Trade war with China opens doors for Mexican drug cartels

Officials say trade war has increased demand for U.S. dollars among wealthy Chinese citizens living abroad

By CONRAD WILSON
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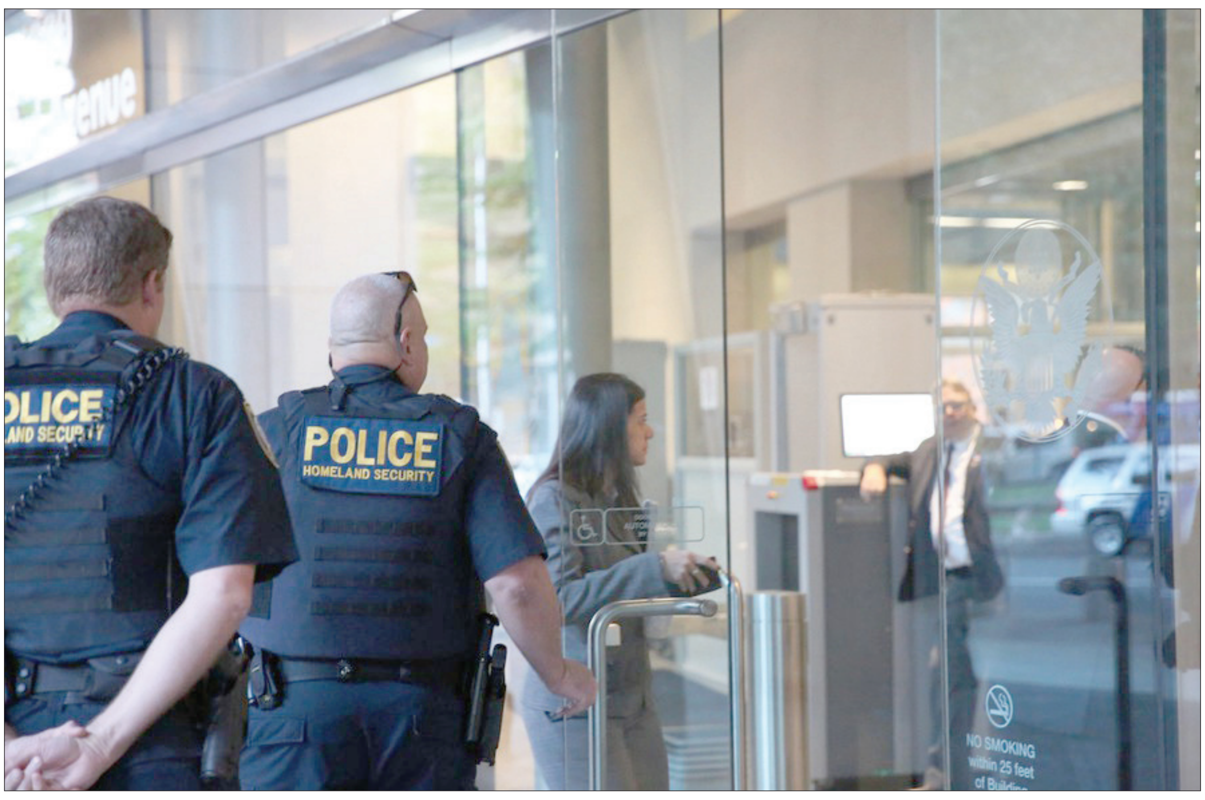

OPB Photo, File

In this Sept. 13, 2016, file photo, people enter the Mark O. Hatfield United States Courthouse in Portland. Law enforcement officials in Oregon say they've uncovered an elaborate scheme to circumvent Chinese banking laws.

PORTLAND — Federal law enforcement officials in Oregon say they've uncovered an elaborate scheme to convert Mexican drug profits from sales in the United States back into pesos using Chinese citizens who seek to circumvent their country's banking laws.

The Mexican drug cartels are taking advantage of the trade war between the United States and China, which law enforcement officials say has increased the demand for U.S. dollars among wealthy Chinese citizens living abroad as China has clamped down on its banking rules.

A federal indictment unsealed late last month in Oregon alleges Shefeng Su, 39, and Xinhua Li Yan, 46 — who lived in Portland — along with Xiancong Su, 39, laundered roughly $29 million between October 2015 and March 2018. The three Chinese nationals traveled the country selling large amounts of U.S. dollars that were the proceeds of illegal drug sales to other Chinese citizens living in the United States, according to the indictment.

The three men are not in the custody of law enforcement and are not believed to be in the United States any longer, federal officials told OPB. Court documents also don't list any attorneys representing the men in the United States. They've each been charged with one count of conspiracy to commit money laundering in Oregon, as well as seven other states.

"What this indictment tells us is that money launderers are getting more and more sophisticated in the methods that they're using to launder proceeds," said Assistant U.S. Attorney Katie de Villiers, who runs of the asset recovery and money laundering division in the District of Oregon.

On Feb. 4, 2017, police in Texas pulled over and arrested Shefang Su and Xiancong Su. They were carrying nearly $1.3 million in cash. "The cash was packaged in vacuum-sealed bags and loose bundles that were found to have an odor of narcotics following a police-canine positive alert," the indictment states.

On Feb. 2, 2018, Shefeng Su picked up about $500,000 in a duffel bag in a parking lot in Atlanta. Days later, Su "coordinated a bulk cash money pickup in Flushing, New York from a subject later arrested in a multi-kilogram fentanyl seizure," prosecutors wrote in the indictment.

Prosecutors allege the three men coordinated roughly 300 bulk cash pickups nationwide in cities, including Detroit, Los Angeles, Boston, Chicago, Fort Worth, Houston, Brooklyn and Atlanta.

What the Drug Enforcement Administration and federal prosecutors uncovered is a sophisticated, triangular international criminal enterprise where Mexican drug cartels used Chinese nationals living in the United States to help bring their profits back across the southern border. In the process, Chinese nationals get access to cash in the U.S. that they otherwise wouldn't be able to because of tight Chinese banking restrictions.

Mexican banking laws limit the amount of U.S. dollars that can be deposited into accounts to $4,000 per month.

"That's not nearly enough for large drug trafficking organizations," de Villiers said. Ultimately, the cartels need to transfer the dollars into pesos to access the proceeds of drug sales back in Mexico.

At the same time, China's Capital Flight laws allow Chinese living outside the country to access only $50,000 per person annually from their bank accounts, which isn't enough for some wealthy Chinese, de Villiers said.

The relationship between Chinese nationals in the United States and Mexican drug cartels dates back nearly 20 years, law enforcement officials say.

"The geopolitical side is new," said Cam Strahm, the assistant special agent in charge of the Drug Enforcement Administration in Oregon.

The trade war between China and the U.S. has increased the demand for dollars among Chinese living in the U.S. While there used to be ways to work around the $50,000 withdrawal restriction, the trade war has caused China to clamp down on its rules, de Villiers said.

"We have seen an increase in the demand by Chinese nationals for U.S. currency here in the U.S. in the last three years," de Villiers said.

Su, Li Yan and Su worked as brokers, who took Mexican cartel drug proceeds and sold the bundles of cash to Chinese nationals in the U.S., according to the indictment. The buyers would then make a mobile transfer from their Chinese bank accounts to the accounts of Su, Li Yan or Su. There's no limit on transfers between Chinese bank accounts, de Villiers said.

As part of this scheme, prosecutors allege more than $19 million was transferred between more than 251 Chinese bank accounts.

The brokers — like Su, Li Yan and Su — then buy goods in China, like electronics or clothing, which are then sent to cartel members in Mexico where they're sold, effectively converting the drug proceeds into pesos where they can be deposited into Mexican banks, completing the cycle.

"They're drug traffickers, but they also understand they're getting repatriated for the value of those drugs," the DEA's Strahm said. "They're getting that currency in the form of pesos back. At the highest levels, those [drug] organization leaders understand that."

Shefeng Su is listed as owning two properties in Portland, as well as numerous businesses registered in Oregon, according to the state's business registry. The properties and businesses aren't mentioned in the indictment. The U.S. attorney's office declined to comment.

The indictment asks for a money judgement of about $29 million and lists a single item the three defendants should forfeit to the U.S. government: a Rolex Yacht Master Watch.

Strahm said this particular case started as an investigation at other DEA offices. He said it represents a major investigation for the Oregon office.

"These are not the three leaders of an organization," he said. "These are three members of an organization, but there are others that are out there who continue to do the same thing."

Flavored vape ban aimed at young users

Discouraging teens from not using is not easy

By KRISTIAN FODEN-VENCIL
Oregon Public Broadcasting

SALEM — A big reason Oregon approved a ban on flavored vaping products is to stop one particular group of people from getting hooked on nicotine: teenagers.

That ban is now suspended, after the Oregon Court of Appeals granted a temporary stay Thursday. But momentum against vaping is continuing, as one of the largest producers has vowed to pull most of its flavored vape products.

The average age of people sickened in the recent outbreak of vaping lung injuries is 20, with some patients as young as 15.

"In Oregon, almost one in four 11th-graders report using a vaping product currently," said state epidemiologist Dean Sidelinger, who hopes the ban will keep teens from vaping.

But whether you're talking to youth psychiatrists or teens themselves, the conclusion is the same: Getting young people to give up unhealthy habits isn't easy.

What's on young users' minds

At lunchtime, students stream across Southeast Powell Boulevard from Portland's Cleveland High School to Powell Park. They're eating, chatting and playing on the monkey bars.

In a far corner, a group of maybe a dozen kids are vaping and smoking. They're willing to talk — but not give names.

One student, who said she vapes regularly, said a vaping ban would lead her to switch to cigarettes.

A teen boy acknowledged he vapes about four times a day. But he insisted he wasn't addicted.

Another teen who insisted she doesn't vape said the habit is pervasive at Cleveland High.

"All my friends vape on a daily basis," she said, saying teenagers think it's "cool."

She also blamed the widespread habit on the company JUUL, saying it "is getting kids addicted to vaping."

In September, the Food and Drug Administration warned JUUL against its marketing and outreach efforts. The co-founder, Kevin Burns stepped down, and the company said it would suspend all product advertising in the U.S. This week the company also said it's suspending sale of most flavors, with the exception of tobacco and menthol.

But judging by the reactions from teenagers next to Cleveland, the advice from organizations, such as the FDA, doesn't get much traction.

And how to change them

"The data are pretty clear that information on its own is not going to work to change a kid's mind," said Dr. Sarah Feldstein Ewing, a professor of child psychiatry at Oregon Health and Sciences University.

Ewing said that's because the adolescent brain doesn't finish developing until age 25, particularly the area responsible for impulse control and resisting temptation.

She says the best way to convince a teen not to vape is to have an open and honest conversation. Ewing advises adults to ask questions like, "What do you think the risks of vaping are?" and "Why do they think doctors are worried?"

"So it might be the case that your child doesn't immediately desist," Ewing said. "But that they do have a chance of knowing that you are a person they can talk to about it."

She says the discussion should remain calm and be conducted at a time when the teen is receptive — like a car journey where there's no eye contact.

At the same time, parents should set clear boundaries that will be enforced.

"For example, 'Johnny, if you come home with a vape pen, then you're going to be grounded,'" Ewing suggested. "So if then the next time you do find something like that, there's clear, reasonable and discussed consequences that you can then enforce."

Health advocates in Oregon have been working on a permanent ban, but now will have to shift gears to defend the temporary ban in court. Those in the industry say they'll fight it.

The federal government is investigating more than 1,400 cases of lung injury in every state except Alaska. Oregon's seen 11 cases and two deaths.

Researchers have yet to pin down the exact causes of the vaping illness, which now goes by the name EVALI, which stands for "E-cigarette or Vaping product use Associated Lung Injury."

Attorney general requests student loan forgiveness extension for closed schools

By MEERAH POWELL
Oregon Public Broadcasting

SALEM — Oregon Attorney General Ellen Rosenblum and 29 other attorneys general around the nation Thursday requested that the U.S. Department of Education extend the time frame to cancel student loans for students of now-closed schools.

The letter focuses on the Dream Center Education Holdings nonprofit. Dream Center in 2017 purchased Argosy University, the Art Institutes and South University from the Education Management Corporation. Those schools all have multiple locations around the U.S.

At the time of the sale, the Education Management Corporation had already "engaged in misconduct that set the schools on a path toward financial instability," the AGs' letter states.

Dream Center Education Holdings closed more than 20 schools last year, including the Art Institute of Portland.

The letter states that tens of thousands of students were unable to complete their studies and obtain degrees because of the mismanagement of the schools.

Rosenblum

Students who were enrolled in the schools when they closed are eligible for student loan forgiveness. If students withdrew, they're only eligible for that forgiveness if they left within 120 days of the closure.

The attorneys general are asking Secretary Betsy DeVos to extend that timeline for students who withdrew any time after Oct. 17, 2017 — the date when the nonprofit started managing the schools.

The attorneys general say Dream Center Education Holdings did not clearly state the dates when schools would be closing.

"DCEH only vaguely told students that the schools were closing, sometime," the AGs' letter states.

The attorneys general also said that some of the schools did not clearly explain student loan forgiveness time frames, such as the 120-day withdrawal eligibility.

The letter also states that for several years Argosy and the Art Institute enrolled Oregon students into its online programs without state authorization to do so.

"If DCEH received Title IV federal funding for those students, it also may have violated federal law because the schools were not legally authorized to operate in Oregon," the letter said.

"In sum, from the date DCEH took over the schools in Oct. 2017 to the date most of the schools closed in March 2019, DCEH violated numerous federal laws and the laws of 40 states, at minimum."

DeVos and her department have faced criticism for violating an order to stop collecting student loans from borrowers who attended Corinthian Colleges, another now-defunct education company.