



**The Silk Road of Crime:  
How Chinese Money Laundering Networks Fuel Cartels**

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**Introduction**

Chairman Meuser, Ranking Member Green, and distinguished Members of the Subcommittee, thank you for the opportunity to testify on Chinese money laundering networks and their ties to Latin American drug cartels.

My name is Leland Lazarus, and I am the Founder and CEO of Lazarus Consulting. For more than a decade, I have studied China’s economic, political, and security footprint in the Western Hemisphere, including as a Fulbright Scholar focused on the Chinese diaspora in Latin America, as a U.S. Foreign Service Officer in China and the Caribbean, and as Special Assistant and Speechwriter to two commanders of U.S. Southern Command. I hold an active Top Secret/Sensitive Compartmented Information security clearance and work closely with the U.S. military, intelligence community, and law enforcement on detecting and exposing Chinese criminal activities and CCP malign influence in the region.

In my prior testimony to the Senate Caucus on International Narcotics Control on December 9, 2025, I described how the “Silk Road of Crime” that we’re seeing in regions like Southeast Asia (“pig butchering” digital scam centers and human trafficking) and Africa (wildlife trafficking)

are increasingly surfacing in the Americas.<sup>1</sup> Chinese money laundering networks have become a major financial enabler for Mexico-based drug cartels and allied criminal organizations. These networks help cartels move bulk U.S. drug cash quickly, cheaply, and often invisibly into usable value in Mexico and beyond. When cartels' financial architecture grows stronger, so does their capacity to traffic fentanyl, cocaine, methamphetamine, weapons, and human beings across our nation, poisoning everyday Americans and threatening our borders.<sup>2</sup> While I'm heartened by the fact that more government agencies, news outlets and think tanks are reporting on this issue, we have just begun to scratch the surface of this regional and global problem.

In today's testimony, I will summarize the sheer magnitude of what we're facing, give recent examples of the illicit activities happening throughout the region, and offer legislative and policy recommendations on what Congress and the White House can do to stop this scourge before it is too late.

### **The Magnitude of the Threat**

The Treasury Department's Financial Crimes Enforcement Network (FinCEN)'s 2025 report made clear just how large this threat has become: suspected Chinese money laundering network activity was linked to 137,153 Bank Secrecy Act reports totaling about \$312 billion in suspicious activity from 2020 through 2024. Treasury's accompanying advisory urged banks and other institutions to treat these networks as a major source of cartel-related money laundering risk and to scrutinize transaction patterns involving customers whose reported occupations or income did not fit their actual financial activity, including apparent nominees such as students, homemakers, or retirees.<sup>3</sup>

Open-source information strongly supports three conclusions about Chinese Money Laundering Networks. First, Chinese criminal brokers and associated underground banking networks are materially involved in laundering proceeds for Mexican cartels, especially the Sinaloa Cartel and the Jalisco New Generation Cartel. Second, these networks thrive because they sit at the intersection of two powerful incentives: cartel demand for rapid peso settlement in Mexico and

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<sup>1</sup> Leland Lazarus, "The Silk Road of Crime: The Underworld of Chinese Criminal Networks in the Americas," written testimony before the U.S. Senate Caucus on International Narcotics Control, December 9, 2025, <https://www.drugcaucus.senate.gov/wp-content/uploads/2025/12/Senate-Intl-Narcotics-Subcommittee-Testimony-3-Lazarus-1.pdf>.

<sup>2</sup> "US Warns China-Linked Groups May Be Laundering Billions for Mexican Cartels," *Financial Times*, August 28, 2025, <https://www.ft.com/content/128ef407-d2ff-4882-9d2e-ebb7a3deb108>.

<sup>3</sup> Financial Crimes Enforcement Network, *FinCEN Advisory on the Use of Chinese Money Laundering Networks by Mexico-Based Transnational Criminal Organizations to Launder Illicit Proceeds*, FIN-2025-A003, August 28, 2025, <https://www.fincen.gov/system/files/2025-08/FinCEN-Advisory-CMLN-508.pdf>.

Chinese demand for off-books access to U.S. dollars outside the People’s Republic of China’s capital controls.

Third, the public record does NOT conclusively establish direct Chinese Communist Party command-and-control over specific cartel-laundering operations. Chinese money laundering networks are participating in conduct that circumvents PRC capital controls, which means they aren’t simply formal instruments of the Chinese state. At the same time, the Chinese state has significant law-enforcement and surveillance capacity to meaningfully dismantle these networks. In June 2024, for instance, Chinese police opened an investigation into an illegal foreign-exchange and money-laundering operation after receiving a U.S. lead related to the Sinaloa-linked laundering case.<sup>4</sup> This proves that Beijing can act on these networks when it wants to. It is unclear whether bilateral collaboration to tackle Chinese money laundering was a priority topic in the May 2026 Trump-Xi meeting in Beijing, but I hope President Trump addresses this issue directly with Xi Jinping when Xi visits Washington, DC in September later this year.

My prior testimony also emphasized that Chinese diaspora communities, business associations, and hometown networks shouldn’t be treated as inherently suspect. Criminal actors sometimes exploit ethnic, linguistic, and commercial trust networks, but those same communities are often victims of coercion, extortion, and reputational harm. Effective oversight must be behavior-based, intelligence-driven, and explicitly opposed to ethnic profiling.

### **How These Networks Operate: Flying Money**

Much has been written on the concept of “flying money” or mirror transactions; indeed, this practice has been occurring in Chinese communities since the Tang dynasty, and Middle Eastern civilizations also did a similar practice called “hawala.”<sup>5</sup> The system works because it solves problems for both sides of the transaction. A cartel operative in the United States delivers bulk cash proceeds from drug sales to a broker or collector tied to a Chinese underground banking network. That broker’s counterpart then arranges for the equivalent value—usually in pesos—to be delivered to cartel operators in Mexico, often very quickly. The U.S. dollars never need to make the same trip back across the border. Instead, the broker can sell those dollars to Chinese clients who want hard currency in the United States for real estate, tuition, luxury purchases, or

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<sup>4</sup> Antoni Slodkowski, “China Police Probe Drug-Related Money Laundering Operation after US Tip,” *Reuters*, June 19, 2024, <https://www.reuters.com/world/china/china-police-probe-drug-related-money-laundering-operation-after-us-tip-2024-06-19/>.

<sup>5</sup> Johnny Harris, “China’s Dirty Money Problem, Explained,” YouTube video, April 2026, <https://www.youtube.com/watch?v=nAFw5i39m9I>.

business transactions that would otherwise run into China’s \$50,000 USD foreign-exchange restrictions.<sup>6</sup>

These networks are difficult to disrupt because they involve a layered architecture that can include structured cash deposits at teller windows and ATMs, cashier’s checks, shell companies, trade-based laundering, money-service businesses, luxury spending, real-estate purchases, informal value transfer, and in some cases cryptocurrency. In Los Angeles, for instance, Sinaloa-linked operatives used counterfeit documents and shell companies to open accounts, make repeated cash deposits, and convert funds into cashier’s checks or cryptocurrency while law enforcement tracked hundreds of cash movements across Southern California.<sup>7</sup>

### **Cases Across the Hemisphere**

The strongest publicly documented cases remain concentrated in the U.S.-Mexico corridor. In June 2024, the Justice Department unsealed a superseding indictment tied to what has been described as “Operation Fortune Runner.” U.S. authorities alleged that the Sinaloa Cartel partnered with a California-based group tied to Chinese underground banking to launder more than \$50 million in drug proceeds. Twenty-four people were charged and their methods included cash pickups, structured deposits, and cryptocurrency. Mexican and Chinese law enforcement reportedly assisted in arresting fugitives. This case remains one of the clearest public demonstrations that Chinese underground banking is the central white glove service for cartel finance.<sup>8</sup>

The Zhi Dong Zhang case offers a second, even broader picture of financial crime. Zhang, also known as “Brother Wang,” was extradited to the United States after first being arrested in Mexico, escaping house arrest, and later being recaptured in Cuba. According to federal prosecutors, his network—based in Mexico since at least 2016—allegedly laundered more than \$77 million through over 100 shell companies in the United States. Zhang was also tied to fentanyl precursors, cocaine, methamphetamine, and work with both the Sinaloa Cartel and

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<sup>6</sup> Jaimie Ding, “24 People Charged in Money Laundering Scheme Involving Mexico’s Sinaloa Cartel, Prosecutors Say,” *Associated Press*, June 18, 2024, <https://apnews.com/article/sinaloa-cartel-fentanyl-mexico-china-los-angeles-034ad51dd03d0606767215b44aed2e91>.

<sup>7</sup> Dylan Tokar and José de Córdoba, “Bags of Cash From Drug Cartels Flood Teller Windows at U.S. Banks,” *Wall Street Journal*, May 15, 2025, <https://www.wsj.com/us-news/china-mexico-drug-money-laundering-banks-907f35f8>.

<sup>8</sup> Kanishka Singh, “US Says Mexico’s Sinaloa Cartel Used Group Tied to Chinese Underground Banking,” *Reuters*, June 18, 2024, <https://www.reuters.com/world/americas/us-says-mexicos-sinaloa-cartel-used-group-tied-chinese-underground-banking-2024-06-18/>.

CJNG. This matters because Zhang’s case sits at the intersection of precursor sourcing, drug trafficking, logistics, shell companies, and money laundering.<sup>9</sup>

A third example came in June 2025, when FinCEN designated CIBanco, Intercam Banco, and Vector Casa de Bolsa in Mexico as institutions of primary money laundering concern under new fentanyl-related authorities. The Treasury alleged the institutions facilitated transactions connected to Mexican cartels and to payments for precursor chemicals from China. Mexico’s Finance Ministry said it had not received sufficient evidence and the institutions denied wrongdoing or pledged cooperation. The Treasury was signaling that cartel finance and China-linked payment channels can reach well beyond street brokers and into formal financial institutions.<sup>10</sup>

The case of Xizhi Li also shows this model did not emerge overnight. Li illustrated how Chinese criminal actors in Southern California developed laundering systems that allowed cartel cash to be converted into pesos in Mexico and then into Chinese currency for clients seeking to evade capital controls. This explains how the market logic evolved: cartel drug money became a tradable commodity for brokers serving broader Chinese dollar demand.<sup>11</sup>

There are also increasing examples of Chinese money laundering happening elsewhere in the Western Hemisphere. In Canada, FINTRAC’s Project Athena analyzed nearly 48,000 transactions tied to underground banking schemes and found that many involved incoming transfers from China—especially Hong Kong—followed by rapid movement of funds through Canadian financial institutions and high-value sectors. The Canadian pattern mirrors what we are seeing elsewhere: professional money launderers exploit Chinese capital-control evasion, diaspora trust networks, money mules, straw buyers, luxury purchases, property transactions, and opaque professional services to transform criminal proceeds into usable assets.<sup>12</sup>

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<sup>9</sup> Philip Marcelo, “Chinese Drug Trafficking Suspect Handed to the US by Mexico Pleads Not Guilty in NYC,” *Associated Press*, n.d., <https://apnews.com/article/ee4300cabe1900a483e9f472bccfe17c>.

<sup>10</sup> Diego Oré and Kylie Madry, “US Bans Certain Deals with Two Mexican Banks, Broker under Fentanyl Sanctions,” *Reuters*, June 25, 2025, <https://www.reuters.com/business/finance/us-prohibits-certain-deals-with-three-mexican-banks-under-fentanyl-sanctions-2025-06-25/>.

<sup>11</sup> Sebastian Rotella and Kirsten Berg, “How a Chinese American Gangster Transformed Money Laundering for Drug Cartels,” *ProPublica*, October 11, 2022, <https://www.propublica.org/article/china-cartels-xizhi-li-money-laundering>.

<sup>12</sup> Financial Transactions and Reports Analysis Centre of Canada, *Updated Indicators: Laundering the Proceeds of Crime through Underground Banking Schemes*, FINTRAC-2023-OA002, July 2023, <https://fintrac-canafe.canada.ca/intel/operation/ml-rec-eng.pdf>.

In February 2026, Brazilian prosecutors and police targeted a Chinese-run electronics distribution network allegedly tied to the PCC and accused of laundering more than one billion reais—about US\$190 million—over a seven-month period. Customers paid via Brazil’s Pix system to companies with no real commercial activity, while invoices were allegedly under-declared to conceal actual revenue and launder drug proceeds. These remain allegations, but they are important because they show how Chinese-linked commercial platforms, e-commerce channels, and local payment rails can be fused with major Latin American criminal organizations.<sup>13</sup>

In January 2026, Chilean police investigators and the FBI carried out “Operation Hora Zero” in Iquique’s free-trade zone, raiding fifty-three offices, exchange houses, and residences in a case centered on an alleged Chinese-origin financial-crime cell. Investigators were examining the use of 112 shell companies to launder funds and that the FBI’s involvement was related in part to illicit flows affecting the U.S. banking system. This highlights the risk posed by free-trade zones, trade hubs, and corporate structures that can move value quickly across borders while frustrating beneficial ownership and customs visibility.<sup>14</sup>

The Caribbean deserves attention as well. In March 2025, police in Trinidad & Tobago raided a Chinese business complex in Union Hall, arrested the owner, and detained roughly one hundred foreign nationals after what police described as five years of intelligence work into alleged illegal activity and alleged ties to international Chinese criminal organizations.<sup>15</sup> Separately, in October 2024, a Chinese national, Hongfei Wu, was charged with money laundering after a financial investigation stemming from the search of an apartment where police alleged they had uncovered a suspected methamphetamine laboratory and seized precursor chemicals, equipment, and cash.<sup>16</sup>

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<sup>13</sup> Igor Patrick, “Brazil Breaks Up China-Linked US\$190m Money-Laundering Ring Tied to Top Crime Syndicate,” *South China Morning Post*, February 14, 2026, <https://www.scmp.com/news/china/article/3343545/brazil-breaks-china-linked-us190m-money-laundering-ring-tied-top-crime-syndicate>.

<sup>14</sup> “PDI y FBI desarticulan red de crimen financiero chino en Zona Franca de Iquique,” *Paislobo Prensa*, January 9, 2026, <https://www.paislobo.cl/2026/01/pdi-y-fbi-desarticulan-red-de-crimen.html>.

<sup>15</sup> Sascha Wilson, “Foreign Nationals Arrested in Union Hall Raid,” *Trinidad and Tobago Guardian*, March 8, 2025, <https://www.guardian.co.tt/news/foreign-nationals-arrested-in-union-hall-raid-6.2.2249881.e0e066b2de>.

<sup>16</sup> “Chinese National Charged with Money Laundering,” *Trinidad and Tobago Newsday*, October 29, 2024, <https://newsday.co.tt/2024/10/29/chinese-national-charged-with-money-laundering/>.

Ciudad del Este in Paraguay has also been a gray-zone environment where alleged Chinese-linked criminal figures, commercial fronts, and political influence efforts may intersect.<sup>17</sup>

## **Policy Recommendations for Congress and the Administration**

There are several actions Congress and the Administration can take to address CMLNs:

- 1) **Elevate Chinese Money Laundering as a key bilateral issue.** President Trump must address this directly and persistently with Xi Jinping, especially during Xi's upcoming visit to Washington in September. Chinese money laundering, and Chinese global criminal activities in general, must be treated with the same urgency and importance as trade, tariffs, critical minerals, and AI. The United States should press for measurable Chinese enforcement against underground bankers, money mules, illegal foreign-exchange brokers, and trade facilitators tied to cartel finance. The June 2024 action by Chinese police to open a money-laundering probe after a U.S. lead shows that cooperation is possible. The problem is not whether leverage exists. The problem is whether we choose to use it consistently and whether we demand results rather than episodic gestures.
- 2) **Strengthen the Corporate Transparency Act on beneficial ownership reporting.** In March 2025, Treasury's financial-crimes unit declared it would no longer require domestic U.S. firms to report beneficial ownership information under the Corporate Transparency Act framework, limiting the reporting requirement primarily to foreign firms. Later that year, Reuters reported that FATF warned countries to improve shell-company transparency and explicitly raised concern that the United States had weakened its own beneficial ownership rules.<sup>18</sup> If cartel-linked Chinese laundering networks rely on shell companies, front firms, and layered commercial structures, then weakening beneficial ownership transparency moves the United States in exactly the wrong direction. Additionally, professionals who facilitate corporate formation activities—such as lawyers, accountants, and notaries—should also be subject to Bank Secrecy Act requirements.

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<sup>17</sup> U.S. Department of the Treasury, "Treasury Targets Corruption Networks in Paraguay," press release, August 24, 2021, <https://home.treasury.gov/news/press-releases/jy0332>.

<sup>18</sup> Huw Jones, "Financial Crime Watchdog Calls on Countries to Come Clean on Shell Companies," *Reuters*, September 3, 2025, <https://www.reuters.com/business/finance/financial-crime-watchdog-calls-countries-come-clean-shell-companies-2025-09-03/>.

- 3) **Expand and update existing legislation to cover CMLN activities.** Congress should consider expanding Section 314(b) in the USA PATRIOT Act (which allows financial institutions to share customer information with each other if there is suspected money laundering or terrorism) to include fraud, cyber penetration, and sanctions. Additionally, Treasury's FinCEN should encourage law enforcement agencies to more frequently use Section 314(a) (which allows U.S. and foreign law enforcement agencies to request information from financial institutions on subjects suspected of money laundering and terrorism). Special measure 6 of Section 311 (which allows Treasury and FinCEN to prohibit or impose strict conditions on transmittals of funds involving designated foreign entities of "primary money laundering concern") could also be updated to include cryptocurrencies.
  
- 4) **Create an interagency, public-private task force on AI against CMLNs.** CMLNs are becoming ever more innovative, even leveraging AI to create multiple shell companies to confuse law enforcement. We have to be just as innovative. Congress should encourage pilot efforts that fuse suspicious activity report data, customs information, beneficial ownership data, corporate registries, sanctions information, and law-enforcement intelligence to identify network hubs rather than just isolated transactions. I have been developing with AI researcher Dr. Emmanuel Dorley called Dragon Tracker, an AI-enabled dashboard that maps Chinese-linked criminal activity, identifies routes and patterns, and helps fuse law-enforcement, open-source, and financial indicators across jurisdictions. A platform like Dragon Tracker can help be a force multiplier for investigators, prosecutors, and bank compliance teams.
  
- 5) **Invest in language capability, regional partnerships, and community protection.** CMLNs often depend on trusted linguistic and social intermediaries. That means Mandarin- and Fujianese-capable analysts, investigators, and translators are mission-critical. It also means the United States should deepen vetted cooperation with Mexico and other willing partners in Latin America and the Caribbean. At the same time, outreach to Chinese diaspora business and hometown associations should be framed as a protective effort. Communities that are vulnerable to infiltration, coercion, or reputational damage should be treated as partners in resilience, not as objects of suspicion. Effective policy in this space must be precise enough to catch criminal behavior without stigmatizing lawful communities.

## **Conclusion**

Our nation is confronting a new and dangerous convergence: Mexican cartels that poison American communities, and Chinese money laundering networks that exploit our banks, trade

corridors, free-trade zones, shell companies, and diaspora trust networks faster than our institutions can respond.

Every fentanyl pill that reaches an American teenager, every cartel shipment that crosses our border, every trafficker who can instantly convert dirty U.S. cash into usable value, and every shell company that masks the true owner of criminal proceeds is part of the same ecosystem. The cartels manufacture the violence. Chinese money laundering networks move the value. Weak transparency rules, fragmented enforcement, and under-resourced investigations allow the system to keep operating.

This Committee can help ensure that Treasury, FinCEN, law enforcement, intelligence agencies, banks, customs authorities, and our international partners are no longer fighting isolated pieces of the same network. It can demand regular threat reporting, restore and strengthen beneficial ownership transparency, tighten scrutiny of high-risk trade and financial corridors, expand sanctions and enforcement tools, and support the data-driven capabilities needed to map and dismantle these networks at scale.

But we should also be clear-eyed: Beijing has a responsibility here, too. Chinese authorities have the capacity to crack down on underground banking. When Beijing wants to act, it can. The United States should make this a persistent, high-level demand in every serious bilateral discussion with China.

The cost of inaction will be measured in fentanyl deaths, cartel violence, corrupted institutions, weakened financial integrity, and communities across the United States and the hemisphere left vulnerable to criminal predation.

The good news is that this threat is not invisible. We can see the patterns. We can identify the networks. We can follow the money. And with the right authorities, partnerships, technology, and political will, we can disrupt the system that allows cartels and Chinese money laundering networks to profit from American suffering.