

Chairman Gallagher, Ranking Member Krishnamoorthi, and Honorable Members of this Select Committee,

I appreciate the opportunity to speak with you today on a matter of the highest national importance.

I would like to thank the Select Committee for the outstanding work it has been doing addressing the critical challenge posed to American prosperity and security by the Chinese Communist Party.

This Committee stands as an example of what can be done when serious leaders who love their country come together, working in a sober, thoughtful and bipartisan manner on behalf of the American people.

Your investigation and report on China's role in the production and distribution of fentanyl and other deadly synthetic narcotics is groundbreaking and a major contribution to the effort to defend Americans from the scourge of these illicit drugs.

As this Committee well knows, the fentanyl epidemic is inflicting catastrophic death and damage on our country.

Fentanyl is a deadly poison. The tiniest amount is lethal. It is typically distributed in disguised form so that people who take it think they are taking prescription drugs, such as Percocet, Xanax or Adderall. These fake pills are readily available over social media and the internet. Even when a drug is taken as an opioid, its victims have no idea that it contains a potentially lethal dose of fentanyl.

It is a euphemism to describe the mass distribution of fentanyl as "drug trafficking." It is outright murder. It is like shooting randomly into a crowd. Those who ply and enable this trade know with moral certainty that they are killing people on a mass scale.

And the scale of carnage is intolerable and getting worse. Drug overdose deaths stand at 112,000 a year and continue to climb -- the vast majority of these are attributable to fentanyl. As this Committee has pointed out,

fentanyl deaths are equivalent to a packed Boeing 737 crashing every single day.

To put this in perspective, during the bloodiest single year of World War II, we lost 106,000 troops killed in action. In short, we are now sustaining year-in-and-year-out a casualty rate from drug overdoses that exceed the death toll we suffered in a World War.

And this carnage is not the only damage being inflicted on our society. A congressional report found that the opioid crisis, fueled largely by fentanyl, cost the United States nearly \$1.5 trillion in 2020 --or 7% of gross domestic product

The families here today who have lost loved ones remind us that behind these numbers is the wrenching reality of immense human suffering.

The U.S. has long known – and I certainly knew as Attorney General – that the People’s Republic of China is the source of the fentanyl that is slaughtering Americans. China produces nearly illicit fentanyl precursors.

These are the indispensable ingredients that drive the illicit fentanyl trade. There is no practical alternative source for anywhere near the volume of precursors necessary. Simply put, without China’s production and export of fentanyl and fentanyl precursors, there would be no fentanyl crisis. The mass slaughter would effectively stop.

But up to now, there has always been a crucial question. What is the role of PRC and CCP? Has this been an illicit business carried on by Chinese organized crime and corrupt businessmen and officials, with the Chinese government simply reluctant to spend too much effort to help the U.S. stop what they see as primarily an American problem?

Or is this effectively an intentional, official program to wreak havoc in the U.S., given impetus, support, and encouragement by the CCP and PRC?

Many of us suspected the latter. It was hard to believe that a country with the most pervasive system of social control and surveillance in the world was not fully aware of this massive drug trafficking.

Yet the question was murky... until now. Thanks to the trailblazing work of this Committee, we now have a much clearer picture.

The Committee's work has uncovered persuasive evidence that the PRC and CCP are not just bystanders; they are the prime movers. They are knee deep in actively sponsoring, encouraging, and facilitating the production and export of fentanyl and fentanyl precursors for distribution in the United States.

The Committee's report issued today canvasses this eye-opening evidence. Let me just cite some of the facts I find most convincing.

First, Committee investigators have found a hidden PRC government website – currently fully active -- that offers complete tax rebates incentivizing the export of all fentanyl analogues and precursors, as well as other synthetic narcotics – drugs that are illegal in the U.S. and China and have no legitimate purpose. These tax rebates are among the highest offered and allow companies to effectively operate tax free when they export fentanyl precursors. The Chinese have taken steps to prevent persons outside the PRC from finding this site. Significantly, an earlier PRC rebate system covering fentanyl – less expansive than this current one – was discovered to have been active in 2018, but appears to have been quickly scrubbed from the internet after it was reported in 2019. The new hidden site, with more aggressive incentives, has replaced it.

Second, the Committee's evidence shows the PRC government provided grants and awards to companies engaging in open and notorious synthetic narcotics manufacturing and drug trafficking.

Third, the Committee found that the PRC government has ownership stakes in certain Chinese chemical companies exporting significant amounts of illicit fentanyl products, as well as publicly-traded Chinese

companies that openly and notoriously host on their websites illicit drugs for sale to Americans.

Forth, in contrast to the PRC's aggressive prosecution of domestic drug traffickers – we have all seen clips of their stadium executions – the Committee found no sign that the PRC has pursued cases involving illegal export of narcotics. This, despite being supplied compelling evidence of violations by Western law enforcement and despite China's notorious system of intense social surveillance and control.

Fifth, the role played by the PRC in producing and exporting illicit drugs dovetails with the emergence of Chinese organized crime as the principal financiers and money-launderers for the drug cartels. The CCP has been tightening its alliance with Chinese organized crime to gain influence outside China, and U.S. law enforcement investigating Chinese money laundering have found evidence indicating that some schemes involved Chinese government officials and the Communist Party elite.

Some may find it hard to believe that a modern state would be so complicit in the campaign of mass murder against the citizens of another country. But the Committee's work now provides powerful evidence that it is. As we go forward in trying to defend our country against the onslaught of deadly drugs – now not just fentanyl but even new generations of hideous Chinese drugs like nitazenes and xylazines (“tranqs”) – we must be clear eyed as to what we are dealing with.

Thank you for your time and I look forward to your questions.

