

Congressman Newhouse Opening Remarks
Fentanyl Policy Working Group: Roundtable 3
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as prepared for delivery

Thank you for joining me today for the third session of our Fentanyl Policy Working Group. At our first meeting, we explored how to strengthen U.S. enforcement in the face of the fentanyl epidemic. Today, we'll discuss how to go on offense the old-fashioned way, by following the money.

The last time we faced such a novel money laundering challenge was after September 11th. Terrorist organizations used the age-old informal Hawala system to move money under the radar of U.S. and allied law enforcement. We quickly caught on and built a system to deal with that challenge. We called it terrorist financing. Now we need to explore a similar system.

Chinese money launderers have taken the terrorist money laundering playbook and digitized it. They use modern technologies—messaging and payment apps, e-commerce sites, digital assets, and the opaque nature of the Chinese banking system—to move large sums of money and facilitate trade-based money laundering with impunity.

This system largely evades the formal banking system in the United States, Mexico, and elsewhere, making it particularly difficult to counter with traditional anti-money laundering tools.

But make no mistake, the CCP financing system runs right through Chinese banks—and the CCP knows all about it. Retired Admiral Craig Faller, the former head of U.S. Southern Command, has warned that the Chinese government is “at least tacitly supporting” money laundering. I’d go one step further: the illicit financing of the fentanyl trade is state-sponsored by the PRC.

Xi Jinping, as the Select Committee detailed in its investigation, has doubled down on the PRC’s alliance with transnational Chinese criminal organizations. Chinese state actors protect these organizations from U.S. prosecution, and CCP elites even use the CCP threat financing network to enrich themselves.

The CCP threat financing system exploits gaps in our existing anti-money laundering laws and regulations. We must take aggressive steps to fill those gaps by:

1. Ensuring that all PRC-based applications used to launder fentanyl proceeds, such as WeChat Pay, register as Money Services Businesses.

2. Addressing the use of PRC-based e-commerce applications and sites to move fentanyl and fentanyl precursors—and the revenue from those sales.
3. Cracking down on PRC based financial institutions and money transmitters who move drug proceeds and profit from the deaths of Americans and our allies.

The United States needs a modernized system that confronts the novel use of web-based applications and digital currencies and that recognizes the PRC's central role in the financing of the fentanyl crisis.

Fortunately, we are joined today by two experts in anti-money laundering enforcement and the CCP's threat financing network:

- **Don Im:** Don Im retired in November 2022 as an Assistant Special Agent in Charge after 32-years with the Drug Enforcement Administration. While with the DEA, Dom also spent 28 years in the U.S. Army Reserves, retiring as a Lieutenant Colonel with U.S. Special Operations Command. In his role at the DEA, Don conducted and supported hundreds of drug money laundering and narco-terrorism investigations, including by developing policies, initiatives and operations to address Chinese Triads and PRC state-owned enterprises involved in the Opioid Fentanyl Crisis and their funding streams.
- **John Cassara:** John Cassara began his 26-year tour of government service as an intelligence officer during the Cold War. He later served as a Treasury Special Agent with both the Secret Service and Customs, investigating money laundering and trade fraud. After six years with the Treasury's Financial Crimes Enforcement Network (FinCEN), Mr. Cassara's final government position came at the Treasury' Office of Terrorism and Financial Intelligence. He is the author of "China - Specified Unlawful Activities: CCP Inc., Transnational Crime and Money Laundering," and, perhaps most interesting of all, at one point, he spent two years undercover as an arms dealer.
- **Alex Zerden:** Alex Zerden is the founder of Capitol Peak Strategies, a risk advisory firm based in Washington, DC. Alex has worked across the U.S. government, including at the White House National Economic Council, in the House and Senate, and at the Treasury Department, including as Treasury attaché at the U.S. Embassy in Kabul as the Financial Attaché. In addition to Capitol Peak, Alex is also an Adjunct Senior Fellow at CNAS, a Senior Advisor to WestExec Advisors, and a Term Member at the Council on Foreign Relations.

I know we will all benefit from their presence today. With that, I will turn the floor over to Mr. Auchincloss.