

DOLLAR & SENSE: THE BROOKINGS TRADE PODCAST

ILLEGAL TRADE IN DRUGS AND WILDLIFE

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Guest:

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DOLLAR: Hi, I'm David Dollar, hosts of the Brookings Trade podcast Dollar and Sense. Today we're going to talk about illegal trade in drugs and in wildlife. My guest is Vanda Felbab-Brown, director of the Initiative on Nonstate Armed Actors at Brookings. She's finishing up a study on illegal trade in synthetic opioids and illegal drugs in a separate study on illegal wildlife trade. But before we hear from Vanda, I want to mention that the Brookings Podcast Network has a new show that you might like called Foresight Africa, which will be celebrating the dynamism and optimism across Africa.

ALOYSIUS ORDU: Welcome to Foresight Africa, a podcast that celebrates Africa's dynamism and explores strategies for broadening the benefits of growth to all people of Africa. I'm your host, Aloysius Uche Ordu, senior fellow and director of the Africa Growth Initiative at the Brookings Institution.

I'm excited to be with you on this journey—a journey that will take us from Cape Town to Cairo; from Dakar to Lagos to Mombasa; as well as to the heart of Africa—DRC Congo. In this podcast we will interview experts, and policymakers from the public sector, the private sector, civil society, and Africa's youths. We will talk about the key trends affecting people and the nations of the African continent.

I will encourage you to follow the Brookings Podcast Network @policypodcasts and visit us online at [brookings.edu/ForesightAfricaPodcast](https://brookings.edu/ForesightAfricaPodcast).

DOLLAR: And now we're going to hear from Vanda. Welcome to the show.

FELBAB-BROWN: Thank you very much, David, it's great to be back with you.

DOLLAR: So let's start with the illegal drugs part of this and with the basic description of what's happening with the illegal drug production and trade.

FELBAB-BROWN: Great. Let me just give you and your listeners, David, a bit of a picture of the scope of the project that the Initiative on Nonstate Armed Actors has been undertaking over the past several months. It looks at China's role in various illegal

economies, one of which is the drug trade, and the other one is wildlife trafficking. And it looks at it in various parts of the world and we'll be publishing across the spring a series of reports and blogs. The first forthcoming, one of which is on China's role in synthetic drugs, and the second on China's role in wildlife trafficking in Mexico.

So synthetic drugs really represent a revolution in global drug market that is taking place both in methamphetamines, but particularly in synthetic opioids. The United States has since the mid late 1990s been experiencing the most devastating drug epidemic ever. More than a million Americans have died of overdose since 1999, the vast majority of which related to synthetic opioids. And synthetic opioids are enormously potent and consequently very lethal. It's very easy to overdose.

Now, until about 2018, from 2012, 2013 until about 2018, China was the principal supplier of those very potent synthetic opioids to the United States. And specifically at the time, we were looking at fentanyl a class drugs. So drugs like fentanyl, carfentanil, and various analogs. And because they are so potent, they can be shipped, including by regular post mail, in a way that's just not possible with drugs like cocaine or heroin, which are much less potent and consequently weigh a lot and shipping them by post office is very inefficient. But the synthetic opioids are so potent, 50, 100 times more potent than heroin, for example, fentanyl, that all of a sudden shipping them just by regular post office in small packages becomes feasible.

And so until about 2018, producers in China were making this fentanyl that was not regulated in China. They were making it legally and were shipping it to the United States, even though imports in the United States have been illegal. And the fentanyl class drugs just set off this highly lethal drug epidemic, of which just one hundred over 100,000 Americans died just last year alone.

Now, the United States engaged in very intense diplomacy with China really spanning three administrations: the Obama administration, the Trump administration and continually the Biden administration. And so finally, in 2018, China agreed to do control, to start putting all kinds of regulatory controls on fentanyl class drugs. This process is called scheduling. The drugs are still legal because fentanyl has many legal uses—in any kind of surgery, for example. However, you can only now produce them in China, sell them, export them with special licenses. That's the way we handle fentanyl in the United States. That's the way it's handled in Western Europe.

In addition to scheduling those fentanyl class drugs, the finished products, China also under engagement with the US, agreed to schedule two drugs from which fentanyl is made, and those more basic drugs are called precursors, precursor chemicals. And what happened with the scheduling is that Chinese producers and traders, brokers, moved into selling the precursors and nonscheduled precursors to Mexican criminal groups—whether they know that they are Mexican criminal groups or they don't know sometimes they are Mexican criminal groups. The Mexican criminal groups import those precursors, make them into fentanyl in Mexico, and then smuggle them into the United States.

So, there was hope in the U.S.. in the U.S. government, that once China moved towards scheduling fentanyl and all analogs, the entire class of drugs that has a similar molecule structure like fentanyl, we would see big improvements in the drug epidemic in the U.S. And we didn't see that at all. In fact, things are getting worse year after year.

DOLLAR: So it seems, then, that that Mexico-China connection works pretty well. And you say sometimes the Chinese producers they probably know they're dealing with Mexican criminal groups, sometimes they don't. Can you say a little bit more about this China-Mexico connection?

FELBAB-BROWN: Sure. So this China-Mexico connection is not new because the Mexican drug trafficking group, particularly the two biggest ones—one called the Sinaloa Cartel and the other one called Cartel Jalisco Nueva Generacion—have been buying these precursor chemicals from China for a long time. But the precursor chemicals they were buying are those for producing with methamphetamine, which they also smuggle to the United States. And it's also a serious addiction problem in the United States. And they also smuggle fentanyl to other parts of the world.

China, similarly, is the source of precursor chemicals for methamphetamine for all of Asia-Pacific. China for a long time was itself a very large producing country of methamphetamine, and methamphetamine from China, for example, dominated the Australian drug market. And Australia had perhaps the world's most intense methamphetamine addiction. But under pressure, engagement, diplomacy with Australia, China finally cracked down on the production in China in 2010, 2011, 2013, sort of going on until about 2016, and it shut down more or less production in China. And instead, the production and Chinese criminal networks moved to Myanmar. And what was the precursor chemicals from China brought them in from Myanmar and cooked meth there.

So the Mexico story is a similar one to the meth story. The Mexican cartels had long been used to buy these precursor chemicals for meth from China. And now they started also buying them for the production of synthetic opioids like fentanyl, and fake prescription pills like Percocet. Now, the Chinese chemical industry is the second largest in the world. It has at least 5,000 firms. It has hundreds of thousands of facilities. If one also counts broadly chemical industry, not just specific the pharmaceutical industry. So there are large companies, medium companies, small companies, and very many brokers, some of whom buy from other companies and sell, others that might be having small production facilities and sell directly. And so when the Mexican cartels buy the drugs, sometimes they can be

quite hidden about it. And the firm in China may not know they're selling to the cartels. But in other times, the Chinese sellers very specifically advertise in Spanish. They will say things like, Oh, don't worry, we know how to get around Mexican customs, and they will advertise the same drugs that are used for precursor for meth, precursors for fentanyl, and what are called fillers, essentially dilutants that are put into fentanyl and into meth. So that very, very clearly some of these sellers catering to Mexican criminal groups.

DOLLAR: So, Vanda, this is obviously a somewhat discouraging story that you're telling because the U.S. has gotten a certain amount of cooperation from China in scheduling fentanyl and certain precursors. And as you say, there was hope that this would lead to some reduction in the opioid crisis in the U.S., but it hasn't really happened because of this essentially end run. So what more can the U.S., China, and Mexico do? I mean, can the three work together to try to control this problem better?

FELBAB-BROWN: Well, they could. Unfortunately, the sad reality is that they are not. China scheduled the fentanyl class drugs and the two precursors at the time when it was hoping that it can use counter-narcotics cooperation to reduce the tensions between the United States and China. And this has not happened, including not in the Biden administration. Chinese counter-narcotics officials, law enforcement officials, have been in conversations with their U.S. counterparts and with law enforcement officials for my interviews, quite explicit about saying that given the geopolitical context, given that the tensions still continue, China really cannot do more on cooperating with the U.S.

The United States has been very frustrated because it issued indictments against Chinese drug traffickers. And China hasn't arrested them, in fact, has reacted very negatively when those indictments were issued, accusing the U.S. of the indictments being unfair and inappropriate. The United States has been also very unhappy that China's cooperation in anti-money laundering efforts has been very limited, very selective, to essentially looking for

countering capital flight out of China, but not being interested in having broadly passed anti-money laundering measures that also counter drug trafficking. The U.S. has wanted to see more precursors scheduled in China. That hasn't happened.

And so, when I was last in China, David, in October and November 2018, there was very much a hope that sort of the two last areas of cooperation remaining where wildlife trafficking and drug trafficking. And maybe that those two, corporations on those two, could become a platform for easing the difficulties in the broader geostrategic relationship between China and the United States. And that has not happened. And we are seeing, in fact, more hostility and frustration even in those two specific areas of potential cooperation, and frankly, right now, non-cooperation.

Meanwhile, China also has really had very limited to no cooperation with Mexico on drugs. For a long time it was telling Mexican diplomats, Look, what happens with your drug trafficking groups is your problem. The fact that your customs officials are corrupt and they are letting all this precursor agents come in, your problem, not ours. And besides the precursor chemicals are legal on our side, so we cannot act on them. So China has really wanted to push both bilateral cooperation with Mexico and trilateral U.S.-Mexico-China cooperation away and not engage in it, especially given the fact that it was disappointed that it didn't see easing of the broader relationship.

DOLLAR: So, on this illegal drug issue, China is the producer and the ultimate demand is primarily coming from the United States. And the Chinese attitude, I think, is often that it's the demand side, the U.S. should be dealing with this or Mexico as the intermediary. So let's turn to the wildlife trade because it seems to me the situation is quite reversed there, that China is actually the source of demand on the illegal wildlife trade. But let's start with more basic, I guess it turns out this China Mexico connection is quite important also for the illegal wildlife trade. Is that right?

FELBAB-BROWN: It is. And you got the big picture correctly, David, that in the case of synthetic drugs, China is the source of precursor chemicals that are produced there and demand lies mostly abroad, with the exception of methamphetamine—there is actually fairly large and growing demand for methamphetamine in China itself. And so China is now demanding that Myanmar cracks down on production of meth in Myanmar that heads into China.

But on the wildlife trade, the picture is the opposite. China is the massive \_\_\_\_ where a tremendous amount of wildlife poached from all around the world heads to, that is consumed for traditional Chinese medicine, until 2020 was consumed for wild meat that has been seen as healthy, that is used as trinkets, and as investment—as tools of speculation, investment, storing value. So the work that I have been doing on China and wildlife trade over the past four years since China banned ivory, and since 2020 when it banned the consumption of wild animal meat, looks at different parts of the world. It looks at Mexico, it looks at Africa, and looks at Southeast Asia. It also looks at what does China do in terms of enforcement internally.

But we decided to publish the first report on China and Mexico because it's really not been known at all how much the wildlife trafficking and poaching in Mexico is taking off and starting to supply the market in China. So China and ivory, China and rhino horn, China and pangolins are well-known stories. But the Mexico dimension is a new one. And it's all the more interesting because the wildlife trafficking that intersects with drug trafficking. I was in Mexico in October and November to do field work for those reports and really looking at these intersections, the nexus between drug trafficking and wildlife trafficking, and the scope of wildlife trafficking for China were sort of the big stories, the big scoops, if you would like.



DOLLAR: Yeah, I saw in your study you had a kind of an interesting—I don't want to call it an anecdote because this sort of diminishes it—but your story about the jaguar trade, I thought, was interesting and illustrative of what's going on. Could you explain that?

FELBAB-BROWN: So, jaguar is one of many animals that is processed in China into traditional Chinese medicine. And jaguars became essentially a replacement for tigers, once tigers were depleted around the world and they were poached to very small numbers, perhaps three thousand, to supply mostly traditional Chinese medicine, also sometimes fur trade. Chinese traders started looking for replacement animals, and first they went into lions in Africa, and eventually they made their way into jaguars in Latin America. And they would, in China, sell products from jaguars and call them “Latin tigers,” directly catering to the consumers that are used to tiger products, which they can no longer easily source.

This has been quite a challenge for protection in Latin America, which is often weak and you're looking at protection in forests, in tropical forests, where just having visibility, law enforcement systems are much harder to implement than in African savannas, where some of the protection of rhinos or elephants have become essentially military battalions—helicopters, drones, very high tech, very heavy weaponry to protect the animals from being poached for Chinese and Vietnamese and Asian markets.

In Latin America, it's a much bigger challenge. There are few rangers to start with, they don't have that kind of equipment. That is also a long tradition of poaching jaguars in Latin America, but they were killed in the same way that wolves were killed in the United States, namely as the retaliatory killing for predation on cattle. But now in Mexico, NGOs are starting to see jaguar carcasses that are missing feet, teeth, other parts suggesting that the jaguars are no longer killed just to protect cattle, but those valuable parts are being shipped to China. And that's very dangerous because we don't want to see the same depletion of jaguars as we have seen the depletion of tigers and tremendous pressures on lions.

DOLLAR: In addition to this illegal trade in wildlife, there's quite a bit of legal trade in wildlife. It's a pretty big part of international trade. So I'm interested in your views on the legal wildlife trade. Does this reduce the demand for the illegal trade and help in a sense? Or does the legal trade facilitate the illegal exchanges?

FELBAB-BROWN: Many thorny and complex issues, and the answer is it all depends. In the best of circumstances, when breeding animals in captivity is easy, the legal trade can both reduce pressure on wild hunting because enough of the demand is supplied out of the legal trade, out of the breeding facilities, and also bring local communities income. And so local communities have an interest in protecting the species and not destroying the habitat, not chopping down forests or burning down the savanna to cultivate soybean or the African oil palm.

But this happy story depends on many factors, one of which is the ease of breeding, the second of which is how much control or corruption there is at the breeding facilities, because oftentimes the breeding facilities become really laundering places where animals are poached in the wild, they are brought to the living facility equipped with a certificate, and sold as legally harvested. And this applies not just to terrestrial species, it also takes place in many parts of the world on a very large scale in the marine species. Across Asia, including in China itself, there are tremendous amount of really unhappy stories about captive breeding facilities being a source of laundering of poached animals, including tiger farms in China.

So in respect to tiger farms, for example, they have not led to any reduction in poaching. The one happy story is the story of crocodile, the family of crocodylians—so not just crocodiles, alligators, caiman—where particularly in places like the United States, allowing captive breeding really stopped poaching and hunting and allowed alligators to really recover. Now there was a similar hope that in Mexico, breeding facility for alligator and crocodiles will generate those same positive effects, that hunting will stop, poaching,

hunting will stop in Mexico, and that the farms, which are often mom and pop type productions, will generate income for local communities. And in fact, the Mexico story is much more like the Asia story: not a happy one. Those crocodile and alligator farms in Mexico have become essentially laundering places for crocodilian species illegally hunted, poached in the wild. And those skins once again head to China. That's the principal predominant market.

DOLLAR: So last question for you, Vanda. These are obviously difficult problems, and I think it's quite scary how the illegal drug trade interacts with the illegal wildlife trade. So what would be your main recommendations to improve the situation?

FELBAB-BROWN: Well, we really need to work towards a better international cooperation with China, with Mexico, trilaterally. That's very difficult to do, and especially given the geopolitical context and also given the difficulties between the U.S. government and the Mexican government. International cooperation is not the solution to everything, and it comes with limitations under the best of circumstances. But in the absence of cooperation, even just getting a good picture on the trafficking networks, on demand markets, is very difficult.

With respect to the drug trade, there is a role for law enforcement. Again, cooperating on dismantling drug trafficking networks that operate in China from China is useful. Shutting down websites that sell either precursors or finished drugs is particularly useful. And tremendous amount will need to happen on demand. Even if cooperation with China were perfect—and right now, it's very limited—we will still need to address demand on our side, which really doesn't mean getting away from demand. We will be having demand, especially given the level of opioid use disorder, which is popularly called addiction. But we need to think about supervised injection sites—very controversial in the United States. We need to

expand access to treatment so that people can remain in care for a longer amount of time and have the insurance to do so.

And I think there is also usefulness in trying to get China to have a more regulated, monitored chemical industry and to try to induce in China better standards of practice so that diversion into the illegal trade becomes much more difficult. And certainly law enforcement, when you have websites and sellers that specifically cater to drug trafficking groups.

With respect to the wildlife trade, once again, we need to focus both on law enforcement and on demand. In Mexico, there is clearly much more need for law enforcement of protected areas. Mexico essentially does not have rangers. It does not have armed law enforcement, environmental personnel, that can stop illegal logging, illegal wildlife trafficking. It needs to rely on the military and the military needs to be seconded by the Attorney General's Office and the Attorney General's Office needs to have an environmental regulatory officer reported. So you can have a governmental official seeing massive poaching and maybe several weeks later you will have some sort of action once the species has been killed. So much more law enforcement on the environmental side needs to happen in Mexico and that provides opportunities for cooperation with the United States. If only the government of Andrés Manuel López Obrador, the president of Mexico, very interested in that.

In China, there is a real need to crack down on both the Chinese trafficking networks, which are extensive around the world, as well as on demand. So China does these days much more on seizing products in ports like in Hong Kong and other Chinese ports. That's a start, but it's not sufficient. From those seizures, there really needs to be intelligence developed to shut down stores that specifically sell illegal wildlife products like, for example, the fish totoaba and its bladder from Mexico, or jaguar parts. And in addition to that, China also really needs to focus on reducing demand for those species. And that's difficult because the

Chinese government is very motivated to promote the traditional Chinese medicine industry around the world. And that industry is very powerful, very protected, close to the Politburo, and the Chinese government is on this massive push around the world to promote it. So there has been very little interest to really crack down on Chinese networks that smuggle poached animals that feed the TCM industry, in quite significant contrast to ivory, which China finally made illegal in 2018.

DOLLAR: I'm David Dollar, and I've been talking to my colleague, Vanda Felbab-Brown, about her important new studies on illegal opioid trade and illegal wildlife trade. This is the dark side of international trade and Vanda's work helps us understand it and has some practical solutions, though she's pretty frank that this is very difficult. So thank you, Vanda, for sharing your ideas.

FELBAB-BROWN: Thank you very much for having me, David.

DOLLAR: Thank you all for listening. We'll be releasing new episodes of Dollar and Sense every other week, so if you haven't already, follow us wherever you get your podcasts and stay tuned. Dollar and Sense is part of the Brookings Podcast Network. It's made possible by support from producer Fred Dews, our audio engineer Gaston Reborado, and other Brookings colleagues. If you have questions about the show or episode suggestions, you can email us [bcp@brookings.edu](mailto:bcp@brookings.edu), and follow us on Twitter [@policypodcasts](https://twitter.com/policypodcasts).

Until next time, I'm David Dollar and this has been Dollar and Sense.