



# CHINA PROVIDES THE FIRST LINK IN THE SUPPLY CHAIN THAT BRINGS FENTANYL INTO OHIO HOMES AND COMMUNITIES

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## WRITTEN TESTIMONY OF DIRECTOR ADAM SAVIT TO THE OHIO SENATE REVITALIZATION COMMITTEE

To effectively combat the illicit fentanyl pouring into our country, policymakers must understand how precursor drugs produced in China and enabled by organized crime on both sides of the Pacific are contributing to the current crisis. In 2020, data from the Drug Enforcement Administration (DEA) identified China as the origin of the precursors that are used to produce nearly all fentanyl trafficked into the U.S. The DEA explained that these precursors historically have been illegally shipped into the U.S. either directly or through Mexico and Canada, where they are then smuggled across the border. The exportation of fentanyl precursors leads to tens of thousands of American deaths each year; the issue cannot be ignored.

China's totalitarian government is either complicit in or is turning a blind eye to this activity. These dangerous precursors have become an integral part of China's systematic malign influence on U.S. citizens and institutions. This influence also includes economic manipulation, intellectual property theft, and the acquisition of strategic infrastructure and farmland.

In fentanyl, the CCP has found the perfect vehicle. Just a few kilograms of precursor chemicals are enough to supply millions of doses of fentanyl, which makes border searches difficult when looking through hundreds of thousands of tons of chemicals.

Meanwhile, drug use within China is minimal. Drug dealers in China are subject to the death penalty, and drug users are more likely to receive punishment than treatment. This system echoes the cynical stance of the CCP in the early months of the COVID-19 pandemic, when they banned travel from Wuhan to the rest of China but deliberately allowed international flights to leave their country, spreading the disease across the world.

China places perverse incentives on many companies that manufacture fentanyl precursors as part of their business activities by labeling them "New and High Technology Enterprises." Doing so qualifies them for financial rewards so that they pursue innovation and improve China's STEM fields.

Companies such as Yuancheng that openly sell fentanyl precursors have received tax breaks and direct financial support for inventing "self-developed products." China's current Five-Year Plan calls for its pharmaceutical companies to become "leaders in innovation." Estimates show that rapid growth will cause China's pharmaceutical industry, including chemical companies that manufacture fentanyl precursors, to become the largest of its kind in the world within 10 years.

In 2019, as a result of negotiations with the Trump Administration, China designated all forms of fentanyl and analogs to be scheduled, which means officially controlled and regulated by the government. This action drastically decreased the amount of fentanyl directly shipped from China to those engaged in criminal activity in the U.S.



Increasingly, however, fentanyl precursors are shipped from China to Mexico, where the product is synthesized and then smuggled across the border. As DEA Administrator Anne Milgram noted, “The only limit on how much fentanyl they can make is the amount of precursor chemicals they can get.”

This China-Mexico trade takes place primarily between the Triads, a China-based international organized crime syndicate, and the Mexican Sinaloa and Jalisco cartels. After fentanyl-laced pills are sold in the U.S., laundered funds are picked up, often by Chinese students in the U.S. on education visas, and sent back to the Triads via the app WeChat and Chinese banks.

This system is attractive to Chinese nationals because of laws preventing them from moving money out of the country. In the arrangement with the Triads, all the Chinese transactions remain in-country, and the cartels make money by charging 10% interest for the in-demand transaction. The sheer amount of money—perhaps hundreds of millions if not billions of dollars—has led retired Admiral Craig Fuller to speculate that the CCP is “at least tacitly supporting the money laundering.”

In this way, the CCP provides the first essential link in the supply chain that brings fentanyl to American communities and homes.

