

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND ACCOUNTABILITY

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March 13, 2024

The Honorable Andrea Gacki
Director
Financial Crimes Enforcement Network
2070 Chain Bridge Rd.
Vienna, VA 22182

Dear Director Gacki:

As part of an extensive investigation into Chinese Communist Party (CCP or the Party) “political warfare” against the United States, the Committee on Oversight and Accountability is investigating CCP money laundering in the U.S. through the business sector, including the real estate and casino industries. These CCP operations—including partnering with drug cartels to acquire U.S. dollars while laundering drug proceeds—supply the Party with the financial means necessary to carry out its expansive economic and political warfare campaign against America. These activities allow the CCP to engage in corporate espionage, feed the fentanyl crisis in the U.S., influence our nation’s schools and culture, and otherwise advance destructive goals on American soil. The Committee seeks information from the Financial Crimes Enforcement Network (FinCEN)¹ as to what it is doing to protect Americans from these warfare operations.

Broader Committee Investigation

The Committee is conducting oversight of the federal government’s work to protect the American people from CCP political warfare² and nefarious influence operations. For decades, the CCP has sought to infiltrate and influence every aspect of American society.³ The CCP’s goal is plain: defeat the “main enemy,” which counterintelligence officials have identified as

¹ FinCEN, *What we do*, www.fincen.gov (last visited Feb. 13, 2024) (FinCEN is responsible for safeguarding the financial system of the United States from illicit use, combat money laundering, and promote national security through financial intelligence and the strategic use of financial authorities).

² Political warfare “seeks to influence emotions, motives, objective reasoning, and behavior of foreign governments, organizations, groups, and individuals in a manner favorable to one’s own political-military objectives.” Mark Stokes, Project 2049, *The People’s Liberation Army General Political Department: Political Warfare with Chinese Characteristics* (Oct. 14, 2013).

³ See generally Constantine C. Menges, *China The Gathering Threat* (2005); Report of the Select Committee on U.S. National Security and Military/Commercial Concerns With The People’s Republic of China (“Cox Report”) (Jan. 3, 1999); Robert Spalding, *War Without Rules* (2022); Col. Grant Newsham, *When China Attacks: A Warning to America* (2023); Kerry K. Gershaneck, *Political Warfare: Strategies for Combating China’s Plan to “Win without Fighting”* (2020); see also Larry Diamond and Orville Schell, *China’s Influence & America’s Interests: Promoting Constructive Vigilance*, Hoover Institution (2019).

America.⁴ The fronts are multiple; according to the CCP itself: “[t]he battlefield will be everywhere.”⁵ And the tools are myriad, with the “united front”⁶ leading as one of the PRC’s⁷ “magic weapons,”⁸ as described by General Secretary Xi Jinping,⁹ to advance the Party’s aim of global domination.¹⁰ United front work (UFW), which may be executed by the United Front Work Department (UFW) or elsewhere in the Party, is a “unique blend of engagement, influence activities, and intelligence operations” that the CCP uses to “influence other countries’ policy toward the PRC and to gain access to advanced foreign technology.”¹¹ UFW “generally involves covert activity and is a form of interference that aids the CCP’s rise.”¹² United front “networks” are used “to carry out relationship-focused influence campaigns through a multitude of proxies.”¹³

Despite years of false promises to the West, the CCP openly seeks to achieve its destructive ambition. In 1999, two People’s Liberation Army Air Force colonels authored *Unrestricted Warfare*, which has been described as a strategic military vision for the PRC to defeat America through political warfare.¹⁴ Retired Brig. Gen. Robert Spalding, who has served in senior positions in strategy and diplomacy with the U.S. Departments of Defense and State for decades, characterizes the book as “the main blueprint for China’s efforts to unseat America as the world’s economy, political, and ideological leader,” which “shows exactly how a totalitarian nation set out to dominate the West through a comprehensive, long-term strategy that includes everything from corporate sabotage to cyberwarfare to dishonest diplomacy; from violations of international trade law and intellectual property law to calculated abuses of the global financial system.”¹⁵ Kerry Gershaneck, former counterintelligence officer who wrote a seminal book on

⁴ Menges, *supra* note 3; Gershaneck, *supra* note 3 (“The PRC is engaged in war against the United States. It is not mere competition or malign influence, but war by PRC definition.”); Newsham, *supra* note 3 at 60 (The CCP “seeks global domination” and “will fight its main enemy, the United States, to achieve it.”).

⁵ Qiao Liang and Wang Xiangu, *Unrestricted Warfare: China’s Master Plan to Destroy America* (Beijing: PLA Literature and Arts Publishing House, Feb. 1999) (military colonels describing twenty-four varieties of warfare).

⁶ “While the CCP’s United Front Work Department has functional responsibility for these [warfare] operations and activities, PRC united front work is a task of all CCP agencies and members.” Gershaneck, *supra* note 3 at 22.

⁷ It is essential to understand that Xi Jinping has removed any “veneer of separation between the [CCP] and the Chinese state.” Gershaneck, *supra* note 3 (quoting Ann-Marie Brady, *Exploit Every Rift: United Front Work Goes Global*, in David Gitter et al., *Party Watch Annual Report*, Center for Advanced China Research (2018)).

⁸ Ann-Marie Brady, *Magic Weapons: China’s political influence activities under Xi Jinping*, Wilson Center (Sept. 18, 2017); *see also* The Select Committee on the Chinese Communist Party, *Memorandum: United Front 101*, <https://selectcommitteeontheccp.house.gov/sites/evo-subsites/selectcommitteeontheccp.house.gov/files/evo-media-document/uf-101-memo-final-pdf-version.pdf>.

⁹ Alex Joske, *The party speaks for you: Foreign interference and the Chinese Communist Party’s united front system*, Australian Strategic Policy Institute (2020) (quoting Xi Jinping at 2015 Central United Front Work Meeting).

¹⁰ *See, e.g.*, Newsham, *supra* note 3 at 43 (“The People’s Republic of China may settle for dominance rather than occupation, but it does indeed aim to rule us all.”).

¹¹ United Front 101 Memo, *supra* note 8 at 1.

¹² Joske, *The party speaks for you*, *supra* note 9.

¹³ Alex Joske, *Spies and Lies: How China’s Greatest Covert Operations Fooled the World* (2022) at 63.

¹⁴ Gershaneck, *supra* note 3.

¹⁵ Spalding, *War Without Rules*, *supra* note 3 at xii; *see also* Robert Spalding, *Stealth War* at 12-13 (2019) (*Unrestricted Warfare* “should be required reading for all branches of the US government and for business leaders, because it outlines, in no uncertain terms, the strategy behind China’s policies,” including stating that the “new

combatting PRC Political Warfare, has explained that *Unrestricted Warfare* details CCP use of “any methods” where “the boundaries between war and non-war and between military and non-military affairs [have] systemically broken down.”¹⁶ To successfully combat these highly organized and pervasive warfares spawned by China, federal agencies must first recognize and understand them.

The CCP “know[s] the strength of the American people, of the American idea, and that’s why China has launched so many warfares to try to weaken us, divide us, and get us to hate ourselves and each other.”¹⁷ Retired Col. Grant Newsham, former U.S. Marine Liaison Officer to the Japan Ground Self-Defense Force and U.S. Foreign Service Officer, has advised that “the way out of this is to rediscover why we are an exceptional country, get to know each other better, and fight side by side.”¹⁸

As all Americans are targets of the PRC’s warfare,¹⁹ federal agencies have responsibilities to (1) conduct outreach to citizens about the dangers they may encounter, and (2) provide appropriate incentives for Americans to proactively protect themselves—their communities, schools, houses of worship, businesses, finances, food, and more—from the threat. Federal agencies must prepare Americans to “take action.”²⁰ To stop the CCP’s “destructive actions,” retired Brig. Gen. Spalding advises that it will “take macrolevel strategic changes by our government, but also microlevel actions by individuals, businesses and other civic institutions.”²¹ The Committee is surveying each agency’s role to secure Americans and their communities.

Congress has recognized the threat posed by the PRC for some time. Notably, in 1999, the U.S. House Select Committee on U.S. National Security and Military/Commercial Concerns with the People’s Republic of China concluded that in the preceding decade, the PRC used a “variety of techniques including espionage, controlled commercial entities, and a network of individuals that engage in contact with scientists, business people and academics” as part of its warfare operations.²²

principles of war” are “no longer ‘using armed force to compel the enemy to submit to one’s will,’ but rather are ‘using all means, including armed force or non-armed force, military and non-military, and lethal and non-lethal means to compel the enemy to accept one’s interests.’”

¹⁶ Gershaneck, *supra* note 3 (quoting Qiao Liang and Wang Xiangsu, *supra* note 5).

¹⁷ Newsham, *supra* note 3 at 341.

¹⁸ *Id.*

¹⁹ “The Three Warfares, the traditional foundation of PRC political warfare, include public opinion/media warfare, psychological warfare, and legal warfare.” Gershaneck, *supra*, note 3. It “requires efforts to unify military and civilian thinking, divide the enemy into factions, weaken the enemy’s combat power, and organize legal offensives.” Elsa Kania, *China Brief: The PLA’s Latest Strategic Thinking on the Three Warfares*, Jamestown Foundation (Aug. 22, 2016).

²⁰ Spalding, *War Without Rules*, *supra* note 3 at 214.

²¹ *Id.*; see also Peter Mattis and Matt Schrader, *War On the Rocks, America Can’t Beat Beijing’s Tech Theft With Racial Profiling* (July 23, 2019) (“The U.S. government’s difficulties in telling a convincing story about the Chinese Communist Party point to a[n] important step: addressing a serious lack of ‘China literacy,’ both within the enforcement portions of the federal bureaucracy, and in U.S. society as a whole.”).

²² Menges, *supra* note 3; see generally Cox Report, *supra* note 3.

With varying degrees of effort and success, federal agencies have sought to address the CCP's attack on what Col. Newsham has aptly described as "[t]he core of America."²³ However, the threat is grave and work must be done across agencies to protect America.²⁴ Peter Mattis, former staff director of the Congressional-Executive Commission of China and counterintelligence analyst at the CIA counsels that

Only by being clear in public about the actions and intentions of the Chinese party-state, and being publicly accountable for the actions the U.S. government takes in response, will the United States be able to address Beijing's challenges while upholding our democratic commitment to fair, transparent justice for all Americans.²⁵

To this end, the Committee is conducting this investigation and implores each federal agency to uphold its duty to the American communities for whom they are responsible.

CCP Political Warfare via Money Laundering in the U.S.

The CCP has established a web of criminal activity within and outside U.S. borders. Specifically, Chinese criminal organizations tied to the CCP's united front, including triads,²⁶ engage in money laundering operations with Mexican cartels, using American real estate and casinos to clean illicit funds.²⁷ This allows the CCP, through the united front, to carry out its political warfare against America. One significant manifestation of this warfare is the massive volume of drug trafficking into the U.S. by Chinese and Latin American drug trafficking organizations.²⁸ PRC money launderers have been recognized by both the U.S. Department of Treasury and the Drug Enforcement Administration as facilitating this drug trafficking.²⁹

The goal of these underground bank networks is to bypass the regulated financial sector.³⁰ Chinese money laundering organizations introduce proceeds from criminal activity into the financial system through cash-intensive businesses, underground banking networks, or casinos.³¹ From there, the funds are transferred via underground banks, often using shell company accounts, and then the laundered funds make their way back to the criminal

²³ Newsham, *supra* note 3 at 33.

²⁴ See Newsham, *supra* note 3 at 309 ("We need to know, value, protect and build the strengths of the United States of America, and shed the light of truth on the corruption, in every sense of the word," of the CCP. "That could mean in discussions with family, community, at school or wherever that understanding needs bolstering." Education courses on PRC political warfare would benefit "[a]ny decision-makers who work with China."); see Gershaneck, *supra* note 3 (outlining such courses to "build[] internal defenses").

²⁵ Mattis and Schrader, *supra* note 21.

²⁶ Chinese triads are modern Chinese crime gangs who "operate Mafia-like organized crime syndicates internationally, dealing in extortion, prostitution, illegal gambling, and drug trade." *Triad: Chinese secret society*, Britannica (last updated: Jan. 14, 2024).

²⁷ Sebastian Rotella, *How a Chinese American Gangster Transformed Money Laundering for Drug Cartels*, ProPublica (Oct. 11, 2022).

²⁸ John Langdale, *Chinese Money Laundering in North America*, *The European Review of Organized Crime*, 11 (2021).

²⁹ *Id.*

³⁰ *Id.* at 15.

³¹ *Id.*

organization.³² Within the United States, PRC money launderers work through illegal drug trafficking, Chinese capital flight,³³ and counterfeit goods trafficking. Chinese counterfeit goods provide a means for laundering money in North America due to the fact that “fakes” are difficult to detect and allow criminal groups a cover to retrieve laundered funds.³⁴ China accounts for the majority of the world’s counterfeit goods, with substantial sums generated by the sale of these counterfeit goods globally.³⁵

Chinese money launderers launder money for drug trafficking organizations, specifically trafficking methamphetamines, synthetic opioids (fentanyl), and precursor chemicals to America.³⁶ CCP money laundering operations exacerbate the fentanyl crisis occurring within our borders, providing Chinese criminal organizations with the funds needed to expand the CCP’s broader political warfare and influence operations across America.³⁷ Triads, which are CCP criminal organizations tied to the united front,³⁸ and their corporate fronts work with distributors in Canada and Mexico to smuggle fentanyl into the United States.³⁹ Triads would not “exist without the direct cooperation and protection of the [Chinese] state security services.”⁴⁰ Operatives of Chinese triads based in the U.S. receive Mexican cartel money gained from the sale of fentanyl in the U.S. and transfer those same dollars to Chinese nationals, whose currency is locked within the PRC due to export controls.⁴¹ These Chinese nationals, in exchange for U.S. dollars, transfer the equivalent amount from their own bank accounts in the PRC to triad bank accounts in the PRC, through what are known as “mirror transactions.”⁴² The Chinese nationals then take the illicit funds and purchase real estate and/or gamble within the U.S.⁴³

The purchase of real estate by Chinese nationals has been identified as one of the primary methods for laundering illicit funds.⁴⁴ Reportedly, investments in U.S. housing have been particularly attractive for Chinese nationals.⁴⁵ The National Association of Realtors has reported that in 2022, approximately 42 percent of international buyers in the U.S. paid cash for their real

³² *Id.*

³³ *Id.* at 20 (“Chinese capital flight represents a massive illicit outflow of money from China that violates overseas capital transfer restrictions imposed by the China government on its citizens (U.S. \$50,000 per annum).”).

³⁴ *Id.* at 21.

³⁵ *Id.* at 21; Kanishka Singh, *China leads the world in counterfeit pirated products – U.S. report*, Reuters (Jan. 31, 2023).

³⁶ Langdale, *supra* note 28 at 20.

³⁷ Rotella, *supra* note 27.

³⁸ *See generally*, Royal Canadian Mounted Police, *Project Sidewinder*, RCMP (Jun. 24, 1997).

³⁹ Calvin Chrustie & David Luna, *The Growing Harm of Cross-Border Illicit Trade Vectors and Threat Convergence to Canada’s National Security*, International Coalition Against Illicit Economies (Nov. 27, 2023).

⁴⁰ Vanda Felbab-Brown, *China Role in the Fentanyl Crisis*, Brookings (Mar. 31, 2023); Newsham, *supra* note 3 at 138, 140 (Col. Newsham explains that “[t]he CCP police can do whatever they want . . . The fact that the Chinese regime doesn’t ban fentanyl entirely – much less go after producers the way it goes after Uighurs, Christians, Falun Gong, or Hong Kongers – suggests the CCP is glad America is awash in fentanyl.”).

⁴¹ Rotella, *supra* note 27.

⁴² *Id.*

⁴³ *Id.*

⁴⁴ *Id.*

⁴⁵ *See* Han Chen, *Chinese homebuyers make comeback in the U.S.*, Axios.com (Aug. 04, 2023).

estate purchases.⁴⁶ Chinese nationals are the largest contingency of foreign buyers in the U.S. in terms of dollar purchasing power.⁴⁷ In 2022, Chinese nationals purchased \$13.6 billion of U.S. real estate.⁴⁸

Not only does the CCP use real estate to launder money, it also appears to use real estate to advance PRC intelligence operations in strategic locations. The Chinese government appears increasingly willing to conduct intelligence gathering operations on land purchased near military bases.⁴⁹ For example, in 2021, a PRC company, Fufeng Group, bought 300 acres of agricultural property to set up a milling plant just twenty minutes away from Grand Forks Air Force Base, which is home to some of the country's most sensitive drone information, posing a major national security threat.⁵⁰ The overwhelming concern is that the purchased land could be used to spy on U.S. military bases, and in this particular instance "the location of the land close to the base is particularly convenient for monitoring air traffic flows in and out of the base, among other security related concerns."⁵¹ This type of land purchase could offer Chinese intelligence unprecedented access to the milling facility.⁵²

The current system of reporting suspicious transactions involving real estate is inadequate and enables CCP criminal networks to flourish in the U.S. In testimony to assist a Canadian investigation into money laundering schemes within provincially run casinos, former U.S. Treasury Special Agent John A. Cassara warned that there is "little if any customer due diligence by real estate agents."⁵³ Notably, under the Bank Secrecy Act, "U.S. real estate agents are exempted from reporting suspicious transactions,"⁵⁴ making it difficult to stop CCP money laundering in the U.S. real estate market.

Triads also launder money through casinos across America.⁵⁵ The Department of Justice has convicted multiple Chinese nationals for money laundering schemes involving Las Vegas casinos.⁵⁶ Chinese money launderers sell U.S. currency to Chinese high-roller gamblers who are unable to transfer money out of China, to which the gamblers complete the purchase by transferring a reciprocal amount to the broker's Chinese bank account.⁵⁷ The broker will then

⁴⁶ National Association of Realtors, *International Transactions in U.S. Residential Real Estate*, National Association of Realtors (2023).

⁴⁷ *Id.*

⁴⁸ *Id.*

⁴⁹ Kimberly Kindy, *State lawmakers move to ban Chinese land ownership*, Wash. Post (Aug. 21, 2023).

⁵⁰ Eamon James, *Chinese company's purchase of North Dakota farmland raises national security concerns in Washington*, CNBC (Jul. 1, 2022).

⁵¹ *Id.*

⁵² *Id.*

⁵³ John Cassara, *Statement to the Cullen Commission of Inquiry into Money Laundering in British Columbia*, (Dec. 9, 2020); Thomas Weldy, *Let's Close the American Real Estate Money-Laundering Gap*, Hudson Institute, (Oct. 6, 2015); *US flags early 2024 for new rule targeting real estate money laundering*, Reuters (Dec. 11, 2023) (The U.S. Treasury Department plans in 2024 to propose a "long-awaited" rule aimed at curbing money laundering in real estate, requiring real estate professionals to report the identities of beneficial owners of companies buying real estate in cash to FinCEN).

⁵⁴ Weldy, *supra* note 53.

⁵⁵ Langdale, *supra* note 28, at 15.

⁵⁶ *Id.* at 26.

⁵⁷ *Id.*

transfer funds from their account into the drug group’s bank account in China.⁵⁸ Finally, the drug group uses the money to purchase fentanyl from Chinese manufacturers to clean the money using a trade-based money laundering scheme.⁵⁹ “Trade-based money laundering is defined as the process of disguising the proceeds of crime and moving value through the use of trade transactions in an attempt to legitimise their illicit origins,”⁶⁰ and often use incorrect content, prices and quantities for disguising money laundering transactions.⁶¹

Triads are able to launder money and execute these warfare operations because they “work very hard at ingratiating themselves with police, government officials and politicians.”⁶² It has been explained by former national security officials that “[t]he easiest way” for triads to infiltrate a society to carry out their goals is “by making substantial donations to charitable organizations, joining service clubs, donating funds to universities, sometimes obtaining honorary doctorate degrees, of contributing to political parties.”⁶³

The CCP assists these criminal operations. Triads use CCP-owned banking institutions, and these banks are either willfully blind or complicit in their cooperation with the laundering.⁶⁴ In the arrest and subsequent prosecution of Xizhi Li, a notorious triad money launderer who operated in the U.S., it became apparent that Chinese state-owned banks were involved—specifically the Industrial and Commercial Bank of China and the Agricultural Bank of China.⁶⁵ In a ProPublica interview, retired Adm. Craig Faller, a former senior U.S. military leader, stated that “[t]here’s no doubt that [the PRC] has the ability to stop [laundering] if they want to. They don’t have any desire to stop this.”⁶⁶ The CCP’s abetting of cartel laundering is a clear example of the Party’s unrestricted warfare, seeking to enable and support criminal enterprises in the nations of its enemies to destabilize them.⁶⁷

The CCP is facilitating triad concealment of illegally obtained funds within the U.S., thus advancing united front goals to weaken American communities and interests. To assist the Committee in investigating this matter and to help the Committee understand how FinCEN is combatting the exploitation of American businesses for CCP-backed triad, money laundering and drug cartel activity, the Committee asks for a staff briefing before March 20, 2024.

⁵⁸ *Id.*

⁵⁹ *Id.*

⁶⁰ *Trade-Based Money Laundering*, Financial Action Task Force (2006).

⁶¹ Langdale, *supra* note 28, at 25.

⁶² Edward Timperlake & William C. Triplett II, *Year Of The Rat: How Bill Clinton Compromised U.S. Security for Chinese Cash* 90 (1998) (quoting “Triads and Other Asian Organized Crime Groups,” by Royal Canadian Mounted Police officer Garry W.G. Clement and Canadian Immigration Control Officer Brian McAdam, 1994).

⁶³ *Id.*

⁶⁴ Rotella, *supra* note 27.

⁶⁵ *Id.*

⁶⁶ *Id.*

⁶⁷ *See generally* Spalding, *supra* note 3.

Please be prepared to outline the following in the briefing:

- (1) How FinCEN strives to inspire and equip Americans to strengthen their communities, innovate, and create the technologies and phenomena that will secure a strong and prosperous future for our nation;
- (2) How FinCEN leadership ensures that all FinCEN employees are aware of CCP warfare and influence operations against America, and are equipped to address them wherever they arise;
- (3) FinCEN training programs for its employees that address the United Front and other CCP influence operations seeking to damage the United States;
- (4) FinCEN outreach to the real estate and casino industries, and any other relevant businesses about the laundering of money by CCP-backed groups, including triads, in the United States; and
- (5) Any efforts by FinCEN to incentivize the real estate and casino industries, and any other relevant businesses to combat CCP-backed money laundering in the U.S., including through the voluntary reporting of suspicious activity.

To schedule the briefing or if you have questions regarding this request, please contact the Committee on Oversight and Accountability staff at (202) 225-5074.

The Committee on Oversight and Accountability is the principal oversight committee in the U.S. House of Representatives and has broad authority to investigate “any matter” at “any time” under House Rule X. Thank you in advance for your cooperation with this inquiry.

Sincerely,

A handwritten signature in black ink that reads "James Comer". The signature is written in a cursive style and is positioned above a horizontal line.

James Comer
Chairman
Committee on Oversight and Accountability

cc: The Honorable Jamie B. Raskin, Ranking Member
Committee on Oversight and Accountability