

“CHINA’S ROLE IN THE FENTANYL CRISIS: THE TRACK RECORD, THE STRATEGY, AND IMPERATIVES FOR REAL RESULTS”

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My name is Steve Yates. I am senior research fellow for China and national security at The Heritage Foundation. The views I express in this testimony are my own and should not be construed as representing any official position of The Heritage Foundation.

My deep gratitude to the East Asia Subcommittee leadership for inviting me to contribute to this important conversation about an issue of both policy and personal priority. I’ve spent much of the last four decades in some form or fashion assessing, advocating, or implementing elements of US national security policy and US options for meeting the wide range of challenges posed by the People’s Republic of China in particular. Never did I imagine that a policy matter I worked on for years would hit home quite this hard, but China’s role in the fentanyl crisis certainly has.

In October 2023, my family joined the circle of American families who have lost a loved one to fentanyl. Our Christina Marie was just shy of her 25th birthday when she ingested an off-market Xanax laced with this angel of death. From trauma center to ICU to hospice, we spent 12 agonizing days trying to hold on but ultimately forced to accept her loss and our loss in this life.

In 2026, no other issue and no other country hits so directly at the heart of families in every single district represented in this House of Representatives. I thank you for making it a priority and for opening a discussion about the range of tools needed, as the Preamble to our Constitution enumerate, “to provide for the common defense” of America and our families.

The questions framing today’s discussion are key:
What is China’s role in the synthetic opioid supply chain?
What is Beijing’s diplomatic strategy for dealing with the issue?
What can the US do to sharpen strategy and tools to reduce the flow?

Before addressing each of these questions concisely, I would like to share some perspective derived from the research of my Heritage Foundation colleagues related to these topics.

In a September 2024 Backgrounder, “Holding China and Mexico Accountable for America’s Fentanyl Crisis” our policy analysts found:

- At the heart of the fentanyl crisis is an intricate global partnership between America’s top geopolitical adversary and transnational criminal organizations.
- Despite being an ocean away, Chinese precursor chemicals serve as the backbone of the supply chain that delivers deadly fentanyl throughout the U.S.
- Despite evidence that the CCP promotes the export of illicit chemicals, the Biden Administration has sought to “work with” China on the fentanyl epidemic.

Since that time there have been a number of key US policy actions:

- January 20, 2025: Executive Order 14157 – Designating Cartels as Foreign Terrorist Organizations (FTOs) and Specially Designated Global Terrorists (SDGTs).
- February 1, 2025: Tariffs on China, Mexico, and Canada Tied Explicitly to Fentanyl Flows.
- July 16, 2025: Signing of the HALT Fentanyl Act, permanently placing fentanyl-related substances (analogues) as a class into Schedule I of the Controlled Substances Act.
- June–September 2025: Enhanced Treasury Sanctions and Financial Measures, targeting Mexican financial institutions (e.g., CIBanco, Intercam) as primary money laundering concerns tied to fentanyl proceeds and Chinese precursor procurement, and Office of Foreign Assets Control (OFAC) sanctions continued against Chinese chemical companies, executives, and networks facilitating precursor exports to cartels.
- December 15, 2025: Executive Order Designating Illicit Fentanyl and Precursors as Weapons of Mass Destruction (WMD), reframing fentanyl not merely as a drug but as a chemical weapon threat, expanding the legal and operational toolkit.

These actions emphasize supply-side disruption through economic pressure on China (precursors) and Mexico (cartel production/smuggling), combined with domestic law-enforcement intensification.

Over the same period, key PRC actions in response to US economic and diplomatic pressure include:

- March 2025: Released a white paper titled “Controlling Fentanyl-Related Substances – China’s Contribution,” which highlighted domestic measures such as the removal of approximately 140,000 illegal online advertisements for precursors and corrective actions (including shutdowns) against 14 platforms.
- June–July 2025: Completed scheduling of all fentanyl precursors previously listed by the International Narcotics Control Board (INCB), bringing the country into full alignment with its obligations under the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. It also designated nitazene-class substances (a category of synthetic opioids) for domestic control.
- November 2025: Announced export licensing requirements for 13 specific precursor chemicals used in fentanyl manufacture. These controls applied to shipments to the United States, Mexico, and Canada (with broader commitments to strictly control certain other chemicals globally and halt designated shipments to North America).

In February 2026, the U.S. Drug Enforcement Administration and PRC counterparts convened a Bilateral Drug Intelligence Working Group meeting in Colorado Springs to discuss chemical supply

chains, diversion prevention, and illicit finance. In May 2026, the PRC added three additional chemicals to its controlled precursor list for exports to North America and issued notices regarding eight other potential synthetic drug chemicals, continuing the pattern of targeted export restrictions.

Despite these actions and multiple interactions:

- The PRC continues to be identified as the primary global source of precursors and pill-pressing equipment used by Mexican cartels.
- No public PRC actions have addressed earlier U.S. concerns regarding tax rebates/subsidies for precursor exports or systemic changes to domestic prosecution of non-scheduled chemicals.
- Overall, PRC actions have been narrowly focused on scheduling and targeted export licensing in response to U.S. pressure rather than comprehensive domestic enforcement or dismantling of underlying incentives.

Beijing's role in the synthetic opioid supply chain.

Chinese precursor chemicals remain the “backbone” of the fentanyl supply chain. DEA reporting through 2025 reaffirm that PRC-based companies and brokers supply the vast majority of key precursors (e.g., 4-ANPP, NPP) and pill presses used by Mexican cartels to produce fentanyl powder and counterfeit pills.

Precursors are exported from China via air cargo, postal services, maritime routes, and third-country transshipment (e.g., India, Europe). They arrive at cartel-controlled Mexican ports (often mislabeled or hidden among legitimate goods) before processing in clandestine labs located across Mexico, including near the capital. Finished fentanyl is then smuggled into the U.S. primarily via the Southwest Border. Direct high-purity fentanyl shipments from China to the U.S. are now rare due to 2019 controls, but precursor diversion continues unabated.

Cartels maintain steady supply chains from China (and increasingly India). DEA notes sophisticated concealment: front companies, mislabeling, and brokers operating independently of cartels. Some China-based suppliers have shifted to “designer” precursors exempt from controls.

Chinese networks extend beyond chemical supply to enable cartel financing. Cartels rely on Chinese Money Laundering Organizations (CMLOs) to move U.S. drug proceeds rapidly back to Mexico via underground banking, trade-based money laundering, cryptocurrency, and front companies. FinCEN's 2025 analyses identify Mexico and the PRC as the top foreign countries in fentanyl-related Bank Secrecy Act reports.

Beijing's diplomatic strategy towards the issue.

For many years Chinese officials would feign ignorance or insufficient controls to intervene effectively within their system. They would offer to follow up if we would provide them detailed intelligence on who was manufacturing the illicit materials and where, but absent that there was little they could do. In the world's most comprehensive and tech-enabled surveillance state, this is hard to take seriously.

Adding insult to injury, in their public diplomacy, Chinese diplomats and official news outlets

would occasionally accuse America of cynically blaming China to deflect responsibility away from our own domestic failures.

Despite official promises of cooperation at the leadership level to Presidents Obama, Trump, and Biden, the PRC has not taken any strategically significant steps to verifiably stop the flow of illicit precursors. In a country that tightly controls religion, politics, and actual legitimately sensitive materials, this has to be by choice rather than coincidence.

Since increased economic and diplomatic pressures were applied in 2025, China's diplomatic strategy appears to be to announce and do just enough to keep stronger measures and consequences at bay, without taking on the sizable sector of their chemical/pharmaceutical industry involved in this illicit and deadly trade. Adding a few chemicals to control lists, shutting down a factory or two, and prosecuting a handful of individuals does not come close to the order of magnitude required to stem the flow that has by conservative estimates taken the lives of over half a million Americans over the last ten years.

The Chinese are implicitly signaling to us that this is not a meaningful priority for them, and they do not believe it is a meaningful priority for us. Therefore, barring significant change, they will continue to do the minimum necessary to keep American pressure and displeasure on this topic from interfering with their other priorities.

How the US can sharpen strategy and tools to reduce the flow.

Ultimately, if we aim to change strategic behavior in China, we have to squeeze their strategic vulnerabilities. China's greatest vulnerabilities are its need for access to the US consumer market, access to the US financial system, and access to imported energy.

Regardless of where one comes down on the merits or demerits of the range of tariffs deployed in recent years, it is undeniable that use of these tools brought China to the negotiating table on trade and fentanyl. It is worth exploring whether new legislation would help define and support a reformed set of tools in the tariff kit to meet challenges like this.

Having designated illicit fentanyl precursors as a weapon of mass destruction, have we considered the full range of financial, legal, and military options that opens up? When negotiations with China related to North Korea's nuclear program hit a standstill in the mid-2000s, the US designated key financial institutions in China as primary money laundering concerns, thereby jeopardizing their access to the US financial system. That leverage was used to get China to pressure North Korea to negotiate a deal. Aside from the merits of that deal, it is undeniable that these same authorities are available to us now to press China for meaningful and verifiable action on this newly designated weapon of mass destruction.

A third area worthy of consideration is China's energy dependence. As China no longer enjoys discounted access to supply from sanctioned countries and is considering increasing supply from us, are there tools in place to add a tax whose revenue could be programed to support increased enforcement, relieve overtaxed emergency response, or assist affected families?

Strategically we must greatly reduce dependence on pharmaceutical supply chains linked to China. The magnitude of our dependence on China for legitimate pharmaceuticals is what creates the scientific and manufacturing infrastructure that is leveraged to support the illicit supply chain. It also is what keeps us prisoner to the will of one foreign government if we hope to reduce and eventually halt the illicit flow. Any policy that accelerates the diversification and safe shoring of more of the pharmaceutical supply chain helps. It would allow us to be in the position to threaten cut back of legitimate pharmaceutical purchases when we are not satisfied with action to curb the illicit supply.

With that, I thank you for the honor of participating in today’s proceeding. I hope these initial contributions are received in the constructive manner intended and I look forward to your questions.

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