



# INSIGHTS

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## Today's Opium Wars: The Unrestricted Warfare Playbook in the U.S. Illicit Drug Market

The People's Republic of China (PRC) is using illicit drug markets – particularly fentanyl and marijuana – to conduct irregular warfare (IW) against the United States. To counter this action, the United States must not only understand the nature of the threat but also enact a whole of society initiative to increase societal resiliency.

In the mid-1800s, foreign-imported opium destabilized the Qing dynasty, leading to the humiliating Opium Wars and their subsequent treaties of Nanjing and Wangxia. Today, China seeks to leverage transnational drug networks to conduct unrestricted warfare against the United States. This irregular threat bears increased attention and a whole-of-society approach to mitigation.

The United States has seen a precipitous rise in transnational criminal organizations (TCOs) linked to the PRC in the U.S. illicit drug market. Using drugs like fentanyl and marijuana, these TCOs have wrought untold damage on communities across the United States. Beyond the immediate impact of the opioid epidemic, this activity serves as a prong in the PRC's strategy of unrestricted warfare against the United States: Beijing is waging a drug war to “win without fighting.”

### BEIJING'S DRUG WAR

Over the past several years, the PRC's involvement in the U.S. fentanyl crisis has become increasingly clear. As of 2020, China was the [primary source](#) for fentanyl and fentanyl-related substances trafficked directly into the United States.

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IWC MISSION: The IWC prepares the warfighter to conduct irregular warfare across the spectrum of conflict by bridging instruction to operationalizing IW using next-generation techniques and concepts that enhance the lethality of the force and positions the United States and key Allies and partners to remain ahead of the threat.

Not only has the Chinese Communist Party (CCP) failed to curtail the export of fentanyl to the United States, but it has also channeled the opioids into American communities—directly supplying them to TCOs in the Americas. To accomplish this, Beijing [subsidizes](#) the production of fentanyl precursors by Chinese chemical companies that are owned by CCP officials. [CCP companies](#) leverage this leniency to ship fentanyl precursors across the Western Hemisphere, where TCOs like the [Sinaloa Cartel](#) manufacture and smuggle fentanyl pills into the United States. The process is easy and open, with some CCP chemical companies even advertising a [“hot sale to Mexico”](#) of fentanyl precursors on their website.

In addition to TCOs, the PRC has infiltrated the United States to fuel the fentanyl crisis. In 2023, the Department of Justice unsealed eight indictments that charged Floridian companies based in the PRC for the sale, smuggling, and distribution of fentanyl and fentanyl precursor chemicals within the United States and Mexico. In addition, congressional reporting has outlined how the PRC leverages Asian TCOs to distribute fentanyl throughout the United States. The result has been deadly—with approximately 74,000 people in the United States overdosing from fentanyl and other synthetic opioids in 2023 alone.

These deaths are just the tip of the iceberg in the total cost of fentanyl to the United States. Though fentanyl overdoses [decreased](#) from the previous year, the epidemic was still estimated to cost a staggering [2.7 trillion dollars](#) to the American economy in 2023. These figures account for the cost to the healthcare system, loss of labor force productivity, crime, and loss of life or quality of life. As such, fentanyl serves as an effective IW toolset for the PRC, as it forces the United States to expend resources, time, and effort to address the issue set instead of focusing on the rising threat of the PRC.

Beijing’s illicit drug trade does not end here. While the American public has been focused on fentanyl, the PRC has also been busy expanding its market share of illicit marijuana production and distribution in the United States.

## BEIJING’S EXPANSION INTO MARIJUANA

CCP-backed organized crime has built an empire of illicit marijuana “grow-ops” across the United States. As states decriminalized marijuana, these grow-ops have come to exist in the shadows, avoiding state regulations and taxes while lacing the drugs with [toxic pesticides](#) for sale on the black market. From Maine to California, from rural and suburban areas to tribal lands, organized crime grow-ops have festered to shocking levels. According to DEA [congressional briefs](#) in May 2024, Chinese organized crime had established grow-ops in at least 24 states, and approximately 75% of search warrants against illicit marijuana operations were executed against Chinese nationals.

Maine provides a particular poignant example of the breadth of Chinese criminals within the illicit marijuana industry. These groups have systematically established extensive, unlicensed cultivation operations across the state. A U.S. Border Patrol [memorandum](#) from August 2023 identified over 270 Chinese-backed illicit marijuana operations in Maine, with projected revenues potentially exceeding \$4.3 billion. This process is relatively simple – organized crime exploits the U.S. real estate, banking,

and local businesses to kickstart a grow operation. First, criminals buy rural property that is difficult for authorities to monitor. To do this, they [leverage](#) banks and residential mortgage programs such as the Treasury's Community Development Financial Institutions Fund, a federal fund meant to promote economic revitalization in underserved communities. These sites are then [outfitted](#) with sophisticated electrical infrastructure to support high-yield cannabis production, with installation services often contracted to local businesses.

While the United States has yet to turn the spotlight to the PRC's involvement in illicit marijuana as it has with fentanyl, signposts of their connection have become increasingly clear. First, a disproportionate amount of this activity includes Chinese nationals. According to a [ProPublica article](#), state investigators state that over 80% of criminal groups within the illicit marijuana industry are of Chinese origin. In addition, state officials from [California](#) and [Oklahoma](#) have disclosed that a portion of funding comes from investors within China. Finally, these TCOs have diplomatic connections with the CCP. For example, CCP Consul General Zhu Di [visited](#) Oklahoma in November 2022 and again in June 2023 following a murder at an illicit marijuana farm owned by Chinese nationals. During his visit, he met with a number of individuals within the local Fujianese association who have since been connected with the illicit marijuana industry. Put concisely by an [October 2024](#) congressional report, "Chinese TCOs are dedicated to the CCP, and their leadership holds government positions in the Party."

Though illicit marijuana is significantly less likely to lead to overdose deaths like fentanyl, this market still has a profound cost on the United States. For one, the industry withholds tax revenue that is collected on legal marijuana sales, reducing the funds available for the state. In addition, illicit marijuana farms often cause significant property damage through the toxicity of the chemicals used to grow the plant and drain federal funds and grants meant to enrich U.S. communities. However, this economic cost is not the only reason the United States should be concerned about PRC involvement in illicit marijuana: The industry also benefits Beijing's general strategy of degrading the United States through unrestricted warfare.

## HOW ILLICIT DRUGS BENEFIT BEIJING

Beijing's involvement in the U.S. illicit drug trade aligns with its broader strategy of unrestricted warfare to undermine the power of the United States. As a whole, this strategy allows Beijing to degrade the United States by forcing us to divert time, energy, and resources away from the PRC's other malicious activities that attack U.S. national security priorities. In doing so, Beijing positions itself to advantage against the United States, threatening our ability to respond to IW attacks both at home and abroad.

Rather than engaging in direct military action, the CCP [employs](#) gray zone tactics that leverage social, economic, and informational tactics to weaken its rivals. As PRC Major General Qiao outlined in the infamous [Unrestricted Warfare](#) book published by the People's Liberation Army (PLA) in 1999, one such mechanism to achieve this goal is drug warfare, which includes "obtaining sudden and huge illicit profits by spreading disaster in other countries." The illicit fentanyl and marijuana markets serve as a prime example of this unrestricted warfare mechanism.

Illicit drug markets serve as powerful IW tools because they provide the PRC with plausible deniability for their actions while assuring a relative gain for the state against the United States. For years, Beijing funneled fentanyl precursors to the United States with relative ease. It has only been in recent years that the United States has begun to flag foul play, and even then, the use of TCOs as middlemen has ensured that the PRC cannot be held accountable for their actions.

This plausible deniability is even more prominent in Beijing's involvement with illicit marijuana. Unlike fentanyl, which has precursors manufactured within the PRC, the PRC and its affiliated TCOs cultivate marijuana within the United States itself. This makes attributing the economic and societal cost of illicit marijuana difficult, as there are no physical shipments that can be tracked back to Beijing. In addition, Chinese TCOs are [decentralized](#), made of regionalized groups that do not have a single chain of command. As such, it is extremely difficult for authorities to identify a pattern of PRC maligned action across the country, as the criminal organizations may not overlap throughout different regions. Further, these operations use a variety of funding methods—including federal funds, U.S. banks, and individual investors—that obscure the connection. Likewise, this makes it extremely difficult for law enforcement and federal agencies to track the flow of funds and directives to and from Beijing.

With the plausible deniability, the PRC can use unrestricted warfare within U.S. illicit drug industries to serve multiple strategic purposes: Undermining U.S. stability, shaping a narrative of moral and geopolitical superiority, and advancing economic interests.

## DEGRADING U.S. STABILITY

Destabilizing U.S. society by exacerbating illicit drug markets and the opioid crisis allows the PRC to weaken American social stability. The surge in drug addiction, overdose deaths, and the related social fallout contributes to unrest and political polarization within the United States. At the same time, Beijing's drug warfare degrades our ability to respond by sapping available funds. By imposing economic costs – like avoiding taxes and draining federal funds meant to bolster U.S. communities – Beijing ensures that responding authorities have limited funds to accomplish their mission to secure the homeland.

This instability opens opportunities for the PRC to amplify its influence within the United States. One such opportunity could be through misinformation campaigns constructed to further domestic divisions. Such campaigns could exploit the social and economic fallout of the fentanyl crisis to further fragment U.S. political and social cohesion. Further, the Chinese organized crime groups who operate these drug markets have also come to serve as a transnational informant and enforcer for the PRC. From their locations, Chinese criminal syndicates have the [capability](#) to monitor, report, and oppress groups that oppose the Xi regime, effectively carrying out the PRC's wishes within U.S. borders. Overall, this influence compounds the degradation of U.S. stability, undermining the control the U.S. has within its own borders.

## EXPANSION OF PRC SOFT POWER

In addition, Beijing is leveraging the drug war for an expansion of soft power on the global arena. PRC media has used the United States' fight against illicit drugs to claim that the problem stems

from [ineffective governance](#) and [corrupt politicians](#). In addition, Beijing leverages historical context, particularly the memory of the Opium Wars and the “Century of Humiliation,” to shape its global image. By highlighting the U.S. opioid crisis, the PRC can cast itself as a nation that has [overcome historical victimhood](#) and now stands in moral contrast to a West consumed by drugs. Thus, this narrative of Beijing’s rise and Western decline bolsters the PRC’s ability to influence the global stage to their advantage.

## ECONOMIC BENEFITS

Beyond degrading U.S. stability and expanding soft power, Beijing also gains economic benefit from illicit U.S. drug markets. By supporting the fentanyl crisis, Chinese chemical industries profit from the production and export of fentanyl precursors. Additionally, Chinese TCOs are likely supplying a portion of illicit drug funds to Beijing itself. The Department of Homeland Security (DHS) [estimates](#) that the illicit marijuana market generates over \$4 billion USD in revenue each year. Though some of the revenue is used to further expand illicit activity—such as purchasing additional properties for grow-ops—law enforcement officials speaking on illicit Marijuana productions in Maine have posited that a portion of the funds are likely sent back to the PRC.

These economic benefits are strategically significant. They enable Beijing to sustain an effective information warfare (IW) campaign that simultaneously undermines the United States and enhances its own global standing—while incurring minimal cost to the state. In fact, the economic gains generated through this campaign likely make it self-funding, reducing reliance on state resources and increasing its sustainability over time. In this way, economic benefits further empower the PRC to pursue a strategy of unrestricted warfare against the United States by lowering the financial and political barriers to continued operations, enabling long-term engagement without the domestic pressures or resource constraints that might otherwise limit such efforts.

## HOW TO RESPOND TO BEIJING’S UNRESTRICTED DRUG WARFARE

Beijing’s unrestricted drug war necessitates not only for the United States to understand the nature of the threat but also enact a whole of society initiative to increase societal resiliency.

First, the United States must shift its policy to reflect the irregular nature of Beijing’s drug warfare. The Trump administration has taken some initial steps—just this past February, it signed an [executive order](#) to impose tariffs on PRC goods in consequence for the PRC’s role in the fentanyl crisis. However, these actions only serve to address one facet of the larger PRC strategy. Indeed, such tariff tactics will likely have no effect on the PRC’s hand in illicit marijuana, as the drug is almost entirely produced within U.S. borders.

In October 2024, the House Committee on Oversight and Accountability [concluded](#) that to counter this threat, “Federal Agencies Urgently Need a Government-Wide Strategy” to address Beijing’s unrestricted drug warfare. While the report captures the urgency of the issue set, its conclusion is incorrect: The United States cannot counter Beijing if we limit ourselves to an interagency approach. Beijing has constructed this problem so that it expands to all corners of our society—in addition to



agencies like DEA, DHS, and Treasury, Beijing's involvement in illicit drug trade impacts local law enforcement, private industry, and civil society.

To meet the PRC's threat, the United States must adopt a whole-of-society approach to increase resiliency. Action must be coordinated across sectors to deny Beijing's access to the American homeland. At the forefront, the interagency must illuminate and amplify the threat posed by Beijing's unrestricted drug war to local authorities and the private sector. Law enforcement, civil society, and businesses impacted by illicit drug trade—especially real estate and banking services—should receive training on the nature of IW, how to identify it in the field, and who to report it to when it is found. This data capture will be crucial in tracking the extent of and responding to the PRC's drug war.

Education and training must then be paired with private-public collaboration on problem sets related to the PRC's drug war, like counter threat finance (CTF). Investigating what illicit drug revenue funds will likewise be crucial in cementing a causal chain between Beijing and domestic illicit drug markets that are needed to create cohesive policy against this threat.



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