



# Department of Justice

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**STATEMENT OF  
ANNE MILGRAM  
ADMINISTRATOR  
DRUG ENFORCEMENT ADMINISTRATION  
U.S. DEPARTMENT OF JUSTICE**

**BEFORE THE**

**Senate Committee on Foreign Relations**

**FOR A HEARING ENTITLED**

**“COUNTERING ILLICIT FENTANYL TRAFFICKING”**

**PRESENTED**

**February 15, 2023**

**Statement of Anne Milgram  
Administrator  
Drug Enforcement Administration  
U.S. Department of Justice**

**At a Hearing Entitled,  
“Countering Illicit Fentanyl Trafficking”**

**Before the Senate Committee on Foreign Relations  
United States Senate**

**February 15, 2023**

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Chairman Menendez, Ranking Member Risch, and distinguished members of the committee: On behalf of the Department of Justice (Department), and in particular the over 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 to combat the deadly drug poisoning epidemic in our country.

From September 2021 through August 2022, an estimated 107,477 people lost their lives to drug poisonings in the United States. Every day, 294 people die from drug poisonings. Countless more people are poisoned and survive. These drug poisonings are a national crisis.

The DEA’s top operational priority is to defeat the two Mexican drug cartels – the Sinaloa cartel and Jalisco New Generation (Jalisco) cartel – that are responsible for driving the drug poisoning epidemic in the United States. DEA is focusing its resources to counter this worldwide threat, and has launched a number of key initiatives to meet the moment.

***The Drug Poisoning Epidemic***

According to the Centers for Disease Control and Prevention (CDC), a majority of the drug poisoning deaths in the United States involve synthetic opioids, such as fentanyl, that are being distributed in new forms. 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 fentanyl disguised in the form of fake prescription pills. These fake pills are made and marketed by drug traffickers to deceive Americans into thinking that they are real, diverted prescription medications. In reality, these fake prescription pills are highly addictive and are potentially deadly. DEA lab testing reveals that 6 out of 10 of these fentanyl-laced fake prescription pills contain a potentially lethal dose.

The availability of fentanyl throughout the United States has reached unprecedented heights. In 2022, DEA seized more than 50 million fake pills and 10,000 pounds of fentanyl powder equating to approximately 379 million deadly doses of fentanyl. This is enough fentanyl to supply a potentially lethal dose to every member of the U.S. population. These seizures occurred in every state in the country.

## *The Drug Enforcement Administration*

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 Sinaloa and Jalisco Cartels that are responsible for the current fentanyl and drug poisoning epidemic.

DEA is the lead agency on the law enforcement elements in the Biden-Harris 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 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 23 domestic field divisions with 239 domestic offices and nine forensic labs. Internationally, DEA has 92 foreign offices in 69 countries. DEA's robust domestic and international presence allows it to map and target the entire Sinaloa Cartel and Jalisco Cartel networks.

In addition, DEA has launched two cross-agency counterthreat teams to execute a network-focused operational strategy. The two teams are mapping, analyzing, and targeting the cartels' entire criminal networks. The teams are composed of special agents, intelligence analysts, targeters, program analysts, data scientists, and digital specialists. This network-focused strategy is critical to defeating the Sinaloa and Jalisco Cartels.

DEA is simultaneously focused on protecting American communities. We are targeting the drug trafficking organizations and gangs located in the United States that are responsible for the greatest number of drug-related deaths and violence. DEA's Operation Overdrive uses a data-driven, intelligence-led approach to identify and dismantle criminal drug networks operating in areas with the highest rates of violence and drug poisoning deaths. In each of these locations, DEA is working with local and state law enforcement officials to conduct threat assessments identifying the criminal networks and individuals that are causing the most harm. DEA works with state, local, and federal law enforcement and prosecutorial partners to pursue investigations and prosecutions that will reduce drug-related violence and drug poisonings. Phase one of Operation Overdrive took place in 34 locations across the United States, and phase two is currently occurring in 57 locations.

In 2021, DEA launched the "One Pill Can Kill" enforcement effort and public awareness campaign. As part of the first two phases of the enforcement effort, DEA and our law enforcement partners seized more than 20 million fake, fentanyl-laced prescription pills. In phase three of the enforcement effort, which was conducted between May and September 2022, DEA seized more than 10 million fake, fentanyl-laced prescription pills and approximately 980 pounds of fentanyl powder. This equates to roughly 36 million potential lethal doses of fentanyl, which could have entered our communities. Additionally, this enforcement effort resulted in 390 investigated cases, including 35 cases with a direct link to one or both of the primary Mexican cartels responsible for the majority of fentanyl in the United States: the Sinaloa Cartel and the Jalisco Cartel. Moreover, DEA investigated 129 cases directly linked to the sale of fake pills containing fentanyl on social media.

DEA is working closely with our local, state, tribal, territorial, federal, and international counterparts to target every part of the illegal drug supply chain and every level of the drug trafficking organizations that threaten the health and safety of our communities. To succeed, we must use every tool to combat

this substantial threat that is being driven by the cartels, as well as the Chinese-sourced precursor chemicals and Chinese money laundering operations that facilitate the cartels' operations.

### **Mexican Cartels and Drug Trafficking**

The Sinaloa and Jalisco Cartels pose the greatest criminal drug threat the United States has ever faced. These ruthless, violent, criminal organizations have associates, facilitators, and brokers in all 50 states in the United States, as well as in more than 40 countries around the world.

The Sinaloa Cartel and the Jalisco Cartel and their affiliates control the vast majority of the fentanyl global supply chain, from manufacture to distribution. The cartels are buying precursor chemicals in the People's Republic of China (PRC); transporting the precursor chemicals from the PRC to Mexico; using the precursor chemicals to mass produce fentanyl; pressing 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 \$10 to \$30 per pill.

Drugs manufactured by the Sinaloa Cartel and the Jalisco Cartel often end up being marketed by dealers using social media platforms to relentlessly expand their business and deceptively sell fake prescription pills directly to young people and teenagers. Drug traffickers operate on multiple platforms simultaneously, and often drive traffic between platforms.

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 methamphetamine, marijuana, cocaine, heroin, and fentanyl 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. Sinaloa reportedly has a presence in 15 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 on every continent except Antarctica. The Jalisco Cartel smuggles illicit drugs such as methamphetamine, heroin, cocaine, and fentanyl 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 fentanyl and methamphetamine. These precursor chemicals from companies within the PRC are the foundation of the fentanyl and methamphetamine that is manufactured and transported from Mexico into the United States, and is causing hundreds of thousands of drug-related deaths in our country.

According to the State Department's 2021 International Narcotics Control Strategy Report, there are approximately 160,000 chemical companies in the PRC. Chemical companies within the PRC distribute and sell precursor chemicals that are used in fentanyl and methamphetamine production around the world. Some companies within the PRC, for example, engage in false cargo labeling and ship chemicals to Mexico without tracking the customers purchasing the chemicals.

DEA has been and remains willing to engage the PRC government on fentanyl related substances and fentanyl precursor chemicals. However, due to diplomatic tensions between the United States and the PRC, the government has suspended all counter-narcotics cooperation with the United States. Moreover, since 2019, the PRC government has repeatedly declined diplomatic and congressional requests to stop precursor chemicals from going to Mexico for the production of illicit fentanyl and methamphetamine.

### **Chinese Money Laundering Operations and the Cartels**

The Sinaloa and Jalisco Cartels utilize U.S.-based Chinese Money Laundering Organizations (CMLOs) around the world to facilitate laundering drug proceeds. CMLOs use trade-based money laundering and bulk cash movement to facilitate the exchange of foreign currency. The use of CMLOs by the cartels simplifies the money laundering process and streamlines the purchase of precursor chemicals utilized in manufacturing drugs.

These money laundering schemes are designed to remedy two separate issues: (1) the desire of Mexican cartels to repatriate drug proceeds into the Mexican banking system, and (2) wealthy Chinese nationals who are restricted by the PRC's capital flight laws from transferring large sums of money held in Chinese bank accounts for use abroad. To address these issues, CMLOs acquire U.S. dollars held by Mexican cartels as a means to supply their customers in China.

### **Conclusion**

DEA will continue our relentless pursuit to dismantle the Sinaloa Cartel and Jalisco Cartel that are driving drug poisonings and threatening the safety and health of our communities. Thank you again for the opportunity to appear before the committee today. I look forward to answering your questions.