Department of Justice

STATEMENT OF THE
U.S. DEPARTMENT OF JUSTICE

ANNE MILGRAM
ADMINISTRATOR
DRUG ENFORCEMENT ADMINISTRATION

BEFORE THE

COMMITTEE ON THE JUDICIARY
SUBCOMMITTEE ON CRIME AND FEDERAL GOVERNMENT SURVEILLANCE

FOR A HEARING ENTITLED

"DRUG ENFORCEMENT ADMINISTRATION OVERSIGHT"

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Statement of Anne Milgram
Administrator
Drug Enforcement Administration
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Chair Biggs, Ranking Member Jackson Lee, and distinguished members of the subcommittee: On behalf of the Department of Justice (Department), and in particular the nearly 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 defeat the cartels that are responsible for the deadly drug poisoning epidemic in our country.

Americans today are experiencing the most devastating drug crisis in our nation's history. This is because one drug—fentanyl—has transformed the criminal landscape. Fentanyl is exceptionally cheap to make, exceptionally easy to disguise, and exceptionally deadly to those who take it. It is the leading cause of death for Americans between the ages of 18 to 45, and it kills Americans from all walks of life, in every state and community in this country. The criminal organizations responsible for bringing fentanyl into this country are modern, sophisticated, and extremely violent enterprises that rely on a global supply chain to manufacture, transport, and sell fentanyl, and rely on a global illicit financial network to pocket the billions of dollars in revenue from those sales.

DEA has been hard at work to undertake a transformation of its own to meet this moment. DEA has acted with urgency to set a new vision, target the global criminal networks most responsible for the influx of fentanyl into the United States, and raise public awareness about how just one pill can kill. We have transformed our vision by focusing on fentanyl—the drug killing the most Americans—and the criminal organizations responsible for flooding fentanyl into our communities—the Sinaloa Cartel and the Jalisco New Generation (Jalisco) Cartel. We have transformed our plan by building an entirely new strategic layer—our counterthreat teams for the Sinaloa Cartel and the Jalisco Cartel—that maps the cartels, analyze their networks, and develop targeting information on the members of those networks wherever they operate around the globe. We have transformed our execution by providing that targeting information to our 334 offices worldwide, drawing from our global intelligence and law enforcement teams here and abroad, and working as One DEA to take the networks down. And we are seeing results—as demonstrated earlier this year with the indictment of 28 members and associates of the Chapitos network of the Sinaloa Cartel; the arrest of 3,337 associates of the Sinaloa and Jalisco Cartels in the United States responsible for the last mile of fentanyl and methamphetamine distribution on our streets and through social media; and the indictment of four chemical companies and eight individuals in the People's Republic of China (PRC) for providing customers with precursor chemicals and scientific know-how necessary to manufacture fentanyl.

But we are just beginning. The 10,000 employees that I have the privilege of working with at DEA are the most committed and mission-driven people in Federal law enforcement. They are laser-focused on one goal—to save American lives.

The Drug Poisoning Epidemic

In 2022, more than 110,000 people in the United States lost their lives to drug poisonings. Countless more people are poisoned and survive. These drug poisonings are a national crisis.

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 pills often are made to appear legitimate using pill presses and marketed by drug traffickers to deceive Americans into thinking that they are real, diverted prescription medications. In reality, these pills are not made by pharmaceutical companies but by drug trafficking organizations, and they are highly addictive and 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 58 million fake pills containing fentanyl, and 13,000 pounds of fentanyl powder, equating to nearly 400 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

Mission

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 two Mexican drug cartels—the Sinaloa Cartel and the Jalisco Cartel—that are primarily responsible for driving the current fentanyl and drug poisoning epidemic in the United States.

DEA is the lead agency on the law enforcement elements in the 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 30 field divisions with 241 domestic offices, 93 foreign offices in 69 countries, and nine forensic labs. DEA's robust domestic and international presence allows it to map and target the entire Sinaloa Cartel and Jalisco Cartel networks.

Counterthreat Teams

In addition, DEA has launched two cross-agency counterthreat teams to execute a network-focused operational strategy to defeat the Sinaloa and Jalisco Cartels. The 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.

We are already starting to see results from our new strategy. As part of the network-focused strategy, DEA investigations recently resulted in charges against 28 members and associates of the Sinaloa Cartel, including leaders, suppliers, brokers, smugglers, and money launderers in multiple countries, for operating the global criminal enterprise that manufactures and traffics most of the fentanyl that comes into the United States. This is just the beginning.

Operation Overdrive

DEA is simultaneously focused on American communities. We are targeting the drug trafficking organizations and violent 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, tribal 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. So far in Operation Overdrive, DEA and its partners have made over 1,700 arrests, seized over 1,300 firearms, and seized over 13 million potentially deadly doses of fentanyl.

"One Pill Can Kill"

In 2021, DEA launched the "One Pill Can Kill" enforcement effort and public awareness campaign. Through that, DEA and our law enforcement partners have seized millions of fake fentanyl-laced prescription pills and hundreds of pounds of fentanyl powder—equating to millions of potentially lethal doses of fentanyl, which could have entered our communities. Hundreds of these cases were linked to social media platforms, including Snapchat, Facebook, Instagram, and TikTok.

Social Media

DEA is combatting the sale of fentanyl on social media. Drug traffickers are using social media platforms to recruit associates, find customers, and sell fentanyl and other deadly drugs. In particular, drug traffickers use social media to deceptively advertise fake prescription pills—pills that look like Xanax, Percocet, or Oxycodone but actually contain fentanyl—directly to young people and teenagers. DEA has investigated hundreds of cases directly linked to the sale of fake pills containing fentanyl on social media.

Families and Law Enforcement Partners

DEA also works closely with families who have lost loved ones to drug poisonings. These families are often brave advocates for change, and help ensure that people in their communities are aware of the dangers of fentanyl and fake pills.

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 Sinaloa and Jalisco Cartels, as well as the Chinese-sourced precursor chemicals and global 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 100 countries around the world.

The Sinaloa Cartel, 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 PRC; transporting the precursor chemicals from the PRC to Mexico; using the precursor chemicals to mass produce fentanyl; using pill presses to process 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 as much as $10 to $30 per pill. As a result, the cartels make billions of dollars from trafficking fentanyl into the United States.

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 fentanyl, methamphetamine, heroin, and cocaine 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. The Sinaloa Cartel reportedly has a presence in 19 of the 32 Mexican states. It has been identified that there are currently more than 26,000 members, associates, facilitators, and brokers affiliated with the Cartel around the world.

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 fentanyl, methamphetamine, heroin, and cocaine into the United States by accessing various trafficking corridors along the southwest border including 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. It has been identified that there are currently more than 18,800 members, associates, facilitators, and brokers affiliated with the Cartel around the world.

The PRC and Precursor Chemicals

Chemical companies within the PRC produce and sell the majority of precursor chemicals that are used 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 are manufactured and transported from Mexico into the United States, and that are causing tens of thousands of drug-related deaths in our country.

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 from the PRC and elsewhere.

In recent weeks, DEA has had productive engagements with Chinese counterparts in Beijing and Washington, D.C. focused on increasing cooperation between our countries. DEA remains ready to work with the PRC and all willing partners to reduce the flow of precursor chemicals and the deadly synthetic drugs they produce.

Chinese Money Laundering Operations and the Cartels

The Sinaloa and Jalisco Cartels utilize Chinese Money Laundering Organizations (CMLOs) in the United States and around the world to facilitate laundering drug proceeds. CMLOs use mirror transfers, 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 the PRC.

Recent Enforcement Actions Against the Sinaloa and Jalisco Cartels and PRC-Based Chemical Suppliers

The Chapitos Network of the Sinaloa Cartel:

On April 14, 2023, DEA announced indictments against the Chapitos—the leaders of the Sinaloa Cartel—and their criminal network.

The Sinaloa Cartel supplies the majority of the fentanyl trafficked into the United States, which has resulted in the United States' unprecedented fentanyl epidemic. The Chapitos, the sons of the cartel's notorious former leader Joaquin "El Chapo" Guzman, currently lead the most violent faction of the Sinaloa Cartel. El Chapo was once the world's most dangerous and prolific drug trafficker. Now his sons have stepped in to fill their father's void by flooding the United States with deadly fentanyl and leaving a wake of destruction across families and communities throughout the United States.

Following their father's arrest and subsequent extradition and conviction, we allege that the Chapitos expanded their enterprise with sophisticated fentanyl laboratories in Culiacan, Mexico. We allege that the Chapitos now run the largest, most violent, and most prolific fentanyl trafficking operation in the world. The cartel is highly organized and sophisticated, employing military-grade weapons and vehicles and hundreds of people who protect the cartel and its leadership at all costs. In addition, we allege that the Chapitos use extreme violence and intimidation, including murder, torture, and kidnapping, to ensure dominance and expand their territory.

The Chapitos pioneered the manufacture and trafficking of fentanyl, and are responsible for the massive influx of fentanyl into the United States over the past eight years. The Chapitos oversee and control every step in their fentanyl trafficking process and will stop at nothing to ensure the expansion of their operations and the flow of fentanyl into the United States. From procuring fentanyl precursors from illicit sources of supply in the PRC; to distribution in the United States, and, ultimately, reaching the hands of Americans; to the surreptitious repatriation of massive proceeds through money launderers to avoid detection, the cartel has direct involvement – and culpability. Investigations found that even when test subjects died as a result of high-potency fentanyl, the cartel sent the deadly batch to the United States anyway – knowingly poisoning Americans for their own profit.

The indictments charged 28 members of the Chapitos network. These include suppliers of fentanyl precursor chemicals based in the PRC, a broker based in Guatemala assisting with the transport of those chemicals from the PRC to Mexico, managers of clandestine fentanyl laboratories based in Mexico converting the precursor chemicals into fentanyl pills and powder, weapons traffickers and assassins perpetuating extreme violence in Mexico to protect and expand the fentanyl production operation, smugglers transporting the fentanyl from Mexico into the United States, and illicit financiers laundering the proceeds of fentanyl sales from the United States back to Mexico through bulk cash smuggling, trade-based money laundering, and cryptocurrency.

These indictments reflect the work of 32 DEA offices in the United States and abroad, as well as our law enforcement partners and other Department of Justice components, such as the U.S. Attorney's Office. As part of the investigation, the DEA conducted operations in ten countries and seized staggering amounts of illicit materials, including 2,557,000 fentanyl-laced pills, 105 kilograms of

fentanyl powder, and 37 kilograms of fentanyl precursor chemicals, amounting to 22,747,441 potentially lethal doses of fentanyl.

Seven of the charged defendants were arrested pursuant to the investigation—in Colombia, Greece, Guatemala, and the United States—with the assistance of DEA's law enforcement partners in the United States and abroad. Ovidio Guzman-Lopez was arrested earlier this year by military officials in Mexico.

Simultaneous with the announcement of these indictments, the Department of State has announced up to nearly $50 million in monetary rewards for information leading to the capture of the defendants who remain at large, and the Department of the Treasury Office of Foreign Assets Control announced sanctions against two chemical companies that operate in the PRC, and five individuals associated with those companies, for supplying precursor chemicals to drug cartels in Mexico for the production of illicit fentanyl intended for U.S. markets.

Operation Last Mile

On May 5, 2023, DEA announced the results of Operation Last Mile, a year-long national operation targeting operatives, associates, and distributors affiliated with the Sinaloa and Jalisco Cartels who were located in the United States and responsible for the last mile of fentanyl and methamphetamine distribution on our streets and on social media.

In Operation Last Mile, DEA tracked down distribution networks across the United States that are connected to the Sinaloa and Jalisco Cartels. The Operation shows that the Sinaloa and Jalisco Cartels use violent local street gangs and criminal groups and individuals across the United States to flood American communities with huge amounts of fentanyl and methamphetamine, driving addiction and violence, and killing Americans. It also shows that the Cartels, their members, and their associates use social media applications—like Facebook, Instagram, TikTok, and Snapchat—and encrypted platforms—like WhatsApp, Telegram, Signal, Wire, and Wickr—to coordinate logistics and reach out to victims.

Operation Last Mile comprised 1,436 investigations conducted from May 1, 2022 through May 1, 2023, in collaboration with Federal, state and local law enforcement partners, and resulted in 3,337 arrests and the seizure of nearly 44 million fentanyl pills, more than 6,500 pounds of fentanyl powder, more than 91,000 pounds of methamphetamine, 8,497 firearms, and more than $100 million. The fentanyl powder and pill seizures equate to nearly 193 million deadly doses of fentanyl removed from communities across the United States, preventing countless potential drug poisoning deaths. Among these investigations, more than 1,100 cases involved social media applications and encrypted communications platforms, including Facebook, Instagram, TikTok, Snapchat, WhatsApp, Telegram, Signal, Wire, and Wickr.

Operation Killer Chemicals

On June 23, 2023, DEA announced Operation Killer Chemicals and the indictments of four chemical companies and eight individuals—all based in the PRC—for knowingly providing customers in the United States and Mexico with the precursor chemicals and scientific know-how to manufacture fentanyl. These indictments are the first-ever charges against fentanyl precursor chemical companies. Two PRC nationals were taken into custody pursuant to the investigation. DEA also seized more

than 200 kilograms of precursors in these investigations alone, enough to make millions of deadly doses of fentanyl.

As alleged, these Chinese chemical companies, and the individuals working for them, not only provided customers with the ingredients for fentanyl, they also gave advice on how to mix and substitute ingredients to more efficiently make fentanyl, and employed chemists to troubleshoot and provide expert advice when customers had questions. The individuals also spoke freely about having clients in the United States and Mexico and, specifically, in Sinaloa, Mexico, where the Sinaloa Cartel is based.

The companies went to great lengths to conceal the chemicals during transport. They falsified shipping labels and customs paperwork, claiming the shipments were "dog food" or "raw cosmetic materials" rather than fentanyl precursors. They even disguised the chemicals at a molecular level—adding a molecule to "mask" the precursors so they would not be detected as banned substances during transport, and teaching their customers how to remove that molecule after receipt.

Operation Killer Chemicals made clear that fentanyl precursors are exceptionally cheap. Fentanyl precursors cost less than one cent per deadly dose of fentanyl. In just one example, a defendant sold two kilograms of fentanyl precursors for approximately $1,000, which can make 1.75 million lethal doses of fentanyl. The amount of fentanyl that can be made depends only on the amount of chemicals that can be purchased.

The Operation also showed that fentanyl precursors are easily bought online. Although based in the PRC, the chemical companies and individuals reached customers across the world because they advertised fentanyl precursors on social media (on Facebook and LinkedIn), used encrypted applications like WhatsApp to speak with customers and coordinate shipments, and took payment in Bitcoin and other cryptocurrencies.

Conclusion

DEA will continue our relentless pursuit of the Sinaloa and Jalisco Cartels—the criminal networks most responsible for fentanyl-related deaths in our country—and we will continue to work tirelessly to defeat these cartels and dismantle every part of their global supply chain, in order to protect the American people. Thank you again for the opportunity to appear before the committee today. I look forward to answering your questions.