

Foreign Policy and National Security Support for ENABLERS Act in NDAA

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives

The Honorable Chuck Schumer
Senate Majority Leader
U.S. Senate

The Honorable Kevin McCarthy
House Minority Leader
U.S. House of Representatives

The Honorable Mitch McConnell
Senate Minority Leader
U.S. Senate

November 16, 2022

Dear Speaker Pelosi, Leader Schumer, Leader McCarthy, and Leader McConnell,

Re: U.S. foreign policy and national security community support for including the ENABLERS Act in NDAA 2022.

We write as U.S. foreign policy and national security professionals concerned about countering the Chinese Communist Party (CCP)'s malign influence to support the inclusion of the Establishing New Authorities for Businesses Laundering and Enabling Risks to Security (ENABLERS) Act in the National Defense Authorization Act (NDAA) for Fiscal Year 2023.

The Trump administration's identification of China as a strategic competitor marked an historic and necessary shift in U.S. policy. But increased focus on the CCP threat has also highlighted the extent to which the U.S. financial system remains exposed to abuses and vulnerable to infiltration—not only by China but Iran, Russia, and other authoritarian adversaries.

Fentanyl traffickers, CCP agents, and Chinese kleptocrats operating within the United States cannot navigate the U.S. financial and legal systems by themselves. Neither can Russian oligarchs or Iranian sanctions evaders. Instead, they have often taken advantage of unwitting or unscrupulous Americans to facilitate harmful activities. They can do so because, while U.S. banks are required to implement strong safeguards against money laundering and sanctions evasion, there are currently no such protections for lawyers, financial advisors, and other professionals involved in handling funds for foreign clients.

China's fentanyl traffickers are fueling an opioid epidemic that kills tens of thousands of Americans each year. It is [profitable](#) for them to do so because, working with Latin American cartels, they can exploit U.S. lawyers, front companies, and real estate to launder funds.¹

The CCP has also exploited this lack of oversight to [infiltrate](#) strategic sectors and steal technology.² The Federal Bureau of Investigation recently [highlighted](#) the \$10 trillion U.S. private investment fund sector as being at significant risk of exploitation by China, Iran, Russia,

¹ Sebastian Rotella and Kirsten Berg, "How a Chinese American Gangster Transformed Money Laundering for Drug Cartels," ProPublica, October 11, 2022, <https://www.propublica.org/article/china-cartels-xizhi-li-money-laundering>.

² Cory Bennett and Bryan Bender, "How China acquires 'the crown jewels' of U.S. technology," Politico, May 22, 2018, <https://www.politico.com/story/2018/05/22/china-us-tech-companies-cfius-572413>.

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and other foreign adversaries.³ State-controlled Chinese companies routinely employ complicated legal structures to obscure their true ownership and list on U.S. exchanges.⁴ And CCP agents have also used incorporation services to create shell companies that conceal efforts to infiltrate the U.S. defense industry.⁵

Russian oligarchs' extensive U.S.-based assets are now widely documented.⁶ But the United States has also reportedly become a haven for corrupt CCP officials and tycoons seeking to hide their ill-gotten gains in shell companies, trusts, and real estate.⁷ As Xi Jinping intensifies his crackdown on political dissent, illicit capital flight from China will likely accelerate.⁸

As former Secretary of State Michael R. Pompeo tweeted recently, "Americans shouldn't be helping corrupt CCP officials or fentanyl traffickers hide their money in America. Congress has a chance to act in the NDAA - The Enablers Act will correct loopholes that allow China's genocidal regime to hide stolen money in America."⁹

The ENABLERS Act would help prevent the CCP, Iran, Russia, and other adversaries from accessing the U.S. financial system by requiring certain professionals engaged in handling client funds to flag suspicious transactions to the Department of the Treasury. It is particularly important that the legislation has been drafted to focus on high-risk activities and avoid inconveniencing the vast majority of honest American professionals working in relevant sectors.

As the United States encourages allies and partners to adopt a stronger stance against CCP abuses, Russian aggression, and Iranian sanctions evasion, it is important that we also take steps to ensure the integrity of our own financial system. Including the ENABLERS Act in this year's NDAA is a timely opportunity to help keep Americans safe from the scourge of fentanyl, strengthen national security, and thwart authoritarian efforts to exploit and corrupt U.S. institutions.

Please note that we have signed this letter in a personal capacity. Affiliations are included below for reference only and do not indicate institutional endorsement.

Sincerely,

³ Timothy Lloyd, "FBI concerned over laundering risks in private equity, hedge funds - leaked document," Reuters, July 14, 2020, <https://www.reuters.com/article/bc-finreg-fbi-laundering-private-equity/fbi-concerned-over-laundering-risks-in-private-equity-hedge-funds-leaked-document-idUSKCN24F1TP>.

⁴ David Barboza, "China's Shell Game," The Wire China, October 3, 2021, <https://www.thewirechina.com/2021/10/03/chinas-shell-game/>.

⁵ Richard Sisk, "Foreign Shell Companies Trying to Infiltrate US Defense Industry, Top Weapons Buyer Says," Military.com, May 1, 2020, <https://www.military.com/daily-news/2020/05/01/foreign-shell-companies-trying-infiltrate-us-defense-industry-top-weapons-buyer-says.html>.

⁶ Heidi Przybyla and Christine Haughney, "Russian money flows through U.S. real estate," NBC News, March 2, 2022, <https://www.nbcnews.com/business/real-estate/russian-money-flows-us-real-estate-rcna17723>.

⁷ Eli Binder and Katrina Northrop, "China's Global Treasure Map," The Wire China, September 20, 2020, <https://www.thewirechina.com/2020/09/20/chinas-global-treasure-map/>.

⁸ Edward White and Mercedes Ruehl, "China's wealthy activate escape plans as Xi Jinping extends rule," Financial Times, October 24, 2022, <https://www.ft.com/content/3e2376bf-24ef-407f-b0b0-c60bed4ec97b>.

⁹ Michael R. Pompeo (@mikepompeo), Twitter post, October 31, 2022, <https://twitter.com/mikepompeo/status/1587131452705103872>.

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