



The Brookings Institution

***The Killing Drugs* podcast**

“The fentanyl pipeline and China’s role in the US opioid crisis”

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Episode Summary:

In this episode, the podcast roles are reversed as show host Vanda Felbab-Brown is interviewed by Fred Dews, show producer and multimedia project manager at Brookings, about her research on the evolution of illicit networks and supply chains in China that fuel the U.S. fentanyl and opioid crises. They also discuss the evolution and complexities U.S.-China counter-narcotics cooperation and its prospects. Felbab-Brown also assesses some of the accomplishments of the restarted bilateral cooperation.

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FELBAB-BROWN: I am Vanda Felbab-Brown, a senior fellow at the Brookings Institution. And this is *The Killing Drugs*. With more than 100,000 Americans dying of drug overdoses each year, the fentanyl crisis in North America, already the most lethal drug epidemic ever in human history, remains one of the most significant and critical challenges we face as a nation.

In this podcast and its related project, I am collaborating with leading experts on this devastating public health and national security crisis to find policies that can save lives in the United States and around the world.

On today's episode, I am turning the microphone around to another host who will interview me about my own paper in the project. Fred Dews hosted the Brookings Cafeteria podcast for eight years and is now the producer of this and other Brookings podcasts. So, thank you, Fred, for taking the host part in this episode.

DEWS: You're welcome, Vanda. And I'm really glad to be here with you and to help make this whole podcast series possible. And, you know, I hope people have had a chance to listen to or watch the previous episodes because they're really a masterclass in the state of the opioid epidemic and policies to address it. So, thank you for your work.

FELBAB-BROWN: Thank you very much. And it's just been awesome collaborating with you on this and other projects.

DEWS: So, this is one of two episodes in which you'll be talking about your own papers. And in this episode, we're talking about China. So, can we start with, the big picture? What is the role that China plays in the opioid epidemic and specifically the fentanyl epidemic in the U.S.?

[1:46]

FELBAB-BROWN: Well, China was the country from which most fentanyl started arriving in the United States, about a decade ago. So, this in about 2013, 2014, that we see fentanyl emerging for the first time in the illicit market on any large scale in the U.S., and all that fentanyl and its analogs came out of China at the time.

Now, subsequently, there was a lot of engagement between the U.S. government and the Chinese government to try to stem that supply of finished fentanyl to the U.S. illegal market. And ultimately, in 2019, China passed laws that scheduled the entire class of fentanyl drugs. Now, what's scheduling means is essentially imposing strict regulatory controls on the production, sale, export import of drugs that are scheduled—and there are different types of scheduling. Now, fentanyl was not completely banned because it's a crucial drug. It's a drug that is used as a painkiller for cancer patients. It's a drug that is used in surgery. So, it's a very important drug. But the regulation became tightened as a result of the scheduling.

And when that happened, Chinese traffickers, Chinese trafficking networks, switched to supplying not that finished product, not finished fentanyl, but instead what is

known as precursor chemicals, which are the more elemental chemicals from which fentanyl is manufactured.

So, today, China is still the principal supplier of these precursors for fentanyl. China is also the global principal supplier of precursors for another synthetic drug, methamphetamine. And those precursors go, in the case of fentanyl, to Mexican cartels, in the case of meth, to Mexican cartels and also criminal groups in Asia.

And finally, I should also mention that China, or specifically Chinese trafficking networks and brokers, are the principal source of another type of synthetic opioids known as nitazenes, that are emerging in the illegal market in Europe.

DEWS: Can you talk a little bit more about who these Chinese criminal networks are, how they operate? And also, how do they actually get fentanyl, other opioids, and the precursors from Asia into places like Mexico?

[4:15]

FELBAB-BROWN: So, there is a wide spectrum of criminal groups in China. And the most famous ones, they are called Triads by an old term, century old term for Chinese groups, like 14K, some of the most powerful criminal groups around the world. These very large criminal groups like 14K, or what is sometimes called the Fujian mafia, for example, do not appear to be the sellers of fentanyl precursors to the Mexican cartels. Nor were they the original sellers of fentanyl to the United States a decade ago. They are the principal smugglers and producers of methamphetamine that heads into Southeast Asia, Australia, New Zealand, the Pacific region.

The fentanyl market is quite cheap, doesn't produce that many profits at the level of precursors. So, it's been mostly populated by smaller, less powerful criminal networks. They are often known just by the last name of the principal operator. One of them, for example, has been named by the U.S. government the Zhang market because the principal actor was a man with the last name of Zhang. And this criminal network essentially consisted just of his family and few individuals beyond the family.

So, many of these, trafficking networks are fairly small, often family based. Sometimes they are individual opportunistic brokers. But we have fortunately, not yet reached a state where very powerful Chinese criminal networks have entered the fentanyl space. Incidentally, this same picture—fairly low level, I don't want to say disorganized, but fairly low-level criminal networks—are those who are supplying nitazenes to Europe.

Now, there is another side, however, to the Chinese criminal involvement in this trade. And that is the role of Chinese money laundering operations, which are enormously powerful. Over the past five years or so have been catapulted to the top of the world's money laundering networks. They long dominated money laundering in Asia, Australia. But over the past five years, we see Chinese money laundering networks just sweeping the globe and providing services to the large Mexican cartels, providing money laundering services to Italian mafia groups. And just dominating, the space. And those are very powerful networks. They are connected to

the fentanyl precursor, nitazene brokers sometimes, sometimes they're not connected to them, but it's a very different class of actors.

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Now to your question, Fred, how do these chemicals get to the Mexican cartels? Well, the core issue with synthetic drugs overall and specifically synthetic opioids, whether they're the fentanyl class or the nitazene class, is that one needs small amounts of them to be able to smuggle them. And particularly in the case of synthetic opioids, one needs very small amounts. So, it's rather easy to be shipping those precursors abroad. And most of the time they go by container ships. They leave ports in China like Hong Kong. Other ports along the coast of China, arrive in Mexico. In Mexico, they arrive principally into ports, Lázaro Cárdenas being one of them, and Manzanillo being another.

And then the Mexican criminal groups collect them there and making them into fentanyl and meth. Now, you know, there are significant Chinese presence in the port of Veracruz, and we know there is a lot of smuggling of contraband through Veracruz. It's very possible that that port also has risen in significance in the smuggling of fentanyl and meth.

DEWS: And I should let listeners and viewers know that in the next episode in the series, I'll be talking to you again about your research on Mexico's role in the opioid crisis.

Vanda, you mentioned a few minutes ago some of the actions that the Chinese government has taken around scheduling some of these substances. Can you talk about whether and if there is cooperation between the Chinese government and the U.S. government to address these problems?

[8:30]

FELBAB-BROWN: Well, the cooperation has actually been challenging. The two countries at the beginning, when the fentanyl opioid epidemic started, were trying to have friendly relations. So, this was 2013, 2014, 2015. And even under auspicious geostrategic relationships where the U.S. government was still hoping that China's rise could be peaceful and easy, the counter-narcotics cooperation struggled. And as the strategic relationship deteriorated in the second half of the Obama administration, tanked in the Trump administration, and then hit even lower levels in the Biden administration, this even more constrained and eviscerated the counter-narcotics cooperation.

So, there have been some instances of important progress. One was in the 2019 when, on May 1st, China scheduled the entire class of fentanyl type drugs. This was a big thing because globally the way scheduling works is that a chemical is banned or scheduled on the basis of a specific molecular signature. So, here is the signature for heroin, and hence heroin is on schedule on the basis of this molecular signature.

The problem in synthetic drugs especially is that you just tweak one small element of the molecular formula and the drug that acts completely identically as the scheduled one is no longer scheduled. So, the United States was asking China, look, don't

schedule fentanyl and its analogs one by one, because the traffickers will always be ahead of us. Schedule it as an entire class of drug. So, here's the core element of the formula that makes it fentanyl. Schedule that. And whatever the edges of that molecule are, this is the core.

Now, this was a significant ask of China because China, like other countries in the world, schedules on the basis of the formula. And China had to change its laws to be able to move to scheduling. China did that. And we saw the decrease, very substantial decrease, within the first year of the flow of finished fentanyl from China to the United States.

So, prior to the scheduling, prior to 2020, we had 90% of fentanyl consumed in the U.S. being shipped directly from China to the United States, often via post office, or from China to Mexico and then brought by Mexican cartels to the U.S. Once the scheduling takes place, Chinese trafficking networks start shipping precursor chemicals to the Mexican cartels who produce them, synthesize them into fentanyl, and then bring them to the U.S., mostly across the U.S.-Mexico border.

[11:21]

Now, China did make the scheduling. It was expecting that it would get specific material benefits out of the U.S. and most concretely, it expected that the Trump administration would reduce the economic tariffs it had placed on China. And the Trump administration didn't do it. So, the Xi government waited several months into the Biden administration thinking, okay, with the Biden administration, we finally get what they believe was their due for scheduling. We will see lessening of the strategic competition.

And instead, the Biden administration just ramped up the strategic competition across very many domains. Not only did they leave the tariffs in place, they didn't move away from them, but significantly doubled down on building strategic alliances in East Asia to counter China's aggressive activities there, pushed competition to technological issues, a wide range of domains. And said, oh, by the way, China, we want to cooperate on some issues like fentanyl, believing that counternarcotics, anti-crime cooperation was the hallmark of a great power. And China said, oh, no, this is not how it works. You want cooperation from us on fentanyl? That's your problem, not ours. You want cooperation on counternarcotics, you need to give us something back not in the context of this relationship.

So, really, starting from the end of 2021, that is a significant hollowing out of cooperation between the two countries. No more prosecutions take place. The Drug Enforcement Administration agents become quite limited in their activities in China. A whole set of restrictions starts taking place until ultimately there is no cooperation at all. And China announces the end of this cooperation when then Speaker of the House Nancy Pelosi goes to Taiwan. After that, visit, which China found provocative, China says, we are no more cooperating the U.S. on drugs, fentanyl, wildlife trafficking, any issue.

And so, then we have another year of really nothing where fentanyl precursors are leaving China and going to Mexican cartels. The Chinese criminal networks know they're selling to the cartels. They often accompany the precursors with recipes. This

is how you take this precursor, scheduled or not, and this is how you make fentanyl out of it. And this is the best way to make fentanyl out of it. They advertise on their websites we know how to evade Mexican customs controls. And there is essentially unhampered criminal activity taking place in China without the Chinese government trying to crack down on it.

Now, come November 2023 and that is a breakthrough in the bilateral relationship. And we have renewed cooperation, which is where we are today.

DEWS: Well, what you were just saying about China's response to the U.S. emphasis on counternarcotics policy, controlling fentanyl, says something about China's view of the relative importance of counternarcotics policy in its overall foreign policy, doesn't it?

[14:44]

FELBAB-BROWN: There are some interesting contradictions to that, Fred. So, on the one hand, China very much defines itself and prides itself on being the world's toughest drug cop. For many decades that medal went to the United States. The U.S. really was the principal architect and principal cop of the global counternarcotics regime that was created after World War II and really started after the so-called Shanghai Conference in 1908. Restricting access to drugs like cocaine and heroin that throughout the 19th century were often legal and building law enforcement regimes and mechanisms to suppress supply, prosecute groups that would be trafficking that.

But the U.S. started learning from many of the problems, of the way counternarcotics policies were designed about a decade, two decades ago. And China stepped in and said, no, no reforms. We don't like the marijuana legalizations that you Americans are doing. We don't like policies like harm reductions that all of a sudden, the Biden administration explicitly embraced, and the Obama administration started de facto under the cover allowing, and we just oppose drugs. And this stemmed from China's experience in the 19th century with, of course, colonial pressures on China, and China literally believed that the colonial powers, Britain, forced opium down the throat of Chinese people. And indeed, in the early 20th century, China had the most extensive drug addiction. It was not as deadly at all as fentanyl and synthetic opioids are in the U.S. and North America, but it was a very substantial, very difficult addiction.

So, on the one hand, China loves this image. It wants to cooperate with countries on counternarcotics, it's often very tough in how it approaches counternarcotics, likes very draconian penalties for drug use as well as drug smuggling. And even its approaches to treatment are highly compulsory, highly forced. The conditions for treatment are quite akin to imprisonment, something that in the West and the United States we would consider massive violations of basic human rights.

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But at the same time, there is another side of China, and that is China whose counternarcotics and law enforcement cooperation are driven and subordinated to its geostrategic objectives. So, with countries with whom China has good relations or

with whom it wants to build good relations, whom it courts into its sphere of orbit, into its sphere of influence, to those countries China extends law enforcement and counternarcotics cooperation. Now, often that law enforcement cooperation comes with tremendous amount of hooks and strings, and it's very one sided, serving the interests of the Chinese government and not equally serving the interests of the recipient or partner. But nonetheless, China does extend that cooperation. And with countries with whom it has bad relations or with whom relations deteriorate, it denies the cooperation.

So, when China announced in 2022, no more cooperation with you, United States, it acted very much according to its standard script. We give law enforcement cooperation if you want to build better relations, if we have a good bilateral relationship. We deny it in the absence of those.

DEWS: Yeah, so, let's go back to that timeline, you referenced November 2023. The Biden administration had a breakthrough with China to get China to restart its anti-fentanyl cooperation. Can you talk about how that happened and really what's happened since over the last almost year of that breakthrough?

[18:32]

FELBAB-BROWN: Yeah. Well, absolutely. So, let's start with why, after China rejecting cooperation and using it as a punishment of the U.S., China restarted cooperation. And there were two dimensions to it. One is a change in the geostrategic competition equation, and the other is adroit U.S. diplomacy.

So, by November 2023, by really the summer 2023, there is a sense in both countries that the geostrategic competition reached such critical levels, tensions unseen in decades, that it was important to find some ways to de-escalate the tensions. There were tensions over Taiwan, U.S. and Chinese ships and planes were coming close to each other. There was concern that maybe some sort of accident could result in inadvertent exchange of fire. There was simply a sense that the Cold War, a term that the Biden administration doesn't use, but that we are in for China for all practical purposes, was becoming too hot. And so, there were three areas that both countries identified as low hanging fruit that provided de-escalation opportunities. And fentanyl counternarcotics cooperation was one of them.

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Now, China was at the same time experiencing very significant economic downturn, was still coming out of economic hardships of COVID, that was squeezing some of the resources China could dedicate to the strategic competition. It was creating domestic concerns. And so, China also wanted to focus on the economy, reduce the heat in the bilateral relationship. And so, that was one reason why China said, okay, let's start talking about fentanyl cooperation.

The second was that the Biden administration was actually very clever and adroit in the way it generated costs to China for not cooperating without giving away the strategic leverage, without giving away the strategic objectives. So, it did not back away from tariffs. It did not back away from the technological competition, the geostrategic competition. It did not weaken alliances. In fact, continued supplying

them with weapons, assets, collaboration. But it also created leverage, specific leverage points on China.

And those including creating reputational costs for China that would highlight how China's behavior was at odds with its proclaimed and desired tough drug cop status in the world. The Biden administration, for example, launched a global coalition against the threat of synthetic drugs in the summer of 2023. And China abstained from joining it. And yet over 90 countries did join. And at the same time, China, who loves to be present in global counternarcotics fora, who has developed a lot of influence in global counternarcotics fora, find itself on the outside. And countries in Southeast Asia were saying, China, your Chinese drug trafficking groups, your precursors for methamphetamine are bringing crystal meth and huge devastation to East Asia. European countries joined, pointing out to nitazenes. So, there was one set of costs, these reputational costs.

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And second, the Biden administration also placed China on the so-called Majors List. This is a list of countries that are major producers or transshipment places for illicit drugs. China very much didn't want that. Again, this was a reputation cost incongruous and contrary to its desire to be the world's tough drug cop.

And the Biden administration did other things as well, such as denying visas to Chinese government officials and business executives in the chemical, pharmaceutical industries that were seen as particularly relevant to improve their practices to reduce the flow of precursors. So, come November, there is a meeting between, a summit between President Xi of China and President Biden in San Francisco and the countries unveil renewed cooperation.

And in the fall of 2024, that cooperation has still been going on and includes several elements. There is a re-creation of a U.S.-Chinese counternarcotics working group that has been exploring venues for cooperation, and that has been producing outcomes on a wide set of issues. China has finally moved to scheduling some precursors and some drugs that the United States and other actors have wanted China to schedule.

So, in August 2024, China scheduled three fentanyl precursors that had been internationally scheduled for two years, but China was dragging its feet on making its own scheduling. China also scheduled the nitazene class of synthetic opioids also in the summer of 2024, something European countries wanted to see, something the United States wanted to see. And China also promised to regulate a drug called xylazine, a veterinary tranquilizer that has been moving its way into the U.S. illicit drug market and causing very significant damage in terms of both morbidity and potentially mortality as well.

So, China moved into scheduling. China restarted cooperation in the working group where intelligence has been shared both ways, both from the U.S. to China and from Chinese law enforcement officials to U.S. And China also agreed to collaborate on money laundering. This has been something the U.S. wanted; this is crucial because Chinese money laundering groups have become so prominent. Yet China was not keen to engage with the United States for several years.

So, a whole set of steps by China. And as we were going through the summer of 2024, China clearly was signaling and indicated it wanting cooperation.

Now, how strongest that cooperation is what we also need to focus about. And, you know, we're certainly not that zero that we have been for two years, and that's very important. If we can imagine, imagine a dial of zero cooperation is nothing and 10 is the maximum cooperation, I would say we are somewhere between 4 and 5, maybe. Certainly not where we are in cooperation with Canada or Great Britain, some of our principal allies, or Australia. Something we will probably never get to with China.

[25:04]

The actions that China has taken so far are quite low hanging fruit. China, I should also say, also sent notices to the Chinese chemical and pharmaceutical industries that it would monitor and regulate precursor sales. But what we really haven't seen is robust prosecution in China. And what is really the most impactful, most important dimension is for China to start rounding up violators of the regulations and prosecuting them.

And China has not been willing to do it very much. It made some indictments, such as of a Chinese national indicted by the United States for money laundering for the Sinaloa Cartel. This also happened in the summer of 2024. But we are nowhere close to robust indictments, robust prosecutions in either the money laundering sector or smuggling of precursors to the Mexican cartels.

And in fact, China is saying do not expect those prosecutions from us, because we cannot prosecute these offenses against substances that are not scheduled. And so, here I need to explain something to you and to our listeners, Fred. There are two sets of chemicals used in the illicit sector. Some chemicals are scheduled. They are either totally banned from any use, like the three precursors for fentanyl that China scheduled in August 2024. Or they are recognized to have legal uses but also be used in the illicit sector.

And they then face other restrictions and regulations. And then there are chemicals that are totally not scheduled. There is very minimal regulation of them, but they are widely used in the legal sector, and they are widely used in the illegal sector. And so, with both meth and fentanyl today, the vast majority of the drugs of the chemicals from which illegal fentanyl and illegal methamphetamine are produced, are these nonscheduled substances.

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Yet we need actions to dismantle the networks that smuggle them. And China says we cannot make those arrests, we cannot make those prosecutions because these drugs are not scheduled, they're not regulated. And the United States says, yes, but your sellers, your brokers are knowingly selling them to drug trafficking groups. They are providing them with recipes, this is how you make meth out of it, this is how you make fentanyl out of it.

So, surely you can prosecute on conspiracy charges, racketeering charges, or material support clauses. And China says we have none of these laws, none of

these types of laws on our books, so don't expect those prosecutions out of us. So, that's one big major remaining area in the relationship, this disparity between legal systems in the two countries, the disparities in what is expected and needed in terms of prosecutions and arrest.

And finally, the United States and, frankly, the world would like to see China adopting Know Your Customer regulations where the companies, individual brokers, individuals cannot say, oh, we didn't know that this fentanyl precursor or meth precursor were heading to the cartels. Whereas in the U.S. and the West you would be obligated to confirm that your customer is not a terrorist group or is not a drug trafficking group.

DEWS: A couple more questions for you, Vanda, as we wind up this conversation. If through increased U.S.-China cooperation in combating drug trafficking there is a decline in precursor trafficking to the United States, wouldn't those precursor drugs just go elsewhere, say, to Europe or other parts of Asia?

[29:00]

FELBAB-BROWN: Well, absolutely. So, let's imagine that we have this magic wand, and all of a sudden China moves to all the prosecutions that we want to see and dismantles those networks smuggling precursors. And by the way, I should also say that many of these networks, they are not 14K, they are not the Fujian mafia, but they are unscrupulous and involved in many illegal activities. They're also smuggling wildlife trafficking. We see, for example, the increasing use of wildlife products as payments for precursors to avoid the banking sector restrictions and banking sector regulations that are supposed to prevent money laundering. So, these are not benign, nice actors, even if they are not as powerful as 14K or the Sinaloa Cartel.

So, China pulls out from its bag this magic wand and there is no more precursors coming out of China. There are many places in the world that could become the source of precursor chemicals. The most immediate locale is India. India already is a place from which precursors originate. It's a major source of precursor chemicals for methamphetamine. It's also a place where a lot of synthetic drugs are being produced and cooked and shipped around the world to Europe, to the United States. Many of them are types of drugs, like synthetic cannabis, other kind of designer drugs.

So, India already is a major actor in the illegal drug trade, and Indian chemist trafficking networks are very much involved in global synthetic drugs trafficking. So, India is like the immediate replacement where precursors could start originating at even a larger volume if China came out.

The United States has been trying to engage India in cooperation on counternarcotics, and there has been progress. The baseline for cooperation is perhaps even lower than with China. The quality and extent of Indian counternarcotics law enforcement apparatus is very minimal. So, there is well, which is very important, but the resource baseline is very low.

[31:07]

Beyond India, we could imagine precursors originating in Europe, especially given that many of these precursors are very basic chemicals. So, any country that has a large chemical or pharmaceutical industry can become a source of supply. Over time, we could see production in other places: Nigeria, South Africa, places like Indonesia.

Now, you know, we cannot be unrealistic in the objectives that we are looking for. Diversion could start taking place in the United States. The issue is really not whether diversion is taking place, but the resolve and determination to counter the diversion and to counter the networks that are engaged in criminal activity. And the challenge with China has been the lack of will to take those enforcement actions.

So, I would be far less worried about precursors being diverted out of the pharmaceutical and chemical industries in Germany because I'm very confident that German law enforcement would do its best to crack down on the networks, prevent them from growing, prevent them from developing markets, and would cooperate intensely with the United States. And this is what we want countries like China to be doing. Not imagine that they can get to zero crime. No country has been able to do that in the drug space. But to have robust will to do its best in law enforcement cooperation.

DEWS: Well, I think, we could leave it there, Vanda. And just a reminder to listeners and viewers that I will also be interviewing you on your research about Mexico. So, thank you.

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FELBAB-BROWN: Well, I'm excited to have that conversation. And thank you very much, Fred.

The Killing Drugs is a production of the Brookings Podcast Network. Many thanks to all my guests for sharing their time and expertise on this podcast and in this project.

Also, thanks to the team at Brookings who makes this podcast possible, including Kuwilileni Hauwanga, supervising producer; Fred Dews, producer; Gastón Reboredo, audio engineer; Daniel Morales, video editor; and Diana Paz Garcia, senior research assistant in the Strobe Talbott Center for Security, Strategy, and Technology; Natalie Britton, director of operations for the Talbott Center; and the promotions teams in the Office of Communications and the Foreign Policy program at Brookings. Katie Merris designed the compelling logo.

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I am Vanda Felbab-Brown. Thank you for listening.