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Financial sanctions can disrupt fentanyl flows to the United States

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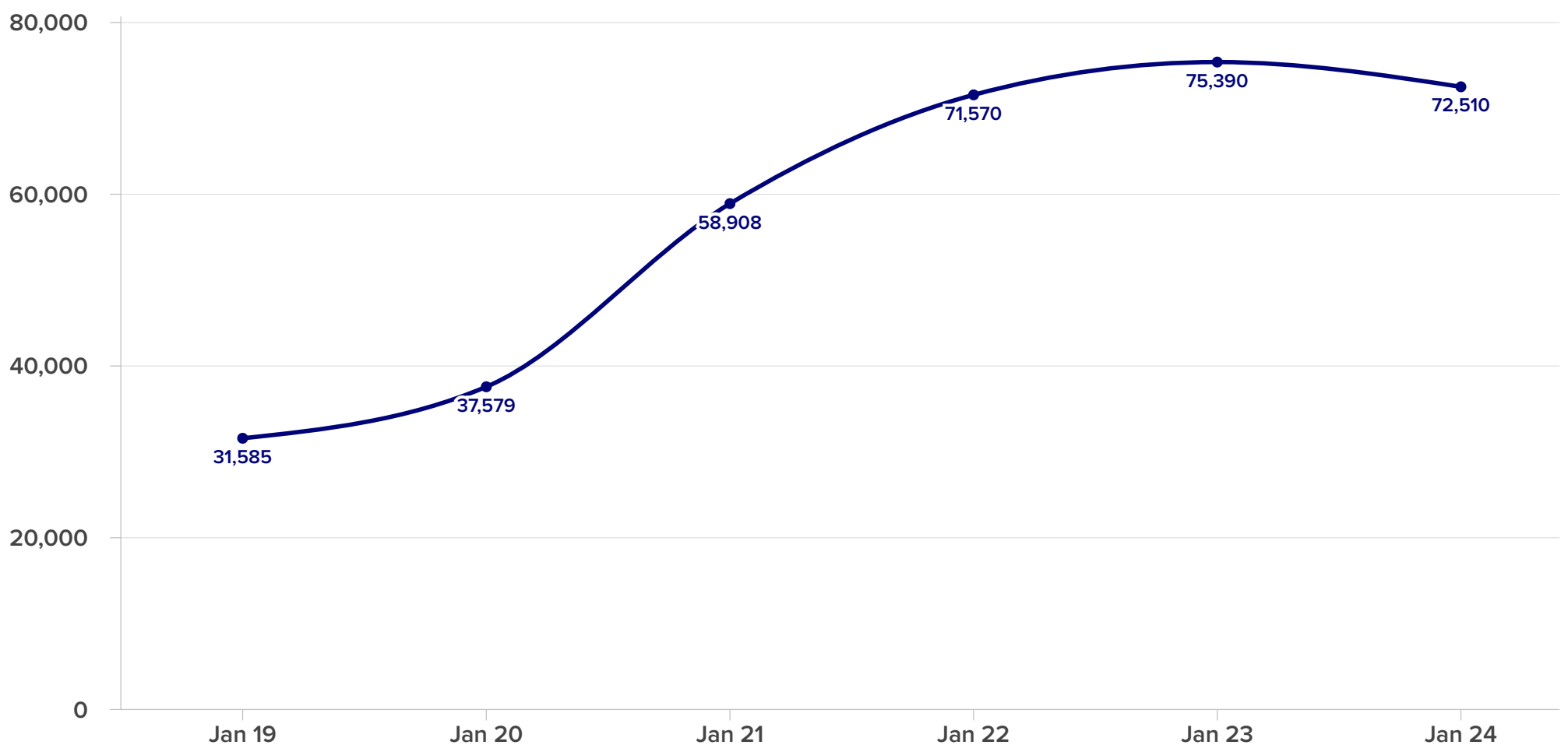
Today, the Department of the Treasury **sanctioned** the leaders of La Linea, a violent Mexican drug cartel responsible for trafficking fentanyl and other drugs to the United States. The designations are just the latest example of how the US government is trying to grapple with the fentanyl epidemic, which has **become** one of the top national security threats to the United States. It is one of the **leading** causes of death among young and middle-aged Americans, having **killed** nearly 75,000 Americans in 2023.

Financial partnerships between Chinese money laundering organizations (CMLO) and Mexican cartels have made it more challenging for US law enforcement agencies to track the movements of drug money. Financial sanctions have so far proven an effective tool in **reducing the growth in crypto-denominated fentanyl sales** and should be used more frequently by the US government to tactically disrupt the trade of fentanyl and other illicit drugs.

Reported synthetic opioid (fentanyl) overdose deaths in the United States

Atlantic Council
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The chart includes synthetic opioids other than methadone



Source: [National Center for Health Statistics](#)

How the illicit fentanyl supply chain works

Key actors in the fentanyl supply chain include Mexican cartels and CMLOs. Small pharmaceutical firms based in China **send** mail shipments to Mexico, where transnational criminal organizations (TCOs), such as the **Sinaloa Cartel**, **La Linea**, and the Jalisco New Generation Cartel **manufacture** large amounts of low-purity fentanyl and package it as genuine medication. The drug is then smuggled into the United States and sold to Americans.

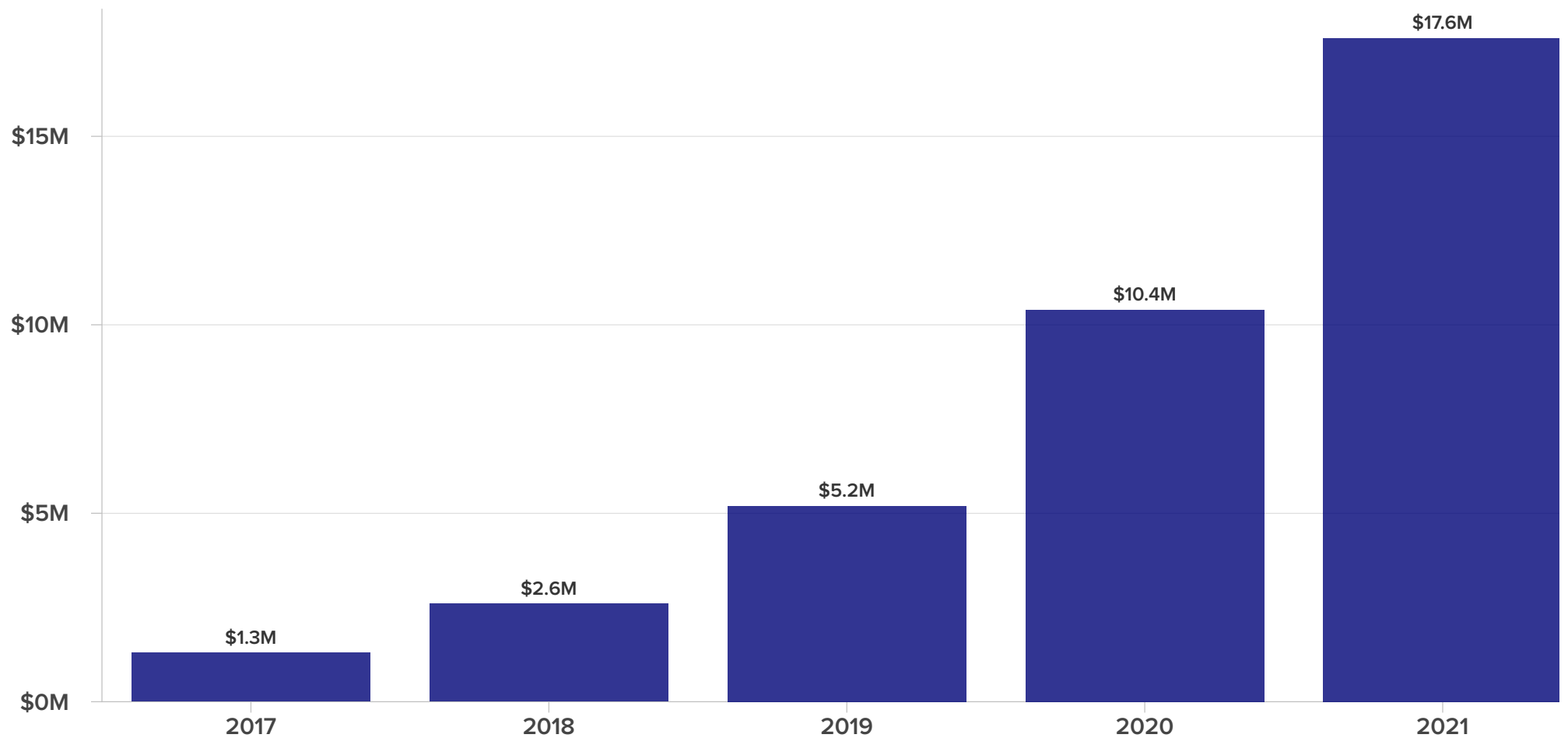
Fentanyl smuggling by Mexican TCOs is facilitated by CMLOs **offering** low commissions, faster and less traceable transactions, and near-complete anonymity for actors involved. CMLOs **use** a trade-based money laundering scheme and underground or informal banking systems to circumvent law enforcement. CMLOs also rely on WeChat, a Chinese messaging and payment app. This complicates matters for US law

enforcement agencies because officials cannot access financial transaction data without the help of Chinese authorities, who tend to cooperate in prosecuting international money laundering cases with **significant delays**.

WeChat is becoming a popular platform for transactions, including for illicit fentanyl trade



Annual transaction volumes in USD



Source: [Priori Data](#)

Use of cryptocurrencies in fentanyl trade

Cryptocurrency's inherent anonymity and lack of regulatory oversight are further exploited by practices like chain hopping and the use of markets on the dark web, which together allow criminal networks to avoid detection. CMLOs and **Mexican drug cartels** leverage these vulnerabilities—as well as the intricate nature of cryptocurrency transactions—to source chemicals for fentanyl production. In 2023, Chinese precursor manufacturers reportedly received **\$26 million** in cryptocurrency payments for these chemicals, a soaring 600 percent increase from 2022, indicating its growing role in the financial network. However, cryptocurrency transactions likely still comprise a significantly smaller percentage of illicit finance compared to traditional money laundering methods.

According to TRM Labs, 97 percent of the more than 120 Chinese precursor manufacturers studied, which spanned **twenty-six cities and sixteen provinces** in China, offered cryptocurrency as a payment option. Geographic **estimates by Chainalysis** identified East and Central Asia, North America, and Europe as the regional sources heavily contributing to the crypto sent to these entities.

The dominant blockchains for fentanyl-related transactions include **Bitcoin (60 percent), Tron (30 percent), and Ethereum (6 percent)**. Notably, cryptocurrency payments to Chinese precursor manufacturers on Ethereum alone surged by **2,000 percent from 2022 to 2023**, while Bitcoin and Tron transactions grew by 600 percent and 500 percent, respectively. At least twenty of these precursor manufacturers were found to have direct links to markets on the dark web, collectively receiving **\$1.3 million** in cryptocurrency from illicit drug marketplaces. Beyond supplying fentanyl precursors, some of these manufacturers facilitate the distribution of other drugs such as MDMA (ecstasy), further enabled by cryptocurrency transactions.

How financial sanctions can disrupt the fentanyl trade

TRM Labs—a **blockchain intelligence company**—reported in 2023 that financial sanctions and US law enforcement actions drove the crypto-denominated fentanyl sales growth rate down to about **60 percent**. This is a marked decrease from the average growth rate of 150 percent between 2019 and 2022. Sanctions targeting fentanyl networks have steadily increased since 2018 and, in October 2023, the Department of the **Treasury** designated a Chinese network responsible for manufacturing fentanyl precursors. In total, Treasury’s Office of Foreign Assets Control has **sanctioned** over 350 foreign entities and individuals for involvement in drug trafficking. Moreover, Congress is also drawing increasing attention to sanctions and recently signed into law the bipartisan FEND Off Fentanyl Act aiming to **expand sanctions targeting fentanyl traffickers in Mexico** and precursor chemical manufacturers in China.

Using financial sanctions to successfully disrupt the illicit fentanyl trade will require three elements: (1) interagency coordination between the Treasury, the Department of Justice, law enforcement agencies and others; (2) international collaboration, especially with Mexican and Chinese authorities, including through the **US-PRC Counternarcotics Working Group**; and (3) vigilant identification and reporting by financial institutions of suspicious behaviors **flagged** by Treasury’s Financial Crimes Enforcement Network. Behaviors could include customers making low-value dollar payments or using virtual currencies, and companies conducting transactions involving precursor chemicals with no legitimate ties to the pharmaceutical sector.

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Image: Fentanyl and Propofol Narcotic pandemic drug abuse with needles