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Multilateral Governance and the Global Fentanyl Supply Chain: Treaty Limits, Trade-Based Laundering, and State Capacity in Mexico and China

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ABSTRACT

In May 2026, the U.S. Treasury Department sanctioned thirteen targets running a cash-to-crypto laundering pipeline for the Sinaloa Cartel's Los Chapitos faction. No treaty required the action, and no United Nations (UN) body coordinated it. This article argues that Treasury's sanctions-first posture is a structural adaptation to two compounding failures. First, the UN drug-control treaty system schedules chemically modular synthetic-drug inputs slowly. Second, states best placed to regulate precursor exports and underground banking, notably China, lack the institutional design or political incentive to do so. Using doctrinal analysis, a case study, and a comparison of Mexico and China drawn from government, congressional, Financial Action Task Force (FATF) and industry sources, it shows how Treasury has become a de facto multilateral actor, substituting financial-intelligence integration and market-access conditioning for treaty reform. That approach suits trade-based laundering, where cryptocurrency is a settlement layer. The Egmont Group and FATF can share intelligence and pressure states but cannot sanction networks, the gap Treasury fills. Mexico's constraint resembles institutional fragmentation; China's resembles capacity not fully exercised. It concludes that functional alignment on financial-intelligence sharing and plurilateral coordination of designations, rather than criminal-law convergence, is the more realistic route to narrowing the governance gap.

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1. Introduction

On May 20, 2026, the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) designated thirteen individuals and entities across two networks tied to the Sinaloa Cartel.[1,2] They included Armando de Jesus Ojeda Aviles, whom Treasury and the blockchain-analytics firm Chainalysis describe as head of a laundering network serving the cartel's Los Chapitos faction, and Jesus Alonso Aispuro Felix, its chief money broker.[1,3] As Chainalysis traced the mechanism on-chain, couriers collected bulk cash from U.S. drug sales, brokers converted it into stablecoins in bulk transactions, wallets linked to Ojeda Aviles swapped between stablecoins on decentralized exchanges, and the funds were then forwarded to centralized exchanges where they could be cashed out.[3] This was not a bank wire or a shell-company invoice but a laundering architecture that international drug-control law was never built to see.

No treaty obligated the action and no UN body coordinated it. Treasury did coordinate with Mexico's financial intelligence unit, the Unidad de Inteligencia Financiera (UIF), and credited an investigation led by the Homeland Security Task Force with the Drug Enforcement Administration (DEA), but that cooperation ran through informal intelligence channels rather than any treaty mechanism.[1] The legal consequence, asset blocking and exclusion from the U.S. financial system, was an exercise of U.S. sanctions authority under Executive Orders 14,059 and 13,224.[1,4,5] The counterterrorism order was available because the State Department had designated the Sinaloa Cartel a Foreign Terrorist Organization in February 2025.[6] The designation is an administrative finding; so far as public records show, it was not preceded by a conviction of those named.

This article argues that the May 2026 case is not an anomaly but the predictable output of two compounding structural failures. The first is doctrinal. The treaty architecture that has governed international narcotics control since 1961 was designed around agricultural commodities (opium, coca, cannabis) whose cultivation, bulk volume, and territorial fixity made scheduling and interdiction workable regulatory strategies.[7–9] Fentanyl and its analogues are made from inexpensive, readily available precursor chemicals, with production concentrated in China and Mexico,[10,11] and a treaty process driven by scientific review and consensus voting cannot move at the pace of synthetic chemistry. The second failure is institutional. Even where multilateral coordination exists, as in the Financial Action Task Force (FATF) typology apparatus or the Global Coalition to Address Synthetic Drug Threats, its effectiveness depends on the domestic capacity of the states where precursor production and financial settlement actually occur. Mexico's fragmented enforcement institutions and China's tolerance of underground-banking networks, as characterized by U.S. congressional investigators, mean that capacity is frequently the binding constraint, not the absence of a treaty obligation or a designated authority.

Much of the legal and policy commentary on fentanyl finance centers on the U.S. domestic toolkit: sanctions designations, advisories from the Financial Crimes Enforcement Network (FinCEN), beneficial-ownership transparency, and extraterritorial criminal prosecution. When prosecutions stall on digital-evidence or dual-criminality barriers, enforcement tends to shift toward sanctions, as the May 2026 designation illustrates. This article examines the layer above that toolkit: the treaty system, the financial-intelligence coordination bodies, and the variation in state capacity across Mexico and China, the two countries whose cooperation determines whether these tools can reach their intended targets. It asks why the multilateral system as a whole has been unable to keep pace with synthetic-drug finance, and what a more realistic model of cooperation, short of full legal convergence, might look like.

Part II reviews the literature and sets out the methodology. Part III develops the May 2026 case as a governance snapshot. Part IV examines the structural limits of the UN treaty system and the Global Coalition that has emerged alongside it. Part V traces Treasury's evolution from a domestic financial regulator into a de facto multilateral actor and asks what multilateral mechanism, if any, could perform that role in its place. Part VI examines trade-based money laundering (TBML), mirror settlement, and cryptocurrency's integration into that architecture. Part VII compares Mexico's and China's institutional capacity. Part VIII proposes reforms keyed to those diagnostic findings, and Part IX concludes.

2. Literature Review: Treaty Design, TBML Typology, and State Capacity

Scholarship on the international drug-control regime shows a consensus-based system under strain as states disagree over policy on non-medical drug use, which complicates multilateral reform.[12] Analysts of the fentanyl market emphasize features that make it hard to govern through scheduling alone: extreme potency, the ease of shipping small quantities, inexpensive precursors, and the online spread of synthesis methods.[10] A separate body of work, developed largely by FATF and financial-intelligence practitioners rather than academics, catalogs TBML typologies in operational detail, including invoice manipulation, mispriced trade, and settlement through offsetting flows.[13] To this author's knowledge, that literature rarely connects its typologies to the treaty-level governance gap that makes such methods attractive to traffickers. A third strand, in comparative political economy, examines how political competition and fragmented authority in producer and transit states, Mexico prominently among them, shape criminal violence and limit the reach of formal legal power.[14]

This article connects the three strands around a single claim: the shift toward sanctions-first, financial-architecture-focused enforcement, visible in the May 2026 case and throughout U.S. fentanyl policy since 2021, is best explained not as a preference for administrative tools over treaty-based cooperation but as a rational adaptation to the joint failure of treaty-scheduling speed and state institutional capacity. Where existing scholarship treats these as separate questions, this article treats them as two halves of one explanatory account.

The framing also departs from a common assumption that limited institutional capacity is a symmetric constraint, equally explicable across producer and transit states as a matter of resources or administrative modernization. Part VII argues that Mexico and China illustrate two analytically distinct failure modes that a single "state capacity" variable tends to flatten together. Mexico's constraint is closer to the classical account of institutional weakness and corruption. China's, as characterized by congressional investigators, more closely resembles a capacity the state possesses and does not fully exercise. The distinction has direct consequences for which multilateral reforms could plausibly close each gap, addressed in Part VIII.

2.1. Methodology

This is a narrative, non-systematic review. It proceeds through doctrinal and institutional analysis of the treaty and financial-intelligence architecture governing synthetic-drug control, supplemented by a case study reconstructed from the May 2026 OFAC designation, the associated Treasury press release, and contemporaneous blockchain-analytics reporting, and by a comparative analysis of Mexico's and China's enforcement capacity drawn from congressional findings, Congressional Research Service (CRS) analyses, FATF mutual-evaluation findings, and agency reporting. All sources are public documents, and no new datasets were generated. Because several sources on Chinese and Mexican institutional dynamics originate from U.S. government or congressional bodies with an evident policy interest in their conclusions, this article treats their factual claims as contested characterizations rather than neutral findings and says so where the evidence has not been independently corroborated. An OFAC designation, in particular, is an executive-branch finding, not an adjudicated fact. The same caution extends to private blockchain-analytics firms, whose commercial interests and proprietary methods are discussed in Part III.

3. The May 2026 Sinaloa Sanctions: A Governance Snapshot

The mechanics OFAC and Chainalysis described illustrate, in miniature, the argument developed in this article. Physical cash, the residue of retail drug sales inside the United States, was collected by couriers and converted into stablecoins in bulk. The network then moved those stablecoins across decentralized exchanges before consolidating them on centralized exchanges, a sequence that breaks the audit trail a direct bank transfer would leave.[3] TRM Labs, another analytics firm, noted that five of the six Ethereum addresses OFAC listed were attributed to a single individual, a pattern consistent with multi-wallet fragmentation used to layer funds.[15] This is not TBML in the classical sense, since there is no invoice, shipping container, or customs declaration to manipulate. But it performs the function TBML performs (Part VI): it disguises the origin of drug proceeds well enough to let them re-enter usable circulation, using an infrastructure that international drug-control treaties, built around physical commodity flows, have no mechanism to address.

What makes the case a useful governance snapshot is less the laundering mechanics than the enforcement posture surrounding them. No UN scheduling action, no FATF mutual-evaluation finding, and no extradition request preceded the designation. Treasury acted under Executive Orders 14,059 and 13,224 against a network operating substantially outside U.S. territory.[1,4,5] The counterterrorism authority was available because the Sinaloa Cartel had been designated a Foreign Terrorist Organization.[6] The intelligence picture was not assembled in isolation: Treasury credited the Homeland Security Task Force, the DEA, and Mexico's UIF.[1] But the only multilateral element was the information flow; the legal consequence was entirely a function of U.S. domestic authority. This is the pattern Part V characterizes as Treasury acting as a de facto multilateral actor. It is not exceptional. It reflects a pattern in which unilateral authority fills a specific gap that the treaty and coordination architecture examined in Part IV leaves open: neither can attach a comparably fast or comparably targeted consequence to a particular network. Part 5.5 examines what multilateral mechanism could fill that gap instead.

It is also worth being explicit about the case's evidentiary status. An OFAC designation is an executive-branch administrative finding, not a judicial determination of guilt, and the individuals named have not, so far as public records show, been convicted of the conduct Treasury describes. Treating the designation as a governance snapshot rather than as adjudicated fact is therefore a deliberate methodological choice. What the case reliably demonstrates is the instrument the U.S. government chose and the speed at which it acted, not a judicially tested account of how the network's finances worked. That distinction matters because it is the choice of instrument, sanctions rather than treaty-coordinated criminal process, that Parts IV through VI treat as the object of analysis.

The same caution applies to the blockchain-analytics evidence on which this reconstruction partly relies. Chainalysis and TRM Labs are private firms whose clients include the government agencies whose actions their reporting describes, and their published analyses also serve to market their products. Their attribution of wallets to persons or networks rests on proprietary clustering heuristics and intelligence-derived labels that outside researchers cannot fully inspect or replicate. The reliability of such tools has been litigated: in *United States v. Sterlingov*, a federal district court admitted expert testimony based on Chainalysis software over a defense challenge, while noting that the defense remained free to contest its accuracy before the jury.[16] Admissibility in one prosecution does not establish error rates for other uses. The firms' aggregate estimates are also revised as attribution improves, and they cover only activity the firms have identified as illicit, so they are better read as lower bounds than as measurements. This article therefore uses their reporting for two limited purposes: to describe the on-chain mechanics of a network that OFAC independently designated, and to indicate the order of magnitude of a trend. It does not treat their attributions as establishing who controlled particular funds, and the analysis in Parts V and VI does not depend on the precision of their figures.

The case also illustrates the limits of unilateral action even when it succeeds on its own terms. A designation blocks the designated individuals' access to the U.S. financial system and deters compliant institutions from transacting with them. It does nothing, by itself, to prevent the same individuals from reconstituting an equivalent pipeline under new identifiers, nor does it oblige any foreign government to arrest them, freeze assets held outside U.S. jurisdiction, or share the evidentiary record with a court that might eventually prosecute them. The speed advantage examined throughout this article is real, but it is a speed advantage in disruption, not in resolution, a distinction Part VIII returns to.

4. The Structural Limits of the UN Treaty System

4.1. Scheduling Lag and the Single Convention Framework

The Single Convention on Narcotic Drugs (1961), the Convention on Psychotropic Substances (1971), and the 1988 UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances together form the treaty backbone of international narcotics control.[7–9] All three were negotiated around plant-based substances, or around discrete synthetic compounds that could be listed one at a time. Fentanyl and its analogues share few of the characteristics that made that approach workable. Fentanyl's extreme potency means that a small quantity can be shipped directly to buyers anywhere in the world;[10] its reliance on inexpensive, readily available precursor

chemicals, many of them under international control only since 2017, lets suppliers source inputs without the scrutiny a controlled substance would attract;[10,17] and the online dissemination of easier synthesis methods has aided manufacture.[10] These features describe a production system built for chemical modularity rather than territorial fixity, which is the opposite of what the 1961 framework assumes.

The scheduling mechanism compounds the mismatch, and it runs on two tracks. For fentanyl analogues themselves, the World Health Organization's Expert Committee on Drug Dependence conducts a scientific review and advises the Commission on Narcotic Drugs (CND), which decides by vote.[7,18] For precursor chemicals, the 1988 Convention relies instead on an assessment by the International Narcotics Control Board (INCB) and a CND decision to add the chemical to Table **1**.[9,19] The record of the most recent listings shows how slowly either track moves. The CND controlled two fentanyl precursors, NPP and ANPP, in March 2017, and three more (4-AP, boc-4-AP, and norfentanyl) in March 2022.[17] For the two substances most recently listed, 4-piperidone and 1-boc-4-piperidone, the United States notified its proposal in July 2023, the INCB's assessment reached the CND in November 2023, and the Commission voted in 2024, after the INCB had already been reporting on the chemicals since 2020 and 2021.[19,20] Synthetic chemists, by contrast, can modify a molecule's structure in weeks.

The system has begun to adapt at the margins. In 2024 the CND controlled, for the first time, substances not yet used in illicit manufacture but chemically similar to listed precursors [20]. That is an anticipatory step, and it narrows the gap. But it does not close it, because each listing still controls a defined set of substances, and a producer able to obtain a structurally adjacent, unlisted chemical is not captured until the next listing cycle. The lag is therefore not an implementation failure correctable through faster committee scheduling. It is a structural property of a treaty system built to classify discrete, stable commodities, applied to a production process whose defining feature is that it does not stay discrete or stable.

4.2. The Global Coalition to Address Synthetic Drug Threats

The United States' principal institutional response to this mismatch has been to build parallel, non-binding coordination outside the treaty system rather than to pursue treaty reform directly. Launched in July 2023, the Global Coalition to Address Synthetic Drug Threats counted 163 participating countries and 15 international organizations by the end of its first eighteen months [20]. It functions as a flexible platform for aligning precursor-control policy and supply-chain oversight without the ratification burden a binding instrument would carry. Its member pledge commits signatories to regulate synthetic drugs and precursors placed under international control, to expand public-private partnerships, including protection against illicit activity in the financial sector, and to share information on suspicious shipments [20]. That agenda maps closely onto the domestic U.S. fentanyl-governance model, projected outward as a template for coordination rather than codified as treaty obligation.

Whether the Coalition retains that centrality is an open question. Its implementation report covering 2023 and 2024 was published in January 2025; [20] since then, the most visible U.S. policy instruments have been terrorist designations, tariff leverage, and unilateral financial measures [6,21,22]. If that shift persists, it reinforces rather than undermines this article's account of why soft-law coordination has not displaced unilateral enforcement.

4.3. Why Soft-Law Coordination Substitutes for Treaty Reform

The Coalition's non-binding character is not an oversight; it is what makes rapid alignment possible. A binding amendment to the 1961 or 1988 conventions would require the same deliberative, consensus-driven process that already produces the scheduling lag described in Part 4.1, which is the problem the Coalition exists to route around. The tradeoff is durability and enforceability: Coalition commitments carry no binding compliance mechanism, no dispute-resolution process, and no guaranteed continuity across changes in participating governments' priorities. The May 2026 case illustrates the consequence. When a concrete laundering network needed to be disrupted, the operative legal instrument was not a Coalition commitment or a treaty obligation but unilateral U.S. sanctions authority, because the soft-law architecture was never designed to authorize enforcement action.

This produces an asymmetry. The Coalition can coordinate what more than 160 governments say they intend to prioritize, but it cannot compel any of them to act, and it cannot compel the two states examined in Part VII to close

the institutional gaps that make their territory attractive to precursor exporters and underground bankers. A coordination platform without enforcement teeth is not a failure of design so much as an acknowledgment of what soft-law instruments can do. The risk is treating membership growth as evidence of governance progress when it may principally reflect the low cost of joining a non-binding platform relative to the high cost, political, economic, and diplomatic, of the institutional reforms Part VII shows are required.

5. Treasury as a De Facto Multilateral Actor

If the treaty system cannot supply the speed multilateral fentanyl governance requires, the institution that has stepped into the gap is, perhaps counterintuitively, a domestic U.S. financial regulator.

5.1. From Reactive to Proactive Enforcement

Executive Order 14,059 of December 2021 authorizes sanctions on foreign persons involved in the global illicit drug trade without requiring a criminal indictment.[4] Under it, Treasury can identify financial facilitators, map chemical-export networks, and initiate sanctions actions on its own intelligence timeline, as the May 2026 case again illustrates.[1] This is a change in institutional posture, not merely in caseload: Treasury determines which nodes of a trafficking network to financially isolate, a decision that in an earlier enforcement model would more likely have waited on a completed criminal investigation. The February 2025 designation of the Sinaloa Cartel, the Cartel Jalisco Nueva Generación, and other cartels as Foreign Terrorist Organizations extended that posture, allowing Treasury to layer counterterrorism authority under Executive Order 13,224 onto its counternarcotics designations, as it did in May 2026.[1,5,6]

5.2. Treasury as Integrator of Global Financial Intelligence

This posture depends on an intelligence-sharing architecture that operates largely outside the treaty system: the Egmont Group of financial intelligence units, FATF's mutual-evaluation and typology processes, and bilateral channels with counterpart units such as Mexico's UIF.[1,13,23] The May 2026 action shows how these elements combine. An investigation led by the Homeland Security Task Force with the DEA was coordinated with Mexico's UIF, and blockchain-analytics tracing of the kind Chainalysis published mapped the on-chain flows.[1,3] The effect is that Treasury functions less as a participant in a multilateral system designed by others than as the principal architect of the informational infrastructure that makes contemporary fentanyl enforcement operationally possible.

It is worth noting what this arrangement is not. Egmont Group information sharing and FATF mutual evaluation are creatures of soft-law cooperation rather than treaty obligation: the Egmont Group's principles bind its member units as a matter of membership but create no obligation between states, and a mutual-evaluation finding carries reputational rather than legally compulsory force.[23,24] Treasury's role as integrator therefore sits atop a stack of cooperation mechanisms, none of them a treaty obligation, which Treasury's domestic authority (sanctions, civil penalties, market-access conditioning) converts into something with practical teeth. The multilateral architecture supplies the intelligence; the unilateral authority supplies the consequence. Neither alone would produce the enforcement posture described here, which is why characterizing Treasury as a de facto multilateral actor captures something the treaty-versus-unilateralism framing tends to miss: its effectiveness depends on multilateral information flows even as its enforcement authority remains entirely domestic.

5.3. Market Access as a Governance Lever

Sanctions and anti-money-laundering authority reshape fentanyl-adjacent supply chains indirectly, by altering the risk calculations of private intermediaries with no direct stake in narcotics enforcement. OFAC's published compliance framework sets out the essential components of a sanctions compliance program and is addressed to foreign entities that do business with the United States or U.S. persons as well as to U.S. organizations,[25] and FinCEN's fentanyl advisories give financial institutions red flags tied to precursor procurement.[26] Freight forwarders, customs brokers, e-commerce platforms, and correspondent banks adjust their compliance systems accordingly, which deters legitimate firms from dealings that might expose them to designated counterparties even absent any enforcement action against them. Conditioning access to dollar clearing, correspondent banking, and

trade finance on fentanyl-related compliance expectations converts private firms into de facto enforcers of U.S. drug-control policy, a mechanism that requires no multilateral ratification and functions whether or not a given foreign jurisdiction cooperates.

5.4. Administrative Tools Beyond Prosecution

Treasury's FinCEN wields administrative authorities, including civil money penalties and the special measures available under 31 U.S.C. § 5318A, that impose regulatory consequences based on assessed risk rather than proven criminal culpability, and that can cut a foreign financial institution or an entire jurisdiction off from correspondent-banking access without a conviction, an extradition, or a treaty obligation of any kind.[27] The FEND Off Fentanyl Act of 2024 created a parallel authority aimed specifically at fentanyl, codified at 21 U.S.C. § 2313a.[28] In June 2025 FinCEN used it for the first time, issuing orders that identified three Mexican financial institutions (CIBanco, Intercam Banco, and Vector Casa de Bolsa) as of primary money laundering concern in connection with illicit opioid trafficking, and prohibiting covered U.S. financial institutions from transmitting funds to or from them.[22,29,30] The orders' effective date was later extended to October 2025 [31]. These tools are the domestic analog of what Part IV shows the treaty system cannot do internationally: they allow rapid, unilateral disruption because they do not depend on consensus-based, multilaterally negotiated authority. Table **1** compares the instruments discussed so far.

Table 1: Principal Governance Instruments for Fentanyl Supply Chains Compared

Instrument	Legal basis	Whom it binds	Speed	Principal limitation
UN scheduling of analogues and precursors	1961, 1971 and 1988 Conventions	States parties, after a CND decision	Slow: expert review or INCB assessment, then a vote	Controls listed substances one at a time; adjacent chemicals escape until the next listing
Mutual legal assistance	Article 7, 1988 Convention; bilateral treaties	The requested state	Slow in practice, especially for electronic evidence	Requires specific facts, records or persons; depends on the requested state's cooperation
Global Coalition to Address Synthetic Drug Threats	Political pledge	No one (non-binding)	Fast	No compliance or dispute-resolution mechanism
OFAC sanctions	E.O. 14,059; E.O. 13,224	U.S. persons and institutions dealing with the U.S. financial system	Fast	Disrupts rather than resolves; networks can reconstitute; limited procedural protections
FinCEN special measures	31 U.S.C. § 5318A; 21 U.S.C. § 2313a	U.S. financial institutions	Fast (issued by order)	Reaches only targets with U.S. financial exposure; due-process costs
Egmont Group information exchange	Egmont Charter and Principles (membership-based)	Member financial intelligence units, as a condition of membership	Fast for intelligence	Analytical use only without the disclosing unit's consent; imposes no consequences; China had not applied as of FATF's 2020 review
FATF grey-listing and countermeasures	FATF Recommendations (R.19); ICRG procedures	No one legally; reputational and market effects	Slow: plenary cycle	Jurisdiction-level only; listing politically negotiated

Note: Author's synthesis of the analysis in Parts IV to VI. Speed ratings are qualitative. CND, Commission on Narcotic Drugs; INCB, International Narcotics Control Board; OFAC, Office of Foreign Assets Control; FinCEN, Financial Crimes Enforcement Network.

5.5. The Multilateral Counterfactual: What Egmont and FATF Can and Cannot Do

Characterizing Treasury as a de facto multilateral actor invites an obvious question: what would perform this function if Treasury's unilateral authority were withdrawn? Answering it requires treating the two soft-law bodies on which Treasury relies, the Egmont Group and FATF, as governance institutions in their own right rather than as

background infrastructure. Treasury's role in the May 2026 case combined three distinct functions: integrating financial intelligence across jurisdictions, attaching legal consequences to specific networks, and conditioning market access on compliance. Each has a different multilateral substitute, and the substitutes are uneven.

The first function, intelligence integration, is the one the multilateral system performs best. The Egmont Group links more than 170 national financial intelligence units through a secure exchange channel, and its principles commit members to share information both spontaneously and on request.[23] But the Egmont model is built for intelligence, not consequence. Information exchanged under its principles is provided for analytical purposes, and onward dissemination or use as evidence generally requires the prior consent of the disclosing unit.[23] Egmont therefore lowers the cost of assembling a picture like the one behind the May 2026 designation, but it cannot convert that picture into a legal outcome. Membership is also incomplete where it matters most. FATF's 2019 mutual evaluation of China and its 2020 follow-up report both recorded, as a deficiency, that China had not filed an unconditional application for Egmont membership. [24,32] On that record, the jurisdiction that hosts the underground-banking settlement examined in Part VI has sat outside the one multilateral channel designed to trace it.

The second function, attaching consequences to a specific network, has no multilateral substitute. No UN Security Council sanctions regime addresses synthetic-drug trafficking as such, and the drug-control conventions examined in Part IV create obligations to criminalize and cooperate, not a mechanism for listing private actors.[8,9] Egmont lists no one. FATF evaluates states, not persons. If Treasury's designation authority were withdrawn, network-level disruption of the kind seen in May 2026 would depend entirely on individual states' autonomous regimes or on criminal prosecution, with the mutual legal assistance delays described in Part 6.5.[33]

The third function, market-access conditioning, has a partial multilateral analog in FATF's International Co-operation Review Group process. Jurisdictions placed under increased monitoring, the so-called grey list, face higher due-diligence expectations from counterpart institutions worldwide, and under Recommendation 19 FATF can call on its members to apply countermeasures to higher-risk jurisdictions.[34] This is the closest multilateral equivalent to FinCEN's special measures, and its effects on correspondent banking can be substantial. But it operates at the level of jurisdictions, not networks; it moves on a plenary cycle measured in months; and listing decisions are negotiated among member governments, which gives large economies with significant influence inside FATF a degree of insulation that a mid-sized jurisdiction does not enjoy. A grey-listing of Mexico or China for fentanyl-related failures, whatever its merits, would be a far blunter and more politically costly instrument than a designation of thirteen named targets.

The counterfactual therefore has a determinate answer. Withdraw Treasury's unilateral authority and some of its function survives at the level of jurisdictions, through FATF listing and the de-risking it induces, and in intelligence assembly, through Egmont. None of it survives at the level of networks. The plausible multilateral mechanism for that missing layer is not a treaty body but a plurilateral one: coordinated autonomous designations by the jurisdictions whose currencies and clearing systems carry most international settlement, using Egmont channels to share the evidentiary basis and the Global Coalition to align priorities. Part 8.4 develops that proposal.

This matters for how the article's central claim should be read. The argument is not that unilateral U.S. action is desirable or that it should displace multilateral institutions. It is that the existing soft-law architecture has a specific, identifiable gap, network-level consequence, which Treasury's authority currently fills by default. That arrangement carries costs this article does not discount: procedural protections thinner than those of criminal process, legitimacy that depends on other states' acquiescence, and continuity that depends on the priorities of a single government. Identifying the gap precisely is what makes it possible to ask what a multilateral mechanism would need to do to close it.

6. The Mechanics of TBML and Mirror Settlement

Understanding why Treasury's unilateral tools have become the default response requires understanding what they respond to: a laundering architecture that has evolved to exploit the seams the treaty and multilateral-coordination systems leave open.

6.1. The TBML Lifecycle

FATF defines trade-based money laundering as the process of disguising the proceeds of crime and moving value through trade transactions in an attempt to legitimize their illicit origins.[13] The classic laundering model has three overlapping stages: placement, as proceeds enter the financial system through structured deposits or shell-company accounts; layering, through mispriced or misdescribed trade transactions that generate paper value obscuring the funds' origin; and integration, when the proceeds reenter the licit economy as apparently legitimate commercial revenue. In practice, fentanyl-related laundering rarely proceeds through these stages sequentially. The Justice Department's 2024 charges against a Sinaloa-linked Chinese money-laundering organization (CMLO) list cash delivered to Chinese underground money exchanges, trade-based laundering, structuring, cryptocurrency transactions, cashier's checks, and purchases of luxury goods and vehicles shipped to China among the methods used.[35] Run side by side, these methods collapse placement, layering, and integration into something closer to a single continuous cycle.

6.2. Mirror Networks as Informal Correspondent Banking

Mirror-settlement networks solve a distinct problem: how to move value across borders without physically transferring funds or generating the transaction record that standard bank-surveillance systems are designed around. A broker in the United States collects cartel cash while a counterpart elsewhere disburses local currency to a party requiring liquidity there; the organization periodically reconciles the balances through mispriced trade shipments, over-the-counter cryptocurrency settlement, or transfers of high-value goods.[13,15] Functionally, mirror networks replicate the settlement role of formal correspondent banking, matching offsetting liquidity demands across jurisdictions, without the regulatory oversight that role would otherwise carry and without the transactional paper trail on which both TBML investigations and treaty-based mutual-legal-assistance requests depend.

The demand this system satisfies is real. Chainalysis ties the rapid growth of Chinese-language laundering networks to capital flight from countries with strict controls such as China, with the liquidity supplied by that flight serving criminal groups elsewhere.[36] Trafficking organizations holding large volumes of U.S. cash face the opposite problem: converting it into usable value without triggering the reporting requirements formal banks must apply. A mirror network matches these two otherwise unrelated liquidity needs directly. This is why enforcement agencies find it hard to disrupt through conventional financial surveillance: from the perspective of any single formal-sector transaction the network touches, the activity can look like ordinary trade finance or an ordinary currency exchange, because in isolation much of it is.

6.3. Cryptocurrency as a Settlement Layer, Not a Separate Channel

The May 2026 case shows why cryptocurrency should not be analyzed as a laundering channel distinct from TBML and mirror settlement, but as an increasingly important settlement layer running underneath both. The Los Chapitos network's stablecoin pipeline performed the function a mirror-network cash exchange performs, converting geographically stranded cash into fungible, transferable value, using decentralized-exchange infrastructure in place of a human broker network.[3,15] Industry reporting documents the broader pattern. Chainalysis estimates, on the basis of its own attribution and subject to the limits noted in Part III, that on-chain laundering grew from about 10 billion U.S. dollars in 2020 to more than 82 billion in 2025, with Chinese-language laundering networks accounting for about a fifth of known activity and processing 16.1 billion dollars in 2025 alone; these figures cover only activity the firm has identified and are best read as lower bounds.[36] TRM Labs similarly describes laundering as a downstream ecosystem of brokers, escrow services, and settlement hubs.[37] The practical implication is that blockchain tracing alone, however analytically powerful, cannot substitute for the sanctions and administrative tools examined in Part V, because crypto settlement is one interchangeable component of a hybrid laundering architecture, not a self-contained target whose disruption in isolation would meaningfully degrade it.

6.4. Sanctions as Parallel Enforcement Architecture

Executive Order 14,059 authorizes sanctions against persons involved in the global illicit drug trade without the burden of proof and procedural protections that a criminal prosecution entails, which is why it can reach TBML and

mirror-network facilitators that treaty-based mutual legal assistance cannot.[4] Once designated, an entity becomes a toxic counterparty, excluded from most formal commercial and financial relationships. Because that exclusion operates through market access rather than adjudicated guilt, it often takes hold faster and reaches further than a conviction would, at the cost of the adversarial process a conviction requires. Since the February 2025 Foreign Terrorist Organization designations, the boundary has also blurred from the other direction. Knowingly providing material support to a designated organization is a federal crime under 18 U.S.C. § 2339B, which carries extraterritorial jurisdiction, so the financial facilitators Treasury designates administratively can in principle also be prosecuted as terrorism supporters. [6,38]

6.5. Why This Architecture Outpaces Treaty-Based Alternatives

The comparative advantage of this financial architecture over treaty-based alternatives is narrower than it might first appear. A request for mutual legal assistance under Article 7 of the 1988 Convention must describe the subject matter of the investigation, summarize the relevant facts, and specify the assistance sought, which in practice means identifying particular transactions, records, or persons.[9] The Council of Europe's Cloud Evidence Group reported that response times of six to 24 months appear to be the norm for mutual legal assistance requests for electronic evidence, and that many such requests are abandoned.[33] A sanctions designation requires none of this. Treasury can act on a pattern of financial-intelligence indicators, including blockchain-analytics tracing, suspicious-activity reports, and transaction clustering across mirror networks, without identifying a single prosecutable transaction or securing any foreign government's cooperation. The tradeoff, examined further in Part VIII, is that the speed is bought at the price of the due-process protections a criminal process would eventually supply, and at the price of durability: a designated network can, as Part III notes, reconstitute under new identifiers in a way a criminal conviction forecloses.

7. State Capacity Asymmetry: Mexico and China

None of the financial-architecture tools examined in Parts V and VI operates in a vacuum. Their effectiveness depends on the institutional capacity, or willingness, of the states where precursor production, laboratory synthesis, and underground-banking settlement occur. Mexico and China illustrate two distinct forms of that constraint, summarized in Table **2**.

7.1. Mexico: Fragmented Institutions and Cartel Adaptability

Mexican criminal groups are now the main producers of the illicit fentanyl reaching the United States, and the Sinaloa Cartel and the Cartel Jalisco Nueva Generación are identified by U.S. agencies as primary suppliers.[11,39] Yet Mexico's capacity to govern that fact remains limited. The State Department's 2025 International Narcotics Control Strategy Report, as summarized by CRS, states that corruption and a lack of capacity have hindered Mexico's counterdrug and anti-money-laundering efforts, and Mexican customs officials have reportedly struggled to detect the diversion of precursor chemicals.[39] Scholarship on Mexico links cartel violence to the political fragmentation that followed the end of one-party rule, when party competition upset earlier arrangements between criminal groups and the state.[14] The DEA reports that the Sinaloa Cartel dominates the fentanyl market through control of its supply chain and a spread of clandestine laboratories in Mexico, while China-based suppliers remain the main source of the chemicals.[11]

The consequence, consistent with this article's argument, is that supply-chain and financial-tracking tools have become more operationally decisive than kinetic interdiction, not because interdiction is unimportant but because institutional capacity cannot sustain it at the scale synthetic production requires. Mexico's transfer of 92 detainees to U.S. custody in three tranches between February 2025 and January 2026, and its financial-intelligence cooperation on the May 2026 designations, show that the federal government can act decisively under heavy political pressure. [1,40] They do not address the port-level corruption and capacity gaps that determine whether routine precursor controls can scale.

7.2. China: Congressional Findings and the Limits of Administrative Reform

China's position differs in kind, not merely degree. Where Mexico's constraint appears to be institutional weakness, congressional investigators have concluded that China's is substantially a matter of political will. The House Select Committee on the Strategic Competition between the United States and the Chinese Communist Party (CCP) set out seven findings in April 2024 on the Chinese state's role in fentanyl-precursor trafficking. They included tax rebates that subsidize the manufacture and export of illicit synthetic-drug materials, monetary awards to companies openly engaged in that trade, state ownership interests in implicated firms, failure to prosecute precursor manufacturers or cooperate with U.S. law enforcement, open online sales of precursors, and censorship of domestic drug-sales content but not of content about exporting narcotics.[41] The Committee reported more than 31,000 instances of Chinese companies selling illicit chemicals across seven e-commerce sites, and concluded that the crisis had helped CCP-tied criminal groups become what it called the world's premier money launderers.[41] The Committee used that label for Chinese organized-crime networks, chiefly the underground-banking and money-laundering organizations (CMLOs) of the kind discussed in Part VI, which settle drug proceeds for Mexican cartels, and which it described as connected to the Chinese state on the strength of U.S. law-enforcement evidence that some of their laundering schemes involved Chinese government officials and members of the Communist Party elite.[41]

These are the findings of a congressional body with an evident interest in the conclusions it reaches, and this article treats them accordingly, as a documented but contested characterization rather than an adjudicated fact. Other sources are consistent with the existence of the laundering networks but do not establish state tolerance. Chainalysis documents the scale of Chinese-language laundering networks,[36] and the Justice Department has charged a Sinaloa-linked CMLO,[35] yet neither shows that the Chinese state directs or protects these activities. That inference rests on the Committee's account.

The political-will account is also contested by analysts who do not share the Committee's institutional interest. Felbab-Brown's study of China's synthetic-drug controls describes a chemical and pharmaceutical sector of tens of thousands of companies and hundreds of thousands of facilities, policed by inspectors numbering in the low thousands or fewer, and local enforcement weakened by overlapping bureaucratic responsibilities and by officials reluctant to pursue powerful industry actors.[42] She also documents traders' shift to nonscheduled, often dual-use chemicals, against which Chinese officials maintain they cannot act, and finds that the extent of counternarcotics cooperation has tracked the state of the wider bilateral relationship.[42] That account points to limited capacity and bargaining linkage rather than to direct state complicity. The Chinese government's own position, set out in a March 2025 white paper, describes class-wide control of fentanyl-related substances since 2019 and a record of cooperation with the United States.[43] That document is no more neutral than the Committee's report, and it was published on the day a second round of fentanyl-linked U.S. tariffs took effect. Read alongside the Committee's findings, however, it marks the range of the contest over the evidence.

One further consideration cuts against a pure political-will reading. The mirror-swap settlement that Chinese money-laundering organizations provide to Mexican cartels depends on demand from Chinese nationals seeking to move money abroad around China's foreign-exchange controls.[44] Beijing enforces those controls against underground banks: in 2015, Chinese authorities reported uncovering underground-banking and money-laundering cases worth some 800 billion yuan over several months, including a single network that had handled 410 billion yuan in illegal foreign-exchange transactions.[45] A state that tolerated mirror-swap networks as a matter of policy would be tolerating an erosion of its own capital-control regime. The more defensible reading is therefore a mixed one. China possesses regulatory capacity that it has not directed at these networks, as the speed of its 2025 response to tariff leverage shows. But that capacity is uneven across a fragmented chemical sector, and the incentive to use it appears to be traded against other priorities in the bilateral relationship rather than simply absent. This article retains the label "capacity not fully exercised" in that qualified sense, and Part 7.3 sets out how a policymaker could test it.

The record since that report complicates the political-will account without overturning it. After the United States imposed fentanyl-linked tariffs under the International Emergency Economic Powers Act (IEEPA) in February 2025,

China completed domestic scheduling of all fentanyl precursors listed by the INCB in June 2025. Following the October 2025 meeting between the U.S. and Chinese presidents in Busan, Chinese agencies placed export controls on thirteen precursor chemicals in November 2025, and the fentanyl-related tariff was reduced from 20 to 10 percent.[21] Chinese authorities also reportedly assisted in arrests connected to the 2024 prosecution of the Sinaloa-linked money-laundering organization discussed in Part VI [21,35]. These steps suggest that Chinese enforcement responds to external leverage, which is consistent with a constraint rooted in incentive rather than capacity. But they target precursor exports, not the underground-banking settlement the Select Committee identified, and in February 2026 the Supreme Court held in Learning Resources, Inc. v. Trump that IEEPA does not authorize tariffs, removing the specific lever that helped produce them [46].

7.3. Why Institutional Capacity, Not Legal Authority, Is the Binding Constraint

Read together, Mexico and China show that the binding constraint on multilateral fentanyl governance is rarely a gap in formal legal authority. Mexico has statutory authority to prosecute precursor trafficking; China has administrative authority to regulate chemical exports and an anti-money-laundering (AML) framework nominally aligned with FATF standards. What both states lack, for different reasons (institutional weakness in one case, an apparent absence of political will in the other), is the operational capacity or incentive to exercise that authority at the scale and speed synthetic-drug markets require. This is the deepest sense in which the treaty-reform question examined in Part IV is somewhat beside the point. A faster scheduling mechanism or a more binding coalition instrument would still depend, for its effectiveness, on domestic institutions that the evidence in this section suggests are not currently equipped, or willing, to implement it.

Table 2: Two failure modes: Mexico and China

Dimension	Mexico	China
Nature of the constraint	Institutional weakness, corruption, and fragmented authority	Capacity not fully exercised, though uneven across the chemical sector; political incentive (a contested characterization)
Principal evidence in this article	State Department findings as summarized by CRS; academic work on fragmented authority	House Select Committee findings; FATF 2019 mutual evaluation
Response to external pressure	Transfers of detainees and financial-intelligence cooperation under heavy pressure	Precursor scheduling and export controls following tariff leverage
Diagnostic test	Central commitments under pressure, but uneven execution across ports and agencies	Rapid change under leverage; strong enforcement in prioritized domains such as domestic content control
Implication for technical assistance	High return to capacity building: customs technology, vetted units, interagency data, anti-corruption controls	Low return to training; reciprocal, verifiable step-for-step commitments with observable deliverables
What pressure leaves untouched	Port-level corruption; customs detection gaps	Underground-banking settlement
Most plausible reform lever	Capacity building; customs and financial-intelligence cooperation	Narrow technical alignment: data integration, data retention, AML linkage

Note: Author's synthesis of Part VII. CRS, Congressional Research Service; FATF, Financial Action Task Force; AML, anti-money-laundering.

The distinction between institutional fragmentation and capacity not fully exercised is only useful if a policymaker can apply it. Three observable tests separate them. The first is responsiveness to external leverage. A state whose constraint is capacity not exercised changes enforcement behavior quickly when the cost of inaction rises, because the instruments already exist; China's completion of precursor scheduling within months of the 2025 tariffs, and its export controls after the Busan meeting, fit that pattern.[21] A fragmented state may commit at the center under the same pressure but struggle to sustain implementation, as Mexico's high-profile detainee transfers alongside persistent port-level failures suggest.[39,40] The second test is variance between central priority and local execution. Where enforcement reliably follows once national leadership prioritizes an issue, the binding constraint lies

upstream of capacity; where it varies by port, state, or agency regardless of central direction, it lies in the institutions themselves. The third is performance in adjacent domains the state does prioritize. China's effective censorship of domestic drug-sales content, set against its weaker policing of export-oriented sales that the Select Committee described, is evidence of capacity applied selectively.[41] Mexico shows no comparable domain in which its customs and financial-intelligence institutions perform consistently against well-resourced criminal adversaries.

These tests are not binary, and Part 7.2 notes evidence that China's capacity is itself uneven across its chemical sector. But they yield different prescriptions for technical assistance. Where the constraint is fragmentation, assistance that builds capacity has a high marginal return: customs detection technology, vetted investigative units, interagency data systems, and anti-corruption controls at points of entry. Where the constraint is capacity not exercised, the same assistance has a low marginal return, because the state already possesses what training would supply. The appropriate design there is reciprocal and verifiable: narrow commitments exchanged step for step, with observable deliverables such as additions to control lists, export-licensing data, or responses to specific requests, and with leverage kept in reserve. A program that treats both cases the same way will either waste resources on a state that does not need them or reward a state that has not yet chosen to act. Table **2** summarizes these criteria.

The distinction also bears on how the FATF mutual-evaluation process, discussed in Part V as one of Treasury's multilateral coordination channels, should be read. China's most recent mutual evaluation, adopted in February 2019 and published in April 2019, rated its framework compliant or largely compliant on a number of technical measures, while rating four of eleven effectiveness outcomes as low, including preventive measures, transparency of legal persons and beneficial ownership, and targeted financial sanctions.[24] Congressional findings describe, at the same time, a laundering economy operating with what investigators characterized as state tolerance. That combination is not necessarily a contradiction: a state can satisfy a technical compliance review built around statutes, supervisory bodies, and reporting requirements while declining to direct enforcement resources against the specific networks a foreign government most wants disrupted. If that reading is correct, it points to a structural limitation in the evaluation approach. Although FATF has scored effectiveness alongside technical compliance since its 2013 methodology,[47] an assessment of a system's overall performance does not measure a state's willingness to activate that architecture against politically inconvenient targets. Part VIII's proposals attempt to work around this limitation rather than solve it, since solving it would require changes to FATF's evaluation methodology beyond what this article can propose.

8. Policy Implications

The proposals that follow are keyed to the diagnostic findings of Parts IV through VII rather than offered as a general reform agenda. Part IV showed that the treaty system schedules too slowly and that soft-law coordination substitutes for treaty reform; 8.1 and 8.3 address that finding, the first by building analytical capacity that feeds the international scheduling process and the second by deepening rather than formalizing the Global Coalition. Part 5.5 identified a specific multilateral gap, the absence of any mechanism for attaching consequences to particular networks; 8.4 proposes a plurilateral answer to it. Part VII found that capacity and incentive, not legal authority, bind Mexico and China in different ways; 8.2 applies the resulting distinction to China, where functional alignment is more realistic than legal convergence. Each proposal is therefore aimed at the international coordination problem the article identifies as central, even where its first step is domestic.

8.1. Institutionalizing Rapid Analogue Governance

Domestically, the HALT Fentanyl Act, passed by the U.S. Congress and signed into law in July 2025, has closed part of the gap between chemical innovation and legal classification by permanently placing fentanyl-related substances in Schedule I as a class, so that new analogues sharing the core structure are controlled without substance-by-substance review.[48] Class-wide scheduling does not, however, reach precursor substitutes or structurally distinct synthetic opioids such as the nitazenes that China began controlling in July 2025,[21] and it has no international counterpart. The remaining gap is a design problem, not merely a resourcing problem. Congress should treat it as such by establishing an interdisciplinary federal analogue-review body to monitor emerging

fentanyl analogues and precursor substitutes continuously. Structured as an anticipatory governance institution rather than a reactive scheduling committee, such a body could integrate scientific expertise with the financial-intelligence and supply-chain data Treasury already collects, informing both domestic scheduling and U.S. submissions to the CND, and reducing traffickers' ability to treat scheduling delay as a predictable business input.

The body's value would lie less in domestic scheduling, which the HALT Fentanyl Act has largely settled for fentanyl-related substances, than in its international outputs. It could assemble evidence to support U.S. notifications under Article 12 of the 1988 Convention, propose candidate chemicals for the INCB's limited international special surveillance list of non-scheduled substances, and contribute early-warning data to the Early Warning Advisory on new psychoactive substances maintained by the United Nations Office on Drugs and Crime. Its purpose, in other words, is to shorten the scheduling lag Part 4.1 describes at its international source, by presenting the CND with assessed evidence sooner, not to substitute a domestic process for an international one.

8.2. Functional Alignment Short of Legal Convergence with China

Given the political-will constraint identified in Part 7.2, reform proposals premised on China adopting U.S.-style criminal enforcement against precursor exporters are unlikely to succeed and are not the most productive target regardless. A more realistic path runs through functional alignment on narrower technical questions. Closer integration of data across China's National Narcotics Control Commission, customs authorities, and the People's Bank of China would improve detection of precursor diversion without any change to how violations are prosecuted. Enhanced data-retention standards for platforms facilitating precursor transactions would ease evidentiary friction without requiring changes to China's broader data-localization posture. Explicit linkage between narcotics proceeds and China's existing FATF-aligned AML framework could reduce regulatory arbitrage without requiring extradition cooperation or criminal-law harmonization. None of these steps requires China to accept the legal-jurisdictional framework that U.S. extraterritorial prosecution assumes; each addresses a narrower point of technical friction that is more tractable than wholesale legal convergence.

The feasibility of these steps depends on distinguishing data integration within China from data sharing with the United States, because Chinese law treats them very differently. Integration across the National Narcotics Control Commission, customs, and the People's Bank of China is a domestic administrative question, and it aligns with Beijing's own priorities: domestic drug control, and the enforcement of the foreign-exchange controls that mirror-swap networks evade. FATF has also described China's financial-intelligence function as decentralized among the China Anti-Money Laundering Monitoring and Analysis Center, the Bank's Anti-Money Laundering Bureau, and its provincial branches, so integration would address a recognized weakness of China's own system.[24] The revised Anti-Money Laundering Law, in force since January 2025, broadens predicate offenses beyond the earlier seven categories and includes a chapter on international cooperation, which gives such integration a firmer statutory footing.[49]

Sharing with foreign authorities faces harder constraints. The Data Security Law and the Personal Information Protection Law bar the provision of data stored in China to foreign judicial or law-enforcement bodies without approval from the competent Chinese authorities, and the International Criminal Judicial Assistance Law requires similar approval before assistance or evidence is provided for foreign criminal proceedings.[50–52] Case-level data will therefore move, if at all, only through government-to-government channels and with case-by-case approval. A realistic design accepts this. China would integrate data internally and share outputs rather than raw records: typologies, aggregate indicators of precursor diversion, and responses to specific requests through existing channels such as the 2015 memorandum of understanding between FinCEN and the China Anti-Money Laundering Monitoring and Analysis Center and the bilateral Counternarcotics Working Group launched in January 2024.[53,54] The political constraint remains. Part 7.2 showed that Chinese cooperation tracks the wider bilateral relationship, and the Supreme Court's decision in *Learning Resources* removed the tariff lever that helped produce the 2025 commitments.[46] Functional alignment therefore depends on finding other forms of reciprocity, which is a further reason to keep the asks narrow.

This is a deliberately modest proposal, and its modesty is the point. If the binding constraint on Chinese cooperation is political rather than technical, a reform agenda built around asking for more (criminal-law

harmonization, extradition cooperation, prosecutorial coordination against CMLO facilitators) asks for exactly the concessions that the Select Committee's findings suggest Beijing has the least incentive to grant. A narrower agenda focused on data-sharing protocols and AML-framework linkage does not resolve the underlying tolerance the Committee describes, but it does not depend on resolving it either. It aims at the technical margins where functional cooperation remains plausible even absent a change in the political calculus. China's 2025 precursor-control commitments, examined in Part 7.2, are consistent with this approach: they were narrow, technical, and export-focused, and they were obtained without any change to China's criminal-law posture.[21]

8.3. Reinforcing the Coalition Model Rather Than Treaty Reform

Because the Global Coalition's non-binding character is what enables its speed (Part 4.3), reform efforts should generally reinforce rather than formalize that model. Converting the Coalition into a binding treaty instrument would reintroduce the ratification and consensus burdens that already constrain the CND scheduling process, trading away the flexibility that is the Coalition's central comparative advantage. The more productive reform target is deepening its technical-cooperation mechanisms (shared financial-intelligence infrastructure, harmonized beneficial-ownership standards, and common postal and express-shipment data requirements) in ways that narrow the state-capacity gap identified in Part VII without requiring the states least willing to accept binding obligations to sign one.

8.4. Plurilateral Coordination of Network-Level Designations

Part 5.5 showed that the existing multilateral architecture can assemble intelligence and pressure jurisdictions but cannot attach consequences to specific networks. The most plausible way to close that gap without a new treaty is plurilateral: coordinated autonomous designations by a small group of jurisdictions whose currencies, clearing systems, and financial centers carry most international settlement. Participating governments would designate the same targets under their own law, at the same time, on a shared evidentiary basis. For fentanyl finance, such an arrangement could be anchored in the Global Coalition's existing working structure, use Egmont channels to exchange the underlying financial intelligence with the consent its principles require, and draw on FATF typology work to prioritize targets. It would not require China's or Mexico's participation to function, though Mexico's UIF, already a partner in the May 2026 action, would be a natural early participant. Its advantages over unilateral designation are durability and reach. A network designated in several major financial jurisdictions at once loses more of its access and reconstitutes less easily, and the legitimacy of the action no longer rests on a single government's authority. Its cost is speed: coordination among several governments will be slower than Treasury acting alone. That is the tradeoff a genuinely multilateral version of the Treasury model would have to accept.

9. Conclusion

The May 2026 Sinaloa sanctions did not close a treaty gap or resolve a jurisdictional dispute. They demonstrated, in a single sanctions action, that neither the UN scheduling system nor any binding multilateral instrument was positioned to respond to a cash-to-crypto laundering pipeline at the speed the threat required. That is the structural condition this article has traced: a treaty architecture built for agricultural commodities, straining against a chemically modular production system; a soft-law coalition substituting for treaty reform that a consensus process cannot deliver fast enough; and two states, Mexico and China, whose institutional capacity, for different and non-interchangeable reasons, cannot currently absorb whatever additional legal authority a reformed treaty regime might confer.

None of this counsels abandoning multilateral cooperation. It counsels precision about what kind of cooperation is available. Functional, narrowly scoped technical alignment on data integration, retention standards, and AML linkage asks less of China's political will than criminal-law convergence does and is correspondingly more likely to be realized. A reinforced, still non-binding Coalition model asks less of the treaty-ratification process than formal reform does. The Treasury-centered, sanctions-first architecture examined here is not a substitute for multilateral governance, and this article does not argue that it should be. It fills one identifiable gap, the absence of any multilateral means of attaching consequences to specific networks, at real cost to procedural protection, legitimacy, and continuity. A plurilateral model of coordinated designations (Part 8.4) is the most plausible way to share that

function while the treaty system and two of the world's most consequential precursor and settlement jurisdictions catch up, if they ever fully do.

That last qualification is not rhetorical. Nothing in the analysis guarantees that China's calculus on underground-banking tolerance will change, or that Mexico's institutional problems will resolve on any predictable timeline. A realistic account of multilateral fentanyl governance has to hold two things at once. The unilateral, Treasury-centered model will likely remain the primary operative instrument for the foreseeable future, precisely because it does not depend on either state's cooperation to function; and that same independence is what limits it to disruption rather than resolution. A network sanctioned in May 2026 can be rebuilt under new names, run by different couriers, using the same cash-to-crypto architecture, and probably will be for as long as the underlying institutional gaps persist. Multilateral reform on the modest, functional terms proposed here is what would change that trajectory. Absent it, the pattern traced in this article is likely to repeat.

Declaration of AI Use

During preparation of this manuscript, the author used an AI assistant (Claude, Anthropic) to support structural editing, drafting, reference formatting, and the location of public sources. The author reviewed and verified all text and every reference against the original sources and takes full responsibility for the content of the manuscript. No AI tool is listed as an author, and no AI-generated image or data appears in the manuscript.

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The author declares no conflict of interest.

Data Availability Statement

No new datasets were generated or analyzed for this study. All sources are publicly available documents, listed in the References.

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