evidence of major fentanyl trafficking offenses that are felonies under Chinese law.⁴⁷ For example, during a meeting in Beijing in May 2018, the Chinese admitted that the Zheng drug trafficking organization was distributing fentanyl analogs. However, PRC Ministry of Public Security officials claimed they could not prosecute because PRC law did not schedule these substances. In response, the United States Department of Justice (DOJ) provided a detailed legal analysis and evidence of the Zheng organization's activities violating several PRC felony statutes. Despite this, PRC officials refused to take legal action and discouraged further cooperation, explicitly asking the DOJ not to indict the organization.⁴⁸

A 2022 report by the US Commission on Combating Synthetic Opioid Trafficking identified the PRC's chemical and pharmaceutical sectors, paired with insufficient regulatory oversight, as fostering conditions conducive to illegal activities.⁴⁹ Significant deficiencies in official collaboration between the PRC and Mexico persist in tackling the trafficking of fentanyl and synthetic opioid precursors.⁵⁰ The PRC absolves itself of shared responsibility, arguing that Mexican authorities should manage enforcement. The rise of Chinese criminal involvement in Mexico, including money laundering and the trade of wildlife products for drug precursors, indicates a growing problem.⁵¹ It is unclear if the

⁴⁶ *Hearing on Follow the Money: The CCP's Business Model Fueling the Fentanyl Crisis, Testimony Before the Subcommittee on National Security, Illicit Finance, and International Financial Institutions*, US House of Representatives Committee on Financial Services, 118th Congress (March 23, 2023), (written statement of Donald H. Im, retired DEA Assistant Special Agent in Charge). Available at <https://docs.house.gov/meetings/BA/BA10/20230323/115542/HHRG-118-BA10-Wstate-ImD-20230323.pdf>.

⁴⁷ Im, "Follow the Money: The CCP's Business Model Fueling the Fentanyl Crisis."

⁴⁸ US Congress, "The CCP's Role in the Fentanyl Crisis," 24.

⁴⁹ Ricardo Barrios, Susan V. Lawrence, and Liana W. Rosen, "China Primer: Illicit Fentanyl and China's Role," Congressional Research Service, IF10890, February 20, 2024, crsreports.congress.gov/product/details?prodcode=IF10890.

⁵⁰ Nicholas Dockery, "Cartels, Corruption, and Fentanyl: How Can US-Mexico Cooperation Address Shared Security Concerns?," Modern War Institute at West Point, <https://mwi.westpoint.edu/cartels-corruption-and-fentanyl-how-can-us-mexico-cooperation-address-shared-security-concerns/>.

⁵¹ Felbab-Brown, "China and Synthetic Drugs Control."

PRC's collaborative deficiency is willful blindness in the service of asymmetric warfare, but these criminal groups have significant links to the CCP.

Through systematic delays and bureaucratic obfuscation, the active obstruction of US law enforcement efforts further suggests a deliberate strategy to maintain a haven for illicit activities. When US law enforcement or embassy officials received permission to inspect potential synthetic narcotics production sites within the PRC, bureaucratic delays systematically undermined the process. PRC regulatory authorities consistently postponed granting access to sites, particularly those involved in producing precursor substances for synthetic narcotics.⁵² These delays provided ample time for operators of illegal sites to vacate or sanitize the premises, obscure illicit activities, and frustrate US efforts to gather concrete evidence.⁵³

Further obfuscating international law enforcement efforts, when the United States succeeded in arresting a Chinese national involved in drug trafficking, the PRC not only withheld assistance in the investigation but also actively issued warnings to its other known citizens engaged in drug trafficking. The alerts advised traffickers to avoid "falling into US snares and arrest-entrapment," effectively coaching potential criminals on evading US law enforcement tactics.⁵⁴

In April 2023, US Attorney General Merrick Garland announced significant enforcement actions against the Sinaloa Cartel, underscoring the DOJ's commitment to combating the fentanyl epidemic without assistance from the PRC. The DOJ actively pursues accountabilities for all parties involved, including cartel leaders, drug and gun traffickers, money launderers, security forces, and clandestine lab operators. Additionally, the DOJ focuses on disrupting Chinese chemical companies supplying cartels with necessary

⁵² US Congress, "The CCP's Role in the Fentanyl Crisis," 9, 24; Emily Feng, "We Are Shipping To The US': Inside China's Online Synthetic Drug Networks," *NPR*, November 17, 2020, www.npr.org/2020/11/17/916890880/we-are-shipping-to-the-u-s-china-s-fentanyl-sellers-find-new-routes-to-drug-user.

⁵³ Lauren Greenwood and Kevin Fashola, "Illicit Fentanyl from China: An Evolving Global Operation," US-China Economic and Security Review Commission (Issue Brief), August 24, 2021, www.uscc.gov/sites/default/files/2021-08/Illicit_Fentanyl_from_China-An_Evolving_Global_Operation.pdf.

⁵⁴ Jacob Gu, "China Warns Its Citizens on 'Entrapment' by US Law Enforcement," *Bloomberg*, July 10, 2023, www.bloomberg.com/news/articles/2023-07-10/china-warns-its-citizens-on-entrapment-by-us-law-enforcement.

precursors for manufacturing fentanyl.⁵⁵ The lack of cooperation from the CCP in prosecuting companies complicates enforcement efforts and hinders necessary international collaboration to tackle issues effectively.

PRC Domestic Tactics: Subsidies and Taxes

Driven by profit and shielded by the state, illicit drug production thrives in an environment created by calculated manipulation of economic policy. Subsidies offered by the PRC further reduce costs for Chinese firms in the pharmaceutical industry. Since 2011, the PRC has held the position of the world's largest chemical industry by revenue.⁵⁶ Additionally, in 2021, the PRC became the leading global exporter of chemicals, with exports surpassing \$100 billion (See Figure 1).

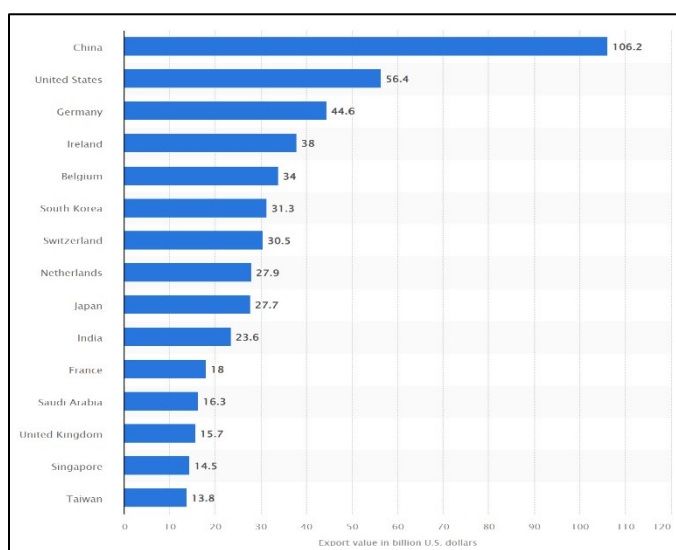


Figure 1: Global Chemical Exports, 2021⁵⁷

⁵⁵ US Internal Revenue Service, "Three Chinese Chemical Manufacturing Companies and Five Employees Charged," Criminal Investigation, US Department of the Treasury, www.irs.gov/compliance/criminal-investigation/three-chinese-chemical-manufacturing-companies-and-five-employees-charged.

⁵⁶ Hong et al., "China's Chemical Industry: New Strategies for a New Era," *McKinsey & Company*, March 20, 2019, www.mckinsey.com/industries/chemicals/our-insights/chinas-chemical-industry-new-strategies-for-a-new-era.

⁵⁷ Statista Research Department, "Global Leading Chemical Exporters Based on Value 2021," *Statista*, March 24, 2023, www.statista.com/statistics/272369/export-volume-of-the-chemical-industry-by-country/#statisticContaine.

Since at least 2018, the PRC has actively subsidized seventeen illegal narcotics, including fourteen fentanyl analogs classified as Schedule I controlled substances by the United Nations.⁵⁸ Many of these fentanyl analogs, with no documented commercial use, have had devastating impacts.⁵⁹ For instance, 3-methylfentanyl, a potent analog up to six thousand times stronger than morphine, has caused mass casualties, including its alleged use by the Russian Federation during the 2002 Moscow theater hostage crisis.⁶⁰

As recently as 2024, the PRC expanded export subsidies to include “other fentanyls and derivatives,” encompassing all fentanyl analogs and precursors.⁶¹ However, the PRC continues to subsidize the export of illegal Schedule I narcotics, including PCP, MDMA, illicit amphetamines, cathinones, and synthetic cannabinoids, offering full tax rebates for these substances. Although the PRC listed two fentanyl precursors highly sought by cartels, N-phenethyl-4-piperidone and 4-anilino-N-phenethylpiperidine, as controlled substances, a US Congressional report found that the PRC continues to subsidize them despite their scheduled status.⁶² While Chinese companies now conceal information about fentanyl when searched in English on their websites, users can find information by searching in Mandarin or using previous product codes. The calculated manipulation of economic policy

⁵⁸ US Congress, “The CCP’s Role in the Fentanyl Crisis,” 10-11; United Nations Office on Drugs and Crime, “Mandate and Functions: Scheduling,”

www.unodc.org/unodc/en/commissions/CND/Mandate_Functions/Scheduling.html.

⁵⁹ G. L. Henderson, “Designer Drugs: Past History and Future Prospects,” *Journal of Forensic Sciences* 33, no. 2, 1988, 569; Olaf H. Drummer, “Fatalities Caused by Novel Opioids: A Review,” *Forensic Sciences Research* (May 7, 2018), accessed August 6, 2024,

www.ncbi.nlm.nih.gov/pmc/articles/PMC6609322; US Drug Enforcement Administration (DEA), Diversion Control Division, *Drug Fact Sheet: Phencyclidine (PCP)*, https://www.deadiversion.usdoj.gov/drug_chem_info/pcp.pdf

⁶⁰ Ilkka Ojanperä et al., “An Epidemic of Fatal 3-Methylfentanyl Poisoning in Estonia,” *International Journal of Legal Medicine* 122, no. 5, (September 2008). 395-400, doi.org/10.1007/s00414-008-0230-x; Susie Lee et al., Letter to The Honorable Antony Blinken, Secretary of State, August 2, 2023,

www.craig.house.gov/sites/evo-subsites/craig.house.gov/files/evo-media-document/finalbipartisan-letter-to-secretary-blinken-on-prcs-role-in-fentanyl-crisis.pdf; US Congress, “The CCP’s Role in the Fentanyl Crisis,” 10;

Anne Milgram, “Administrator Milgram Remarks Delivered,” *US Drug Enforcement Administration*, October 4, 2023,

[www.dea.gov/sites/default/files/2023-](http://www.dea.gov/sites/default/files/2023-10/FINAL_Operation%20ChemKong%20Press%20Conference%20Remarks%20as%20Delivered.pdf)

[10/FINAL_Operation%20ChemKong%20Press%20Conference%20Remarks%20as%20Delivered.pdf](http://www.dea.gov/sites/default/files/2023-10/FINAL_Operation%20ChemKong%20Press%20Conference%20Remarks%20as%20Delivered.pdf)

⁶¹ US Congress, “The CCP’s Role in the Fentanyl Crisis,” 13.

⁶² US DEA, “China Announces Scheduling Controls on Two Fentanyl Precursor Chemicals,” Press Release, January 5, 2018, www.dea.gov/press-releases/2018/01/05/china-announces-scheduling-controls-two-fentanyl-precursor-chemicals; US Congress, “The CCP’s Role in the Fentanyl Crisis,” 13.

to bolster China's export of illicit narcotics underscores its willingness to prioritize economic gain over international cooperation and public health.⁶³

Another example is the production of xylazine and nitazenes, which the PRC does not classify as illegal exports. These substances are increasingly appearing in illicit drug markets, worsening the overdose crisis in the United States. When mixed with fentanyl, they dramatically increase its lethality, creating an even more dangerous substance.⁶⁴ The DEA has seized xylazine-fentanyl mixtures in forty-eight of fifty states and in Washington, DC, and recently reported the seizure of three hundred grams of xylazine from a Chinese company shipping to Miami.⁶⁵

The PRC's economic manipulation is also exemplified by its misuse of the value-added tax (VAT) export rebate program. This program was intended to support legitimate trade.⁶⁶ However, it has worsened the global fentanyl crisis through exploitation. By deliberately misusing VAT incentives, the PRC financially boosts the production and export of illicit fentanyl and its dangerous analogs. Reducing or eliminating VAT on exported goods significantly increases their profitability, encouraging PRC companies to engage in the global drug trade.⁶⁷

Economic incentives and surveillance capabilities fortify this sanctuary, shielding the fentanyl industry from external pressures. Despite PRC laws authorizing the domestic sale or export of only a limited number of fentanyl types, the government licenses five companies for the manufacture and export of fentanyl analogs.⁶⁸ Between 2018 and 2020, the PRC actively adjusted subsidies for illicit narcotics, reflecting deliberate administrative decisions rather than outdated policies.

⁶³ US Congress, "The CCP's Role in the Fentanyl Crisis," 14.

⁶⁴ Xylazine, often referred to as 'tranq,' is a powerful veterinary sedative that has made its way into illicit drug supplies, further compounding the dangers of fentanyl.

⁶⁵ Milgram, "Administrator Milgram Remarks Delivered."

⁶⁶ KPMG, "Chinese Government Announces Significant Reduction to VAT Rates as China Enters New VAT Legislative Phase," March 5, 2019, www.kpmg.com/cn/en/home/insights/2019/03/china-tax-alert08.html.

⁶⁷ Harm Hoestra, "VAT in China," MS Advisory, May 12, 2022, www.msadvisory.com/vat-in-china.; PricewaterhouseCoopers, "PRC Value-Added Tax," January 15, 2024, www.taxsummaries.pwc.com/peoples-republic-of-china/corporate/other-taxes.

⁶⁸ Westhoff, *Fentanyl, Inc.*, 55.

In 2020, the PRC raised the VAT rebate for illicit synthetic drugs to 13 percent, a significant increase compared to the standard 3–9 percent for other commodities.⁶⁹ This elevated rate represents the most substantial subsidy for any exported product from the PRC. Despite the lack of official disclosure regarding the precise volume of subsidized illegal synthetic narcotic exports, research suggests a considerable impact. Notably, following Ben Westhoff’s coverage in his book *Fentanyl, Inc.*, PRC internet sources removed details about these subsidies.⁷⁰

PRC Domestic Tactics: Money Laundering

Like other global criminal groups, Chinese triads often cloak illicit activities and money laundering through legitimate businesses; yet, they are largely unbothered by the CCP, which has a long history of supporting or overlooking drug trafficking organizations within its sphere of influence. Triads are instrumental in aiding lawful PRC enterprises, some linked to CCP government officials, by promoting and facilitating overseas expansion, creating international political networks, and covertly gathering intelligence.⁷¹

Take, for example, Chinese-American gangster Xizhi Li, who created a network of operations that revolutionized underground money laundering practices between the United States, Latin America, and China. Despite the PRC’s notorious control and monitoring of its state-run economy, Li managed to move tens of millions of dollars into banks and companies within China with apparent impunity.⁷² Nothing like this happens in

⁶⁹ Ministry of Finance of the People’s Republic of China, “Announcement on Increasing the Export Tax Rate for Some Products”, March 17, 2020, web.archive.org/web/20231129194847/http://szs.mof.gov.cn/zhengcefabu/202003/t20200317_3484123.htm.

⁷⁰ US Congress, “The CCP’s Role in the Fentanyl Crisis,” 14.

⁷¹ *Hearing on Follow the Money: The CCP’s Business Model Fueling the Fentanyl Crisis, Before the Subcommittee on National Security, Illicit Finance, and International Financial Institutions*, US House of Representatives Committee on Financial Services, 118th Congress (March 23, 2023), (written statement of Vanda Felbab-Brown, “China’s role in the fentanyl crisis,” March 31, 2023). Available at www.brookings.edu/articles/chinas-role-in-the-fentanyl-crisis/.

⁷² US Attorney’s Office, Eastern District of Virginia, “Leader of Money Laundering Network Responsible for Laundering Millions of Dollars in Drug Proceeds Sentenced,” U.S. Department of Justice, October 26, 2021, www.justice.gov/usao-edva/pr/leader-money-laundering-network-responsible-laundering-millions-dollars-drug-proceeds; *Hearing on Follow the Money: The CCP’s Business Model Fueling the Fentanyl Crisis, Before the Subcommittee on National Security, Illicit*

the People's Republic of China without explicit knowledge and permission from the CCP, yet Li carried out his international money laundering operations without interference. During the investigation into Li's complex financial dealings, US agents discovered evidence suggesting that his schemes involved Chinese government officials and members of the CCP elite, according to court documents and national security officials. Chinese criminal networks took advantage of the fact that more than \$3.8 trillion in capital has left China since 2006, making it the world's top exporter of illicit money.⁷³

In 2023, Chainalysis, a blockchain data and analytics company, began investigating cryptocurrency's role in global fentanyl sales. Chainalysis's initial digital crypto finance scope focused on the on-chain activity of crypto addresses linked to suspected PRC-based chemical precursor shops.⁷⁴ Chainalysis revealed that PRC-linked crypto addresses received over \$37.8 million in cryptocurrency going back to 2018.⁷⁵

In 2024, Chainalysis expanded its analysis and uncovered a much larger network of transactions, including exchange deposit addresses, unique on-chain services, and various wallets dating back to 2015.⁷⁶ Their new findings show that, over a nine-year period, approximately \$250 million in cryptocurrency inflows were directed to China-based

Finance, and International Financial Institutions, US House of Representatives Committee on Financial Services, 118th Congress (March 23, 2023) (written statement of Celina B. Realuyo, Adjunct Professor, The George Washington University, "China and the Mexican Cartels' Asymmetrical War through the Illicit Fentanyl Trade"). Available at <https://docs.house.gov/meetings/BA/BA10/20230323/115542/HHRG-118-BA10-Wstate-RealuyoP-20230323.pdf>.

⁷³ Sebastian Rotella and Kirsten Berg, "How a Chinese American Gangster Transformed Money Laundering for Drug Cartels," *ProPublica*, October 22, 2022, www.propublica.org/article/china-cartels-xizhi-li-money-laundering.

⁷⁴ On-chain activity refers to transactions and operations that occur directly on a blockchain network and are recorded in its distributed ledger. These activities are verified, processed, and permanently stored on the blockchain, ensuring transparency, immutability, and security; A crypto address is a unique string of alphanumeric characters that serves as an identifier for sending and receiving cryptocurrency on a blockchain network. It functions similarly to a bank account number, but for digital assets.

⁷⁵ Chainalysis Team, "Crypto and the Opioid Crisis: What Blockchain Analysis Reveals About Global Fentanyl Sales," Chainalysis, March 7, 2024, www.chainalysis.com/blog/cryptocurrency-fentanyl-analysis-2023/.

⁷⁶ Exchange deposit addresses are unique blockchain addresses generated by cryptocurrency exchanges for users to deposit funds, while unique on-chain services refer to specialized blockchain-based applications or protocols that operate directly on the network, such as smart contracts, decentralized exchanges, or automated market makers.

chemical precursor operations (see Figure 2).⁷⁷ The significant increase in tracked financial activity highlights a more extensive, long-standing use of cryptocurrencies in the fentanyl precursor trade, which Chinese traffickers have used to launder money and participate in illegal sales.⁷⁸

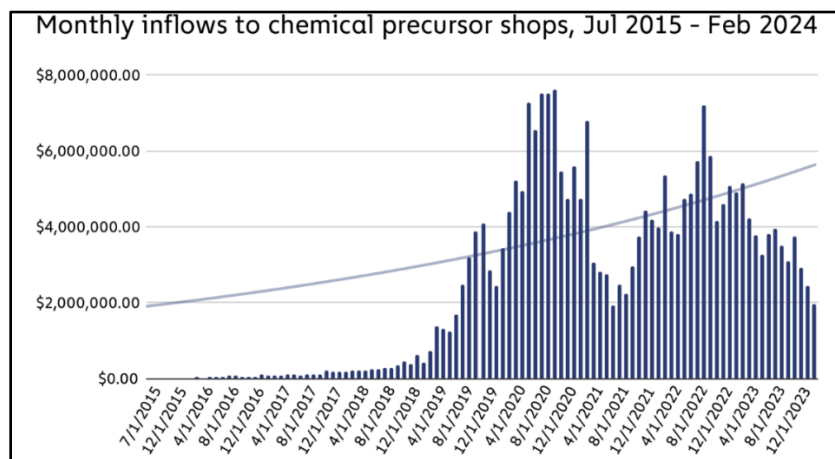


Figure 2: Monthly Money Inflows (USD) to Chinese Chemical Companies⁷⁹

In April 2023, the Office of Foreign Assets Control imposed sanctions on several individuals and entities in China and Latin America involved in fentanyl manufacturing and trafficking. The sanctions targeted two Chinese chemical companies, Wuhan Shuokang Biological Technology and Suzhou Xiaoli Pharmatech, along with four Chinese nationals associated with the former: Yao Huatao, Wu Yaqin, Wu Yonghao, and Wang Hongfei.⁸⁰

Wang Hongfei's entry on the Office of Foreign Assets Control Specially Designated Nationals list included a Bitcoin address under his control, which was used to accept payments for fentanyl precursor chemicals distributed by Wuhan Shuokang Biological

⁷⁷ Chainalysis Team, "Crypto and the Opioid Crisis."

⁷⁸ Chainalysis Team, "Crypto and the Opioid Crisis."

⁷⁹ Chainalysis Team, "Crypto and the Opioid Crisis."

⁸⁰ Chainalysis Team, "Chinese Chemical Businesses, Latin American Drug Cartel Associates Charged and Sanctioned for Bitcoin-based Sale of Fentanyl Precursors," Chainalysis, April 17, 2023, <https://www.chainalysis.com/blog/fentanyl-precursor-china-sanctions/>; U.S. Department of the Treasury, "U.S. Sanctions Suppliers of Precursor Chemicals for Fentanyl Production," U.S. Department of the Treasury, April 14, 2023, <https://home.treasury.gov/news/press-releases/jy1413>.

Technology. These companies are accused of supplying fentanyl precursors to Latin American brokers, who then sold them to drug cartels, including the Sinaloa Cartel.⁸¹

Bitcoin played a significant role in facilitating these illicit transactions. Both Wuhan Shuokang Biological Technology and Suzhou Xiaoli Pharmatech accepted Bitcoin for fentanyl precursor sales. The Bitcoin address controlled by Wang Hongfei was hosted by a large, compliant cryptocurrency exchange and has received approximately \$366,000 in Bitcoin since its activation in December 2021. These funds originated from various sources, including mainstream exchanges and the now defunct darknet market Hydra.⁸²

Due to loopholes and lax enforcement, legal businesses in the PRC have become havens for transnational criminal organizations (TCOs), which easily launder money and conduct illegal activities. TCOs help Chinese companies gain international business and political influence, especially those linked to government officials and the CCP. Chinese officials protect TCOs, but the groups gain favor by promoting PRC political and economic interests.⁸³ The PRC plays a complex role in transnational organized crime. It facilitates network operators, but its people suffer as some of the largest victims. Chinese triads, which link many criminal networks, have deep historical roots, while Chinese state-owned enterprises, government agencies, and the CCP increasingly appear connected to illicit activities.⁸⁴ TCOs support the PRC's economic interests abroad and function as enforcers against Chinese diaspora members who challenge the CCP.⁸⁵ These organizations target millions of victims worldwide with illegal and unregulated online gambling and sophisticated scamming operations. By the end of 2023, these syndicates were stealing an estimated \$64 billion annually.⁸⁶

⁸¹ Chainalysis Team. "Chinese Chemical Businesses."

⁸² Chainalysis Team. "Chinese Chemical Businesses."

⁸³ Felbab-Brown, "China and Synthetic Drugs Control," 14.

⁸⁴ United States Institute of Peace (USIP). "Transnational Crime in Southeast Asia: A Growing Threat to Global Peace and Security." May 2024. www.usip.org/programs/transnational-organized-crime-southeast-asia.

⁸⁵ Felbab-Brown, "China and Synthetic Drugs Control." 9.; Sebastian Rotella, "Outlaw Alliances: How China and Chinese Mafias Overseas Protect Each Other's Interests," *ProPublica*, July 12, 2023, www.propublica.org/article/how-beijing-chinese-mafia-europe-protect-interests.

⁸⁶ USIP, "Transnational Crime in Southeast Asia."

Chinese financial opacity obscures the true profits from illegal drug operations, while Mexican cartels rake in an estimated \$6 to \$21 billion annually.⁸⁷ Another report stated that in 2018, the Mexican government passed a law requiring cryptocurrency platforms to report transfers of over 56,000 pesos (\$2,830) to track Bitcoin and other cryptocurrencies used for anonymity. Authorities say the Jalisco New Generation and Sinaloa Cartels are increasingly using Bitcoin for money laundering. Mexican cartels are estimated to launder \$25 billion annually in Mexico alone.⁸⁸ This vast sum highlights the enormous financial incentives driving the illicit drug trade. Even a fraction of these Mexican cartel profits would amount to a substantial figure, suggesting that Chinese entities involved in drug trafficking or money laundering likely earn significant sums.

The lack of transparency in China's financial system complicates efforts to track and quantify these illicit earnings. This financial murkiness, combined with the immense profits at stake, underscores the challenges law enforcement faces in combating international drug trafficking networks. The intricate web of money laundering and drug profits spanning China and Mexico exemplifies the global nature of modern organized crime, where criminal groups exploit financial loopholes and cross-border connections to maximize their gains.

Conclusion: The Surveillance State as the Missing Link

The CCP claims to have built a society where criminals cannot hide, yet uses advanced surveillance infrastructure not to apprehend drug traffickers but to ensure traffickers' activities go unchecked.⁸⁹ The PRC is rapidly advancing toward creating an extensive system of algorithmic surveillance, which it claims is intended to reduce crime and terrorism.⁹⁰ The CCP employs a combination of online harassment, state-controlled media, and social media manipulation to control narratives, suppress dissent, and advance its agenda both domestically and internationally. These tactics significantly hinder the free flow of information and undermine the integrity of democratic discourse. In addition to

⁸⁷ Felbab-Brown, "China's role in the fentanyl crisis."

⁸⁸ Realuyo, "China and the Mexican Cartels' Asymmetrical War through the Illicit Fentanyl Trade."

⁸⁹ US Congress, "The CCP's Role in the Fentanyl Crisis."

⁹⁰ Anna Mitchell and Larry Diamond, "China's Surveillance State Should Scare Everyone," *The Atlantic*, February 2, 2018, www.theatlantic.com/international/archive/2018/02/china-surveillance/552203/.

these online tactics, the CCP utilizes state-controlled media outlets to shape public opinion and spread disinformation. For example, China Central Television produced a documentary blaming US companies for America's fentanyl crisis while highlighting the PRC's supposedly strict controls on the drug. This narrative deflects blame from the PRC's role in the production and distribution of fentanyl, painting the United States in a negative light.⁹¹

Further, the US Department of State claims Beijing invests billions annually to manipulate global information, employing propaganda, censorship, and digital authoritarianism to promote a positive image while suppressing criticism.⁹² The CCP accomplishes this by acquiring stakes in foreign media through public and nonpublic channels, sponsoring online influencers, and securing distribution agreements to promote content without disclosing its origins.⁹³ By establishing a controlled information ecosystem, Beijing co-opts foreign political elites and journalists and invests in satellite networks and digital television services in developing regions to prioritize Chinese state-backed media content. Other news sources allege the CCP manipulates information and controls narratives domestically and internationally using tactics such as "Spamouflage" or "Dragonbridge," which involves a vast network of social media accounts to harass individuals who criticize the CCP and promote pro-CCP narratives. This strategy aims to suppress dissent, manipulate global discourse, and discredit opponents of the CCP.⁹⁴

Despite having one of the most advanced techno-totalitarian surveillance systems in the world, there is an inconsistency in how these capabilities are used. The CCP has employed this system to detain, imprison, put under house arrest, or force into exile many citizens for alleged acts of counterrevolutionary propaganda, subversion of state power, and disturbing public order; however, its failure to be similarly attentive to the illegal

⁹¹ Chinese Central Television, "Every 5 Minutes Someone Dies from an Overdose in the US! The US Blames China for Its Opioid Abuse? Exposing the Truth About America's Drug Epidemic 'Breaking Fentanyl,'" YouTube video, June 13, 2023, www.youtube.com/watch?v=JteJcxrflcU.

⁹² Global Engagement Center, "How the People's Republic of China Seeks to Reshape the Global Information Environment," US Department of State, September 28, 2023, www.state.gov/gec-special-report-how-the-peoples-republic-of-china-seeks-to-reshape-the-global-information-environment/.

⁹³ Martina, "US Accuses China of Global Media Manipulation."

⁹⁴ Donnie O'Sullivan et al., "China is Using the World's Largest Known Online Disinformation Operation to Harass Americans, a CNN Review Finds," *CNN*, November 13, 2023, www.cnn.com/2023/11/13/us/china-online-disinformation-invs/index.html.

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fentanyl industry raises questions about whether selective employment of these surveillance tools protects certain illicit operations, undermining the government's claims of commitment to combating illegal fentanyl production.⁹⁵

⁹⁵ "China's Enormous Surveillance State is Still Growing," *The Economist*, November 23, 2023, www.economist.com/china/2023/11/23/chinas-enormous-surveillance-state-is-still-growing.

