

United States Senate

WASHINGTON, DC 20510

August 4, 2023

The Honorable Antony J. Blinken
Secretary
U.S. Department of State
2201 C Street, NW
Washington, DC 20037

Dear Secretary Blinken,

We write to convey our concerns related to the illicit trafficking of tobacco products, which impacts individuals and consumers in the United States, and provides a significant source of revenue for transnational criminal organizations.

This challenge is one that, for many years, the U.S. Government has sought to address. In 1978 the *Contraband Cigarette Trafficking Act (CCTA)* was enacted into law, aimed at cracking down on the ability of criminal organizations to traffic in and profit from black market cigarette sales. The State Department, in a December 2015 report¹, described illicit trafficking in tobacco products as “a growing threat to national security,” which among other concerns, “[e]xpands black markets and encourages a convergence between organized crime, terrorist groups, and other threat networks.” To our knowledge, despite these concerns, that report has not been updated, and it is unclear what steps the State Department and other relevant agencies have taken to fully address the national security threat.

This convergence is particularly concerning given the range of bad actors that both support and are supported by the smuggling operations. In 2015, the State Department cited activity by terrorist groups, and criminal networks who have used tobacco trafficking operations to finance other crimes, including “money laundering, bulk cash smuggling, and the trafficking in humans, weapons, drugs, antiques, diamonds, and counterfeit goods.”²

Recently, public reporting has also noted these financial linkages between Mexican transnational criminal organizations (TCOs) involved in narcotics and fentanyl trafficking, and these tobacco smuggling activities. Mexican TCOs pose a grave threat to American national security and public health. The Drug Enforcement Administration (DEA) labeled these organizations “the greatest criminal drug threat the United States has ever faced.”³ TCOs control most of the U.S. drug market, and are responsible for trafficking the illegal drugs, including marijuana, heroin and fentanyl, that drove the record number of drug overdose deaths in the U.S. in 2022.⁴

¹ *The Global Illicit Trade in Tobacco: A Threat to National Security*. United States Department of State. December 2015

² *Ibid.*

³ *Testimony of Drug Enforcement Administrator Anne Milgram*, House Committee on Appropriations (April 27, 2023), <https://docs.house.gov/meetings/AP/AP19/20230427/115832/HHRG-118-AP19-Wstate-MilgramA-20230427.pdf>.

⁴ Noah Weiland, *U.S. Recorded Nearly 110,000 Overdose Deaths in 2022*, The New York Times (May 17, 2023), <https://www.nytimes.com/2023/05/17/us/politics/drug-overdose-deaths.html>; *2020 National*

While the primary threat from Mexican TCOs come from trafficking in illicit drugs, these organizations have diversified their activities in response to changing conditions. As it has become easier to sell marijuana products in the U.S., Mexican TCOs have prioritized trafficking fentanyl and other synthetic drugs that are cheaper to manufacture, easier to transport, and generate more profit. But Mexican TCOs are also using other activities, both legal and illegal, to fund their lethal operations. These organizations have engaged in extensive human trafficking with an estimated 70% of trafficking victims in the United States coming from Mexico.⁵ Human trafficking is estimated to provide \$13 billion a year in revenue to TCOs.⁶ TCOs are also leveraging agriculture for additional revenue streams. For example, in February 2022, the U.S. Department of Agriculture (USDA) temporarily suspended Mexican imports of avocados into the United States due to threats against American safety inspectors in Mexico.⁷ Similarly, the price of limes increased 90 percent between December 2020 and December 2021 due in part to expanded cartel activity in lime production.⁸

More specifically, these TCOs have expanded their operations to include the production and distribution of cigarettes. In May, Members of Congress sent a letter to the Department of the Treasury requesting they take action against Tobacco International Holdings (TIH), a Switzerland-based business with alleged ties to the *Cártel de Jalisco Nueva Generación* (CJNG), a major Mexican TCO.⁹ TIH has taken advantage of a growing illegal cigarette market in Mexico, where approximately 19% of cigarettes are illegally produced.¹⁰ TIH has also been accused of using violence and coercion to sell their products to merchants.¹¹ TCOs more generally have taken advantage of drug smuggling routes to import illegal cigarettes into the U.S., contributing to the significant use of smuggled cigarettes.¹²

Drug Threat Assessment, Drug Enforcement Administration (March 2, 2021), https://www.dea.gov/sites/default/files/2021-02/DIR-008-21%202020%20National%20Drug%20Threat%20Assessment_WEB.pdf at 4.

⁵ Orly Golub, *10 Facts About Human Trafficking in Mexico*, The Borgen Project (November 9, 2019), <https://borgenproject.org/10-facts-about-human-trafficking-in-mexico/>.

⁶ Miriam Jordan, *Smuggling Migrants at the Border Now a Billion-Dollar Business*, The New York Times (July 25, 2022), <https://www.nytimes.com/2022/07/25/us/migrant-smuggling-evolution.html>.

⁷ Mark Stevenson, *US suspends Mexican avocado imports on eve of Super Bowl*, AP News (February 13, 2022), <https://apnews.com/article/business-mexico-global-trade-agriculture-drug-cartels-7c6bb7ef83bada375692ba890c413ce5>.

⁸ Emily Green, *A Drug Cartel War Is Making Lime Prices Skyrocket in Mexico*, Vice News (January 31, 2022), <https://www.vice.com/en/article/xgdv9d/a-drug-cartel-war-is-making-lime-prices-skyrocket-in-mexico>.

⁹ Cassidy, Rubio, Colleagues Urge Biden to Sanction International Tobacco Company with Ties to Mexican Drug Cartels, Office of Senator Bill Cassidy (May 10, 2023), <https://www.cassidy.senate.gov/newsroom/press-releases/cassidy-rubio-colleagues-urge-biden-to-sanction-international-tobacco-company-with-ties-to-mexican-drug-cartels>.

¹⁰ Peter Appleby, *Jalisco Cartel Cashing in on Mexico's Illegal Cigarette Market*, InSight Crime (June 8, 2022), <https://insightcrime.org/news/jalisco-cartel-cashing-in-on-mexicos-illegal-cigarette-market/>.

¹¹ Chris Dalby, *Tobacco Cartel May Mark Shift in Mexico Underworld*, InSight Crime (November 7, 2018), <https://insightcrime.org/news/analysis/tobacco-cartel-shift-mexico-underworld/>.

¹² See Adam Hoffer, *Cigarette Taxes and Cigarette Smuggling by State, 2020*, Tax Foundation (December 6, 2022), <https://taxfoundation.org/cigarette-taxes-cigarette-smuggling-2022/>.

Noting the documented financial connections that exist between these tobacco-related activities and broader criminal activity and transnational threats, we ask that you provide answers to the following questions, related to how your department—as part and in support of a broader U.S. Government effort—acts to counter these activities:

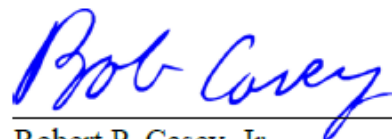
1. Since the 2015 report, what steps have the Department of State and other interagency partners taken to collaborate and reduce the threat of illicit tobacco trafficking on our national security?
2. Does your department have an assessment as to whether any domestic efforts to limit tobacco usage—either enacted or proposed—provide an opportunity for transnational criminal organizations to further their illicit trafficking operations?
 - a. If so, what ability does your department, along with broader interagency partners, have to counteract the ability of these organizations to expand black market operations?
3. To what extent does your department engage in interagency and international deliberations in consideration of safety standards for tobacco manufacturing, packaging, and sales?
4. To what extent does your department share analysis of transnational criminal organizations and their activities, with interagency partners? Does this information sharing happen formally as part of a process to consider the possible impacts of domestic policy related to tobacco?
5. What engagement do you have with international partners and governments to limit illicit trade in tobacco, like those practiced by Mexican cartels and other criminal and terror organizations? Have foreign nations been receptive to U.S. Government-led efforts to curb this enterprise?

It is clear that threat actors—from transnational organized crime entities to terrorist organizations—are employing increasingly creative tools to subvert controls imposed by the U.S. and our international partners. We appreciate the work that the men and women of the Department of State do in countering these efforts, and urge continued action to address these threats.

Sincerely,



Mark R. Warner
United States Senator



Robert P. Casey, Jr.
United States Senator

Bill Cassidy, M.D.

Bill Cassidy, M.D.
United States Senator

Marco Rubio

Marco Rubio
U.S. Senator

Bill Hagerty

Bill Hagerty
United States Senator