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Committee on Homeland Security
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Washington, DC 20515**

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Subcommittee on Oversight, Investigations, and Accountability

Hearing

**“Invasion of the Homeland: How China is Using Illegal Marijuana to Build a
Criminal Network Across America”**

WITNESSES

Mr. Donnie Anderson

Director

Oklahoma Bureau of Narcotics and Dangerous Drugs Control

Mr. Paul Larkin

Private Citizen

Mr. Christopher Urben

Private Citizen

Former Agent, Drug Enforcement Administration



OKLAHOMA BUREAU OF NARCOTICS AND DANGEROUS DRUGS CONTROL

Invasion of the Homeland: How Illegal Chinese
Owned Marijuana Farms Have Consumed Rural
America.

September 18, 2025

Director

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Testimony for the Record

**Submitted to the
Subcommittee for Oversight, Investigation, and Accountability
Homeland Security Committee
For the hearing: *Invasion of the Homeland: How Illegal Chinese-
Owned Marijuana Farms Have Consumed Rural America***

September 18, 2025

**Donnie Anderson
Director, Oklahoma Bureau of Narcotics**

Opening Statement of Donnie Anderson

Thank you Mr. Chairman, ranking members, and members of the committee for inviting me to participate in today's hearing and your interest in Chinese-owned marijuana farms. This topic is of not only a public safety interest, but also the interest of America's national security. My name is Donnie Anderson, and I am the Director of the Oklahoma Bureau of Narcotics (OBN). I have dedicated over 34 years to public safety and narcotics enforcement, and I can say without hesitation that the impact of black-market marijuana in Oklahoma is unlike anything I have encountered in my career. What is even more alarming is the growing influence and involvement of the Chinese Communist Party (CCP) in this illicit industry.

Please understand that what I share today represents only a fraction of the broader threat we face. Several investigations remain open, and I am unable to comment on them further without jeopardizing their integrity, endangering the brave men and women working these cases, or violating laws that prohibit disclosure of active investigations.

In 2018, Oklahoma voters approved medical marijuana State Question 788 drafted by marijuana advocates. Unfortunately, the law imposed no limits on the number of grow operations or the quantity of plants each could cultivate. This lack of regulation has led to a staggering oversupply.

Between 2024 and 2025, licensed grow sites reported 87,210,960 plants. Yet dispensaries sold only 1,689,601 pounds of marijuana. Given that one plant typically yields one pound of processed marijuana, over 85 million plants are unaccounted for—representing an estimated \$153 billion in missing product and proceeds.

To put this in perspective, as of September 9, 2025, Oklahoma has 324,850 licensed medical marijuana patients. The scale of unreported inventory is deeply troubling, especially considering that black-market producers routinely underreport their plant counts.

Oklahoma's medical marijuana framework has inadvertently opened the door to international organized crime. Criminal actors exploit the system to produce high-potency marijuana for black-market distribution, fueling what is now estimated to be a \$153 billion illicit industry.

Of particular concern is the high prevalence of Chinese nationals involved in these operations. Their presence has had a profound effect on both our state and national security.

Consider the following examples:

- **2022:** Four Chinese nationals were executed at an illegal marijuana farm near Hennessey, OK. A fifth individual was seriously injured. The operation used a fraudulent license obtained via a straw owner.

- **April 2024:** Law enforcement arrested multiple suspects in connection with a robbery and homicide at a grow site in Okfuskee County. The victim, 53-year-old Harry Dam, was fatally shot.
- **July 2025:** A Canadian national was found murdered execution style at a grow operation near Lake Thunderbird. The death is believed to be the result of a targeted robbery. The investigation remains ongoing.

These incidents are just a few among many. Beyond these murders, state authorities have documented a sharp rise in violent crime linked to black-market marijuana operations masquerading as legal enterprises. The Oklahoma Bureau of Narcotics (OBN) reports associated crimes including:

- Human and sex trafficking
- Money laundering
- Illegal gambling
- Extortion
- Theft of water and electricity

Our agency currently employs one Mandarin-speaking agent. However, this is insufficient when suspects communicate in Cantonese or Fujianese—languages that Mandarin speakers cannot reliably translate. Compounding this issue is the widespread use of WeChat, a Chinese-owned platform used for both communication and financial transactions.

Because WeChat is based in mainland China and encrypted, U.S. law enforcement cannot serve legal process or conduct electronic surveillance as we would with domestic platforms. These apps fall outside the scope of the Communications Act of 1996 and the Electronic Communications Privacy Act of 1986, making them a major obstacle in our investigations.

Oklahoma law requires marijuana business owners to be state residents with at least two years of residency. Yet nearly all Chinese-operated grows circumvent this requirement through fraud and straw ownership. In one instance, a single Oklahoman was listed as the owner of approximately 300 farms.

This widespread fraud is facilitated by consulting firms, real estate agents, and attorneys who help establish these shell operations. Alarming, many of these grows are located near critical infrastructure, including military bases and pipelines.

For example, in an ongoing investigation, the Department of Defense has reported suspicious activity at a marijuana grow operated by an ethnic Chinese group located adjacent to the McAlester ammunition plant. This ammunition plant is the largest in the United States that is also responsible for manufacturing the MOAB (Massive Ordnance Air Blast) bomb, and houses close to one-third of the Department of Defense's munitions stockpile.

There is no doubt that the Chinese government has shown interest in Oklahoma's marijuana industry. We have documented financial transfers to the Bank of China and connections to businesses owned by the Chinese government.

These concerns are amplified by recent reports of CCP activity in operations like Salt Typhoon. Regardless of property ownership, it is my belief that the CCP maintains access to these sites, particularly through its known practice of controlling expatriates via so-called "police stations."

Thank you for your time and attention to this critical issue. I am available to answer any questions you may have or to provide additional information as needed.

Donnie Anderson,
Oklahoma Bureau of Narcotics

***“INVASION OF THE HOMELAND:
HOW ILLEGAL, CHINESE-OWNED MARIJUANA FARMS
HAVE CONSUMED RURAL AMERICA”***

**HEARING BEFORE THE SUBCOMMITTEE ON OVERSIGHT,
INVESTIGATIONS, AND ACCOUNTABILITY OF THE
HOUSE COMMITTEE ON HOMELAND SECURITY**

**WRITTEN STATEMENT OF
PAUL J. LARKIN,
JOHN, BARBARA & VICTORIA RUMPEL
SENIOR LEGAL RESEARCH FELLOW
THE HERITAGE FOUNDATION**

SEPTEMBER 18, 2025

**Written Statement of Paul J. Larkin, John, Barbara & Victoria
Rumpel Senior Legal Research Fellow, The Heritage Foundation
September 18, 2025**

Thank you for the opportunity to submit a written statement and testify at this hearing.¹ As the Rumpel Senior Legal Fellow at The Heritage Foundation, much of my recent scholarship has focused on drug policy and the involvement of foreign countries, including China, in the illicit drug trade.²

INTRODUCTION

Most debates over the rescheduling, decriminalization, or legalization of cannabis, known in the lingo as “marijuana,” focus on the public health question of whether it is a relatively harmless intoxicant or a medically hazardous drug.³ This hearing, by contrast addresses a homeland security aspect of the controversy over cannabis: namely, the problem of control by Chinese organized crime elements (or Triads) of the unlawful medical and recreational cannabis markets in the United States.⁴ That is an important subject worth serious consideration.

It would be troublesome if any foreign nation gained a dominant position in any criminal market in the United States. But the subject of this hearing concerns a far, far more severe problem. The People’s Republic of China (PRC) and the Chinese Communist Party (CCP) are committed enemies of the United States.⁵ They seek

¹ The Heritage Foundation is a public policy, research, and educational organization recognized as exempt under section 501(c)(3) of the Internal Revenue Code. It is privately supported and receives no funds from any government at any level, nor does it perform any government or other contract work. The Heritage Foundation is the most broadly supported think tank in the United States. During 2024, it had hundreds of thousands of individual, foundation, and corporate supporters representing every state in the U.S. Its 2024 operating income came from the following sources: Individuals 81%; Foundations 14%; Corporations 2%; Program revenue and other income 3%. The top five corporate givers provided The Heritage Foundation with 1% of its 2024 income. The Heritage Foundation’s books are audited annually by the national accounting firm of RSM US, LLP.

Members of The Heritage Foundation staff testify as individuals discussing their own independent research. The views expressed are their own and do not reflect an institutional position of The Heritage Foundation or its board of trustees.

² For the subcommittee’s convenience, I have attached as appendices two relevant Heritage Foundation publications of mine: (1) Paul J. Larkin, *China and Cannabis*, HERITAGE FOUND., Legal Memorandum No. 380 (2025) [hereafter Larkin, *China and Cannabis*], and (2) Paul J. Larkin, *Twenty-First Century Illicit Drugs and Their Discontents: The Failure of Cannabis Legalization to Eliminate an Illicit Market*, HERITAGE FOUND. Legal Memorandum No. 326 (2023). I will draw from them here.

³ I have written on that subject. *See, e.g.*, Bertha K. Madras & Paul J. Larkin, *Rescheduling Cannabis—Medicine or Politics?*, 82 JAMA PSYCHIATRY 934 (2025); Paul J. Larkin, *Driving While Stoned in Virginia*, 59 AM. CRIM. L. REV. ONLINE 1 (2022); Paul J. Larkin, *Reconsidering Federal Marijuana Regulation*, 18 OHIO ST. J. CRIM. L. 99 (2020).

⁴ Unless the context dictates otherwise, references to “China,” “Chinese,” the “People’s Republic of China (PRC),” or the “Chinese Communist Party (CCP)” should be read as referring to Chinese organized crime elements.

⁵ “The Chinese government has made no secret of its ambition to surpass the West both militarily and economically by the regime’s 100th anniversary in 2049 in the hope that the 21st century will be dominated by China in the same way that the 20th century was dominated by the United States. According to a popular saying in Chinese mythology, ‘there is only one sun in the sky.’ . . . What is worrisome is how China achieves and maintains that wealth and power within the increasingly interdependent global environment and its effects on the security and well-being of the Western

to displace the United States as the world's dominant military and economic power by no later than 2049, the centennial anniversary of the founding of the PRC. For that reason, it is a matter of paramount and urgent concern for the nation's security that Chinese organized crime elements have infiltrated the American states that have legalized cannabis for medical or recreational purposes.

I. CHINESE ORGANIZED CRIME'S INVOLVEMENT IN THE U.S. DOMESTIC CANNABIS INDUSTRY

According to the U.S. Drug Enforcement Administration (DEA), “Chinese and other Asian [Transnational Criminal Organizations, or TCOs] have taken control of the marijuana trade” in the United States.⁶ Over 10 years, “Chinese TCOs have come to dominate the cultivation and distribution of marijuana across the United States,” a development seen from California to Oklahoma to Maine.⁷ Most of the

democracies.” JOHN A. CASSARA, *MONEY LAUNDERING AND ILLICIT FINANCIAL FLOWS: FOLLOWING THE MONEY AND VALUE TRAILS* 193 (2020) (footnote omitted); *see also, e.g.*, Tom Porter, *China Waging New Cold War to Topple U.S. as World's Leading Superpower, Says CIA Official*, NEWSWEEK, July 22, 2018, <https://www.newsweek.com/china-waging-new-cold-war-topple-us-worlds-leading-superpower-says-cia-1036226> (“Michael Collins, the deputy assistant director of the CIA's East Asia Mission Center stated in 2018 that Beijing's tactics to achieve its ambitions fit the definition of a cold war: ‘I would argue by definition what they're waging against us is fundamentally a cold war . . . A country that exploits all avenues of power licit and illicit, public and private, economic and military, to undermine the standing of your rival relative to your own standing without resorting to conflict.’”); Larkin, *China and Cannabis*, *supra* note 2, at 10 n.2 (collecting authorities).

⁶ DRUG ENF'T ADMIN, U.S. DEP'T OF JUST., *2025 National Drug Threat Assessment*, DEA-DCT-DIR-007-25, at 51 (May 2025) [hereafter 2025 DEA Threat Assessment].

⁷ 2025 DEA Threat Assessment, *supra* note 6, at 49; *id.*:

The purchase of real estate for both indoor and outdoor grows, and for the storage of needed equipment, is often initially funded through family and community connections, both in China and in the United States, as many seek to skirt restrictions on the movement of currency from Chinese banks to foreign countries. Undocumented Chinese immigrants, many of whom spent years in Mexico and were lured to the United States with offers of legal employment, staff many of the grow sites alongside undocumented Mexican immigrants in similar circumstances. The undocumented migrants are closely monitored by the Chinese TCO members who own and manage the grows. Most of the grow sites are located in states where the cannabis industry is “legal,” though most do not follow the established licensure process or have obtained their licenses through falsified means. They face little prison time, if any, when caught, and often move to a new location in the same state or to another “legal” state once discovered.

The Chinese TCOs are producing the most potent form of marijuana in the history of drug trafficking, with a THC content averaging 25 to 30 percent, compared to a national average of 16 percent. The grow sites use pesticides and fertilizers shipped from China, including many chemicals banned in the United States for decades because of adverse health and environmental consequences. Not only are these chemicals entering the water, soil, and air around the grow sites, some quantity of these chemicals also remains on the processed marijuana that is ingested by users.

Oklahoma seems to have been targeted because there is no effective limit on the amount of cannabis that can be grown. *See* NAT'L STRATEGIC ANALYSIS INITIATIVE, *HIGH INTENSITY DRUG TRAFFICKING AREAS, Briefing Report—Chinese Nationals and Marijuana in the United States* 2-3 (2025) [hereafter *HIDTA Report on China and Cannabis*] (“Oklahoma became a hotspot for Chinese marijuana operations after voters said ‘yes’ to medicinal marijuana in 2018. The state stood out because it did not limit the number of dispensaries or growing operations. . . . In Oklahoma, the lack of

Chinese TCOs' cannabis cultivation occurs in states that have legalized cannabis production under state law, although the TCOs often relocate to other states once they are discovered.⁸ According to a recent report by the federal High Intensity Drug Trafficking Areas entitled *Chinese Nationals and Marijuana in the United States*, “[a]n unprecedented expansion of Chinese-operated marijuana farms has been tracked across the United States, with operations from California to Maine,” meaning that “Chinese marijuana operations now dominate the U.S. illegal drug market at levels never seen before.”⁹

regulations to limit the number of dispensaries or grow operations created opportunistic conditions for illegal activities. State investigators found connections between foreign criminal networks and over 3,000 illegal grows—more than 80% of these were Chinese-run. The Oklahoma Bureau of Narcotics (OBN) shut down more than 800 farms in two years. About 75% of these had links to Chinese investors and organized crime.” (footnotes omitted); Terry Gross, *How the Chinese Mafia Came to Control Much of the Illicit Marijuana Trade in the U.S.*, NPR, Mar. 21, 2024, <https://www.npr.org/2024/03/21/1239854106/how-the-chinese-mafia-came-to-control-much-of-the-illicit-marijuana-trade-in-the> (last accessed Aug. 1, 2025) (“You have remarkable scenes of private planes flying from rural airstrips in California to Oklahoma with couriers carrying suitcases full of cash to go out and buy farms in Oklahoma, where land is cheap, and setting up new operations in the new hotspot where they can make even more money because there’s really no limits on how big these farms are and how much marijuana they can grow.... GROSS: ... [W]hy Oklahoma? You mentioned that land is cheap there. Is that the main reason why Oklahoma has become such a big state for the illicit growth of marijuana? [¶] ROTELLA: It’s partly because the land is cheap. It’s also because that medical marijuana law they passed made it particularly easy just to move in, set up and grow. In other states, there are limits on how much you can grow. In Oklahoma, there are basically no limits. So you have these huge operations and thousands of farms growing marijuana and, you know, law enforcement kind of overwhelmed and trying to keep up with it and prevent what is kind of wholesale trafficking to other states.”); *id.* (“ROTELLA: What has happened is there have just been a great deal of—an overwhelming number of farms—at one point, there were 10,000 growing operations in Oklahoma—and systematic abuse and violation of those laws, particularly criminal groups paying, illegally, Oklahoma residents to be straw owners and farms that are producing far more marijuana than could be consumed in Oklahoma for medical purposes. And most of that marijuana is going around the country, particularly the East Coast, to be sold illegally. [¶] GROSS: So organized crime gets people to front for them and get a license, and then organized crime can move in and grow. And it looks legal. [¶] ROTELLA: And it has the facade of legality. And what’s happening is then taking advantage of the fact that you can get a lot more money, say, if you’re selling the dope in New York or on the East Coast. There’s smuggling of, you know, truckloads of marijuana and huge profits—you know, billions of dollars being made in this marijuana that’s grown in Oklahoma and being trafficked and sold elsewhere.”).

⁸ See Gross, *supra* note 7 (“When states started legalizing marijuana, one of the hopes was that it would cut down on crime because people could buy it legally from licensed sellers. But in some states, including Oklahoma, legalization inadvertently helped organized crime, especially the Chinese mafia, exploit new opportunities. Chinese organized crime has come to dominate much of the illicit marijuana trade in the nation, from California to Maine[.]”).

⁹ HIDTA Report on China and Cannabis, *supra* note 7, at 2; see also *id.* at 1 (“Oklahoma’s illegal marijuana production alone ranges between \$18 billion and \$44 billion each year. . . . Chinese marijuana operations have spread across America in a clear pattern. They started in California over a decade ago and have now expanded to states that have favorable growing conditions with less oversight. Oklahoma became a hotspot for Chinese marijuana operations after voters said ‘yes’ to medicinal marijuana in 2018. The state stood out because it did not limit the number of dispensaries or growing operations.”); *id.* (“Oklahoma saw its licensed marijuana grows reach almost 10,000 by late 2021, which provided perfect cover for illegal operations.”) (footnote omitted); *id.* at 2 (“State investigators found connections between foreign criminal networks and over 3,000 illegal grows—more than 80% of these were Chinese-run. The Oklahoma Bureau of Narcotics (OBN) shut

Various other parties—including federal, state, and local law enforcement officers, Members of Congress, and investigative journalists—have reached the same conclusion.¹⁰

down more than 800 farms in two years. About 75% of these had links to Chinese investors and organized crime.”) (footnotes omitted).

¹⁰ See, e.g., U.S. DEP’T OF JUST., Press Release, *Seven Chinese Nationals Charged for Alleged Roles in Multi-Million-Dollar Money Laundering, Alien Smuggling and Drug Trafficking Enterprise*, July 8, 2025 [hereafter DOJ, *Seven Chinese Nationals Charged*], <https://www.justice.gov/usao-ma/pr/seven-chinese-nationals-charged-alleged-roles-multi-million-dollar-money-laundering> (“Seven Chinese nationals were charged today in connection with a multi-million-dollar conspiracy to cultivate and distribute marijuana across the Northeast that used interconnected grow houses concealed inside single-family properties in Massachusetts and Maine. It is alleged that Chinese nationals were smuggled into the United States to work in these grow houses without access to their passports until they repaid their smuggling debts.... Data extracted from Chen’s [Jianxiong Chen, the accused ringleader of this organization] cell phone allegedly revealed that he helped smuggle Chinese nationals into the United States—putting the aliens to work at one of the grow houses he controlled while keeping possession of their passports until they repaid him for the cost associated with smuggling them into the country.”); Letter from U.S. Senator Jodi Ernst and 49 Other Members of Congress to U.S. Attorney Gen’l Merrick Garland Regarding Chinese Nationals and Organized Crime Cultivation of Cannabis in the United States 1 (Feb. 2, 2024) [hereafter Ernst Letter], https://www.ernst.senate.gov/imo/media/doc/ernst_works_to_shut_down_ccp-linked_marijuana_farms.pdf (last accessed Sept. 10, 2025) (“We are deeply concerned with reports from across the country regarding Chinese nationals and organized crime cultivating marijuana on United States farmland. In some cases, the grow operators were also engaged in human, trafficking, forced labor, drug trafficking, and violent crime. These farms are most commonly in states with legal marijuana programs where illicit growers try to disguise their operations in communities where law abiding Americans live and work. The thousands of illicit Chinese marijuana growing operations pose a direct threat to public safety, human rights, national security, and the addiction crisis gripping our nation.”) (footnotes omitted); Emily Feng, *Marijuana Farms Are Increasingly Chinese-Run. Why?*, NPR, Mar. 13, 2024, <https://www.npr.org/2024/03/23/1240510436/marijuana-farms-are-increasingly-chinese-run-why> (last accessed Aug. 1, 2025) (“37,000 Chinese people . . . crossed into the country this way last year alone [i.e., 2023]. U.S. border authorities say this number is more than the past 10 years combined.”); Natalie Fertig, *The Growing Chinese Investment in Illegal American Weed*, POLITICO, Mar. 21, 2023, www.politico.com/news/2023/03/21/illicit-cannabis-china-00086125 (last accessed Sept. 8, 2025) (“In California, the Department of Cannabis Control says Chinese triads have been nominally involved in illegal cannabis production for decades, but that there’s been a recent increase in the number of actors and money that may have originated in China. The DCC also said that some—but not all—of the Chinese-funded grows they’ve encountered are operated by Chinese triads. ‘This notion that you now have Chinese actual funding for illicit cannabis, it’s definitely new, and it cuts directly across the interests of Mexican drug trafficking groups,’ said [Vanda] Felbab Brown. ‘It’s interesting to see whether it continues growing, [and] how that’s going to affect relations between the Mexicans and the Chinese [criminal groups].’”); *id.* (“A few days before Christmas, a joint law enforcement task force found nearly 9,000 pounds of cannabis worth almost \$15 million during a raid in a suburban neighborhood in Antioch, Calif.... The California Department of Cannabis Control believes that the four houses searched in the bedroom community 45 minutes outside San Francisco were linked to China.”); *id.* (“Law enforcement in southern Oregon in 2021 reported as many as 20 different nationalities linked to illegal grows. But the increasing amount of Chinese funding—and what lawmakers and some experts say is the potential influence of the Chinese Communist Party—has caught the attention of legislators and law enforcement alike.”); Liyan Qi, *How Chinese Marijuana Operations Cropped Up in Small-Town America*, WALL ST. J., Nov. 30, 2023, https://www.wsj.com/us-news/law/how-chinese-marijuana-operations-cropped-up-in-small-town-america-45b7b598?mod=Searchresults_pos2&page=1 (last accessed Aug. 1, 2025) (“Following the legalization of marijuana in many states, Chinese-run marijuana farms have emerged across the U.S. Some are run by investor groups with a commercial

Chinese organized crime has been able to move into the American cannabis industry because—contrary to what cannabis reform advocates have told us for the last 60-plus years—the legalization of cannabis has not eliminated a black (or grey) market for that plant.¹¹ Since the 1960s, cannabis reform proponents have argued that a black market will always exist to meet the consumer demand for illegal cannabis, so the best way to eliminate that market is to legalize and regulate its cultivation, distribution, and sale. The availability of legally sold cannabis, we were told, would eliminate the black market for two reasons. The average person wants both to avoid arrest, prosecution, and imprisonment for purchasing cannabis and also prefers doing so from an above-board store with a reputation for selling a safe, reliable, and uniform product instead of buying a potentially dangerous substance with an unknown effect. Accordingly, the argument concluded, the illicit cannabis market would disappear through the ordinary work of basic economics and consumer choice in a legitimate market.

That is not what happened. As I explained in my article *China and Cannabis*:

History has proved the reformers wrong; illicit markets are still with us today, nearly 30 years after California rolled the first cannabis snowball downhill. According to estimates made by Whitney Economics, which analyzes the cannabis industry, the illegal markets constitute approximately 75 percent of the \$100 billion industry, and two-thirds of the cannabis sold in these markets is grown domestically. Even the Supreme Court of the United States has acknowledged that “there is an established, albeit illegal, interstate market” for cannabis in the United States. Parties who grow and sell cannabis without a license have continued to prosper in states where it may be lawfully distributed under state law. The illicit industry in some states—California, where the contemporary cannabis

growing license. But just as illegal marijuana shops have proliferated, so have unlicensed growing operations.”); *id.* (“In California, Chinese networks have seized on the highly lucrative black market in marijuana growing, said Lt. Raymond Framstad of the Merced County Sheriff’s Office, who has investigated more than 20 cases involving unlicensed Chinese-run operations.”); Gross, *supra* note 7 (“Marijuana has been legalized in some states, but *ProPublica*’s Sebastian Rotella says there’s still a thriving illicit market, dominated by criminals connected to China’s authoritarian government.”); *id.* (“In California, Chinese networks have seized on the highly lucrative black market in marijuana growing, said Lt. Raymond Framstad of the Merced County Sheriff’s Office, who has investigated more than 20 cases involving unlicensed Chinese-run operations.”); *id.* (“Many Chinese networks have enough equipment for several large residential operations.... They find the house that they want, equip it to grow marijuana a year or longer before the police crackdown, then fix the property up and sell it at a profit. . . . A residential black-market growing operation can be set up for as many as six harvests a year, bringing in an annual profit of several million dollars depending on the size, said [Lieutenant] Framstad, who oversees the marijuana enforcement team at the sheriff’s office.”); Sebastian Rotella et al., *A Diplomat’s Visits to Oklahoma Highlight Contacts Between Chinese Officials and Community Leaders Accused of Crimes*, PROPUBLICA, Mar. 22, 2024, www.propublica.org/article/oklahoma-marijuana-china-diplomat-visits (last accessed Sept. 120, 2025) (““These diaspora associations are tools of the Chinese state,” said Donald Im, a former senior official at the Drug Enforcement Administration. “The presence of criminal elements in the leadership suggests an alliance, directly or indirectly, between the Chinese state and organized crime.””).

¹¹ In a “black market,” any sale of cannabis is illegal. A “grey market” is one where cannabis may be sold but is regulated and taxed, and sales occur outside the regulatory and tax regime.

revolution began, is a prime example—is larger than the lawful one that was supposed to drive the former out of business.

The reason for the black market’s survival is Economics 101 “with a dose of convenience thrown in.” Unlicensed growers do not pay the taxes that licensed businesses pay, nor do they comply with the environmental and labor regulations that increase the operating costs for regulated firms. The result is that they can sell cannabis at a lower price than state-licensed stores can charge. Additionally, some people will fear being “outed” as users because it could cost them their jobs or damage their reputation, so they will continue to purchase cannabis on the sly. Cannabis grown for medical or personal uses, which are not subject to any business taxes and regulations, can be sold locally in competition with retail stores. Finally, cannabis has been grown illegally in federal and state parks, which adds to the amount available for sale to the public. Illicit sales have become a fixture of the cannabis market, and there is no evidence that cannabis’s thriving black market will disappear, whether soon or ever.¹²

II. THE POTENTIAL SYMBIOTIC RELATIONSHIP BETWEEN CHINESE ORGANIZED CRIME AND THE GOVERNMENT OF THE PEOPLE’S REPUBLIC OF CHINA AND THE CHINESE COMMUNIST PARTY

There is reason to believe that Chinese Organized Crime is acting with the knowledge of, and tacit acceptance by, the government of the People’s Republic of China (PRC) and the Chinese Communist Party (CCP). U.S. Senator Joni Ernst and 49 other Members of Congress made that point in a February 2, 2024, letter to then-U.S. Attorney General Merrick Garland.¹³ According to a 2024 report by ProPublica, “U.S. and foreign national security officials have alleged that the Chinese state maintains a tacit alliance with Chinese organized crime in the U.S. and across the world.”¹⁴ Brookings Institution drug policy expert Vanda Felbab-Brown concluded that “[t]he Chinese government has a complicated relationship with organized crime.”¹⁵ The PRC ostensibly condemns the Triads, but seems to acquiesce in their global fentanyl and methamphetamine drug trafficking networks. In addition, Chinese mobsters “overtly support pro-Beijing causes and covertly provide services overseas,” ProPublica noted, “engaging in political influence work, moving illicit funds offshore for the Chinese elite and helping persecute dissidents, according to Western officials, court cases and human rights groups,” and even provide “extra-

¹² Larkin, *China and Cannabis*, *supra* note 2, at 3 (footnotes omitted).

¹³ Ernst Letter, *supra* note 10, at 1 (“Chinese nationals—including those with potential ties to the Chinese Communist Party (CCP)—are reportedly operating thousands of illicit marijuana farms across the country. . . . Experts believe there is substantial evidence implicating the CCP in directly supporting illicit marijuana grow operations across the United States.”) (footnotes omitted).

¹⁴ Rotella et al., *supra* note 10 (referencing U.S. Senate Comm. on Armed Services Hearing on U.S. Southern & Northern Commands (Mar. 16, 2021) (testimony of Admiral Craig Faller, Commander, U.S. Southern Command) [hereafter Admiral Faller testimony], <https://www.youtube.com/watch?v=0lu5Bdxr8QI&t=4765s> (last accessed Sept. 10, 2025).

¹⁵ Fertig, *supra* note 10.

legal” muscle for the PRC “to curry favor with the CCP.”¹⁶ Finally, there is evidence that a Chinese diplomat met with members of a suspected Chinese criminal network in Oklahoma.¹⁷

It is important to realize that the PRC and CCP cannot escape responsibility for the actions of Chinese organized crime by arguing that there is no express agreement between the former two entities and the latter. In a criminal prosecution, the jury may “rely on inferences drawn from the course of conduct of the alleged conspirators.”¹⁸ As the Supreme Court of the United States has made clear, “[t]he doctrine of willful blindness is well established in criminal law.”¹⁹ as is the principle that the government may establish proof of a conspiracy entirely through circumstantial evidence,²⁰ which appears to be in ample supply on this point.²¹

¹⁶ *Id.*

¹⁷ Rotella et al., *supra* note 10 (“The photos look like a routine encounter between a senior Chinese diplomat and immigrants in the American heartland: dutiful smiles, casual clothes, a teapot on a table, Chinese and U.S. flags on the wall. [¶] But behind the images, there is a potentially concerning story. During two trips to Oklahoma, Consul General Zhu Di of the Chinese embassy visited a cultural association that has been a target of investigations into Chinese mafias that dominate the state’s billion-dollar marijuana industry. And the community leaders posing with him in the photos? A number of them have pleaded guilty or been prosecuted or investigated for drug-related crimes, according to court documents, public records, photos and social media posts. [¶] ‘He’s meeting with known criminals,’ said Donnie Anderson, the director of the Oklahoma Bureau of Narcotics and Dangerous Drugs Control, in an interview.”); *id.* (“After a mass murder at a marijuana farm, a Chinese diplomat visited an organization that has been the subject of investigations. The meetings reflect an international pattern of contacts between Chinese officials and suspected criminal networks. [¶] ...During two trips to Oklahoma, Consul General Zhu Di of the Chinese embassy visited a cultural association that has been a target of investigations into Chinese mafias that dominate the state’s billion-dollar marijuana industry. And the community leaders posing with him in the photos? A number of them have pleaded guilty or been prosecuted or investigated for drug-related crimes, according to court documents, public records, photos and social media posts. [¶] ‘He’s meeting with known criminals,’ said Donnie Anderson, the director of the Oklahoma Bureau of Narcotics and Dangerous Drugs Control, in an interview. [¶] There is no indication of wrongdoing by the consul general, who is one of China’s top diplomats in the United States. Still, the encounters in Oklahoma reflect a pattern of contacts around the world between China’s authoritarian government and diaspora leaders linked to criminal activity—a subject of increasing concern among Western national security officials, human rights groups and Chinese dissidents.”).

¹⁸ *Ianelli v. United States*, 420 U.S. 770, 777 (1975). See generally Paul J. Larkin, *The Criminal Responsibility of Parties Who Traffic in Fentanyl Precursor Chemicals*, HERITAGE FOUND. Special Report No. 320, at 5 & 26 nn.55-60 (2025).

¹⁹ *Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754, 766 (2011).

²⁰ See *Holland v. United States*, 348 U.S. 121, 140 (1954) (“Circumstantial evidence in this respect is intrinsically no different from testimonial evidence. Admittedly, circumstantial evidence may in some cases point to a wholly incorrect result. Yet this is equally true of testimonial evidence. In both instances, a jury is asked to weigh the chances that the evidence correctly points to guilt as against the possibility of inaccuracy or ambiguous inference. In both, the jury must use its experience with people and events in weighing the probabilities. If the jury is convinced beyond a reasonable doubt, we can require no more.”).

²¹ For example, evidence that the PRC government is aware of and might be complicit in money laundering was found on encrypted cell phones seized in a DEA investigation. See Sebastian Rotella & Kirsten Berg, *How a Chinese American Gangster Transformed Money Laundering for Drug Cartels*, PROPUBLICA, Oct. 11, 2022, <https://www.propublica.org/article/china-cartels-xizhili-money-laundering> (last accessed Aug. 3, 2025) (“‘There is no question there is interconnectivity between Chinese organized crime and the Chinese state, said [former senior FBI Official Frank]

III. STEPS THAT THE FEDERAL GOVERNMENT MAY TAKE TO ARREST AND CLAW BACK THE INFILTRATION OF CHINESE ORGANIZED CRIME IN THE STATE-LEGAL CANNABIS INDUSTRY

A. Actions that the States and Federal Executive Branch Can Take Without the Need for New Substantive Federal Legislation

There are various steps that the states and the Executive Branch can take to address this problem.²² For example, if a state has not yet adopted a medical- or recreational use cannabis régime, the state should not do so. In addition, states can take various actions to protect the nation against the PRC's interest in acquiring real estate for spying or illegal drug activity, such as requiring real estate purchasers and lessees to identify all foreign individuals and foreign-owned or foreign-controlled companies with a legal or financial interest in their purchases or rentals. That would help to prevent the PRC from using third parties or sham corporations to obtain property for use as an indoor cultivation or production site for cannabis.

The U.S. Department of Justice also should undertake aggressive criminal investigations into, and prosecution of, the actions of Chinese organized crime elements for violations of one or more of several federal criminal laws. The most obvious place to start is with the Controlled Substances Act of 1970. Cannabis is a Schedule I drug, the category for drugs that lack a current medical use, have a high potential for abuse, and are dangerous even when used under a physician's supervision.²³ The cultivation and distribution of cannabis is a felony under federal law punishable by a lengthy term of imprisonment²⁴ that depends on the weight of a "mixture or substance" containing a detectable amount of delta-9-tetrahydrocannabinol (THC).²⁵ The Department charged the parties in Maine and Massachusetts cases noted above with such drug offenses, for example.²⁶

But that is not all. From media reports and elsewhere, there appears to be evidence worth pursuing regarding the commission of other federal crimes that are ancillary to Chinese organized crime's cannabis trafficking.²⁷ Those offenses might

Montoya[, Jr.]. 'The party operates in organized crime-type fashion. There are parallels to Russia, where organized crime has been co-opted by the Russian government and Putin's security services.'"); *id.* ("Looking at Chen's smartphones, the agents were able for the first time to read the suspects' most sensitive conversations on WeChat, an application for messaging and commerce. WeChat is ubiquitous in China and the Chinese diaspora and impenetrable to U.S. law enforcement. Because it uses a form of partial encryption allowing the company access to content, WeChat is closely monitored by the Chinese state, according to U.S. national security veterans. [¶] U.S. officials view the brazen use of WeChat for money laundering as another suggestive piece of evidence that authorities in Beijing know what is going on. [¶] 'It is all happening on WeChat,' Cindric said. 'The Chinese government is clearly aware of it. The launderers are not concealing themselves on WeChat.'").

²² See Larkin, *China and Cannabis*, *supra* note 2, at 6-7.

²³ 21 U.S.C. §§ 801, 802, 841(6), (10)–(12), (15)–(16), (22), 812(a), (b) & Schedule I (West 2025).

²⁴ A term that can include life imprisonment without the possibility of parole if an offender is convicted for violating the Continuing Criminal Enterprise Act, 21 U.S.C. § 848 (West 2025).

²⁵ 21 U.S.C. § 841; see *Chapman v. United States*, 500 U.S. 453, 456-64 (1991).

²⁶ DOJ, *Seven Chinese Nationals Charged*, *supra* note 10.

²⁷ HIDTA Report on China and Cannabis, *supra* note 7, at 4 ("One tactic discovered to be utilized by a New Mexico-based criminal organization was to target Chinese immigrants who lost work

include money laundering, involuntary servitude, human trafficking, prostitution, fraud, and other federal offenses, such as violent crimes.²⁸ Those offenses might already be under investigation by the federal government. If not, they should be.

during the COVID-19 pandemic. Their sophisticated recruitment strategy included: Social media advertisements promising \$200 daily wages; False job descriptions of legitimate agricultural work, i.e. ‘gardening’ and ‘flower cutting; Guaranteed housing and meals[.] . . . The reality these workers face stands in stark contrast to the promises made. It was documented in New Mexico that workers were being forced to endure 14-hour workdays, while living in deplorable conditions. In another operation in Oklahoma, 20-30 people were found crammed into a single room with just one bathroom and no air conditioning. Workers often sleep in various makeshift accommodations: Wooden sheds with dirt floors; Trailers without basic utilities; Greenhouse floors; Fields and ditches, exposed to the elements[.]”) (punctuation omitted); *id.* at 5 (“The New Mexico and Oklahoma investigations have revealed severe human rights violations, and the similarities between the operations have identified a suspected pattern of activity. Upon arrival, workers often have their phones and car keys confiscated. Cases have been documented where armed guards with guns and machetes patrol the premises, and workers face constant surveillance through cameras and security personnel. The exploitation extends beyond confinement. Workers report receiving no payment for their labor, with some owed up to \$12,000 in promised wages. Numerous cases were encountered where workers were exposed to dangerous chemicals, resulting in visible burns on their hands and arms. Many appeared malnourished and showed signs of physical abuse. [¶] Perhaps most disturbing is the discovery of human trafficking elements. Evidence has been found of workers being smuggled directly to farms through Mexican border crossings, with farm owners paying approximately \$20,000 per worker to trafficking networks. These workers are then forced to work for two years to pay off their “debt.” When workers attempt to demand their wages, they can face violent retaliation. In one instance, a worker who requested payment found himself being threatened by a guard armed with an AK-47 semi-automatic rifle. The presence of drugs, cash, and weapons has created an environment where violence is commonplace, and workers live in constant fear of retaliation if they speak out or attempt to escape.”) (footnotes omitted).

²⁸ See, e.g., *id.* at 4 (“One tactic discovered to be utilized by a New Mexico-based criminal organization was to target Chinese immigrants who lost work during the COVID-19 pandemic. Their sophisticated recruitment strategy included: Social media advertisements promising \$200 daily wages; False job descriptions of legitimate agricultural work, i.e. ‘gardening’ and ‘flower cutting’; Guaranteed housing and meals[.] . . . The reality these workers face stands in stark contrast to the promises made. It was documented in New Mexico that workers were being forced to endure 14-hour workdays, while living in deplorable conditions. In another operation in Oklahoma, 20-30 people were found crammed into a single room with just one bathroom and no air conditioning. Workers often sleep in various makeshift accommodations: Wooden sheds with dirt floors; Trailers without basic utilities; Greenhouse floors; Fields and ditches, exposed to the elements[.]”) (footnotes and punctuation omitted); Ernst Letter, *supra* note 10 (“In some cases, the grow operators were also engaged in human trafficking, forced labor, drug trafficking, and violent crime.”); Admiral Faller Testimony, *supra* note 11, at 63 (“The money-laundering connection is the most significant, where Chinese money laundering underwrites TCOs [to] a significant proportion, and that is something that we are tracking as part of all interagency effort here in the United States.”) JOHN A. CASSARA, CHINA-SPECIFIED UNLAWFUL ACTIVITIES: CCP INC., TRANSNATIONAL CRIME AND MONEY LAUNDERING 34 (2023) (“According to the FBI, Chinese criminal enterprises conduct traditional racketeering activities normally associated with organized crime including extortion, murder, kidnapping, illegal gambling, prostitution, and loansharking. They engage in human trafficking, traffic heroin and methamphetamine, commit financial frauds, engage in auto theft, deal in illicit tobacco products, trade in counterfeit goods, and other criminal activities. They launder the proceeds of the crime.”); *id.* (noting that a “defining characteristic” of Chinese criminal enterprises is violence); Nolan Clay, *He Ran a Brothel for Oklahoma Marijuana Farms. Now He's Going to Prison*, THE OKLAHOMAN, July 15, 2025, www.oklahoman.com/story/news/crime/2025/07/11/a-pimp-for-oklahomas-medical-marijuana-farms-sentenced-to-prison/84620520007/ (“The boss of a brothel for Oklahoma's pot farms has been sentenced to 20 years in prison for sex trafficking.”); Feng, *supra*

B. Actions that Congress Can Take

Congress should consider whether federal legislation is necessary to protect uniquely national interests. The federal government has a surpassing interest in preventing any foreign power or nationals from purchasing or renting property that enables it or them to spy on sensitive federal locations (such as military bases), to commit federal offenses, or to generate illegal funds that can be used to undermine American interests in other ways. States cannot adopt domestic laws that interfere with the nation's foreign policy, which is a uniquely federal interest, as the Supreme Court recognized in *Zschernig v. Miller*.²⁹ As the Supreme Court explained in *Haig v. Agee*, “[i]t is ‘obvious and unarguable’ that no governmental interest is more compelling than the security of the Nation.” Accordingly, Congressional actions would be entirely appropriate.

1. *Congress could establish a uniform property acquisition rule across the states.*

Zschernig makes it clear that the President and Congress have broad power to define the nation's foreign policy and protect its residents against harms resulting from foreign powers. Cannabis use, particularly by military age men and women, can weaken our national security by reducing, perhaps greatly, the number of potential soldiers, sailors, airmen, and Marines who are qualified and fit to serve. Congress therefore could regulate the acquisition of property, whether by purchase or leasehold, by anyone who is acting on behalf of, at the instigation of, or for the benefit of a foreign party, particularly the PRC or CCP. At a minimum, Congress could require that property owners notify the U.S. Department of Homeland Security whenever a Chinese national buys or leases real property.³⁰

note 10 (“Last summer, New Mexico state special agents inspecting a farm found thousands more cannabis plants than state laws allow. Then on subsequent visits, they made another unexpected discovery: dozens of underfed, shell-shocked Chinese workers. The workers said they had been trafficked to the farm in Torrance County, N.M., were prevented from leaving and never got paid.”); Tom James, *The Failed Promise of Legal Pot*, ATLANTIC, May 9, 2016, <https://www.theatlantic.com/politics/archive/2016/05/legal-pot-and-the-black-market/481506/> (quoting Oklahoma Assistant Attorney General Emily Grossnicklaus: “These women are treated as property rather than human beings.”); Qi, *supra* note 10 (“According to a social-media post by the Oklahoma Narcotics Bureau, the state indicted two Chinese men on human-trafficking charges, alleging that they operated an Oklahoma City brothel where between late last year and early this year, approximately a dozen women were trafficked. [¶] ‘Evidence from the investigation shows many of the clients of the brothel were managers and administrators of commercial marijuana farms,’ the post said. The men couldn’t be reached for comment. ”); Nicole Sganga et al., *Black Market Marijuana Tied to Chinese Criminal Networks Infiltrates Maine*, CBS NEWS, Apr. 26, 2024, <https://www.cbsnews.com/news/black-market-marijuana-tied-to-chinese-criminal-networks-infiltrates-maine/> (“Donovan told CBS News that some of the people working in marijuana grow operations around the country are Chinese nationals who are victims of labor trafficking. [¶] ‘[They’re] brought here under the auspices that they’re working under a legit business,’ he said. ‘And they’re often kept unwillingly in these locations and told what to do to oversee the cultivation of these marijuana plants.’”) (last accessed Aug. 1, 2025).

²⁹ 389 U.S. 429 (1968); see Larkin, *China and Cannabis*, *supra* note 2, at 8 (discussing the *Zschernig* case).

³⁰ Other nations potentially subject to the same treatment would be Iran, North Korea, and Russia.

2. *Congress could expand the authority of the Committee on Foreign Investment in the United States.*

Established by President Gerald Ford pursuant to the Defense Production Act (DPA) of 1950, the Committee on Foreign Investment in the United States (CFIUS) is an interagency committee authorized to review certain transactions involving domestic foreign investment, including certain real estate transactions by foreign parties.³¹ The committee has the authority to review such deals and advise the President as to whether to prohibit the transaction or allow it to go forward under whatever conditions he deems appropriate if he finds “credible evidence” that the transaction “threatens to impair the national security of the United States.”³²

Nevertheless, the CFIUS screen is not impermeable. Not every type of real estate transaction must be reported. CFIUS has decided that it lacks jurisdiction over so-called greenfield or start-up investments, and some parties have not made the necessary disclosures even for a “covered transaction,” which deprives CFIUS and the President of the information needed to decide whether to allow a particular transaction to go forward. Accordingly, Congress could revise the DPA to make it clear that there is no greenfield exception to CFIUS’s jurisdiction.

CONCLUSION

The High Intensity Drug Task Forces recently concluded that the problem discussed above “represent[s] a critical national security threat requiring coordinated federal response, specialized investigative units, and comprehensive legislative action to close regulatory loopholes that enable these criminal enterprises to operate.”³³ There are steps that Congress can take to expose those enterprises and their illegal activities. The Homeland Security Committee and its Subcommittee on Oversight, Investigations, and Accountability has done the public a great service by exposing what is happening today. With luck, Congress will move forward to stem these problems.

³¹ Larkin, *China and Cannabis*, *supra* note 2, at 9; see also Bryan Burack, *China’s Land Grab: The Sale of U.S. Real Estate to Foreign Adversaries Threatens National Security*, HERITAGE FOUND. Backgrounder No. 3825 (2024).

³² 50 U.S.C. ch. 55, §§ 4501-4518.

³³ HIDTA Report on China and Cannabis, *supra* note 7, at 9.

September 18, 2025

**Mr. Christopher Urban
Nardello & Co.**

Testimony before the House Committee on Homeland Security, Subcommittee on Oversight, Investigations, and Accountability

Committee Chairman Garbarino, Subcommittee Chairman Brecheen, Committee Ranking Member Thompson, Subcommittee Ranking Member Thanedar, and distinguished members of this Subcommittee, thank you for the opportunity to address you today on the growth of Chinese organized crime in the United States, and the role of marijuana cultivation and distribution in facilitating that growth.

During my 24-year career as an agent and executive with the DEA, I saw firsthand the damage done by transnational criminal organizations (“TCOs”) and the increasingly significant operations of Chinese transnational criminal organizations. Over the last five years of my career, I led a team at DEA’s Special Operations Division dedicated to Project Sleeping Giant, which sought to understand, identify, and target Chinese TCOs operating in the United States. We were particularly concerned about the rise of Chinese money laundering networks (“CMLNs”), which have transformed narcotics trafficking by offering dramatically lower rates, lower risk, and quicker return of funds than the networks that had laundered money for TCOs previously. Project Sleeping Giant’s objectives included understanding the Chinese organized crime threat, developing intelligence on it, and designing enforcement operations to mitigate it.

As a result of this investigative and intelligence-gathering operation, we learned that CMLNs launder money for a wide range of criminal organizations, including Chinese suppliers of precursor chemicals used in fentanyl production in Mexico; Mexican cartels that manufacture fentanyl and other narcotics for US consumption; human trafficking networks; global operations that corrupt government authorities; wildlife traffickers; and Mexican and other growers and distributors of black-market marijuana within the United States.

I have been privileged to testify previously before Congress about the growth of CMLNs and why they have been so effective in laundering crime proceeds. Just weeks ago, on August 28, 2025, the U.S. Department of Treasury’s Financial Crimes Enforcement Network (“FinCEN”) officially raised the alarm on the growth of CMLNs in the United States and the threat they pose to the U.S. financial system.¹ In connection with that announcement, FinCEN issued an Advisory to U.S. financial institutions and a Financial Trend Analysis highlighting the scope and breadth of CMLN activity in the United States. The statistics cited by FinCEN are eye-opening: in the past five years, over \$312 billion in transactions flagged as potentially tied to CMLN activity moved through U.S. financial institutions. This statistic does not include funds moved through the informal economy or through other means, including cryptocurrency, which have not been subject to formal FinCEN oversight.

¹ <https://www.fincen.gov/news/news-releases/fincen-issues-advisory-and-financial-trend-analysis-chinese-money-laundering>

So, what have CMLNs done with the proceeds of their criminal activity? Starting in 2017, when a wave of marijuana legalization was sweeping the country, we started seeing the proceeds get invested into marijuana cultivation and distribution operations. The CMLNs (i) established grow operations (“grows”) in suburban homes they purchased and outfitted for indoor cultivation of high-end marijuana; (ii) grew marijuana outdoors in rural, agricultural settings; and (iii) distributed the marijuana and laundering the proceeds through existing networks.

The speed and organization in which the Chinese controlled marijuana grows were established was remarkable, as the CMLNs provided the funding for the grows, trafficked Chinese citizens into the United States to live at the grow locations, tending to the plants on a 24/7 basis. They then trafficked the marijuana to cities for sale. All of this happened seamlessly. It was extremely well organized because it was being managed by Chinese organized crime and Chinese money launderers at the leadership and command/control level. In fact, Chinese OC began to establish “legitimate” supply stores to sell the equipment needed to grow marijuana on an industrial scale.

Since leaving the DEA and joining the global investigative firm of Nardello & Co., I have seen CMLNs, and marijuana grows linked to CMLNs or other TCOs, grow significantly larger. Fueled by the increased power and scale of CMLNs, these grow operations have taken advantage of additional legalization efforts around the country and the increased demand for marijuana. They earn billions of dollars in revenue that in turn feeds the other criminal activities that CMLNs support.

Legalization by states has been tied to the growth of illicit Chinese-linked grow and distribution operations for several reasons. First, legalization efforts have imposed high taxes and strict growing, testing, and licensing requirements on government-approved growers and sellers of marijuana. This has allowed the black market for the drug to persist, as it offers a less expensive product – untaxed marijuana grown without regulation – delivered more conveniently, via street transactions or unlicensed channels, and quickly than government-approved alternatives. Second, legalization reduced penalties for unlawful possession and distribution of the drug at the same time it created a lawful channel for it to be possessed and distributed. This reduced the risks to criminal actors, including CMLNs, of severe criminal sanctions as a result of their unlawful operations, freeing them to invest their illicit proceeds in marijuana grow and distribution operations. As a result, illicit marijuana production and distribution, especially when run by TCOs, will always have a competitive advantage over any licensed marijuana businesses.

Third, legalization increased marketplace demand by making it more acceptable for consumers to use marijuana. This helps support the legal market for the drug, but it also increases the supply of potential customers for black-market marijuana that is distributed by CMLNs and other TCOs.

The effects of Chinese TCOs’ involvement in marijuana cultivation and distribution have been extensive. Demand for land and structures suitable for marijuana cultivation and distribution are affecting real estate values in many locations in the country. The growth techniques used in marijuana cultivation are harming the environment. The proceeds are undermining banking laws and regulations while supplying income to some of the most violent gangs.

My work in the DEA and subsequent investigative efforts, have confirmed the existence of Chinese-controlled marijuana growing operations in numerous states, including Arizona, California, Colorado, Maine, Massachusetts, New Hampshire, New Mexico, Oklahoma, Oregon, Rhode Island, and Washington. In the many other states that likely host similar operations, state and local law enforcement have yet been detected their existence or understand their links to national and TCOs.

What is the best way to combat this threat? First, there is a critical need for local, state, and federal officials to recognize that activities involving Chinese TCO-linked marijuana grow and distribution operations are not “just weed cases.” They are harmful in and of themselves, and they also help fuel CMLNs and other Chinese TCO-linked activity such as human trafficking, fentanyl distribution, and other dangerous and harmful activities. These cases should be prioritized as they are linked to larger criminal networks and activities, including prosecutable money laundering schemes.

My time at DEA’s Special Operations Division and my work at Nardello & Co. have led me to conclude that the U.S. law enforcement community and the U.S. financial system needs significant new authority, guidance, and resources to understand and combat the threat posed by Chinese organized crime and CMLOs. Recently, Congress and the Executive Branch designated the Mexican Cartels as foreign terrorist organizations, and it is clear that – as recognized by FinCEN in its recent guidance – CMLNs are key facilitators for the Mexican cartels. While Congress has passed legislation like the FEND OFF Fentanyl Act and the HALT Act and provided funding and authority to restrict cross-border smuggling activity that facilitates the movement of marijuana and crime proceeds, and FinCEN’s recent guidance will help financial institutions understand the scale and operations of CMLNs, more help is needed.

State and local governments individually do not have the necessary resources and authorities to attack and dismantle Chinese marijuana trafficking networks. State and local governments typically lack the subject matter experts, language skills, data scientists, confidential sources, and other law enforcement capabilities that are needed to address this threat. Federal funding, coordination, and authority, combined with state and local resources and authorities, are desperately needed. It is essential to use federal racketeering, money laundering, and continuing criminal enterprise prosecutions to target the leadership and command and control levels of these operations so that their leaders understand the federal government will not be lenient with them merely because they are selling drugs that have been legalized in places, and under circumstances, that do not apply to them. Using other federal authorities to target related crimes such as human smuggling, money laundering, tax evasion, and mortgage fraud, as well as state and local laws and regulations governing cultivation operations, including those governing land use and power and water violations, will have a material impact on these criminal organizations.

Even at the federal level, more subject matter experts, data scientists, translators of Mandarin and other Chinese dialects, and specialized task forces are needed to effectively target CMLNs and other Chinese TCOs engaged in marijuana trafficking activity. A fully funded intergovernmental platform would allow law enforcement to better identify criminal networks and dismantle them –

state by state. Congress can play a vital role by providing resources, incentives and authority for the federal government to engage in intensive enforcement operations to combat this threat.

Thank you for the opportunity to engage in this discussion today.