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Senate Caucus on International Narcotics Control

*****AS-PREPARED*** Opening Statement – “The \$150 Billion Drug Market: A Dive into the Economics of Drug Cartels”**

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Today’s drug cartels are hulking multi-national conglomerates, run on a massive dark economy. According to the RAND Corporation, the illicit drug trade in the United States is worth [\\$150 billion](#). Worldwide, it’s reached as much as [\\$652 billion](#), according to Global Financial Integrity. If this were a national GDP, it would be 22nd in the world, ahead of Sweden, Poland and Belgium.

These conglomerates’ operations must be concealed, and virtually all of their money must be laundered and hidden. For every dollar of drugs sold, a dollar of revenue must be hidden. Yet only a fraction of the [\\$23 billion](#) spent by the federal government attacking the supply of illicit drugs addresses money laundering and the dark economy of the drug trade.

Today, we’ll discuss how to clean up this mess.

First, we need better information on the magnitude and scope of cartels’ financial flows. The federal government has no central repository for data on how much drug money it seizes. What data agencies do gather isn’t collected uniformly, nor is it de-conflicted – meaning two agencies could count the same seizure twice. Senator Hassan and I introduced the *NARCO Act* as an amendment to the *National Defense Authorization Act (NDAA)* to address these problems.

Second, we need to dismantle the financial networks of the cartels. The Office of National Drug Control Policy must make this an explicit priority in the *National Drug Control Strategy*, with clear goals and metrics for success, and harness the expertise of the dozens of agencies involved in that strategy.

Third, we need to stay ahead of cartels’ evolving tactics. Bulk cash smuggling [remains a common method used](#) to move drug proceeds into the hands of cartel leaders. [Trade-based money laundering](#) – trading goods with drug money – is another cartel favorite. Cartels are beginning to use third-party money brokers. And they’re experimenting with new technologies and currencies, like bitcoin.

Fourth, we need to be more strategic. Co-Chairman Grassley and I included the *Corporate Transparency Act* in the 2021 NDAA, to prevent cartels from hiding the true owners of shell corporations used to launder funds. I’ve asked FinCEN to implement this reform swiftly, and to expand and make permanent the geographic targeting orders used to block cartels’ access to the real estate market. We must close loopholes that allow drug traffickers to use illegal money service businesses to move their illicit proceeds, as our *Combating Money Laundering, Terrorist Finance and Counterfeiting Act of 2022* would do.

Finally, we need to leverage international partnerships.

The Department of Homeland Security's Trade Transparency Units, or TTUs, have proven highly effective, helping federal authorities partner with other rule-of-law nations to detect trade-based money laundering schemes. But this program lacks a dedicated funding source – we ought to change that.

The [*U.S.-Mexico Bicentennial Framework for Security, Public Health, and Safe Communities*](#) seeks to disrupt transnational criminal organization's financial networks, and I look forward to seeing tangible results.

China is both a [hub for money laundering](#) and [the originator of most precursor chemicals](#) used by Mexican cartels. We should encourage China to better control precursor chemicals used to manufacture synthetic drugs like methamphetamine and fentanyl, and to participate in working groups to combat money laundering globally, such as the Egmont Group. China's participation in this group could advance improved U.S. – China cooperation on narcotics-related money laundering cases.

Finally, we must remember that cartels are only one part of a dark economy that supports all manner of evil in the world. In Ukraine right now, a dark-economy kleptocrat has attacked a peaceful neighbor to distract from his own corruption. The national security imperative of rooting out this dark economy should spur us to better and more energetic efforts. For starters, we could expand the Justice Department's "kleptocracy initiative" within the Money Laundering and Asset Forfeiture section into a multi-agency operations center.

I will close with a reminder of drug cartels' deadly toll. Our most recent year's data shows over [104,000 drug overdose deaths in the United States; 400 of them were Rhode Islanders](#).

I look forward to hearing suggestions from our witnesses on how best to counter these deaths and strengthen our drug policy framework to better address the drug production, trafficking and finance schemes the cartels employ.