



Department of Justice

STATEMENT OF THE U.S. DEPARTMENT OF JUSTICE

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**BEFORE THE
SENATE CAUCUS ON INTERNATIONAL NARCOTICS CONTROL**

**FOR A HEARING ENTITLED
“CHINESE MONEY LAUNDERING ORGANIZATIONS:
CLEANING CARTEL CASH”**

PRESENTED

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**Statement of William F. Kimbell
Chief of Operations
Drug Enforcement Administration
U.S. Department of Justice**

**At a Hearing Entitled,
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**Before the Senate Caucus on International Narcotics Control
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Chair Whitehouse, Co-Chair Grassley, and distinguished members of the Caucus: On behalf of the Department of Justice (Department), and in particular the nearly 10,000 employees working at the Drug Enforcement Administration (DEA), thank you for the opportunity to appear before you today to discuss DEA’s work to save lives and defeat the cartels that are responsible for the deadly drug poisoning epidemic in our country.

Americans today are experiencing the most devastating drug crisis in our nation’s history. This is because one drug—fentanyl—has transformed the criminal landscape. Fentanyl is exceptionally cheap to make, exceptionally easy to disguise, and exceptionally deadly to those who take it. It is the leading cause of death for Americans between the ages of 18 to 45, and it kills Americans from all walks of life, in every state and community in this country. The criminal organizations responsible for bringing illicit fentanyl into this country are modern, sophisticated, and extremely violent enterprises that rely on a global supply chain to manufacture, transport, and sell illicit fentanyl, and rely on a global illicit financial network to pocket the billions of dollars in revenue from those sales.

DEA has been hard at work to undertake a transformation of its own to meet this moment. DEA has acted with urgency to set a new vision, target the global criminal networks most responsible for the influx of illicit fentanyl into the United States, and raise public awareness about how just one pill can kill. We have transformed our vision by focusing on illicit fentanyl – the drug killing the most Americans - and the criminal organizations responsible for flooding fentanyl into our communities—the Sinaloa Cartel and the Jalisco New Generation (Jalisco) Cartel. We have transformed our plan by building an entirely new strategic layer—our counterthreat teams for the Sinaloa Cartel and the Jalisco Cartel and their illicit finance networks—that map the cartels, analyze their networks, and develop targeting information on the members of those networks wherever they operate around the globe. We have transformed our execution by providing that targeting information to our 334 offices worldwide, drawing from our global intelligence and law enforcement teams here and abroad, and working as One DEA to take the networks down.

Our efforts are yielding results. In the last year alone, our investigations have led to the indictment of 28 members and associates of the Chapitos network of the Sinaloa Cartel and the extradition of Ovidio Guzman Lopez; the arrest of 3,337 associates of the Sinaloa and Jalisco Cartels in the United States responsible for the last mile of illicit fentanyl and methamphetamine distribution on our streets and through social media; and, charges against 12 companies and 24 individuals in the People’s Republic of China (PRC) – four of which were members of the Chapitos network – for providing customers in

the United States and Mexico with the precursor chemicals and scientific know-how necessary to make illicit fentanyl and other dangerous drugs.

But, we are just beginning. The nearly 10,000 employees that I have the privilege of working with at DEA are the most committed and mission-driven people in federal law enforcement. We are laser-focused on defeating the cartels responsible for flooding our country with illicit fentanyl and saving American lives.

The Drug Poisoning Epidemic

In 2022, nearly 108,000 people in the United States lost their lives to drug poisonings. Countless more people are poisoned and survive. These drug poisonings are a national crisis.

A majority of the drug poisoning deaths in the United States involve synthetic opioids, such as illicit fentanyl, that are being distributed in new forms. Illicit fentanyl is being hidden in and being mixed with other illicit drugs such as cocaine, heroin, and methamphetamine. Drug traffickers are also flooding our communities with illicit fentanyl disguised in the form of fake prescription pills. These fake pills often are made to appear legitimate using pill presses and marketed by drug traffickers to deceive Americans into thinking that they are real, diverted prescription medications. In reality, these fake pills are not made by pharmaceutical companies, but by drug trafficking organizations, and they are highly addictive and potentially deadly. DEA lab testing reveals that today 7 out of 10 of these fentanyl-laced fake prescription pills contain a potentially lethal dose.

The availability of illicit fentanyl throughout the United States has reached unprecedented heights. DEA seized more than 79 million fake pills containing fentanyl in 2023 and nearly 12,000 pounds of fentanyl powder. Together, that is more than 380 million deadly doses of fentanyl seized in 2023.

The Drug Enforcement Administration

Mission

As the single mission agency tasked with enforcing our nation's drug laws, DEA's top operational priority is to relentlessly pursue and defeat the two Mexican drug cartels—the Sinaloa Cartel and the Jalisco Cartel—that are primarily responsible for driving the current illicit fentanyl and drug poisoning epidemic in the United States.

DEA is the lead agency on the law enforcement elements in the Administration's whole-of-government response to defeat the cartels and combat the drug poisoning epidemic in our communities. DEA's role in leading the law enforcement response to the illicit fentanyl epidemic protects the safety of agents, officers, and sources. Importantly, a unified response to the fentanyl epidemic ensures that the whole of government is moving in one direction that protects the safety and health of Americans.

DEA operates 30 field divisions with 241 domestic offices, 93 foreign offices in 69 countries, and 9 forensic labs. DEA's robust domestic and international presence allows it to map and target the entire Sinaloa Cartel and Jalisco Cartel networks.

Counterthreat Teams

DEA has launched cross-agency counterthreat teams (CTT) to execute a network-focused operational strategy to defeat the Sinaloa and Jalisco Cartels and their illicit finance networks. The CTT network-focused strategy has revealed the cartels' extensive efforts to expand their criminal operations and influence within the United States and globally. To enhance DEA's network-targeting strategy, DEA created several domestic and foreign divisional CTTs, that include Europe, Mexico, Colombia, and Ecuador. Composed of special agents, intelligence analysts, targeters, program analysts, data scientists, and digital specialists, these cross-functional teams work to analyze, identify, map, and target Sinaloa and Jalisco Cartel cells. These teams enable DEA to maintain an operating picture of the cartels and to quickly identify and adapt to the ever-evolving threats and trends presented by the Sinaloa and Jalisco Cartels.

Building on the work targeting the Sinaloa and Jalisco Cartels, DEA created a third counterthreat team focused on illicit finance networks (CTTIF). This counterthreat team improves DEA's visibility of the cartels' illicit financial infrastructure. CTTIF provides direct assistance to DEA field groups already investigating drug money launderers working for, or on behalf of the cartels, and to identify new money laundering targets. CTTIF is providing significant resources and coordinating current investigations on high level money launderers for the Sinaloa and Jalisco Cartels.

Mexican Cartels and Drug Trafficking

The Sinaloa and Jalisco Cartels are ruthless, violent, criminal organizations that have associates, facilitators, and brokers in all 50 states and around the world.

The Sinaloa Cartel, the Jalisco Cartel, and their affiliates control the vast majority of the illicit fentanyl global supply chain, from manufacture to distribution. The cartels are buying precursor chemicals in the PRC; transporting the precursor chemicals from the PRC to Mexico; using the precursor chemicals to mass produce illicit fentanyl; using pill presses to process the fentanyl into fake prescription pills; and using cars, trucks, and other routes to transport the drugs from Mexico into the United States for distribution. It costs the cartels as little as 10 cents to produce a fentanyl-laced fake prescription pill that is sold in the United States for as much as \$5 to \$25 per pill. As a result, the cartels make billions of dollars from trafficking illicit fentanyl into the United States.

The business model used by the Sinaloa and Jalisco Cartels is to grow at all costs, no matter how many people die in the process. The cartels are engaging in deliberate, calculated treachery to deceive Americans and drive addiction to achieve higher profits.

The Sinaloa Cartel

The Sinaloa Cartel, based in the Mexican State of Sinaloa, is one of the oldest drug trafficking organizations in Mexico. The Sinaloa Cartel controls drug trafficking activity in various regions in Mexico, particularly along the Pacific Coast. Additionally, it maintains the most expansive international footprint of the Mexican cartels. The Sinaloa Cartel exports and distributes wholesale amounts of illicit fentanyl, methamphetamine, heroin, and cocaine in the United States by maintaining distribution hubs in cities that include Phoenix, Los Angeles, Denver, and Chicago. Illicit drugs distributed by the Sinaloa Cartel are primarily smuggled into the United States through crossing points

located along Mexico's border with California, Arizona, New Mexico, and Texas. The Sinaloa Cartel reportedly has a presence in 19 of the 32 Mexican states.

The Jalisco Cartel

The Jalisco Cartel is based in the city of Guadalajara in the Mexican state of Jalisco, and was originally formed as a spin off from the Milenio Cartel, a subordinate to the Sinaloa Cartel. The Jalisco Cartel maintains illicit drug distribution hubs in Los Angeles, Seattle, Charlotte, Chicago, and Atlanta. Internationally, the Jalisco Cartel has a presence and influence through associates, facilitators, and brokers in countries around the world. The Jalisco Cartel smuggles illicit drugs such as fentanyl, methamphetamine, heroin, and cocaine into the United States by accessing various trafficking corridors along the southwest border that include Tijuana, Mexicali, Ciudad Juarez, Matamoros, and Nuevo Laredo. The Jalisco Cartel's rapid expansion of its drug trafficking activities is characterized by the organization's willingness to engage in violent confrontations with Mexican Government security forces and rival cartels. The Jalisco Cartel reportedly has a presence in 21 of the 32 Mexican states.

People's Republic of China and Precursor Chemicals

Chemical companies within the PRC produce and sell the majority of precursor chemicals that are used today by the Sinaloa and Jalisco Cartels to manufacture illicit fentanyl. These precursor chemicals from companies within the PRC are the building blocks for the illicit fentanyl that is manufactured and transported from Mexico into the United States, and that are causing tens of thousands of drug-related deaths in our country.

Chinese Money Laundering Operations and the Cartels

The Sinaloa and Jalisco Cartels increasingly utilize Chinese Money Laundering Organizations (CMLOs) in the United States and around the world to facilitate laundering drug proceeds. CMLOs use mirror transfers, trade-based money laundering, and bulk cash movement to facilitate the exchange of foreign currency. The use of CMLOs has made the money laundering process less expensive and drug trafficking more profitable for the cartels.

These money laundering schemes are designed to remedy two separate issues: (1) the desire of Mexican cartels to repatriate drug proceeds from the United States into Mexico, and (2) the desire of wealthy Chinese nationals to move restricted funds from China into the United States. CMLOs aid both groups by providing U.S. dollars held by Mexican cartels in the U.S. to PRC-based customers who need funds in the U.S.

Enforcement Actions Against the Sinaloa and Jalisco Cartels and PRC-Based Chemical Suppliers

The Chapitos Network of the Sinaloa Cartel:

On April 14, 2023, DEA announced indictments against the Chapitos—the leaders of the Sinaloa Cartel—and their criminal network. The Sinaloa Cartel supplies the majority of the illicit fentanyl trafficked into the United States, which has resulted in the United States’ unprecedented fentanyl epidemic. DEA’s network approach resulted in charges against 28 members and associates of the Chapitos network. These include suppliers of fentanyl precursor chemicals based in the PRC, a broker based in Guatemala assisting with the transport of those chemicals from the PRC to Mexico, managers of clandestine fentanyl laboratories based in Mexico converting the precursor chemicals into fentanyl pills and powder, weapons traffickers and assassins perpetuating extreme violence in Mexico to protect and expand the illicit fentanyl production, smugglers transporting the fentanyl from Mexico into the United States, and illicit financiers laundering the proceeds of illicit fentanyl sales from the United States back to Mexico through bulk cash smuggling, trade-based money laundering, and cryptocurrency.

As part of the investigation, the DEA conducted operations in ten countries and seized staggering amounts of illicit materials, including 2,557,000 fentanyl-laced pills, 105 kilograms of fentanyl powder, and 37 kilograms of fentanyl precursor chemicals, amounting to 22,747,441 potentially lethal doses of fentanyl. Ten defendants have been arrested to date with the assistance of DEA’s law enforcement partners in the United States and abroad.

Operation Killer Chemicals

On June 23, 2023, indictments were announced against 4 chemical companies and 8 individuals—all based in the PRC—for knowingly providing customers in the United States and Mexico with the precursor chemicals and scientific know-how to manufacture fentanyl. These indictments were the first-ever charges against fentanyl precursor chemical companies. Two PRC nationals were taken into custody pursuant to the investigation, and the other six individuals and four companies remain fugitives. DEA also seized more than 200 kilograms of precursors in these investigations alone, enough to make millions of deadly doses of fentanyl.

As alleged, these Chinese chemical companies, and the individuals working for them, not only provided customers with the ingredients for fentanyl, they also gave advice on how to mix and substitute ingredients to more efficiently make fentanyl, and employed chemists to troubleshoot and provide expert advice when customers had questions.

The companies allegedly went to great lengths to conceal the chemicals during transport. They are alleged to have falsified shipping labels and customs paperwork, and even disguised the chemicals at a molecular level—adding a molecule to “mask” the precursors so they would not be detected as banned substances during transport. Their customers remove that molecule after receipt.

Operation Killer Chemicals made clear that fentanyl precursors are exceptionally cheap and easily purchased online. Fentanyl precursors cost less than one cent per deadly dose of fentanyl and are advertised on social media (on Facebook and LinkedIn). Although based in the PRC, the chemical companies and individuals reached customers across the world through social media, used encrypted applications like WhatsApp to speak with customers and coordinate shipments, and took payment in Bitcoin and other cryptocurrencies.

Operation Chem Capture

On October 3, 2023, DEA announced eight indictments charging 8 companies and 12 individuals. These companies and individuals—all based in the PRC—were charged with crimes relating to illicit fentanyl and methamphetamine production, distribution of synthetic opioids known as nitazenes, the non-opioid additive xylazine and sales resulting from precursor chemicals. All defendants remain fugitives. The indictments build on prosecutions announced in June and mark the second set of prosecutions to charge China-based chemical manufacturing companies and nationals of the PRC for trafficking fentanyl precursor chemicals into the United States. During this multi-agency operation, DEA seized more than 80 kilograms of synthetic chemicals, enough to make more than 48 million potentially lethal doses.

Operation Chem Capture once again showed that these synthetical chemicals are cheap—a deadly dose costs mere cents—and sold online on public websites and through encrypted applications like WhatsApp, WeChat, and Wickr. The chemicals were shipped through common carriers, by air and by ground through the U.S. Postal Service, UPS, and FedEx, and were carefully packaged to deceive customs inspectors. The PRC-based companies accepted payment in every form—Western Union, MoneyGram, PayPal, Alibaba, bank transfers, Bitcoin, and other cryptocurrencies.

Operation Pillstop

In 2023, DEA seized more than 79 million fake pills containing fentanyl—a more than 33% increase from the year before. Since 2021, 99.7% of pills seized and tested by DEA that contained pharmaceutical imprints were fake. Drug traffickers use pill press machines and stamps to press illicit fentanyl, methamphetamine, and other deadly drugs into fake pills designed to look like real prescription medicines—like oxycodone, Xanax, and Adderall.

In February, DEA issued a letter to more than 450 entities, including e-commerce companies in the United States, China, and India, reminding them of their responsibility to comply with the recordkeeping, identification, and reporting requirements of the Controlled Substances Act as it relates to the distribution, importation, and exportation of pill press equipment.

DEA has also recently highlighted several cases which resulted in significant seizures of pill presses and the dismantling of clandestine labs operating within the United States, all of which contributed to today's illicit fentanyl crisis. Costing between a few hundred and several thousand dollars, these pill presses could each produce thousands of deadly doses an hour, and were used by drug traffickers to illegally press fentanyl, methamphetamine, and other dangerous drugs into pills to trick others into taking what they believed was legitimate prescription medication.

Conclusion

DEA will continue our relentless pursuit of the Sinaloa and Jalisco Cartels—the criminal networks most responsible for illicit fentanyl-related deaths in our country—and we will continue to work tirelessly to defeat these cartels and dismantle every part of their global supply chain, in order to protect the American people. Thank you again for the opportunity to appear before you today. I look forward to answering your questions.