

Made in China: China's Role in Transnational Crime & Illicit Financial Flows (GFI Report)

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Global Financial Integrity (GFI) Report Launch Event
Washington, DC
27 October 2022

China Inc. has leveraged corruption, illicit markets, and predatory trade and lending practices to become the world's biggest transnational illicit trade syndicate across global markets, supply chains, and on-line marketplaces, and to finance its economy and military, enhancing prosperity and anchoring stability for the ruling CCP regime.

Good morning.

As the Executive Director of the [International Coalition Against Illicit Economies \(ICAIE\)](#), I am honored to be invited to speak in support of the new report by the [Global Financial Integrity \(GFI\)](#), "[Made in China: China's Role in Transnational Crime & Illicit Financial Flows](#)", and the growing illegal trade and corruptive influence by China Inc. – China's network of state-owned enterprises and criminal triads – across licit and illicit markets globally.

I would first like to thank GFI, Channing Mavrellis, and John Cassara for their outstanding scholarship, leadership, and energies in authoring this important report.

In my [testimony](#) last year to the U.S. Senate Finance Committee hearing on the impacts of China's illicit economies to U.S. national security, I underscored my concern about China's complicity in fueling greater corruption and criminality in many parts of the world hurting not only U.S. competitiveness, but also endangering the public health and safety of Americans, and those living in many communities globally.

These sentiments were similarly expressed with strong bipartisan support by Senator Elizabeth Warren and Senator Bill Cassidy who forcefully underscored that China is “growing more brazen in their mission to undermine the United States and international institutions”.

Corruption and illicit trade are among the enabling drivers of China’s national aspirations to global economic power, and to advance its aggressive foreign policy and great power competition strategies. **China’s illicit trade facilitates a convergence of crimes that spawns bigger destabilizing threats across the international community.** In fact, earlier this year, the Office of the U.S. Trade Representative (USTR) in its annual [report](#) unequivocally stated: “We are clear-eyed about China’s doubling down on its harmful trade and economic abuses”.

The state-sponsored corruption exported through its strident foreign policy is sanctioned at the top level of government through China’s state-owned enterprises or through its external economic development initiatives such as the Belt and Road Initiative.

These predatory market efforts will be accelerated during President Xi’s new “prosperity” agenda which aims to further penalize entrepreneurship, exploit theft of trade secrets, infringe intellectual property rights, and launder dirty monies derived from an array of corrupt foreign transactions, illegal trade, and illicit markets. This agenda is designed to sustain its national strategic plans in President Xi’s authoritarian surveillance state.

GFI’s new evidence-based [“Made in China”](#) report is very significant in further providing important insights into the ways and means that China is sustaining its own economy, the CCP’s hold to power, and the financing of its foreign economic development assistance initiative to construct a new “world order” that is more dangerous and chaotic, less democratic, and flaunts universal values of human rights, the rule of law, peace, and sustainable security in China, and abroad.

China’s role in diverse forms of illicit trade and dark commerce today includes the trafficking of illegal fentanyl and precursors, humans, counterfeits, endangered wildlife, as well as money laundering, trade-based money laundering, and other contraband sold in black markets and across the digital world.

As Channing and John just noted, China’s involvement in the expansion of illicit economies, and the corruptive influence of the Chinese Communist Party (CCP) is manifesting itself 24-7, 365 days a year, **expanding the multi-trillion-dollar global illegal economy and China’s power and wealth.**

The effects of CCP Inc.’s illicit trade and illicit economies are multifaceted threats, and are further multiplied by its malign influence in the United States, for example, as the U.S. Department of Justice recently noted.

Where China saddles countries with loans to build critical infrastructure, or “debt traps” as some recipients aptly refer to them, this financial activity begins a vicious cycle of kleptocracy by a cadre of corrupt officials in both China and recipient countries. Chinese financial packages further impede progress on the implementation of national sustainability strategies related to the UN Sustainable Development Goals (SDGs) in the Global South and impoverished countries. **Such kleptocracy violates the human rights of citizens when national investments for economic development and social progress are stolen, and human suffering and misery ensue.**

In many of these failed debt-ridden BRI projects, it provides the means for China to recoup its investment through the control of strategic national assets such as seaports, or through commodities and natural resources that have greater “value” to China in its aim for global economic hegemony.

As highlighted in the new GFI report, China today is helping fuel this global illegal economy in all regions of the world. China is benefitting financially through the illicit manufacturing and unauthorized exporting of harmful products such as the chemical precursors to make deadly fentanyl and other opioids, fake goods that can cause great bodily harm or death, and through its international role in laundering dirty money from all corners of the globe.

Illicit activities such as the illegal fentanyl trade not only harms our people – killing tens of thousands of young Americans each year – it becomes a threat multiplier. It enables Mexican cartels to earn tens of billions of dollars a year in dirty money, some of which is laundered in China, and the financing enables the cartels to infiltrate the Mexican government and CCP Inc. to penetrate legitimate sectors and supply chains.

Such crime convergence fuels greater violence, corruption, insecurity, and instability in Mexico, Central America, and in other violent hot spots and armed conflicts in many parts of the world.

Another harm to American and global security is driven from China's illegal trade and unregulated economy and the flooding of counterfeits – often times dangerous and toxic fake products – into US markets and online marketplaces including foodstuffs, footwear and apparel, toys, electronics, personal protective equipment (PPE), and pharmaceuticals. **According to some estimates, China accounts for up to 80 percent of all counterfeits in the global marketplace** ([OECD](#): \$500 billion/year).

The proliferation of counterfeited electronics also endangers our national security and the safety of our troops when fake parts or computer micro-chips find themselves in our military systems, weaponry, and supply chains.

China National Tobacco Corporation (CNTC), a state-owned enterprise, is by far the largest cigarette company in the world and produces nearly half of the world's cigarettes. As it enters new markets, CNTC inundates consumers with illicit whites and illegal tobacco products.

Chinese state-sponsored hackers and criminals are stealing the intellectual property (IP) of the United States government and American companies, hurting our innovation, competitiveness, and economic growth. As the [GFI report](#) highlights, **China is responsible for 50 to 80 percent of international IP theft.**

Let me also commend GFI and its authors for [highlighting](#) the harms caused by human trafficking and the trafficking of endangered wildlife and other environmentally-sensitive goods. China has exploited forced labor to manufacture and export counterfeits, as a competitive advantage to expand its own economy and increase greater global market share for Chinese products.

For years, Chinese demand for illegal wildlife products has driven a global trade in endangered species including iconic animals such as rhinoceros, tigers, elephants, pangolins, bears, and so many other animals. Often times, these illicit products have included the role of unsavory actors such as the cartels, terrorist organizations, or rogue regimes like North Korea.

Environmental criminal activities not only harm our natural world, but contribute to climate change, and converge with other illicit activities such as corruption, forced labor, human smuggling, and sex trafficking.

The [U.S. Department of State](#) has also continually flagged China's abusive human rights, forced labor, human trafficking activities including as part of its BRI efforts.

A few final points in support of the new [GFI report](#). John is correct in characterizing China's cross-border illicit finance activities **as the biggest money laundering hub in the world.**

China exploits every illicit market to its advantage (as the "largest player in almost every major sector of transnational crime"). We are talking about several trillions of dollars in illicit proceeds every year that are being generated from the predicate offenses for money laundering that touch China's jurisdiction and markets, and finance China's authoritarian regime.

In our [own ICAIE report \(July 2022\), "The Dark Side of Illicit Economies and TBML: Free Trade Zones, Ports, and Financial Safe Havens"](#), we stressed how ports across the Americas continue to be exploited or remain vulnerable to transnational criminal organizations that corrupt officials and strategically use maritime shipping as logistical platforms to move tens of billions of dollars worth of illicit goods and contraband. China controls all or portions of 37 major ports in Latin America. **Through the exploitation and control of FTZs and ports across the Americas, and its Belt and Road Initiative (BRI), China is able to expand illicit trade operations in the region, and other parts of the world.**

Cybercrime, virtual currency, and online e-commerce have further enabled some criminals to convert electronic funds in China into hard currency overseas including in real estate markets in Canada, and other financial safe havens.

At these rates of illicit trade and China's complicity, one could argue that CCP Inc. is the biggest transnational illicit trade syndicate driving today's global illegal economy and related corruption.

As recently reinforced at the 20th CCP National Congress, President Xi is unapologetic for the CCP's support of national policies that advance China's national interests at the

expense of other international stakeholders. This CCP Inc. strategy moving forward includes all licit and illicit ways and means to achieve greater global economic superpower, with such policies continuing to generate staggering amounts of illicit wealth that will further damage market stability, erode the integrity of the international financial system, and endanger the competitiveness of American and European industries, the rule of law, and the public health and safety of people across societies.

Making matters worse, China has shown little inclination to cooperate with the international law enforcement community in combatting many of the criminal activities and corresponding money laundering. China simply turns a blind eye and points the finger at other countries for inaction, and shifts the burden of lack of enforcement to others. Why? Because it is so darn profitable!

While China can distract attention away from its role in transnational crime through disinformation, malign influence, and other state-sponsored subversive acts, the reality remains that it is sustaining its economy, prosperity, and global competitiveness through being a global key driver of cross-border crime and corruption.

The U.S. and international community must confront and constructively engage China to be a more responsible global leader and market citizen of the world in addressing a multitude of the illicit threats that harm U.S. national security, and the collective security of all nations.

The clear and convincing evidence and market data presented in the new [GFI Report](#) distinctly and emphatically demonstrate that CCP Inc. is sabotaging legitimate commerce and siphoning away the economic prosperity of nations who play by the global trade system of rules, and by the rule of law.