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Triads, Snakeheads, and Flying Money: The Underworld of Chinese Criminal Networks in Latin America and the Caribbean

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**JACK D. GORDON INSTITUTE
FOR PUBLIC POLICY**

TRIADS, SNAKEHEADS, AND FLYING MONEY

**THE UNDERWORLD OF CHINESE CRIMINAL
NETWORKS IN LATIN AMERICA AND THE
CARIBBEAN**

**LELAND LAZARUS
ALEXANDER GOC SO**

AUGUST 2023

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EXECUTIVE SUMMARY

Latin America and the Caribbean (LAC) continue to grapple with some of the highest rates of violence and corruption in the world, particularly due to the corrosive presence of transnational criminal organizations (TCOs). Notorious regional TCOs continue to sell drugs worldwide, kill with impunity, bribe local officials, terrorize communities, and build deadly international partnerships with Italian, Russian, and Albanian criminals. But one group has quietly increased its influence throughout this region, even though its customers are half a world away: Chinese criminal networks.

Over the past decade, Chinese criminal groups operating in LAC have specialized in four illegal activities. They ship fentanyl precursors to Mexico, where cartels make them into potent drugs that kill 200 U.S. lives every day; launder money using the “Flying Money” method, adding to cartel coffers that fuel destabilizing violence across the region; illegally traffic wildlife while also engaging in other serious crimes, a concept called *convergence*; and smuggle an unprecedented number of illegal Chinese migrants crossing the U.S. border through Latin America.

No evidence suggests that the government of the People’s Republic of China (PRC) is directly involved in this illicit activity. However, persistent corruption and impunity in both China and LAC mean that PRC provincial and municipal government officials are at least indirectly benefiting from or turning a blind eye to these illegal groups. These networks are often decentralized, although several have links to Chinese triads and the Fujian mafia.

This paper provides a comprehensive analysis of the Chinese individuals, gangs, and companies engaging in illicit activities in Latin America and the Caribbean. Our methodology was to research academic literature, news articles, press releases, official statements, and podcasts in Spanish, Portuguese, Mandarin and English, as well as conduct off-the-record interviews with U.S. and LAC intelligence and law enforcement officials to ascertain growing trends in Chinese criminal behavior in the region.

Finally, policy recommendations are offered for LAC, Chinese, and U.S. law enforcement officials:

Latin American/Caribbean Policymakers

- Use the Community of Latin American and Caribbean States (CELAC) forum to raise issues of illegal Chinese activity directly with the Chinese government;
- Cater to Chinese culture in strategic messaging to encourage Chinese government cooperation in fighting crime;
- Employ more due diligence when dealing with Chinese companies;
- Ecuador should reconsider its visa-free travel for Chinese nationals policy;
- Increase law enforcement cooperation with China—but on LAC’s terms;
- Develop deeper trust and engagement with LAC Chinese diaspora communities; and
- Increase bilateral legal collaboration on transnational criminal prosecution.

Chinese Policymakers

- Leverage the Great Firewall to take down websites that sell fentanyl precursors to Mexican criminal groups;
- Strengthen anti-wildlife trafficking laws and wildlife trafficking awareness programs;
- Block Douyin and other Chinese social media accounts that promote illegal migration through LAC; and
- Develop a code of ethics for businesses operating overseas.

U.S. Policymakers

- Increase NY Police Department/LA Police Department law enforcement exchanges and training with LAC countries on how to take down the Fujian mafia;
- Work with Taiwan on law enforcement exchanges;
- Elevate and raise the issue of Chinese illegal activities at international forums;
- Leverage emerging technology like generative artificial intelligence and blockchain to stay ahead of the traffickers;
- Boost funding for the U.S. Fish and Wildlife Service;

- Rely on Track II diplomacy to encourage U.S., Chinese, and LAC collaboration on disrupting Chinese crime groups;
- Encourage confidence-building measures with China; and
- Work with allies and partners to share information on global Chinese illegal activities.

As China's Belt and Road Initiative approaches its tenth anniversary this year, the time is ripe for Latin America and the Caribbean, China, and the United States to work together to stop the growing scourge of Chinese transnational crime in the region before it's too late.

INTRODUCTION

"Southern Dragon Dynasty" is the name of the two-year operation that brought down the "Bang de Fujian"—or the Fujian mafia—in Chile.¹ The perpetrators, caught with thousands of marijuana plants, weapons, and thousands of dollars in cash, usually kept a low profile and frequented a Chinese-owned karaoke bar to do drugs and buy prostitutes.² Several of them were "established store owners, such as importers," according to a Chilean judicial authority.³

Four Chinese men who work for Wuhan and Suzhou pharmaceutical companies collaborated with Guatemala-based Ana Gabriela Rubio Zea, who imported fentanyl precursor chemicals for "Los Chapitos," the sons of infamous Mexican drug lord Joaquin "El Chapo" Guzman.⁴ Their transnational triangular trade added to the poison seeping through U.S. streets, killing 100,000 Americans in 2022.⁵

Li Xizhi, a trilingual Chinese-Mexican-American with alleged connections to Chinese triads and government officials, orchestrated an army of Chinese immigrant Uber drivers, servers, cooks, and small business owners to launder millions of dollars for the Sinaloa and Jalisco Nueva Generación cartels.⁶

These stories expose the evolving connections between criminal networks in China and Latin America and the Caribbean (LAC). The region continues to grapple with some of the highest rates of violence and corruption in the world,

particularly due to the corrosive presence of transnational criminal organizations (TCOs). Notorious regional TCOs, such as the Sinaloa and Jalisco Nueva Generación cartels in Mexico, the *maras* in Central America, the Revolutionary Armed Forces of Colombia and the National Liberation Army in Colombia, and the First Capital Command in Brazil, continue to sell drugs around the world, kill with impunity, bribe local officials, terrorize communities, and build deadly international partnerships with Italian, Russian, and Albanian criminals. But over the past decade, Chinese criminal groups have quietly increased their influence throughout this region, even though their customers are half a world away.

These networks are often decentralized, although several have links to Chinese triads and the Fujian mafia. No evidence suggests that the government of the People's Republic of China (PRC) is directly involved in this illicit activity. However, persistent corruption and impunity in both China and LAC mean that provincial and municipal government officials are at least indirectly benefiting from or turning a blind eye to these illegal groups.

Scholars and researchers have covered Chinese criminal activity in this region before. Evan Ellis⁷ of the U.S. Army War College and Li Jiameng⁸ of the Shanghai University of International Studies have both comprehensively analyzed Chinese organized crime in Latin America. But over the past decade, these illicit groups have opened more deadly avenues of illicit markets and forged new transnational partnerships to sell their illegal products.

This paper provides an updated and comprehensive analysis of the Chinese individuals, gangs, and companies engaging in illicit activities in Latin America and the Caribbean. Our methodology was to extensively research existing academic literature, news articles, press releases, official statements, and podcasts in Spanish, Portuguese, Mandarin, and English, as well as conduct off-the-record interviews with U.S. and LAC intelligence and law enforcement officials, to ascertain growing trends in Chinese criminal behavior in the region. Key terms in Mandarin pinyin and characters are included to convey key cultural concepts for scholars unfamiliar with Chinese history, language, or culture.

This report is divided into eight sections. Sections 1 and 2 provide a brief history of Chinese crime in LAC and the Chinese criminal groups that have historically operated in the region. Sections 3 through 6 identify four Chinese criminal focus areas: (1) fentanyl/drug trafficking, (2) money laundering, (3) wildlife trafficking, and (4) human smuggling. Many Chinese criminal groups are engaged in multiple illicit activities, a concept known as convergence. Section 7 details how the Chinese government has sought to address Chinese transnational crime. Finally, policy recommendations are offered for Latin American/Caribbean, Chinese, and U.S. policymakers to disrupt these Chinese criminal networks.

HISTORY OF CHINESE GLOBAL ORGANIZED CRIME

Chinese migrants have trekked half a world away to Latin America and the Caribbean for centuries. Known as *coolies*, with a reputation as docile and cheap laborers, these migrants arrived in the middle of the nineteenth century to work on railroads, ships, and ports used to transport cash crops, minerals, and other raw materials to Europe and around the world. Much of the earliest Chinese diaspora came from Southern China, such as the Fujian and Guangdong provinces, since those areas were historically economically weak and rife with civil conflict. Between 1847 and 1874, close to 225,000 mostly male *coolies* came to work in Cuba and Peru alone.⁹ Throughout the twentieth century, Chinese migration spread throughout the region.

Today, Peru, Venezuela, Brazil, Panama, Argentina, Cuba, and Mexico have the largest Chinese communities.¹⁰ Many have opened Chinese restaurants, such as *chifa* in Peru, as well as corner stores, laundromats, and other businesses. In some countries, such as Panama, such Chinese-owned shops are so ubiquitous that they are called *chinitos*.¹¹ In Suriname, Chinese nationals are estimated to own 90 percent of all the country's supermarkets, grocery stores, and food shops.¹² The Chinese in Argentina purportedly own 80 percent of all supermarkets in the country.¹³ The vast majority of these business owners and employees are hardworking, upstanding people making a legitimate living. But a small number are entangled in a dark web of illegal activity spanning time zones, oceans, and continents.

A core concept in Chinese culture is *yīnyáng* (阴阳), where dark and light—or evil and good—are intertwined. Thus, it is the same with certain Chinese businesses domestically and abroad. A case in point is the history of the largest criminal organization in China: the triads (*sānhéhuì* 三合会).

The triads' historical roots lay in secret societies and trade associations formed to protect territory, legitimate businesses, and illicit activity in times of deep uncertainty. During the Qing dynasty, the early triads resisted the Manchu rulers, who the majority Han ethnic group viewed as northern usurpers. Even the founding father of modern China, Sun Yat-Sen, was reportedly a member of a triad group.¹⁴ After the Qing dynasty collapsed in 1911 and the fledgling republican government began, the Kuomintang used the triads to attack their political opponents.

The triads still exist today, and their entanglement with businesses and the Chinese government itself is as murky as ever. During the 2019 protests in Hong Kong against the Chinese Communist Party (CCP)'s controversial national security law, journalists witnessed men armed with poles in white shirts, believed to be triads, beating up protesters. *The New York Times* suggested the triads were carrying out the bidding of the Hong Kong police or CCP.¹⁵

Of all the various triad groups, the 14K (*shísìk* 十四K) triad is the largest global network engaged in drug trafficking, illegal gambling, racketeering, human trafficking, and other criminal activities. In 2020, the U.S. Department of the Treasury sanctioned Wan Kuok Koi, alias "Broken Tooth," who is a 14K triad leader.¹⁶ Wan is a member of the CCP People's Political Consultative Conference, one of the country's two main legislative bodies. Wan also heads the World Hongmen History and Culture Association, a seemingly innocuous organization that helped further China's Belt and Road (BRI) initiatives in Southeast Asia. "This continues a pattern of overseas Chinese actors trying to paper over illegal criminal activities by framing their actions in terms of China's BRI, the China Dream, or other major initiatives of the CCP," a 2020 U.S. Department of the Treasury press release stated.¹⁷ The report concluded:

The Chinese enterprises behind the BRI projects have several things in common: their leadership has links to criminal networks or actors involved in illicit activities in other parts of Southeast Asia, as well as China; they have pre-existing organizations engaged in casinos and crypto currencies; they advertise themselves online to be associated with Beijing's BRI and flaunt connections with key Chinese government agencies; and all of them have established associations that actively seek to assist Chinese nationals.¹⁸

If 14K is the global criminal conglomerate, then the Fujian mafia is a small-to-medium-sized business operating in the Western Hemisphere. Since the vast majority of the Chinese diaspora in Latin America and the Caribbean come from Fujian province, the “Bang de Fujian” is quite active in the region. As mentioned in the introduction, Chilean authorities busted a branch of the Fujian mafia in its territory. In 2020, the nongovernmental organization (NGO) Earth League International (ELI) uncovered at least three criminal groups affiliated with the Fujian mafia smuggling jaguar parts from Bolivia to China.¹⁹ These groups have historically extorted local Chinese communities, facilitated human trafficking, and perpetrated armed street violence.²⁰

While there is no official database tracking Chinese criminal groups across the region, most of the 35 Chinese transnational trafficking networks in this region and worldwide are from Fujian or elsewhere in Southern China.²¹ Since the Fujianese and other Southern Chinese dialects are difficult to speak, even Mandarin-speaking law enforcement agents or interpreters can't easily decipher gang conversations. This makes the Fujian mafia network particularly elusive, and local law enforcement finds it difficult to infiltrate them.

Like other criminal networks, such as the Italian 'Ndrangheta and Russian and Albanian mafia groups, Chinese-organized criminal activities stretch across continents, each featuring unique networks and illicit practices. In Southeast Asian countries like Thailand, Vietnam, and the Philippines, the 14K Triad and Bamboo Union specialize in human trafficking, illegal gambling, and drug trafficking, particularly synthetic drugs like fentanyl and fentanyl precursors. In North American cities with large Chinese diaspora

communities like San Francisco, New York, and Vancouver, the Big Circle Gang and the Fuk Ching Gang smuggle people, traffic drugs, and launder money.

Chinese groups operating in African countries like Kenya and South Africa engage in the illegal wildlife trade, human trafficking, and fraud. In Europe, particularly Italy, Spain, and the UK, Chinese syndicates like the Snakeheads are known for human trafficking and the counterfeit goods trade. Italy has also seen a unique trend of money laundering through the textile industry in the Prato region linked to Chinese crime groups. A key trend across these regions is the adaptability of Chinese organized crime, modifying its operations based on local societal, cultural, and political contexts and demonstrating resilience and extensive reach in the face of global law enforcement efforts.

HISTORY OF CHINESE ILLEGAL ACTIVITY IN LATIN AMERICA AND THE CARIBBEAN

In his seminal 2012 piece, *Chinese Organized Crime in Latin America*, Ellis described the various Chinese illicit groups across the region engaged in four illegal activities: extortion of local Chinese communities, human smuggling into the United States and Canada, narcotics and precursor chemicals, and contraband.²² The Fujian mafia in Argentina, which has been operating since the 1990s, has engaged in extortion-related violence against Chinese shopkeepers in Buenos Aires, Mar del Plata, Bahia Blanca, Lomas de Zamora, and Mendoza. Some Chinese businesspeople were forced to pay as much as US\$50,000 in “protection fees” to the mafia.²³ Peru, which hosts one of the largest Chinese communities in the region, is home to Chinese mafia groups that have extorted hotels, saunas, restaurants, and discos. Ellis also identified the Fuk Ching, Flying Dragons, and Tai Chen groups in Ecuador, Panama, Mexico, Trinidad and Tobago, Suriname, Mexico, and Bolivia. Some groups also participated in illegal mining in Madre de Dios, Peru; laundered money through gambling operations and via shell companies in the British Virgin Islands and Cayman Islands, granted false visas and other travel documents, and even sold some weapons.

Four years after Ellis's paper, Li Jiameng published *Weak State and Strong Society: An Exploration of Extortion among Chinese Immigrants in Argentina*.²⁴ According to Li, the typical profile of a Chinese mafia member was someone from Fujian province "without roots," who has a criminal past in China or Argentina, speaks poor Spanish, and cannot easily find work in Argentina. In 2016, approximately seven Chinese mafia clans operated in Argentina, which weren't "Chinese mafia, rather, various groups with mafia characteristics." Li highlighted the difficulties Chinese immigrants face integrating into Argentine society. Many come with debts from family members and friends, so they usually do not have time to learn Spanish or make friends with Argentines because they must work all day. Moreover, several Chinese businesspeople stress harmony and tolerance, even in illicit activities like extortion. Li uses a common Chinese idiom to summarize this attitude: "Make big things smaller, and small things to nothing" (*dàshìhuàxiǎo xiǎoshìhuàliǎo* 大事化小小事化了).

Argentine police requested assistance from their Chinese counterparts to investigate crimes committed by the Chinese mafia in Mar del Plata in 2011, and a small Fujian police contingent served as translators. This bilateral collaboration culminated in 2013 when China's Ministry of Public Security sent law enforcement officers to Argentina at the local government's request to help disrupt Chinese mafia groups in various Chinese communities and recover US\$1.6 million.

Other journalists and researchers have documented Chinese illicit activity in LAC over the past decade. In 2014, *Insight Crime's* David Gagne detailed how Chinese mafias were responsible for 31 murders in Argentina, often hiring Argentine *sicarios* [hitmen] to kill their opponents.²⁵ As a result, the Argentine police increased information sharing with Chinese law enforcement to better investigate Chinese mafia crimes. Gagne also described how Jamaica's police force implemented new security measures directly catered toward the island's Chinese community after local businesses complained of robbery and extortion at the hands of the mafia.

In 2016, Chinese researcher He Shuangrong pointed out how smuggling, drug trafficking, and other crimes have become an unfortunate side product of the growing China-LAC relationship.

In a 2016 joint operation, Argentine and Chinese police arrested 40 suspects and took down the infamous Píxiū (貔貅) clan.²⁶ (*Pixiu* is the name of a mythical beast in ancient Chinese lore that resembles a strong, winged lion). The internationalization of drug cartels and the decrease in cocaine demand in the United States caused more illicit groups to send drugs to Asia generally and China specifically, according to He. In 2012, a Beijing court tried cases involving three Colombian drug traffickers, and in 2015, China arrested 138 Colombian people; 90 percent of the cases involved drugs, and 11 of the convicted received life sentences. He also explained how the Sinaloa cartel has, at times, collaborated with the 14K and Sun Yee On triads in drug trafficking. In 2022, Vanda Felbab-Brown of the Brookings Institution did an even deeper dive into Mexican-Chinese gang collaboration, especially methamphetamine precursors, cocaine, and fentanyl.

Today, Chinese criminal groups in LAC engage in four focus areas: (1) fentanyl/ drug trafficking, (2) money laundering, (3) wildlife trafficking, and (4) human smuggling. Many Chinese criminal groups engage in all four, a concept known as convergence. But of the four, the activity with the most direct deadly consequences for U.S. citizens is fentanyl.

FUELING THE FENTANYL EPIDEMIC AND OTHER DRUG TRAFFICKING

After his June 19 trip to Beijing, U.S. Secretary of State Antony Blinken announced that the United States and China would set up a working group to stop fentanyl and that the State Department convened a global coalition on fentanyl and other synthetic drugs.²⁷ The Department of Justice charged four Chinese biotechnology and pharmaceutical companies for knowingly selling fentanyl precursor chemicals to Mexican cartel operatives.²⁸ And U.S. Senators Joni Ernst (R-Iowa) and Tim Kaine (D-VA) are advancing a bipartisan bill to designate fentanyl as a national security threat and give the Pentagon more resources to deal with it.²⁹

These actions demonstrate the increased urgency with which the U.S. government is fighting fentanyl, which is snuffing out 200 U.S. lives each day.³⁰ The spike in fentanyl-related deaths has become such a problem that in April 2023, the Biden Administration declared fentanyl laced with xylazine an emerging threat to U.S. national security.³¹ Grieving U.S. families experience the deadly result of the fentanyl global supply chain, which often begins in various pharmaceutical company labs in China.

Manufacturers need several precursor chemicals to make fentanyl: 4-anilino-N-phenethyl-4-piperidine, N-phenethyl-4-piperidone, and the synthetic opioid U-47700.³² On their own, these chemicals are often used to produce legal painkiller drugs. Now, Mexican cartels use them to mass produce fentanyl and traffic them to the United States. They source these chemicals almost exclusively from Chinese companies.

China's enforcement of its fentanyl regulations is far from transparent, and its 2019 designations on fentanyl precursors have done little to stem the flow of the drug to the United States. According to Felbab-Brown, the Beijing central government does not go after Chinese criminal leaders because they "provide a variety of services to Chinese legal business enterprises, including those connected to government officials and the Chinese Communist Party."³³ The second reason is systemic corruption across the Chinese government has created a culture in which officials "extend the umbrella of party protection and government authority to actors who operate in both legal and illegal enterprises as well as to outright criminal groups."³⁴

Surprisingly, the Chinese triads do not dominate fentanyl drug production and trafficking; instead, small- and middle-level actors in the chemical and pharmaceutical industries ship their products to Mexican criminal groups, Felbab-Brown asserts.³⁵ Moreover, these pharmaceutical sellers target their Mexican criminal clients by advertising their products across Latin America in Spanish and group these ad campaigns with different drug precursors, including cocaine, methamphetamine, and fentanyl. The transactions themselves are often brokered by members of the Chinese diaspora living in Mexico. Legitimate Chinese business owners and crime groups position themselves

in key transportation areas to not only improve their access to business, but also to facilitate the shipping of illicit materials.³⁶

Drug smugglers ship precursor chemicals primarily through the Mexican ports of Lázaro Cárdenas in Michoacán and Manzanillo in Colima, where Chinese diaspora communities live, and crime groups operate. Chinese legal businesses and crime groups alike also curry political capital among the local and municipal governments to ensure smooth operations.³⁷ Smuggling operations for fentanyl precursors are much easier than with other illicit substances. Due to the small amount of precursor chemicals needed to manufacture fentanyl, some legal Chinese business owners or members of the diaspora may even inadvertently traffic these chemicals simply because they might be unaware of what is in their shipments.

In April 2023, the U.S. Department of the Treasury's Office of Foreign Assets Control placed sanctions on two Chinese companies and five individuals for directly contributing to this supply chain.³⁸ Wuhan Shuokang Biological Technology Co., Ltd (WSBT) and Suzhou Xiaoli Pharmatech Co., Ltd. (SXPC) were sanctioned for engaging in activities that materially contributed to the intentional proliferation of illicit drugs or their means of production, including shipping about 35 kilograms of a fentanyl precursor to Mexico in 2021.³⁹

The five individuals designated included Yao Huatao, the owner of WSBT; and three additional PRC nationals associated with WSBT: Wu Yaqin and Wu Yonghao, sales representatives of WSBT; and Wang Hongfei, a WSBT collaborator who owns a cryptocurrency wallet used to receive bitcoin payments for illicit drug transactions on behalf of WSBT. The fifth individual is Ana Gabriela Rubio Zea, a Guatemala-based broker of fentanyl precursor chemicals who buys these chemicals on behalf of Mexico-based drug traffickers. Rubio Zea was the broker for the 25 kilograms of a fentanyl precursor purchased from SXPC on behalf of the Sinaloa Cartel in Mexico.

Rubio Zea is directly connected to "Los Chapitos," the four sons of notorious Mexican drug lord, "El Chapo" Guzman. As high-ranking members of the Sinaloa Cartel, Los Chapitos are involved in drug trafficking, money laundering, and violence.

The PRC government has vehemently defended itself against U.S. sanctions and its role in fentanyl. In a June 2023 press conference, PRC spokesperson Wang Wenbin stated destination countries like Mexico and the United States are responsible for ensuring these chemicals do not fall into criminal hands. Wang added that China was the first country to designate fentanyl-related substances as a scheduled class in 2019 and that U.S. sanctions against China's Ministry of Public Security's Institution of Forensic Science and National Narcotics Laboratory eroded what little foundations existed in U.S.-China counternarcotics operations.⁴⁰

Bilateral counternarcotics operations with China have yielded few results, including with Mexico. The López Obrador administration has largely tried to maintain a friction-free relationship with China, focusing mainly on how both countries can benefit from each other economically. Counternarcotics collaboration between Mexico and China has been a recent, though ineffective, development. This can be attributed to several key factors, including a lack of cooperation between Mexico's Attorney General Office and the Ministry of Foreign Affairs, a lack of capacity of the Mexican Navy, tasked with managing all Mexican ports; and China's refusal to acknowledge that large amounts of fentanyl precursors are being trafficked from China to Mexico illegally. Instead, China has placed the blame for precursor trafficking on Mexican customs authorities and the corruption that exists within it.⁴¹

Since 1999, approximately one million Americans have lost their lives due to drug overdoses from synthetic opioids. In 2022 alone, drug overdose fatalities were estimated at around 109,680, almost 11 percent of all drug overdose fatalities since 1999. Most of these deaths were due to fentanyl being consumed directly or in tandem with counterfeit prescription pills, heroin, and—more often—methamphetamine and cocaine.⁴² While certain Chinese companies and individuals are colluding with Mexican cartels to sell this poison killing Americans, Chinese criminals are providing another lucrative service to LAC cartels: money laundering.

“FLYING MONEY”—MONEY LAUNDERING FOR MEXICAN CARTELS

Chinese criminals are changing the Latin American money laundering market, allowing Mexican cartels and other crime groups in the region to launder millions upon millions of dollars quickly and efficiently, without high fees and with a lower risk of being caught. Money launderers have historically charged 13 to 18 percent commission on the money they are asked to launder, and it sometimes takes weeks for the entire process to be completed. But Chinese launderers typically charge just 1 to 2 percent commission and complete the illicit transactions in days.⁴³

One example of these Chinese money launderers is Li Xizhi. Born in the countryside of the Guangdong province, Li migrated to Mexicali, Mexico, when he was 10. A few years later, Li and his family moved to Southern California, where his prolific career in crime would first begin. With the assistance of relatives, Li became affiliated with the 14K triad and entered the drug trafficking and human smuggling world. By 2005, Li owned a restaurant that served as a base of operations for his illicit activities. Having a Mexican wife and living in Southern California, Li developed ties to Mexican criminal organizations and frequently traveled between the United States, Mexico, and China, among other LAC countries. Within his network, Li maintained connections to China's wealthy elite and government officials within the CCP. Li's trafficking and smuggling operations raked in millions of dollars, but Li's impact on the criminal market was shaped by his and other criminals' innovative approach to money laundering.⁴⁴

The method that Chinese launderers use is called “Flying Money” (fēiqián, 飞钱). First, a cartel operative gives US\$350,000 in cash to a courier that works for someone like Li in a U.S.-based city. Next, Li's organization in Mexico delivers the equivalent amount in pesos to the cartel within about a day, taking a 2 percent commission. After that, Li sells the US\$350,000 to wealthy Chinese nationals trying to get around the US\$50,000 capital outflow limit imposed by the PRC government. Using another courier, the US\$350,000 is sent to a Chinese buyer who

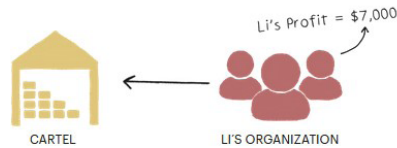
transfers the equivalent amount in Chinese currency to an account owned by the crime group, taking another commission of about 10 percent. Finally, Li sells US\$350,000 in Chinese currency to a foreign company; in Li's case, it is often a Mexican one that requires Chinese currency to buy goods from China. The company then pays Li in U.S. dollars or pesos and a fee. For the company involved, potential customs duties and taxes on goods purchased from China and shipped to Mexico are avoided since Chinese currency was used for the transaction.

Example of "Flying Money" Scheme

I. THE CARTEL

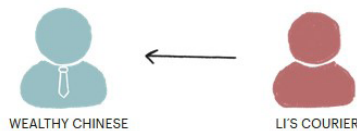


A Mexican **cartel operative** hands over a load of \$350,000 in cash to a **courier** working for Li on the streets of a U.S. city. The exchanges often take place in parking lots, motels and shops.

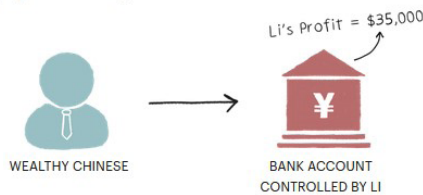


Li's organization in Mexico delivers an equivalent sum in pesos to the **cartel** within a day and Li takes a 2% commission. The process is much faster and cheaper than traditional money laundering methods. Now that the dollars have been converted into pesos, it's easier for Mexican drug lords to use the cash.

II. THE WEALTHY CHINESE

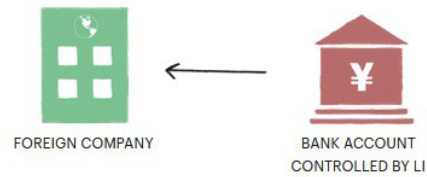


Wealthy Chinese who want to get around limits on moving money out of China "buy" the \$350,000 from **Li's couriers** in the U.S. They often use the U.S. dollars to buy real estate or pay for U.S. college tuition.

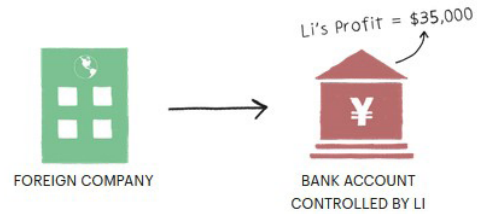


The **wealthy Chinese** complete the trade by transferring \$350,000 in Chinese currency from their bank account in China to a **bank account** controlled by Li in China. They pay Li a commission of 10% or more.

III. THE FOREIGN COMPANY



Li sells the \$350,000 in Chinese currency to a **foreign company**, often Mexican, that needs Chinese currency to buy goods in China.



The **company** pays **Li** in U.S. dollars or Mexican pesos, plus a fee. This makes it easier to evade customs duties and taxes on goods shipped to Mexico, because the company obtained the Chinese currency on the black market.

Source: Sebastian Rotella and Kirsten Berg, "How a Chinese American Gangster Transformed Money Laundering for Drug Cartels," *ProPublica*, October 11, 2022.

This process often involves a network of Chinese-based banks facilitating transfers between each other. These banks are less than transparent regarding these issues, and tensions between the United States and China have prevented any kind of bilateral cooperation to stop it.

In summary, Chinese individuals and businesses have become significant players in laundering money for LAC cartels via the "Flying Money" method. However, many are not just involved in moving money; several also illegally transport animals and fish to satiate the massive demand across oceans.

MORE THAN ANIMALS: WILDLIFE TRAFFICKING AND CONVERGENCE WITH OTHER CRIMES

Central and South America are some of the Earth's most biologically diverse regions, home to 17 percent of the world's land and water species.⁴⁵ Therefore, it's no surprise that the region also suffers from high rates of wildlife trafficking and poaching and the shipping of animal parts internally across the region, the United States, and Europe. The value of global environmental crime is between US\$110 billion and US\$281 billion, according to the G7's Financial Action Task Force.⁴⁶

China is, by far, the largest market for illegal wildlife products. Demand is fueled by Chinese citizens who widely rely on traditional Chinese medicine, which uses various wildlife products as ingredients. A vast transnational network of Chinese illegal groups is now shipping wildlife from LAC to China and elsewhere to feed the deadly market. Mexican criminal groups are allegedly selling legal and illegal wildlife products to Chinese traders in exchange for fentanyl and methamphetamine, which they send to the United States, Europe, and elsewhere. Felbab-Brown explained the process in a March 2022 report:

The legal trade in wildlife ... increasingly facilitates the money laundering activities of Mexican criminal groups, with various wildlife products used by Mexican criminal groups as a value transfer mechanism to Chinese traders in exchange for precursor chemicals for illegal drugs as such fentanyl and methamphetamine, which are then produced in Mexico from the precursors. Indeed, in Mexico, far more so than in other parts of the world, poaching and wildlife trafficking for Chinese markets is increasingly thickly intermeshed with drug trafficking, money laundering, and value transfer in illicit economies.⁴⁷

The NGO ELI has led a multiyear effort to infiltrate these networks, gather evidence and information, and collaborate with law enforcement to disrupt them. In its June 2023 report, ELI focused on five case studies and identified hundreds of persons

of interest and over 40 Chinese criminal networks based in LAC.⁴⁸ Additionally, ELI discovered these networks also engage in *convergence*, where a criminal network is involved in multiple serious crimes and collaborates with other TCOs. ELI categorized each network according to the country or region where it established its base of operations and the numerical order in which ELI identified the network.

The first is the M2 (Mexico-2) Network, based in Baja, California, with operatives in the United States, Mexico, and China. M2 members ship totoaba bladders to China,⁴⁹ where consumers use them in soup and skin products, sometimes paying upwards of US\$50,000 per kilogram.⁵⁰ M2 also sells butterfly and corvina fish maws, seahorses, sea cucumber, abalone, and shark fins. They usually ship these illegal seafood products by direct air courier from Mexico to China or by van or car to the United States. M2 then receives payment via its bank account in China (RMB), in cash (US\$), or through WeChat Pay. Typically, M2 invests the profits in real estate, buying entire buildings in Mexico to serve as offices or shell companies. For example, one of M2's members owns a "currency exchange" business, which he uses as a front organization to transfer money illegally without registering transactions.⁵¹

M2 also oversees marijuana "garden houses" in the United States where illegal Chinese migrants grow marijuana, smuggle Chinese immigrants from China or Mexico to the United States, bribe Mexican immigration officials to provide legal and counterfeit residency and visa documents, and collaborate with the Fujian mafia and Mexican drug cartels to smuggle drugs into the United States. M2 members leverage friends or family members such as uncles or cousins to spread their illicit activity;⁵² one member even boasted about having connections to a Chinese People's Liberation Army Officer.⁵³

The second network is M3, based in Central Mexico and run by Cantonese Chinese nationals. They smuggle totoaba bladders, shark fins, seahorses, tigers, and tiger parts to Hong Kong and Vietnam. The M3 leader has close links with the Fujian mafia, and his operatives serve as intermediaries between wealthy Chinese and Mexican cartels and the Fujian mafia to launder money. M3 assists cartels in distributing drugs

to its networks of Chinese groups residing in the United States. It specifically buys tiger teeth and bones from the Sinaloa cartel to produce and sell tiger bone wine, a traditional Chinese medical remedy believed to help cure conditions like rheumatism and arthritis. The M3 network previously engaged in illegal logging years ago, although it has since moved away from that market.

The third network is SA4 (South America-4), based in Bolivia. It specializes in trafficking jaguar products such as fangs, bones, bone wine, and skins. According to ELI, "SA4 is a powerful Fujian/Putian criminal network based in Bolivia. The majority of Chinese settled in Bolivia, an estimated 7,000 to 8,000 individuals, are originally from Fujian, a province on the southeastern coast of China. The Fujian mafia owns numerous profitable illegal casinos in Bolivia, where criminals launder millions. Members of the Fujian mafia in Bolivia have relatives in Argentina, who collaborate in these unlawful activities and/or run casinos as well."⁵⁴

SA4 typically sells jaguar skins to Chinese managers and bosses and fangs to Chinese workers, who gild them with gold and sell them as jewelry or pendants in China. SA4 also illegally digs gold in Bolivia's Amazonian regions and sells illegal timber in the Pando and Beni provinces. They also run illegal casinos in Santa Cruz and collaborate directly with corrupt customs officials in Xiamen, Fujian province.

A unique feature of the SA4 is its direct links to a PRC state-owned enterprise. SA4 allegedly bribed a Bolivian politician and indigenous village chief to help Chinese state-owned companies secure big procurement contracts for managing mining sites and roads on behalf of the China Railway Construction Corporation, according to ELI.

The fourth network is SA1, based in Suriname, with operatives in Brazil, Guyana, and French Guiana. The head of SA1 is originally from mainland China and was affiliated with the Chinese mafia there and uses his several registered businesses in Suriname to launder money. SA1 traffics in jaguar parts, jaguar bone wine, shark fins, and other illegal marine products. Several SA1 members personally hunt jaguars, process their carcasses and meat, and sell them to a famous

Chinese jaguar wine brewer in the region. They have successfully bribed Surinamese customs officials and usually ship their products using boats through unchecked riverways. SA1 sells jaguar teeth to Chinese government officials in Fujian, including the mayor and the Communist Party secretary of the province.

SA1 engages in illegal mining and logging, smuggles millions of dollars by boat from Colombia to Suriname, supervises money laundering and bitcoin businesses in Brazil, smuggles Chinese people from Guangdong and Fujian provinces to the United States via Mexico, and conducts business with one of Guyana's main narcotrafficking bosses. SA1's Brazilian partner is a mafia boss of the First Capital Command, the biggest cartel in Brazil, and was close to Suriname's former president's son, Dino Bouterse, who is serving 16 years in U.S. prison for trafficking drugs and weapons, and offering to help the Lebanese terrorist group Hizballah.

SA1 also collaborates with Chinese state-owned companies (SOCs). For instance, it sources shark fins from Venezuela and the Caribbean, which are being fished by Chinese state-owned companies in Venezuela. According to ELI, SA1 can procure 30 to 50 tons of shark fins per month using their Chinese-operated boats, which fly Venezuelan flags. Chinese SOCs sometimes use SA1-affiliated money launderers to circumvent China's strict rules on overseas money transfers to invest in Suriname and Guyana.

Finally, the fifth network is SA8, based in Peru, with operations across South America. Its members include Chinese and South American nationals, as well as operatives in China, Malaysia, and other Asian destination countries. SA8's leader is a Chinese national with U.S. and Ecuadorian visas, hails from an impoverished area in China and has become an expert in the illegal international wildlife trade.

SA8 is one of the largest sources of jaguar fangs from Latin America. It works with other criminal groups to get fangs from local communities and resell them throughout the region and China. It has also been rapidly increasing sales of jaguar bone wine, which is highly popular among Chinese nationals based in Peru and other South American countries. In addition to jaguar parts, SA8 traffics shark fins, seahorses, and live turtles from the

Galapagos and ships these products by air and sea. At least three shipping companies compete to help SA8 smuggle its illegal products. One unique feature of SA8 is that it also has operations in South Africa, where it sources rhino horns and ships them from Africa to Thailand to Myanmar and finally to China. One of SA8's main collaborators in Malaysia also has extensive networks in the United Arab Emirates and the greater Middle East, thus extending SA8's global reach.

SA8 is also engaged in money laundering, providing shadow banking services to Chinese clients who want to send money to Ecuador, Colombia, Brazil, and Panama. SA8 can allegedly launder up to US\$1 million per day; in 2020, it laundered over US\$78 million in Peru. It is also branching out into cryptocurrencies. The network facilitates human smuggling and provides Chinese fugitives on the run in Peru and South America with authentic Ecuadorian passports. Most importantly, SA8 has connections to corrupt members of the Chinese diplomatic corps in Peru who are also involved in wildlife trafficking.

One industry tied to the illicit wildlife trade is Chinese illegal, unreported, and unregulated fishing (IUUF). Each year, more than 300 Chinese fishing vessels operate around Peru, Argentina, and the Galapagos islands of Ecuador. Several of these vessels, especially the large, refrigerated cargo ships, are owned by Chinese state-owned enterprises like the China National Fisheries Corporation. Illegal, unreported, and unregulated fishing reportedly robs the region of US\$2.3 billion, threatens food insecurity, and disrupts local fishermen's livelihoods. Some of these same fishing vessels also help ship illegal wildlife from these Chinese networks. Despite recent efforts by some Latin American countries to prevent IUUF, some local citizens and government officials help facilitate it, offering fuel to these massive ships and even purchasing the fish caught by Chinese vessels to sell in the local economy.⁵⁷

In sum, these five networks reflect a much larger web of international wildlife trafficking groups spread throughout LAC and around the globe. Their illegal deeds extend far beyond animal parts and sea creatures. Through convergence, these groups are also teaming up with other TCOs to sell narcotics to the masses and launder millions from rich Chinese clients and Latin American

cartels alike. They are becoming increasingly innovative, building new alliances worldwide, and branching out to cryptocurrencies. But one area in which they are particularly active, and demand has risen sharply in recent years, is human smuggling to the U.S. southwest border.

FINDING "THE ROUTE" ONLINE: HUMAN SMUGGLING THROUGH SOCIAL MEDIA NETWORKS

Daniel Huang was in his late 20s and a fitness trainer before he decided to find "the route." After COVID-19 caused the Chinese government to lock down gyms and more than two years of unemployment, Huang found videos of people trekking through the route on Douyin—the Chinese version of TikTok—and thought it was his moment to find an opportunity outside of China. He borrowed US\$13,000 from friends and family and worked with a local Chinese broker to acquire a fake school acceptance document to get a passport. He flew to Turkey, followed by Quito, Ecuador, paid a smuggler to drive up to Colombia, crossed the dangerous Darien Gap jungle between Colombia and Panama by boat, took circuitous bus rides and trekked through Central America and Mexico before finally ending in Los Angeles to claim asylum.⁵⁸ Huang relied on a loose but intricate network of Chinese human smugglers throughout his odyssey across continents.

Chinese human smuggling to the United States is not a new phenomenon. In 1993, nearly 300 undocumented Chinese immigrants—many from Fujian—took a harrowing four-month trip as stowaways on a ship named Golden Venture to Queens, New York. The Golden Venture became a symbol of the black market existing in many Chinatowns and Chinese communities in the United States and throughout the Western Hemisphere. Chinese citizens decide to illegally migrate to the United States to find work, escape political or religious persecution, or live with relatives who have arrived before them. In recent years, the difficulty in obtaining U.S. visas and the continued economic fallout of China's "Zero-Covid" lockdowns have pushed an unprecedented number of Chinese to attempt to cross the U.S. border illegally.⁵⁹

Illegal groups known as “snakeheads” (shétóu 蛇头) have long facilitated Chinese illegal migration to Chinatowns in New York and Los Angeles, which was extensively documented in Patrick Radden Keefe’s 2010 book *The Snakehead: An Epic Tale of the Chinatown Underworld and the American Dream*.⁶⁰ The book detailed the story of “Big Sister Ping,” an unassuming Chinese small business owner who led a global human smuggling network from her small shop in New York’s Chinatown.

While several Chinese asylum seekers in the United States were genuinely politically or religiously persecuted, snakeheads like Sister Ping have learned to provide fake documents to aspiring illegal immigrants to get a visa, coach them on what to say during their asylum interviews, and even facilitate legal services for them once they enter the country.

According to a conversation ELI had with one of the Chinese illegal wildlife networks also engaged in human smuggling, the Fujian mafia has largely dominated the Chinese human smuggling business in LAC. One part of their conversation explained this in detail:

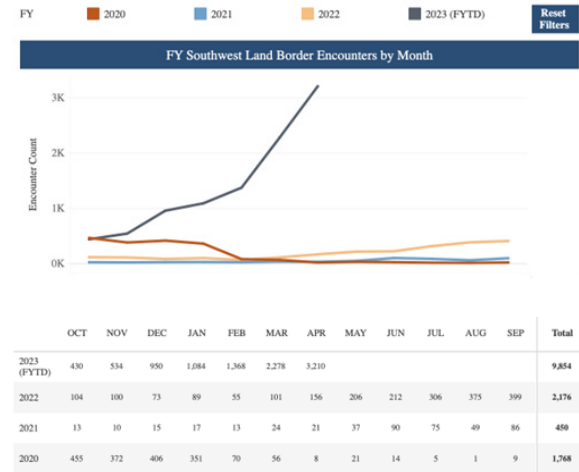
ELI undercover member: “Why is the Chinese human smuggling business dominated by the Fujian Mafia?”

Chinese illegal network member: “Because the Fujian Mafia is the biggest in the USA. Also, Fujian people in the village like to chip in money to support the smuggling of other Fujian villagers into the U.S. These villagers make money with the help of the Fujian Mafia. Fujian people are smuggled into Mexico to cross the border to the U.S. as their destination. That’s why the Fujian Mafia must work with us (the Cantonese Mafia in Mexico) to help them in this part of Mexico with their human smuggling operation.”⁶¹

Chinese migrants cross the U.S. border in much smaller numbers than Venezuelans, Cubans, Haitians, and other LAC groups. But as of April 2023, 9,854 Chinese migrants were apprehended at the U.S. southwest border, the highest on record and a more than 15-fold increase over the same period in 2022, according to U.S. Customs and Border Protection data.⁶² Chinese migrants were also the fastest growing demographic

arriving in the United States from October 2022 to April 2023.⁶³

Chinese Migrant Border Crossings on the U.S. Southwest Border, FYTD 2023



Source: U.S. Customs and Border Protection

The Wall Street Journal, NBC News, Reuters, the BBC, Radio Free Asia, and the Voice of America Spanish and Mandarin services have all interviewed dozens of Chinese migrants to understand the very complex journey they take from China to Latin America and eventually to the United States. In China, they first learn about ways to illegally migrate by searching “the route” (zǒuxiàn 走线)⁶⁴ or “run to the U.S.” (rùnměi 润美)⁶⁵ on Douyin and other Chinese social media apps. They then most likely arrange for a local “intermediary” (zhōngjiè 中介) to prepare fake work or travel documents to help them secure a passport and visa.⁶⁶



A website explaining the steps required to travel to the United States.

The first stop is usually Turkey or Qatar, then on to Ecuador, the only South American country with visa-free travel for Chinese citizens. Some spend several months in Quito to work in restaurants or warehouses owned by the local Chinese diaspora.⁶⁷ They begin learning Spanish and making a bit of money before resuming their journey. Along the way, they rely on illegal Chinese networks that provide them with fake travel documents and local smugglers known as *coyotes* and *polleros* that help them get to the United States. Many of these migrants rely on Chinese restaurants along the route to retrieve money from Chinese payment apps like WeChat or Alipay and to contact known smugglers.⁶⁸ Some coyotes promise they can get the Chinese to Miami in just a few hours, but Chinese migrants are often robbed⁶⁹ or forced to pay thousands or even tens of thousands of dollars to their handlers.⁷⁰ For many, the journey takes months navigating through the dangerous jungle in the Darien Gap along the Colombia-Panama border, taking buses through bumpy and dusty roads, daring arrest by immigration authorities in each of the countries they transit, and always risking their lives when dealing with *polleros*, cartels, or Chinese criminal groups.

As mentioned in the previous section, several wildlife trafficking networks also specialize in human smuggling.⁷¹ M2 arranges for Chinese migrants to enter Mexico with Japanese or European visas, then gives them temporary or permanent Mexican residency cards. Temporary cards cost US\$6,000 and are valid legal documents; permanent cards cost US\$8,000. M2 also charges US\$20,000 to smuggle illegal migrants hidden in the backs of cars to the U.S. border.

M3 serves as the middleman between the Chinese mafia and a Mexican drug cartel to facilitate human smuggling. It bribes corrupt officials to assist illegal immigrants to fly directly to Mexico, then sends them to the United States by foot, car, or tunnel. Following their arrival in the United States, M3 smugglers charge immigrants US\$40,000 to \$50,000 per person and require them to stay in designated locations for two to four weeks to avoid being tracked and arrested by U.S. authorities.

Between 2020 and 2021, the SA1 network smuggled hundreds of Chinese from villages in Guangdong and the Fujian provinces to Suriname, where they were directed to other Caribbean islands before arriving in the United States and Mexico. They charge US\$20,500 to US\$21,000 per person, and force immigrants to work in U.S. greenhouses growing marijuana.

SA8 allegedly provides authentic Ecuadorian passports to Chinese businesspeople and officials on the run in Peru and South America. SA8 members boast of being able to provide a new identity for their clients within four months; the price is US\$30,000.

Wealthier Chinese illegal migrants can take a much more direct path to the United States. They usually fly from Hong Kong to Turkey, Turkey to Ecuador, and Ecuador up to the Bahamas, where a smuggler will get them into U.S. territory.⁷²

Once illegal immigrants make it to the United States, they often rely on Chinatown law firms that specialize in helping migrants fraudulently obtain asylum. These “asylum mills” were exposed in 2018 when the U.S. Citizenship and Immigration Services implemented Operation Fiction Writer against sham law firms. Under this operation, New York federal prosecutors rounded up 30 immigration lawyers for helping more than 3,500 immigrants, most Chinese, win asylum. They were accused of “dumping boilerplate language in stories of persecution, coaching clients to memorize and recite fictitious details to asylum officers, and fabricating documents to buttress the fake asylum claims.”⁷³

Of course, not all illegal Chinese migrants to the United States rely on this shadow network. Li Xiaosan, for example, was originally a leather trader from Guangdong province and expressed support for the Hong Kong protests in 2014. After being repeatedly harassed and detained by Chinese authorities, he left with his 16-year-old son Joehan from China to Turkey to Ecuador, then traversed six Latin American countries, passing through Darien before going to Brownsville, Texas, where the Texas National Guard intercepted them.⁷⁴ After the long and dangerous journey, they are now in Albany, New York, where a local Catholic organization helped them settle. But Li’s wife and nine-year-old son are still in China. “Freedom isn’t free,” Li purportedly told his son.⁷⁵

As shown in the previous four sections, Chinese criminals sell fentanyl, launder money, traffic illegal wildlife, and smuggle people to the U.S. border. These activities further destabilize security in LAC and directly impact U.S. national security. Putting an end to it requires collaboration from the Chinese government. But, to date, the PRC response has been all but wanting.

PRC GOVERNMENT RESPONSE TO CHINESE ILLEGAL ACTIVITY IN LAC

Several experts have speculated to what extent the PRC central government is actively working to curb Chinese criminal activity in LAC and worldwide. On the one hand, current and former U.S. government officials believe the Chinese government could do more to stop money launderers.

In a 2022 interview for *ProPublica*, the former commander of U.S. Southern Command, retired Admiral Craig Faller, called the CCP “the world’s largest and most sophisticated state security apparatus. So there is no doubt that they have the ability to stop things if they want to. They don’t have any desire to stop this. There’s a lot of theories as to why they don’t. But it is certainly aided and abetted by the attitude and way that the (PRC) views the globe.”⁷⁶ One of the authors of the *ProPublica* piece, Sebastian Rotella, expressed a similar notion in a podcast episode, pointing out that the Chinese government doesn’t help the United States with these cases, even though the criminals communicate via WeChat, which is encrypted for U.S. authorities while the Chinese government has full access. “There’s a sense that Chinese organized crime acts as an instrument of the Chinese regime in many places and that this kind of activity is tolerated or allowed due to the benefits to both sides,” Rotella said.⁷⁷

In the same *ProPublica* article, former senior FBI official Frank Montoya Jr. stated, “we suspected a Chinese ideological and strategic motivation behind the drug and money activity ... to fan the flames of hate and division. The Chinese have seen the advantages of the drug trade. If fentanyl helps them and hurts this country, why not?”⁷⁸

And an Asian American former intelligence official with extensive experience in Chinese crime and espionage told *ProPublica*: “there is so much corruption today in mainland China it becomes hard to distinguish a policy or campaign from generalized criminality.”⁷⁹

On the other hand, the PRC government under Xi Jinping has launched an extensive anti-corruption campaign domestically where “tigers and flies both get hit” (*lǎohǔ cāngyīng yìqǐdǎ* 老虎苍蝇一起打).⁸⁰ China Watchers have pointed out that the targets of Xi’s anti-corruption campaign over the years have often been political rivals such as Bo Xilai and Zhou Yongkang.⁸¹

Internationally, China has launched Operations Fox Hunt and Sky Net, in which PRC authorities have claimed success in bringing home over 11,000 fugitives in 120 countries. The PRC law enforcement agencies have set up more than 100 outlets in 53 countries around the world to conduct police operations without the appropriate legal jurisdiction or diplomatic approval, according to two reports conducted by Safeguard Defenders.⁸² The U.S. Federal Bureau of Investigation alleged that China had even established a police outpost in New York City’s Chinatown.⁸³ Moreover, China’s 2020 National Security Law gives the Chinese government broad powers to prosecute fugitives for ambiguously defined crimes such as separatism, subversion, terrorism, and collusion with foreign countries.⁸⁴

Beijing’s long arm of law enforcement even extends to LAC. There are currently 14 overseas police stations in eight LAC countries, according to Safeguard Defenders. The four Chinese Public Security Bureaus that run these overseas police posts are Nantong, Wenzhou, Qingtian, and Fuzhou, where there are large overseas Chinese diaspora.⁸⁵ There are also allegedly “China Aid Centers,” which assist overseas Chinese in Argentina, Brazil, Chile, Panama, Peru, Suriname, and Venezuela.⁸⁶ Moreover, since 2001, China has established extradition agreements with Argentina, Barbados, Brazil, Chile, Ecuador, Grenada, Mexico, Panama, Peru, and Uruguay. Most of these agreements occurred after 2013, although some of them have not yet been ratified domestically.⁸⁷

Overseas Chinese Police Outposts in Latin America and the Caribbean

Country	Nantong	Wenzhou	Qingtian	Fuzhou	"Aid Centers"
Argentina		Buenos Aires		Buenos Aires	X
Brazil		X	Rio de Janeiro	São Paulo	São Paulo
Chile	X			Vina de Mar	X
Colombia			Bogota		
Cuba	X				
Ecuador	X		Guayaquil	Quito	
Panama	X				X
Peru	X				X
Suriname					X
Venezuela					X

'X' means the physical location is unknown.

(Source: "Patrol and Persuade," Safeguard Defenders, 2022)

Countries that Have Extradition Agreements with China



(Source: "Hide and Seek," Safeguard Defenders, 2022)

In recent years, China has been training LAC law enforcement officers in Mandarin and Chinese, thinking it would boost cooperation in pursuing Chinese criminals.⁸⁸ Some of this collaboration has indeed paid off; as mentioned earlier in this paper, Chinese and Argentine police worked together to take down the Pixiu Chinese mafia in Argentina. But other similar success stories, if they exist, have not surfaced in local media.

A third possible explanation for the relative lack of Chinese cooperation is more mundane but equally profound: bureaucratic incompetence. The Chinese bureaucracy is one of the largest in the world, and it may be impossible for the central government to know what is going on in every province and municipality. Corruption could very well be occurring at the provincial and municipal levels. Local officials are either colluding with criminals, do not want to divulge this information to central government leaders to save face (*miànzi* 面子), or only want to report positive rather than negative news (*bào xǐ bù bào yōu* 报喜不报忧).

There is also the cultural practice of using one's connections to get things done legally or otherwise, called *guānxi* (关系). Other common Chinese phrases give a sense of rampant corruption throughout the country: "keeping one eye open and one eye closed" (*zhēng yī zhī yǎn, bì yī zhī yǎn* 睁一只眼 闭一只眼), "to have an in/way" (*yǒu mén lù* 有门路), "On the top there's policy, but on the bottom, there's counter policy" (*shàng yǒu zhèng cè, xià yǒu duì cè* 上有政策 下有对策), and "the law does not apply to the masses" (*fǎ bù zé zhòng* 法不责众). Some in China also blame corruption on runaway capitalism and that, ever since Deng Xiaoping's Reform and Opening Up policy in the late 1970s, China's economy has flourished, but society's "character" (*sù zhì* 素质) has stayed stagnant.⁸⁹ This has produced cutthroat capitalism where many businesspeople have no qualms about being "big cheaters" (*dà piàn zi* 大骗子).

RECOMMENDATIONS FOR LATIN AMERICAN, CARIBBEAN, CHINESE, AND U.S. POLICYMAKERS

As demonstrated throughout this report, the Chinese illegal actors operating in LAC are so cunning, resourceful, and innovative that it will take a truly international effort to address this global threat. In his 2012 paper, Ellis suggests that taking on Chinese transnational criminal networks could be an area of cooperation between the United States, China, and regional partners.⁹⁰ However, given the current geopolitical climate, such potential for direct collaboration seems quite remote. Instead, a series of policy recommendations are offered specifically for Latin American/Caribbean, Chinese, and U.S. policymakers on how best to address these issues.

Latin American/Caribbean Policymakers

- **Use the CELAC forum to raise issues of illegal Chinese activity directly with the Chinese government.** LAC country leaders should propose a China-Community of Latin American and Caribbean States (CELAC) forum on illegal activity focused specifically on stopping fentanyl and other drug trafficking, money laundering, wildlife trafficking, and human smuggling. The China-CELAC 2022-2024 joint action plan specifically says that both sides will hold a large summit in 2024 to commemorate the tenth anniversary of the China-CELAC forum. That summit would be an ideal time to deepen partnership in this area.⁹¹
- **Cater to Chinese culture in strategic messaging to encourage Chinese government cooperation.** LAC countries can encourage local Chinese ambassadors and other officials to play a more active role in combating all forms of Chinese illicit activity in LAC countries. The LAC interlocutor should stress that, according to ancient Confucian principles, their Chinese counterpart must be a “person of noble character” (jūnzǐ 君子) and must uphold “benevolence, righteousness, etiquette, wisdom, and trust” (rényǐlǐzhìxìn 仁义礼智信). LAC country leaders can also highlight how Chinese government and business leaders should adhere to Daoist

culture, such as “harmony between heaven and man” (tiānrénhéyī 天人合一) to protect the environment.

- **Do more due diligence when dealing with Chinese companies.** LAC ministries of commerce and foreign affairs should dedicate entire teams to conduct extensive background research about the Chinese state-owned and private companies already operating or bidding on projects in their countries. Some companies, such as China Harbor Engineering Company (Bolivia),⁹² China Communications Construction Company (Bolivia), China Civil Engineering Construction Corporation (Peru),⁹³ China Railway Construction Corporation,⁹⁴ and Sinohydro,⁹⁵ all have a history of corruption, noncompliance with contracts, environmental damage, and violation of labor laws. LAC countries should form a list of Chinese company bad actors so that all country leaders—from presidents and prime ministers to provincial governors and mayors—have free access to this information. Of course, there are certainly instances where the leaders are aware of the poor history of a Chinese company and choose to work with it regardless to receive bribes, but that goes to the larger issue of corruption and impunity rampant throughout the region.
- **Ecuador should reconsider its visa-free travel for Chinese nationals.** Ecuador has allowed visa-free travel for Chinese tourists since March 1, 2016.⁹⁶ While that policy has undoubtedly increased the number of Chinese tourists visiting the Amazon, the Galapagos, and other tourist attractions in Ecuador,⁹⁷ it has also produced an unintended vulnerability that gangs are using to smuggle illegal Chinese migrants. By comparison, in 2007, Colombia waived visa requirements for Chinese nationals and subsequently saw a 2,500 percent increase in Chinese nationals passing through. As a result, the Colombian government reimposed it.⁹⁸ Ecuador is already facing an unprecedented increase in cocaine-fueled gang violence, forcing more and more Ecuadorians to leave their homeland.⁹⁹ The country can’t afford to have an influx of another illegal migrant group or, worse, an increase in illicit Chinese gangs working with local gangs as well as

Sinaloa and Jalisco Nueva Generación, which have expanded their influence in Ecuador in recent years.

- **Increase law enforcement cooperation with China—on LAC’s terms.** The example of Chinese and Argentine police working together to take down the Pixiu clan serves as a model of cooperation with China. However, LAC countries must demand that China shut down all unauthorized Chinese police outposts in their countries and firmly reject any attempts by China to unilaterally impose its law enforcement activities in violation of their sovereignty.
- **Develop deeper trust and engagement with local Chinese diaspora communities.** Local law enforcement should proactively reach out to Chinese communities in their countries. They can organize meetings with local Chinese diaspora leaders, establish an anonymous hotline or email for members to report extortion or illicit activity, and recruit community members to serve as officers, translators, or consultants. Doing so will help local governments build trust with the Chinese communities and make the community members feel safe sharing key information about Chinese mafia groups. However, local law enforcement must be wary of Chinese Friendship Associations; some may be connected to the CCP’s United Front Work Department, which the CCP uses to exert pressure on Chinese diaspora communities, influence key local country leaders, and spread pro-China propaganda.¹⁰⁰
- **Increase bilateral legal collaboration on transnational criminal prosecution.** China and many LAC countries already adhere to principles established by the United Nations Conventions against Drug Trafficking, Transnational Organized Crime, Corruption, and other protocols, as well as the G7’s Finance Action Task Force. In 2022, four Brazilian legal scholars explored how Brazil and China could boost legal cooperation to prosecute moneylaundering. The key problem they identified was that Chinese law forbids its courts from trying a person suspected of money laundering while that person resides outside the country (*in absentia*).¹⁰¹ This may be one of the reasons China seeks to establish extradition agreements with

countries around the world. Argentina, Chile, Ecuador, Panama, and Uruguay have yet to ratify extradition agreements with China. However, China allows for confiscating an accused’s assets, even if they are not physically in the country, suggesting that a LAC country should share information about a criminal Chinese national operating in its territory so Chinese authorities can successfully freeze the individual’s assets.

Chinese Policymakers

- **Leverage the Great Firewall to take down websites that sell fentanyl precursors to Mexican criminal groups.** The Chinese central government consistently blocks websites and apps it deems a threat to national security. If the Chinese government is serious about its commitment to the Global Security Initiative and being a good partner for Mexico and other LAC countries, its Ministry of Public Security and Cyberspace Administration of China (CAC) should remove the fentanyl precursor online websites. Moreover, both government entities should leverage artificial intelligence to stop the reemergence of such websites, identify red flags and patterns of Chinese pharmaceutical companies exporting fentanyl precursors to Mexico and other LAC countries, and prosecute those bad actors.
- **Block Douyin and other Chinese social media accounts that promote illegal migration through LAC.** The Chinese government could also stop videos promoting illegal migration on social media platforms. The Cyberspace Administration of China (CAC) has “golden shares” in big tech firms like ByteDance (the parent company of Douyin and TikTok), Tencent (which owns China’s most popular app WeChat), Sina Weibo, and Kuaishou, which means Chinese government officials can influence private businesses on what content they provide to its hundreds of millions of users.¹⁰² The CAC, in theory, could force ByteDance to block such videos from spreading, which would, in turn, decrease the number of people trying to make the trek.
- **Strengthen anti-wildlife trafficking laws and boost wildlife trafficking awareness campaigns.** China remains the largest destination for illegal wildlife products, which

is causing disastrous repercussions for endangered species, environmental damage, criminal violence, and illicit financing worldwide. The Chinese government must clamp down on the illegal wildlife trade to demonstrate leadership under the Global Security Initiative, even if these products are important to traditional Chinese medicine. The government should also consider conducting an extensive domestic wildlife trafficking campaign to educate its citizens on the deadly consequences of buying illegal wildlife products. Putting photos of mutilated jaguars or elephant carcasses on billboards could shock the public out of apathy and potentially reduce demand for such products.

- **Develop a code of ethics for businesses operating overseas.** In 2022, the NGO International Service for Human Rights published a report documenting the various Chinese-built and Chinese-funded infrastructure projects accused of corruption, environmental damage, labor violations, etc.¹⁰³ The Chinese Ministry of Foreign Affairs and Commerce should hold these companies accountable for the reputational damage they are causing the Chinese government by instituting a fine, arresting company representatives, or forcing the company to compensate the country it is operating in for such damages. On a much larger note, the Chinese central government must continue dealing with corrupt business practices within its borders while demanding higher standards for its international state-owned and private companies. As this year marks the 10th anniversary of the BRI, it is an auspicious opportunity for China to revise it and perform an extensive review to reward international companies uplifting China's positive image and punish companies sullying the country's overseas reputation.

U.S. Policymakers

- **Increase NYPD/LAPD law enforcement exchanges and training with LAC countries.** The United States already has robust law enforcement cooperation and legal programs run by the Department of Justice, Federal Bureau of Investigation, Drug Enforcement Agency, State Department's Bureaus of International Narcotics and Law

Enforcement (INL) and Diplomatic Security. For instance, INL trains hundreds of local law enforcement officers at its International Law Enforcement Academy in San Salvador, El Salvador. The United States should also leverage NY Police Department and LA Police Department exchanges. Both cities have large Chinatowns, and their police have dealt with the Fujian mafia for years. Fujianese- and Mandarin-speaking officers can share great lessons on infiltrating and disrupting these mafia groups.

- **Work with Taiwan on law enforcement exchanges.** Chinese triads are also active in Taiwan, and Taiwanese law enforcement could assist LAC counterparts with translation and investigation. This could begin with the seven diplomatic allies it still has in the region but could also branch out to unofficial partners. The United States could invite Taiwan law enforcement representatives to help train and teach at its ILEA in San Salvador or Roswell, New Mexico.
- **Elevate and raise the issue of Chinese illegal activities at international forums.** Mitigating a potential conflict over Taiwan and managing the trade relationship seem to be the two main issues that U.S. and Chinese leaders have discussed during summits or bilateral meetings. But the illicit activities of Chinese individuals and groups in fentanyl, money laundering, wildlife trafficking, and human smuggling also directly impact U.S. and global national security. U.S. diplomats should raise this topic with their Chinese counterparts on the sidelines of the UN General Assembly in New York in September 2023 and the Asia-Pacific Economic Cooperation meeting in San Francisco in November 2023.
- **Leverage emerging technology to stay ahead of the traffickers.** U.S. officials should learn how to use generative artificial intelligence (AI) to ascertain routes and patterns of the fentanyl global supply chain, Flying Money laundering, wildlife trafficking, and human smuggling. U.S. immigration officials could use AI to identify fake travel documents or boilerplate language in the answers of Chinese asylum seekers. The United States could even work with private sector blockchain consultants to track cryptocurrency money laundering, which more illicit groups are doing.

- **Boost funding for the U.S. Fish and Wildlife Service (FWS) and support for NGOs.** The FWS's 2022 budget was US\$3.6 billion with a 9,000-person staff.¹⁰⁴ In contrast, the global environmental crime market is valued at US\$110 to \$281 billion, suggesting the FWS is sorely underfunded for the gargantuan task it faces. Wildlife trafficking networks are a proxy for more egregious crimes directly affecting U.S. national security. Policymakers must view wildlife trafficking through the lens of convergence and dedicate more funding to disrupt these networks.
- **Rely on Track II/citizen diplomacy to encourage U.S., Chinese, and LAC collaboration on disrupting Chinese crime groups.** While it is unlikely that the United States and Chinese governments will reestablish joint law enforcement forums, they could ask academia and think tanks to take the lead and discuss cooperation with their counterparts. They could also consider having retired U.S., LAC, and Chinese law enforcement officers hold informal dialogues.
- **Encourage confidence-building measures with China.** One of the main reasons China does not cooperate with the United States and Mexico on stemming the flow of fentanyl is that the PRC government insists fentanyl is not a domestic problem. However, China does have a drug problem coming from the heroin trade in the "Golden Triangle" of Burma, Laos, and Thailand.¹⁰⁵ U.S. law enforcement officials could consider offering a "tit for tat" where the United States pledges to exert pressure on Burma, Laos, and Thailand to help stop heroin from entering China in exchange for China doing more to stop fentanyl precursor exports.
- **Work with allies and partners.** This report shows that Chinese criminal networks are global and require a worldwide network to destroy them. The U.S.-facilitated Global Coalition to Address Synthetic Drug Threats is a significant step toward the international collaboration needed to tackle this issue. Additionally, the United States and LAC countries should share information with Asian, European, African, and Middle Eastern partners to identify trends and shut down the various tentacles of these networks.

CONCLUSION

Chinese criminals have operated in Latin America and the Caribbean for decades, sometimes in organized crime groups like the triads or the Fujian mafia, other times with small groups with international connections, and sometimes blending illegal activities with legitimate business. Over the past decade, Chinese criminal groups have become exceedingly efficient at fentanyl and drug trafficking, "Flying Money" laundering, human smuggling, and wildlife trafficking, which are connected with other crimes through convergence. Every indication suggests these four lucrative black markets will only increase in value and sophistication over the next several years. Indeed, some groups are branching out into cryptocurrencies, an example of their agility and innovation.

Where will these illicit activities go next? In his 2012 article, Ellis predicted these groups would move into arms trafficking and money laundering. Clearly, he was right about money laundering. As PRC defense and security companies increase their market share in this region, there may be an increase in Chinese weapons sold in this region beyond the handful of countries to which it traditionally sells weapons.

In many ways, this report has produced more questions than it answered. There are several topics and trends for future China and LAC researchers and analysts to keep in mind over the next few years:

- What is keeping the Chinese triads or Fujian mafia from entering the fentanyl precursor export business? What indicators should analysts use to determine when these larger groups have entered this market?
- How will the "fēiqián" or "flying money" laundering method evolve? What is the best method to disrupt it? For instance, the state of Florida has passed new legislation putting restrictions on Chinese nationals investing in real estate, which is one of the proxy assets for "flying money." Will other states follow suit?
- With the recent restrictions on cryptocurrency exchanges by the U.S. Securities and Exchange Commission, will money launderers become skittish about using crypto? What new methods and tools

are available to U.S., LAC, and Chinese law enforcement agencies to stop crypto money laundering?

- How will the wildlife trafficking trade adapt over time? How can law enforcement agencies further leverage NGOs like Earth League International and others to infiltrate these vast and opaque networks? How can law enforcement agencies use wildlife trafficking as a springboard to prosecute traffickers for other, more serious crimes in which they are also engaged?
- How does the sharp increase in Chinese illegal migrants crossing the U.S. border impact U.S. and LAC national security? How can immigration officials increase due diligence to ensure that some migrants are not PRC intelligence or military operatives?
- How does this increase in illegal Chinese migration reflect China's domestic economic challenges, such as a real estate bubble, 20 percent youth unemployment, unsustainable provincial and municipal debt, and decreasing foreign investment?

While it is difficult for the United States and China to work together amid global strategic competition, there are still ways for the two superpowers to work shoulder-to-shoulder with their LAC partners to stop this illegal activity before it spins out of control. Regional governments already face dire economic and security challenges from massive income inequality and the onslaught of gang violence. The Latin American and Caribbean people don't need another threat from Chinese illicit groups darkening their future. They need equal partners in China and the United States to help them address this threat together before it is too late.

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