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**THESIS**

**ANALYSIS OF TALIBAN REVENUE AND THE IMPORTANCE  
OF THE OPIUM TRADE TO THE INSURGENCY**

by

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March 2011

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OPIUM TRADE TO THE INSURGENCY**

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## **ABSTRACT**

The current Taliban insurgency in Afghanistan has multiple funding sources. The importance of the opium production and smuggling has been touted as essential to the continuation of the Taliban insurgency in today's media. This thesis aims to understand the true value of the opium trade to the Taliban and to explore alternative revenues sources for the Taliban both inside and from outside of Afghanistan and whether the opium trade is essential to sustain the current level of activity by the insurgency. The problem that the coalition faces is not as one-dimensional as is portrayed in the media when it comes to financially crippling the Taliban insurgency. It is also important to break down the complex situation the population in Afghanistan faces and how this contributes to the growth of the opium production. Understanding the tribal, agricultural and governmental factors helps to determine the true nature of the opium trade. Media sources often equate the Taliban and the essential link to the opium trade, coercion of the populous and opium revenue as critical factors for the success of the Taliban. The Taliban have had a mixed history in their tolerance of opium production and poppy cultivation. During their control of 95 percent of Afghanistan from 1996 through 2001, they moved from tolerating poppy cultivation to imposing a complete ban. After the coalition invasion and the Taliban resurgence as an insurgency they have encouraged poppy cultivation in the areas they exert control over. However, the revenue from the opium is not the only revenue source, and the other revenue sources are quite significant and surprising. In addition the history of Afghanistan is rife with examples of the nature of funding for warfare, which need to be understood as a cultural norm. Ultimately this thesis aims to demonstrate that the focus of coalition efforts to interdict opium trafficking should not be their main focus, rather only the successful training and implementation of local competent security forces will affect the funding revenue from both narcotics and the myriad of other illicit sources.

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## **LIST OF ACRONYMS AND ABBREVIATIONS**

ACSOR	Afghan Center for Socio-Economic and Opinion Research
AHF	Al-Haramain Foundation
ANA	Afghan National Army
ANP	Afghan National Police
ANSF	Afghan National Security Forces
ANSO	Afghan NGO Safety Office
ATFC	Afghan Threat Finance Cell
BBC	British Broadcasting Corporation
BCCI	Bank of Credit and Commerce International
CENTO	Central Treaty Organization
CIA	Central Intelligence Agency
CTC	Counterterrorism Center CTC
DEA	Drug Enforcement Agency
FATF	Financial Action Task Force
HRV	Helmand River Valley
HVA	Helmand Valley Authority
ICA	International Cooperation Administration
IED	Improvised Explosive Device
INCB	International Narcotics Control Board
ISAF	International Security Assistance Force
ISI	Inter-Services Intelligence Agency
MKA	Morrison-Knudsen Afghanistan
NATO	North American Treaty Organization
NGO	Non-Governmental Organization
UNODC	United Nations Office on Drugs and Crime
U.S.	United States of America
U.S.S.R.	Union of Soviet Socialist Republics
U.K.	United Kingdom
USDA	United States Department of Agriculture
UNOCHA	United Nations Office for Coordination of Humanitarian Affairs

U.N. United Nations  
UAE United Arab Emirates  
USAID United States Agency for International Development

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## I. INTRODUCTION

We need to redouble our efforts to combat the financial support networks of al Qaeda and the Taliban. A financially weakened al Qaeda is less capable of sending fighters into Afghanistan, training operatives to strike American and allied interests overseas, and organizing to attack us here at home. Likewise, a financially weakened Taliban will be a less capable fighting force, more vulnerable to ISAF military maneuvers, and less able to threaten the stability of the Afghan government.<sup>1</sup>

### A. PREFACE – WHY DOES MONEY MATTER

Since the U.S.-led invasion of Afghanistan in September 2001, the narcotics industry has boomed, fuel largely by the lack of governmental control of the country and the desires of the insurgents, warlords and a population simply trying to survive.<sup>2</sup> As the opium industry emerged during the struggle against the Taliban, NATO and the media were quick to link the rise in opium production to the funding of the Taliban as an essential part of the success of the insurgency. One example is Gretchen Peters in her book, *Seeds of Terror* written in 2009, “the insurgency is exploding precisely because the opium trade is booming,” however, she goes on to show that the Taliban force the population to grow set quotas, making the poppy cultivation not just tolerated but forced, critically linking the opium revenues to the successes of the Taliban.<sup>3</sup> It was about this time the U.S. government began to look more deeply into the idea the opium trade in Afghanistan was not the critical sole revenue source for the Taliban, rather one piece of a complex financing network.

There has been a recent shift in opinion both in the U.S. government and media towards the realization the insurgency was not wholly dependant on the narco-trafficking profits. The main problem I have identified is the efforts to financially disrupt the insurgency have been focused on disruption of the narco-trafficking. An example of the

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<sup>1</sup> David S. Cohen, "Treasury Official on Terrorist Finance in Afghanistan, Pakistan" (Washington D.C.: U.S. Department of the Treasury, January 28, 2010).

<sup>2</sup> UNODC, UNODC predicts stable opium crop in Afghanistan , February 10, 2010, <http://www.unodc.org/unodc/en/frontpage/2010/February/unodc-predicts-stable-opium-crop-in-afghanistan.html> (accessed February 10, 2010).

<sup>3</sup> Gretchen Peters, *Seeds of Terror* (New York, NY: St. Martin's Press, 2009), 4–6.

linking of U.S. policy to defeat the Taliban and interdicting the macro-trafficking is seen in news articles as recent as 2010, and the following example is discussing the aftermath of the successful capture of a key node in the Taliban narcotics trade in central Helmand province, “The hope now is for the United States to persuade the locals to change their crops from poppies—grown to produce opium for the Taliban's drug trade—and instead grow crops like wheat, which can help them survive and provide income as well.”<sup>4</sup> Even this overt message for the desire of the West to persuade the population of Afghanistan to curtail a lucrative means of supporting their families may be ill-informed as the Taliban have also developed revenues from licit crops, and easily so given the lack of security.

If success is measured by the amount of persons killed (or not) on the battlefield, than the U.S. must focus on interdicting the revenue sources and criminal networks that feed the insurgency by providing funds, materiel, and opportunities for the Taliban to continue the fight. Ultimately, without abundant funding the Taliban will falter and be forced to relinquish sovereignty to the Afghan government.

## **B. PURPOSE**

It has been nine years since Operation Enduring Freedom began and the situation for the troops on the ground is worse than any other year. The amount of insurgent attacks has increased year over year, and now the amount of coalition troops is at an all time high for Afghanistan. For the U.S. the war is estimated to cost \$8.6 billion per month, or \$102.8 billion per year, or \$282 million per day, all based on the current level of 98,000 U.S. troops.<sup>5</sup> These figures are tied almost exactly to the troop levels in Afghanistan; for every 1,000 troops the cost is roughly \$1 billion per year. Estimates of the insurgent funding puts their yearly financing at the maximum of \$1 billion and as low as \$400 million. The exact number of insurgent fighters is impossible to know, and does fluctuate throughout the year, however, there are some estimates from coalition forces of

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<sup>4</sup> Matiullah Mati, *Afghan president visits city at center of anti-Taliban push*, March 7, 2010, [http://articles.cnn.com/2010-03-07/world/afghanistan.main\\_1\\_baghlan-province-taliban-afghan-government?\\_s=PM:WORLD](http://articles.cnn.com/2010-03-07/world/afghanistan.main_1_baghlan-province-taliban-afghan-government?_s=PM:WORLD) (accessed March 7, 2010).

<sup>5</sup> Amy Belasco, *The Cost of Iraq, Afghanistan and Other Global War on Terror Operations Since 9/11*, Report for Congress, Congressional Research Service (Washington D.C.: CRS, 2010).

25,000 to 36,000 active fighters.<sup>6</sup> Comparisons of the effort of the insurgency to the efforts of the U.S. portion of the coalition lead to a few questions.

This thesis answers the following questions. How will interdicting the narco-trafficking affect the ability of the insurgency? If the narcotics trade is truly vital to the insurgency then it must provide a significant portion of the revenue. This leads to the next question; is the insurgency capable of sustainment without opium revenues? Without the most publically touted revenue source, will the insurgency have to adapt or sue for peace? In order to get the answer to these questions, the ultimate question becomes; what is the monetary requirement of the insurgency, and can it even be disrupted to a point of effectiveness? Should the narcotics trade be disrupted within Afghanistan, in this author's opinion, best done at the farm-gate level, the next issue is the collateral impact. Thus an important question arises when being mindful of the complexities of starving the insurgency of funding while maintaining the livelihoods of the Afghan farmers; how will certain anti-criminal efforts influence our efforts in relation to the peaceful population of Afghanistan?

### **C. IMPORTANCE**

Multiple works have studied the origins of the Taliban and their rise to dominance in Afghanistan through the 1990s. Equally so numerous works have detailed the relationship of the Taliban and the opium trade during their time as the Afghan regime as well as their apparent ideological shift from non tolerance to accepting the opium industry in order to reconstitute themselves after their defeat in 2001. While this is indeed important, what has been not fully uncovered is the full extent to which the insurgency in Afghanistan relies on alternative revenue sources, which after some analysis is potentially a larger revenue stream than opium. This of course does not mean the insurgency would want to abandon opium proceeds, nor the networks the opium traffickers provide access to, which is important for moving illicit goods, both in out of Afghanistan. Richard Barrett is quoted as stating, "They are involved on a local level in anything that makes

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<sup>6</sup> Jerome Starkey, "Major-General Richard Barrons puts Taleban fighter numbers at 36,000," *The Times*, March 3, 2010.

money,” he said. “They don’t choose drugs over something else. They just choose what is there.”<sup>7</sup> This study does not attempt to cover the genealogy of the insurgency nor the dynamics of the criminal networks operating within Afghanistan, the focus remains the quantifying of revenue and identifying possible coalition and Afghan security force strategies to remove the funding from underneath the insurgency and (consequently) criminal networks.

This thesis is aimed at understanding a critical resource, money, without which the insurgency would begin to lose cohesion and effectiveness. Ultimately the goal of the United States and its NATO partners in Afghanistan is to successfully defeat the Taliban, support the local government by ensuring effective security and governance in all parts of Afghanistan, and be able to withdraw the bulk of the military forces present there within the politically allotted timeframes.

The U.S. authorities need to make the interdiction of funding to the insurgency a high priority in order to affect the ability of the insurgency to continue. Historically, the United States has been less than enthusiastic to support efforts in Afghanistan, beginning after World War Two. Only when the impact of Soviet expansion presented itself did the United States decide to increase its involvement in Afghan affairs. Immediately after the United States’ policy objectives were achieved against the Soviets in the 1980s, the United States once again had little interest in Afghanistan.<sup>8</sup> Only through protracted direct engagement in Afghanistan has the United States come to realize the necessity of understanding the cultural norms and regional dynamics that make this a difficult part of the world to operate in from a Western perspective.

The telling factor of the success of the insurgency will be the state of Afghanistan at the end of the publically stated withdrawal date of 2014, by which time the Afghan security forces are expected to prevent the resurgence of the Taliban. The power of the insurgency will be determine by its continued ability to muster forces and resources,

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<sup>7</sup> Catherine Collins and Ashraf Ali, *Financing the Taliban*, April 19, 2010, [http://www.newamerica.net/publications/policy/financing\\_the\\_taliban#\\_ednref2](http://www.newamerica.net/publications/policy/financing_the_taliban#_ednref2) (accessed September 22, 2010).

<sup>8</sup> Thomas Barfield, *Afghanistan: A Cultural and Political History* (Princeton, New Jersey: Princeton University Press, 2010), 276.

primarily funding from the multiple sources identified in this paper. The opium production in Afghanistan is not inevitable and can be supplanted with licit crops. The Taliban demonstrated this themselves when they banned poppy cultivation from July 2000 until October 2001. The prevention of poppy cultivation is not impossible, rather will require a capable state security apparatus and significant state aid to break farmers out of the debt cycle associated with poppy cultivation. The U.S. must also play a part in assisting the plight of the Afghan farmers. The encouragement of the opium production in order to stave off Soviet expansionism planted the seeds for the current situation and thus the U.S. cannot simply wash its hands of the current social difficulties of crop transition, and to some part resisting the will of oppressive forces.

#### **D. PRIMARY THESIS ARGUMENT**

The ultimate objective of the thesis is to emphasize the insurgency will be successful no matter where or how the Taliban receive funding. Desire from Western countries to curtail the narcotic industry is an obvious start and the success of anti-narcotic campaigns within Afghanistan will be viewed favorably outside of the country. Within Afghanistan, these campaigns will lead to increased hardships on the population and make little to no impact on the success of the insurgency, already seen to be highly adaptive to changing battlefield environments.

The success of curtailing the diverse funding sources for the insurgency will ultimately be measured by the success of the Afghan security institutions, and their ability to enforce the sovereignty of the central Afghan government. In addition, global pressures on food prices could be a saving grace for Afghan farmers looking for viable alternatives to opium cultivation. However, the ever-cyclic nature of prices for goods will keep the potential for opium production within Afghanistan.

#### **E. METHODOLOGY AND SOURCES**

A historical approach looking at the genesis of the opium trade in southern Afghanistan is the approach for Chapter II of this paper. In order to understand the pervasive narcotics conundrum that exists in Afghanistan it is important to understand the

role the U.S. played in its development and why the U.S. must now persist in its commitment to assisting the state security apparatus' to regain their legitimacy and for Afghanistan to be able to exercise its sovereignty.

This study will attempt to research the extent of the narco-trafficking and its ties to the Taliban, the amount of revenue garnered from such activity, and the impact of this activity on the population of Afghanistan. Most critically is quantifying the opium proceeds the Taliban enjoys, and comparing those proceeds to the estimated revenue the insurgency receives from other activities. Formal studies by the United Nations Office on Drugs and Crime (UNODC) will provide much of the data for this section of the study, as the UNODC has consistent reporting yearly since the mid 1990s. In addition media sources and scholarly articles concerning the attitudes of the population will be used to gauge the impact of supplanting opium crops for other licit crops. U.S. government agencies and independent institutions have also provided detailed reports on the situation in Afghanistan, and most refer to the opium trade, although fewer refer directly to the alternative sources of insurgent funding.

The second goal of this study will attempt to compile and quantifying the amount of revenue alternative funding benefits the Taliban, and the potential of such revenue to make up for any reduction from opium, should counter-narcotics efforts begin to make an effect. Media sources, since 2008, have begun to look more directly at alternative revenues for the insurgency in Afghanistan, and these reports from within Afghanistan, when compiled, offer a comprehensive look at the complexities of the insurgency and the dynamic and diverse funding it enjoys. Much of the data for this section of the study is compiled largely from media sources and thus must be extrapolated to assess the true value of such activities to the insurgency. The quantifying of revenue for both opium cultivation and alternative revenues is attempted to bring in a recent data as possible to get the best picture possible. As with any study done in recent history, significant events can change the outcome of the study immediately and significantly after completion. For this study such an example would be the eradication of poppy cultivation through disease,

thus completely ending the opium revenue to the Taliban, something the Western states would not shed a tear over, indeed may have contemplated.<sup>9</sup>

The conclusion will attempt to assess the number of insurgent fighters operating in Afghanistan, and put a price tag on the overall cost to the insurgency as to manpower, weapons and equipment. All of this is to be done to the most current information available. The insurgency, although not monolithic in its structure and cohesion, will not be broken up by region; however, where certain activities are prevalent, the indications are that the insurgent group operating in that area will benefit from these proceeds as opposed to the entire insurgency. A good example would be the opium production in the south, where the Quetta Shura Taliban is the dominant insurgent force.

## **F. ORGANIZATION OF THESIS**

This thesis is an attempt to bring the diverse sources and methodologies of the insurgency funding in Afghanistan into one complete volume. In order to evaluate the impact of Western nation efforts to curtail funding to the insurgency, it is first necessary to look at exactly from where the money comes from, what is needed, and how impacts can be made upon the finances of the insurgency.

Chapter II will cover the U.S. involvement in Afghanistan since 1945. This chapter aims to bring an historical context to the genesis of the opium state in Afghanistan. The overall disinterest of the U.S. toward Afghanistan during the Cold-war period allowed to conditions for the future opium state to mature. During the early years of the Cold-war the U.S. consciously avoided large financial support to the Afghan state fostering failed revitalization projects and planted the seeds of discontent toward the U.S. by the Afghan population. Also the U.S. decided Afghanistan was outside of the necessary states needed to thwart the expansion of the Soviet Union, thus driving Afghanistan to seek military and commercial support from the Soviet Union, allowing the Soviet Union to infiltrate and foster communist ideology amount parties there. Ultimately the U.S. chose to fight a proxy war using the Mujahedeen against the Soviet invasion,

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<sup>9</sup> James Robbins, *West funds anti-opium fungus*, October 1, 2000, <http://news.bbc.co.uk/2/hi/951082.stm> (accessed September 21, 2010).

encouraging the opium trade in order to allow the anti-Soviet militants to fund their operations. After the Soviet Union withdrew and the Cold War ended, the U.S. again looked at Afghanistan as nothing more than a unimportant sideshow. The emphasis of this chapter is to show, at numerous times during the second half of the twentieth century, the U.S. could have fostered a stronger and more involved relationship, curtailing the Soviet influence, and addressing the humanitarian difficulties the country was facing before the scourge of opium production became deep rooted into the necessity of Afghan population survival.

Chapter III looks specifically at the opium production in Afghanistan and what it means to Afghanistan's population and insurgency. For the first few years after the 2001 invasion of Afghanistan the focus of funding to the insurgency was synonymous with the illicit poppy cultivation and opium trafficking. It is important to look at the extent of the opium exports, most importantly at the farm-gate level, basically at the lowest level, where interdiction and alternatives will affect the entire opium network. Also estimates of the funds the insurgents receive from the opium production need to be assessed to understand the impact of the denial of those funds directly derived from opium production and smuggling.

Chapter IV will attempt to address the myriad of alternative revenue sources available to the insurgency throughout Afghanistan. This is a less explored area of funding importance to the insurgency, and significantly more diverse. Racketeering, protection fees, taxes, tolls, ransoms, extortion, underground businesses, remittances, donations, foreign state assistance, bribery, kickbacks, zakat, ushr, foreign state support and other sources of funding feed the insurgency. The diverse nature of the non-drug funding needs to be explored to assess the extent and estimate the financial gains from such activities. Some sources of non-drug financing prove to regional, or tied to specific industries within Afghanistan and can be evaluated to a degree of certainty of what the likely proceeds to the insurgency will be in the future. In addition to understanding the comprehensive list of revenue sources the insurgency enjoys, this chapter will also look at the hawala system and the facilitation this informal banking system brings to the insurgency, plus the difficulties of interdiction upon this network.

Chapter V offers conclusions and identifies the way forward for the government of Afghanistan and the coalition forces fighting there. The size of the insurgency and assessment of the funding necessary to the insurgency is estimated. By understanding the financial needs of the insurgency, the value of attacking funding sources can be put into the context of worthiness. Analyzing the revenues from both the narcotics industry and the alternative sources, there can be a determination of the impact of focusing efforts toward anti-narcotics or focusing efforts in other areas. Also important is the assessment of the actions of the insurgency to adapt its methods of funding should the illicit narcotics funding be taken away. The necessity of the Afghan government to increase its ability to enforce its authority over the entire country is vital to any effort undertaken and must be assessed for its ability to control the criminal activity pervasive throughout Afghanistan.

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## II. U.S. INVOLVEMENT IN AFGHANISTAN SINCE 1945 – GENESIS OF THE OPIUM STATE

### A. INTRODUCTION

Driving throughout the Helmand River valley today, one might get the impression that the poppy fields of Afghanistan have existed for centuries. The population is adept at cultivating, harvesting and processing the opium gum that eventually becomes refined heroin. What is surprising is that this phenomenon has only become as widespread as it appears in the last 35 years, only two generations in Afghanistan having grown up with poppy as their cash crop. How and why did such a socially destructive crop become a mainstay of so many Afghan farmers?

Despite heroin being seen today as a major epidemic in the world, and against which the U.S. is constantly battling, heroin in the south Asian region has been almost exclusively self-contained and a minor problem for the population, for hundreds of years. In 1504, traders talked of the drugs present in Kabul as the caravans travelled through the region.<sup>10</sup> At the end of the colonial era in 1947, the Kingdom of Afghanistan and Pakistan were minor opium producers with small addict populations, according to a British source, “but not to any great extent.”<sup>11</sup>

This chapter explores the United States’ role in the formation of the Afghan opium industry from the end of World War Two until the 1980s, when the Afghan opium trade exploded into epidemic proportions. Throughout the twentieth century there had been little U.S. interest in Afghanistan until the Soviet invasion in 1979 and the subsequent Taliban takeover in the mid 1990s. With the Post 9/11 conflict highlighting the epic proportions of the Afghan opium production, particularly in southern provinces, it is important to understand the genesis of the agriculture in this region.

I will first look at the 1940s through the 1970s, and the U.S. involvement in Afghanistan, or lack thereof, exploring how the U.S. may have created the very beast it

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<sup>10</sup> Martin Ewans, *Afghanistan, A New History* (London, Surrey: Curzon Press, 2002), 19.

<sup>11</sup> Alfred W. McCoy, *The Politics of Heroin* (Chicago, IL: Lawrence Hill Books, 2003), 468.

now knows not how to tame. Then I will look at the 1980s and 1990s, and how the Afghans were able to reap the failures of U.S. involvement prior to the Soviet invasion to create a narco-state rivaled by none.

## **B. U.S. INTEREST IN AFGHANISTAN 1940s, 1950s, 1960s AND 1970s**

In 1919, following the third Anglo-Afghan conflict, Afghanistan gained autonomy over its foreign affairs, Tajik Mohammad Wali Khan travelled to the U.S. for the first official visit.<sup>12</sup> Little came out of this initial visit and would be an indicator for the next 60 years of U.S. interest in Afghanistan. In 1934, a State Department note went out to President Roosevelt suggesting that it might be well “to strengthen the political and economic relations, which Afghanistan had and still has with the high government of the United States”. What exactly the relations were, are unclear and little happened in regard to this note. Not until 1936, did the U.S. ambassador to Iran travel to Afghanistan and obtain a friendship treaty.<sup>13</sup> From 1935 until 1948, Afghanistan had a U.S. Minister Plenipotentiary instead of an official ambassador as it was deemed not important enough. In 1948, a formal U.S. embassy is established in Kabul with Ely E. Palmer the first official ambassador.<sup>14</sup>

At the end of the colonial period, when Great Britain gave up its dominant role in interests in south Asia, the Cold War was beginning to expand outside of the European theater. The colonial empires were being divided up among spheres of influence of the superpowers of the Soviet Union (U.S.S.R.) and the United States of America (U.S.). During this time Afghanistan had found itself in a neutral position, landlocked with little resources or strategic interests to fight over.

### **1. The Helmand River Valley Project**

From the 1930s, Afghanistan had desired to regain economic strength and hired outside assistance to do such. In the 1930s, the Japanese started the Helmand River

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<sup>12</sup> Louis Dupree, *Afghanistan* (Princeton, New Jersey: Princeton University Press, 1978), 445.

<sup>13</sup> Arnold Fletcher, *Afghanistan: Highway of Conquest* (Ithaca, New York: Cornell University Press, 1965), 237.

<sup>14</sup> Fletcher, *Afghanistan: Highway of Conquest*, 244.

project, however, their efforts were limited to managing teams of Afghan workers with little mechanization involved. The Helmand river project was a desire to reconstitute the massive irrigation system along the length of the Helmand river from the base of the Hindu Kush mountains to the border with Iran.<sup>15</sup> It was during the reign of the Mongols the existing irrigation systems had been destroyed and little had been done to reconstruct since 1506.<sup>16</sup> The reengineering of the Helmand river would also have consequences on Afghan-Iranian relations later on, as the Helmand river is one of the few rivers in the world that does not drain to the ocean, rather ends in marshes in the Iranian desert west of Afghanistan.<sup>17</sup>

In 1946, Afghanistan approached an American civil engineering company, Morrison-Knudsen (MKA), who negotiated \$17 million private project to regulate the Helmand and Arghandab rivers, with dams, canals, irrigation and 450km of roads.<sup>18</sup> The idea was to settle the nomad populations of southern Afghanistan who had been forced to live that way since the Mongols destroyed their pastoralist livelihood.

Although MKA negotiated the project privately, Afghanistan could not pay for rising costs and the U.S. Import-Export Bank was approached for loan of \$118 million. Of that request only \$21 million was given in 1949, to much resentment in Kabul.<sup>19</sup> There were complications through relying on and not understanding the Afghan workers and too much logistics (U.S. to Afghanistan) drove up costs, the Afghan government was not able to undertake all the projects it desired due to the small U.S. loan.<sup>20</sup> By 1949, the projects were behind schedule, and only by 1951, the Arghandab and 1953, the Kajaki dams being completed. The Kajaki dam was one of the world's first failed dam projects,

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<sup>15</sup> Dupree, *Afghanistan*, 142.

<sup>16</sup> Mary Bradley Watkins, *Afghanistan: Land in Transition* (Princeton, New Jersey: D. Van Nostrand Company, Inc., 1963), 99.

<sup>17</sup> Dupree, *Afghanistan*, 482.

<sup>18</sup> Watkins, *Afghanistan: Land in Transition*, 99.

<sup>19</sup> Ewans, *Afghanistan, A New History*, 108.

<sup>20</sup> Richard S. Newell, *The Politics of Afghanistan* (Ithaca, New York: Cornell University Press, 1972), 121.

socially, financially and environmentally.<sup>21</sup> MKA did not anticipate difficulties and only managed to achieve only 170,000 acres, a third of expected, of irrigation by 1959, when their tenure ended.<sup>22</sup>

The Afghan government created the Helmand Valley Authority (HVA) to give the Morrison-Knudsen company control of all the engineering requirements in 1952. In accordance with the Truman doctrine of economic support to poor countries, Point Four Program (named after the fourth foreign policy point in his inaugural address) assistance was sent to Helmand in 1952, to help get things moving. The International Cooperative Administration (future AID) entered in 1953, and attempt to navigate the touchy situation trying to re-educate the population on agricultural practices highlighting the fact the old Afghan methods of farming do not damage the land as American machines do.<sup>23</sup> However, the U.S. failure to successfully live up to its obligation, although originally a private enterprise had already put a stain on America in the heads of the Afghans.<sup>24</sup>

During the HVA stage two phase, 1953–1963, MKA indirectly help bring working class skills to a large portion of the Afghan population that were unseen before. This is an often overlooked benefit of the American engineering firm operating in Afghanistan and controlling the project on behalf of the government.<sup>25</sup> However, this is of little consolation to the thousands of Afghans affected by the failed American engineering attempts. Directly though, MKA nor ICA prepared for the task at hand of training Afghan technicians to take over the project, machine operators, or 4,000 other positions outside local knowhow.<sup>26</sup>

What also turned out to be not so helpful was the lack of education for the new settlers on the irrigated land. Afghans could not distinguish between the Point Four contractors, who were there to ‘advise’, not ‘do’, and the MKA engineers, who were

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<sup>21</sup> Ewans, *Afghanistan, A New History*, 109.

<sup>22</sup> Dupree, *Afghanistan*, 483.

<sup>23</sup> Watkins, *Afghanistan: Land in Transition*, 100.

<sup>24</sup> Dupree, *Afghanistan*, 485.

<sup>25</sup> Dupree, *Afghanistan*, 499.

<sup>26</sup> Watkins, *Afghanistan: Land in Transition*, 102.

there to 'do', not 'advise'.<sup>27</sup> The existing crop yields in the Helmand river basin were reduced by approximately half during the 1960s as both new and established farmers failed to understand the necessities of water management. Afghans not accustomed to the water availability put too much onto the soil and caused the water tables to rise and caused soil salinization. Arable land became fallow for years do to this mismanagement.<sup>28</sup>

In addition the MKA failed to perform initial ground assessment during the 1940s, at the beginning of the project, which would have determined agricultural suitability for much of the land. As settlers began to move onto the land, the soil was not supportive of agriculture and by 1967, most of the 1,300 families had left due to poor conditions, in greater poverty than before.<sup>29</sup> Of those families that were settled was a mix of ethnic groups from around Afghanistan, of which some groups did stay in southern Afghanistan and are seen in isolated pockets in this region today!

Henry Byroade, in January 1959, became American Ambassador to Afghanistan. He helped to get the loan of a team of United States Bureau of Reclamation technical advisors, some from the Columbia River Basin project, which had similar problems to those of the Helmand River Valley. In February 1960, an agreement to use the team of reclamation personnel was signed between the Afghan and U.S. governments. Through 1961–1962, many projects went ahead with planning, however, ended up stagnant due to American-style bureaucracy, Afghan inward looking society, and lack of decision making by all, impeding implementation.<sup>30</sup>

In total between 1950 and 1971, the U.S. allocated the HVA \$79.2 in grants and \$59.3 in loans. In addition \$10.6 million in grants for agriculture to Afghanistan in general. Plus, under PL 480, the U.S. Food Aid Program for countries undergoing economic development, \$136.8 million in grants and loans in the form of wheat and corn

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<sup>27</sup> Donald Wilbur, *Afghanistan* (New Haven, Connecticut: HRAF Press, 1962), 241.

<sup>28</sup> Wilbur, *Afghanistan*, 240.

<sup>29</sup> Harvey H. Smith, *Area Handbook for Afghanistan* (Edited by Fourth Edition. Washington D.C., Washington D.C.: The American University, 1973), 123.

<sup>30</sup> Dupree, *Afghanistan*, 506.

was given to Afghans.<sup>31</sup> Where the development of a self-sufficient Afghan agricultural sector failed, the U.S. could substitute with imported foodstuffs.

Why was the HRV so important at this stage in the Afghan-U.S. relations? Four fifths of Afghanistan is desert (a country three times larger than UK) yet four fifths of the population makes a living off of agriculture,<sup>32</sup> thus the successful agricultural development would have signaled honest intent in the well being of Afghanistan. As Barnett Rubin noted, farmers were growing multitudes of wheat, cotton and maize. The Afghan farmer could make a good profit from his crops and feed his family, earning somewhat more than the semi-professionals in the cities.<sup>33</sup> Thus by supporting and encouraging more agriculture, more of the population would have been better off and would have had improved opinions of U.S. projects.

However, as Griffiths notes later, “The Americans did not feel Afghanistan was ready for industrialization, so they confined their aid to the HRV and other agricultural products and education and, because of wholly understandable preoccupations elsewhere, paid scant and spasmodic attention to Afghanistan.”<sup>34</sup> Less well connected to the HRV is the resignation of Shah Mahmud in 1953, U.S. failure to live up to development projects, may have played a role in the public opinion against the Shah and ultimately led to his downfall.<sup>35</sup>

## **2. Other Aid and U.S. Involvement**

Serious attempts to bring a formal relationship between Afghanistan and the U.S. began in 1944, as the first attempt for military aid was sought by Afghanistan.<sup>36</sup> The U.S. was again approached by Afghanistan for military aid in 1948, with the next attempt

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<sup>31</sup> Dupree, *Afghanistan*, 631.

<sup>32</sup> John C. Griffiths, *Afghanistan: Key to a Continent* (Boulder, Colorado: Westview Press, 1981), 120.

<sup>33</sup> Barnett R. Rubin, *The Fragmentation of Afghanistan* (Grand Rapids, Michigan: Yale University, 1995), 22.

<sup>34</sup> Griffiths, *Afghanistan: Key to a Continent*, 143.

<sup>35</sup> Newell, *The Politics of Afghanistan*, 66.

<sup>36</sup> Hafizullah Emadi, *State, Revolution and Superpowers in Afghanistan* (New York, New York: Praeger Publishers, 1990), 31.

occurring during a visit by Shah Mahmud in 1951.<sup>37</sup> All these chances were squandered opportunities to solidify the entire south Asian region against communist incursions. As will be highlighted, these rebuttles forced Afghanistan to turn to the Soviet Union for military aid. In the early days, there was still confidence in American altruism, which Afghanistan displayed by granting a 75 year concession to the Inland Exploraion Company of New York in 1946 for development of the presumed oil deposits.<sup>38</sup>

U.S. aid followed Soviet aid in increasing amounts as the turf battle for Afghanistan in the Cold War heated up. John Foster Dulles moved into surrounding the Soviets during the Truman Doctrine of the early 1950s, and the Afghans had asked for American intervention if the Soviets were to move into Afghanistan, however, U.S. gave no agreement and the Afghans pragmatically turned to the Soviets for military agreements.<sup>39</sup>

In addition to Military aid, the Soviets were supporting Afghanistan where the U.S. fell short in terms of reconstruction aid. In 1953, Afghanistan made a \$36 million request for street paving in Kabul and agricultural projects. Regrettably the U.S. Import-Export Bank only allocated \$18 million and the street paving was completed by the Soviets, to much appreciation of the regime and population in Kabul. ICA education funding and the Qandahar airport from the U.S. helped to smooth relations with more ICA funding for the delayed agriculture.<sup>40</sup>

In the early 1950s, the U.S. was looking to surround the U.S.S.R. with bomber bases, and southern Afghanistan was chosen as a suitable location. In 1956, ground was broken at the Qandahar airport, and \$15 million dollars later in 1962, an obsolete airfield in the modern jet age was completed. A somewhat positive side effect of this defunct project resulted in Ariana airlines, the national airline of Afghanistan. The U.S. wanted to stifle Russian airlines so fostered Ariana airlines.<sup>41</sup> The U.S. had encouraged Pan

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<sup>37</sup> Ewans, *Afghanistan, A New History*, 109.

<sup>38</sup> Fletcher, *Afghanistan: Highway of Conquest*, 245.

<sup>39</sup> Dupree, *Afghanistan*, 509–511.

<sup>40</sup> Watkins, *Afghanistan: Land in Transition*, 103.

<sup>41</sup> Dupree, *Afghanistan*, 513.

American to hold a 49 percent stake in Ariana Airlines, in order to stimulate the airline.<sup>42</sup> In addition the U.S. began programs encouraging education, including scholar exchanges programs and U.S. universities sponsoring studies at Afghan institutions. In 1952, the Afghan School of Agriculture received aid and American staff.<sup>43</sup> Also the U.S. State Department sent 14 university professors to Afghanistan with good success. Most went to the Hababia college in Kabul, some additional went to work in Qandahar.<sup>44</sup>

Of course while this goodwill effort was taking place, the U.S. was solidifying its international relations attempting to form a ring of U.S. friendly nations willing to stand up to Soviet aggression. In 1955, the U.S. organized CENTO (Central Treaty Organization), known as the Baghdad Pact involved Turkey, Iraq, Iran, Pakistan and Great Britain.<sup>45</sup> John Foster Dulles, the U.S. Secretary of State under President Eisenhower formed the ‘Northern Tier states’ where Iran, Iraq, Pakistan, and Turkey were most important to U.S. interests in south Asia.<sup>46</sup> The U.S. did not consider protection of the Asia sub-continent a priority, already having treaties with the ‘Northern Tier states’, to the defense of the Middle East.<sup>47</sup> In 1955, at the same time loans to Pakistan and Iran were guaranteed by the U.S., just preceding the \$100 million loan to Afghanistan from Russia.<sup>48</sup>

The U.S. and its regional allies accepted Afghanistan’s Soviet tilt during the monarchy as an unavoidable consequence of its landlocked, vulnerable position.<sup>49</sup> The Soviets guaranteed the sale of Afghanistan’s fruit crops during the Pashtunistan issues of the 1950s. Had the U.S. been on friendlier and more aggressive economic terms, they could have influenced the agricultural sector more by curtailing Soviet moves to garner

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<sup>42</sup> Watkins, *Afghanistan: Land in Transition*, 115.

<sup>43</sup> Wilbur, *Afghanistan*, 87.

<sup>44</sup> Fletcher, *Afghanistan: Highway of Conquest*, 244.

<sup>45</sup> Watkins, *Afghanistan: Land in Transition*, 94.

<sup>46</sup> Jeffrey J. Roberts, *The Origins of Conflict in Afghanistan* (Westport, Connecticut: Praeger Publishing, 2003), 148.

<sup>47</sup> Roberts, *The Origins of Conflict in Afghanistan*, 155.

<sup>48</sup> Watkins, *Afghanistan: Land in Transition*, 95.

<sup>49</sup> Diego Cordovez and Selig S. Harrison, *Out of Afghanistan: The Inside Story of the Soviet Withdrawal* (New York, New York: Oxford University Press, 1995), 15.

favors.<sup>50</sup> In fact a U.S. trade mission concluded that more trade should be encouraged with Afghanistan based on favourable conditions of necessity for finished goods within Afghanistan.<sup>51</sup> On a side note, in 1958 the U.N. praised Afghanistan for banning opium cultivation. The U.N. urged support for social and economic programs to assist in the opium ban be forthcoming from western nations.<sup>52</sup> However, little evidence from this time indicates any support took place, another lost opportunity to mitigate the opium from Afghanistan.

During the 1950s and 1960s, the U.S. had an awkward position—giving support to Pakistan, a much stronger nation the U.S. required as part of its defense strategy—in which it could not support Afghanistan, due to the rivalry between it and Pakistan, which drove Afghanistan into the hands of the Soviets.<sup>53</sup>

President Eisenhower's visit to Kabul in 1959, signalled improving relations, especially as the Soviet attempt to wholly finance the second five year plan was rejected by the Afghans, due to the provision of Soviet advisors in all ministries.<sup>54</sup> U.S. loans for the three five year plans were, \$97.3 million (1957–1961), \$155 million (1963–1967) and \$53.1 million (1968–1972).<sup>55</sup> The five year plans developed the internal economic structures of Afghanistan and were somewhat successful, given the external aid as well.

In total, all U.S. loans and aid between 1949 and 1973, were \$350 million. \$166 million in direct grants, \$111 wheat shipments, \$100 million spent on the HVA, and in 1967, \$12 million for hydroelectric dam projects, plus \$4.6 million for improving 5,000 acres a year in the Helmand River Valley.<sup>56</sup> By the end of the 1960s, Afghanistan had received all of its military aid from the Soviet Union and the U.S. was showing signs of

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<sup>50</sup> Anthony Arnold, *Afghanistan: The Soviet Invasion in Perspective* (Stanford, California: Hoover Institution Press, 1981), 36.

<sup>51</sup> Emadi, *State, Revolution and Superpowers in Afghanistan*, 54.

<sup>52</sup> Smith, *Area Handbook for Afghanistan*, 230.

<sup>53</sup> Newell, *The Politics of Afghanistan*, 68.

<sup>54</sup> Arnold, *Afghanistan: The Soviet Invasion in Perspective*, 40.

<sup>55</sup> Emadi, *State, Revolution and Superpowers in Afghanistan*, 54.

<sup>56</sup> Smith, *Area Handbook for Afghanistan*, 348.

complete disinterest in Afghanistan as a whole. What little of an opium trade that existed was completely utilized by Iranian addicts and little was seen of this activity in the south of the country.

### **3. The 1970s**

At the beginning of the 1970s, the U.S. looks to have lost the struggle for dominance in Afghanistan against the Soviet Union, however, this appeared to be of little consequence with domestic and economic stability. Formally the U.S. had some interests, yet as with many countries at the time they seem to be Cold War rhetoric as opposed to actual desires.

The British always saw Afghanistan as key to its strategy in the southern Asian region. In contrast, even at the height of the Cold War the United States never considered Afghanistan to be within its politico-strategic definition of “the Free World.” It was eventually deemed worthy of major expenditures of U.S. economic assistance (1960s) in the competition with the Soviet Union for influence in the ‘Third World.’ But by the 1970s, in the wake of the debacle of U.S. policy in Vietnam, even this limited interest declined.<sup>57</sup>

U.S. interests in 1969, were; 1) The preservation of Afghanistan’s independence and territorial integrity; 2) The creation of a viable political and economic system, responsive through evolutionary change to the needs and desires of the people; 3) The prevention of Soviet influence in the country from becoming so strong that Afghanistan would lose it’s freedom of action and; 4) The improvement of Afghanistan’s ties with Pakistan and Iran.<sup>58</sup> All these sound well and good but by 1971 the truth seems to have come out, “For the United States, Afghanistan has the present limited direct interest; it is not an important trading partner; it is not an access route for U.S. trade with others; it is not presently as far as known a source of oil or scarce strategic metals nor does it appear likely that it will become so; there are no treaty ties or defense commitments; and

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<sup>57</sup> Ralph H. Magnus and Eden Naby, *Afghanistan: Mullah, Marx and Mujahid* (Boulder , Colorado: Westview Press, 1998), 59.

<sup>58</sup> Henry S. Bradsher, *Afghanistan and the Soviet Union* (Durham, North Carolina: Duke University Press, 1985), 51.

Afghanistan does not provide U.S. with significant defense, intelligence or scientific facilities.”<sup>59</sup> In 1972, the message became even clearer, “Afghanistan was a minor element in our policy toward central-south Asia.” As the Soviets in 1975/76, began to hold back on aid and supplies to Afghanistan, the U.S. failed to present any counter-measures and further diminished it’s economic and military commitments in the area. The view at the time was that the Soviets had won the New Great Game.<sup>60</sup> The same message was repeated until 1978.<sup>61</sup> It seems as if Afghanistan became completely irrelevant to the strategic posture of the U.S.. The U.S. military reached the conclusion that Afghanistan was too distant to be defensible by U.S. action should the Soviets repeat their aggression they encouraged in Korea and Vietnam.<sup>62</sup>

Even at the the very end of the 1970s, the U.S. still perceived little threat in Afghanistan, “Amin had little public backing and the Carter administration did not see Afghanistan as one of Soviet expansionism. The U.S. tried to explore the possibility for a less contentious relationship with Afghanistan, the country was not a high priority in the American thinking. Concern was for Persian Gulf, Afghanistan would come later.”<sup>63</sup>

The lack of interest is obvious in a 1978 congressional hearing, where Deputy Assistant Secretary of State for Near Eastern and South Asian Affairs, Adolf Dubs describes the situation in Afghanistan as follows, “Internally, the political situation in Afghanistan is stable. President Daoud remains very much in control and faces no significant opposition.”<sup>64</sup> America was very much neo-isolationist post Vietnam, and lack of domestic enthusiasm for foreign involvement exasperated this. Intelligence could

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<sup>59</sup> Bradsher, *Afghanistan and the Soviet Union*, 51.

<sup>60</sup> Griffiths, *Afghanistan: Key to a Continent*, 156.

<sup>61</sup> Bradsher, *Afghanistan and the Soviet Union*, 52.

<sup>62</sup> Magnus and Naby, *Afghanistan: Mullah, Marx and Mujahid*, 104.

<sup>63</sup> Bradsher, *Afghanistan and the Soviet Union*, 123.

<sup>64</sup> Alexander Alexiev, *The United States and the War in Afghanistan* (Rand Paper, The RAND Corporation, Santa Monica: The RAND Corporation, 1988, 20), 3.

or should have been sent to Daoud before he was overthrown in 1978, however, there was little else the U.S. could have done, given the degree of uninvolved involvement in Afghanistan since the early 1970s.<sup>65</sup>

Diversions in the late 1970s played some role in the U.S. disinterest. In 1979, the U.S. was preoccupied with events going on in Iran and the Khomeini regime,<sup>66</sup> and the U.S. ambassador, Adolph Dubs, was killed in 1979 by police attempting his rescue, after being kidnapped by Islamists. The U.S. did not deploy any more ambassadors until 2002, and cut all aid until a formal apology was issued by the Afghan government however, the Soviet invasion came first and no further aid was received from the U.S. in the 1970s.<sup>67</sup>

Throughout the 1970s, aid dwindled to insignificant amounts due to the Vietnam predisposition. Focus ended for the Afghans to develop wheat and corn. Plus a two year drought hit Afghanistan in 1971/72 which forced many to move from farming altogether.<sup>68</sup> This is something the successful Helmand River Valley initiatives could have helped alleviate had they been properly funded and managed during the 1950s and 1960s.

Not all was doom and gloom for Afghanistan. What development that was successful, through aid in the 1960s meant that in the 1970s, Afghanistan exported more raisins than California, mostly from Helmand in the southwest, using the United States supported HRV irrigation system, which was also to come in useful later when opium poppies emerged as the cash crop in this region.<sup>69</sup>

To highlight the dearth of aid during the 1970s, U.S. foreign aid to Afghanistan in 1975 amounted to \$15 million! This U.S. neglect coincided with two diametrically

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<sup>65</sup> Arnold, *Afghanistan: The Soviet Invasion in Perspective*, 101.

<sup>66</sup> M. Hassan Kakar, *Afghanistan: The Soviet Invasion and the Afghan Response, 1979–1982* (Berkeley, California: University of California Press, 1995), 45.

<sup>67</sup> Kakar, *Afghanistan: The Soviet Invasion and the Afghan Response, 1979–1982*, 56.

<sup>68</sup> Stephen Tanner, *Afghanistan* (Philadelphia, PA: Da Capo Press, 2009), 229.

<sup>69</sup> David Loyn, *In Afghanistan: Two Hundred Years of British, Russian and American Occupation* (New York, New York : Palgrave MacMillan, 2009), 146.

opposed political trends in Afghanistan that could have been influenced in a direction congenial to U.S. interests by a strong presence and an active policy.<sup>70</sup> The U.S. assumption that the country had no role in the U.S. Cold War strategy underscores why the U.S. chose not to involve itself more in Afghan affairs.

A potential source of foreign affairs discord not only between Afghanistan and two of its neighbors, Iran and Pakistan, but also with Western European countries and the United States was the smuggling of opium and hashish. There was a presumption of government officials' involvement with the drug trade, however, little was being done to address this. It is estimated that only 100 tons of opium, with one author noting the opium in the north, was of high quality,<sup>71</sup> per year were being produced for regional demand and one to two tons of hashish per month were trafficked to Europe and U.S.. Pressure to curb this increased in the early 1970s.<sup>72</sup>

Until the late 1970s, tribal farmers in the highlands of Afghanistan and Pakistan had grown limited quantities of opium and sold it to the merchant caravans bound west for Iran and east to India. The south Asian opium market up to that point was self contained.<sup>73</sup> Iran consumed all of Afghanistans opium production at the time, a total of 100 tons, feeding the registered heroin addicts the Shah tolerated, despite U.N. disapproval.<sup>74</sup> Afghanistan's irrelevance on the global stage was about to be seriously upset, and U.S. action and inaction up to the late 1970s in Afghanistan, were about to come home to roost.

### **C. 1980s – ANTI-SOVIET OR ANTI-OPIUM**

After a severe crackdown by the U.S. in the 1970s against the South American drug production and smuggling, the Southeast Asian markets (Laos, Thailand, Burma, Vietnam) picked up the slack. The Golden Triangle, as this area was known, was in the

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<sup>70</sup> Alexiev, *The United States and the War in Afghanistan*, 2.

<sup>71</sup> Smith, *Area Handbook for Afghanistan*, 275.

<sup>72</sup> Smith, *Area Handbook for Afghanistan*, xvii.

<sup>73</sup> McCoy, *The Politics of Heroin*, 466.

<sup>74</sup> McCoy, *The Politics of Heroin*, 469.

mid 1970s, hit by a severe two year drought and increased U.S. interdiction efforts which reduced its opium production from 700 tons to 160 tons in 1978. Heroin production in Afghanistan and Pakistan began to take off with the increased demand. By 1982, central Asia produced 1600 tons.<sup>75</sup>

Dr. Musto, the Carter administration White House advisor on drugs, in December 1979, argued that as the arms shipment were going to support the opium growers in Afghanistan, “Shouldn’t the U.S. at least try to avoid what happened in Laos? Shouldn’t the U.S. attempt to pay the opium growers to eradicate their opium production?” His arguments fell on deaf ears.<sup>76</sup> In fact this is not the last time this would be suggested nor attempted. In the mean time the mujahideen commanders were beginning to utilize their newfound CIA support and international ties to the global heroin market.

In 1980, the U.S. declared that “any attempt by an outside force to gain control of the Persian Gulf region will be expelled by any means, including military force.” The Carter Doctrine as it came to be known internationalized the Soviet invasion of Afghanistan.<sup>77</sup> At the same time President Carter indicated U.S. intent “to help Pakistan defend its independence and its national security against the seriously increased threat it now faces from the north.”<sup>78</sup> Simultaneous opium trafficking was simply an ignored consequence of the Cold War in Afghanistan. The trucks that carried the CIA bought weapons to the border regions to supply the mujahideen returned carrying heroin to ship to the international market. The CIA support network was being used to move drugs.<sup>79</sup> Despite the implications of the CIA in the drug trade, the CIA’s role in the heroin traffic was an inadvertent consequence of its Cold War tactics.<sup>80</sup> The West was blamed for the upsurge in heroin and drugs in Pakistan as money from the Western Governments flowed

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<sup>75</sup> McCoy, *The Politics of Heroin*, 398.

<sup>76</sup> McCoy, *The Politics of Heroin*, 461.

<sup>77</sup> Rasul Bakhsh Rais, *War Without Winners: Afghanistan's Uncertain Transition After the Cold War* (Karachi: Oxford University Press, 1994), 10.

<sup>78</sup> Riaz M. Kahn, *Untying the Afghan Knot: Negotiating Soviet Withdrawal* (Durham, North Carolina: Duke University Press, 1991), 21.

<sup>79</sup> McCoy, *The Politics of Heroin*, 479.

<sup>80</sup> McCoy, *The Politics of Heroin*, 15–16.

into the region.<sup>81</sup> Without the backing of the CIA, the Pakistani Intelligence Service would not have been such a significant narcotics support network during the 1980s. As with Afghanistan during the 1960s, Pakistan accounted for 100 tons of heroin during this time.<sup>82</sup> The U.S. also made an effort to conceal the extent of the drugs by issuing a stream of deflated reports on the severity of the opium trade to maintain the support of the Pakistani intelligence to the Afghan struggle.<sup>83</sup> A financial money laundering front, the Bank of Credit and Commerce (BCCI), was used as a go between for Peshawar, Washington, Switzerland and Hong Kong. Within a year of initiating U.S. support for the war, Afghan heroin began flooding the global market through Pakistan.<sup>84</sup>

As early as 1979, Ismatullah Muslim led his tribe into the resistance and conducted smuggling of arms and drugs between Qandahar and Quetta.<sup>85</sup> In the 1980s, Harakat commander Mullah Nasim Akhundzada became a powerful warlord in Helmand Valley based primarily on his control of the opium production.<sup>86</sup> The Helmand River Valley project was beginning to show global potential for agricultural products, just not the kind the DEA or USDA would have preferred.

As the mujahideen captured prime agricultural areas inside Afghanistan, the guerillas ordered peasant supporters to grow poppies, doubling the country's opium harvest to 575 tons between 1982 and 1983.<sup>87</sup> Sale of cash crops to external markets could substitute for access to external political networks. The opium mullahs of Helmand developed a financial base for despotic warlordism.<sup>88</sup> U.S. government estimate stated that heroin from the Afghanistan-Pakistan border region accounted for 51 percent of the

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<sup>81</sup> Cordovez and Harrison, *Out of Afghanistan: The Inside Story of the Soviet Withdrawal*, 274.

<sup>82</sup> Michael Griffin, *Reaping The Whirlwind* (Sterling, VA: Pluto Press, 2001), 145.

<sup>83</sup> Griffin, *Reaping The Whirlwind*, 146.

<sup>84</sup> Paul Fitzgerald and Elizabeth Gould, *Invisible History: Afghanistan's Untold Story* (San Francisco, CA: City Lights Books, 2009), 200.

<sup>85</sup> Rubin, *The Fragmentation of Afghanistan*, 159.

<sup>86</sup> Rubin, *The Fragmentation of Afghanistan*, 213.

<sup>87</sup> McCoy, *The Politics of Heroin*, 479.

<sup>88</sup> Rubin, *The Fragmentation of Afghanistan*, 226.

U.S. supply in 1984.<sup>89</sup> During the war the Soviets employed a scorched earth policy and a quarter of farmers reported destruction of irrigation systems by 1985.<sup>90</sup> The inevitable outcome was the supplanting of regular crops by the now ubiquitous poppy crops which grew in much more harsh conditions. No efforts were shown during the Soviet occupation to actually reduce the production, dependence, trafficking or internal consequences of opium, and the practice of growing poppy would become second nature to the farmers throughout Afghanistan.

#### **D. 1989–96, FEW U.S. OPTIONS DURING INTRASTATE TURMOIL**

A decidedly small number of mujahideen commanders had actively promoted poppy cultivation during the war, but as U.S. funding tapered off following the Soviet withdrawal and refugees returned to claim their land, opium production and export finally became systematic.<sup>91</sup> What ‘decidedly small’ meant was subjective, however, with the threat of the Soviet Union removed and the U.S. funding cut off, the restless mujahideen needed to maintain their established fiefdoms and poppy cultivation guaranteed this, especially given the international networks the druglords now enjoyed. Yet the lawlessness in Afghanistan was the perfect scenario for well-armed mujahideen groups to fight wars for control of the opium. In addition to the U.S. streamlining the opium trade in Afghanistan, the Pakistani networks were also exposed. Pakistan cracked down on the opium networks in 1993 and drove them into the lawless districts of Afghanistan, another CIA legacy exposed.

After the Soviet withdrawal the U.S. decided to stop all aid and not assist in rebuilding the country. The Afghans viewed the U.S. as responsible for the destruction of their country.<sup>92</sup> A popular Afghan sentiment is that the drug trade in Afghanistan has a long history, of which Washington has conveniently publicly become aware only during

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<sup>89</sup> Cordovez and Harrison, *Out of Afghanistan: The Inside Story of the Soviet Withdrawal*, 161.

<sup>90</sup> Rubin, *The Fragmentation of Afghanistan*, 227.

<sup>91</sup> Griffin, *Reaping The Whirlwind*, 146.

<sup>92</sup> Cary Gladstone, *Afghanistan: History, Issues, Bibliography* (Huntington, New York: Novinka Books, 2001), 7.

the late 1980s, with the de-escalation of the Soviet confrontation.<sup>93</sup> This implied the complicity of the U.S. during the war but disinterest with the fallout afterward.

Warlord rivalries following the collapse of the Russian occupation forced heavy-handed treatments of the population in order to exploit the most lucrative export, heroin.<sup>94</sup> The U.S. attempts to intervene during this time out of a selfish anti-Soviet mentality and disregard for the population of Afghanistan is best summed up by President Carter's national security advisor, Zbigniew Brzezinski, "What was most important...? The Taliban or the collapse of the Soviet Union? Some stirred up Moslems (sic) or the liberation of Central Europe and the end of the Cold War?"<sup>95</sup> This emphasized that the focus of efforts was Cold War orientated and how deal with the opium problem following the Soviet withdrawal was of little concern.

The U.S. ambassador to Pakistan, Robert Oakley, did manage to secure a deal in 1989 with Mullah Nasim Akhundzada, to suppress opium production in Helmand, the epicenter of opium production, for \$2 million in 'aid'. What a steal, however, Nasim was assassinated and his brother took over, which killed the deal. Nasim did have the ban in place for a short while tripling the price of opium.<sup>96</sup> Ghulum Rasul, Nasim's brother, ordered the peasants to resume full opium production due to the U.S. stance of no negotiation with drug traffickers. He was still willing to reduce opium production if substitutes were found, however, no deal ever went through.<sup>97</sup> The opium growing, heroin refining, and smuggling supported an age old tradition of becoming a 'Khan', which meant being in autonomous control of a portion of the country, and it was alive and well in Afghanistan.<sup>98</sup>

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<sup>93</sup> Magnus & Naby, *Afghanistan: Mullah, Marx and Mujahid*, 263.

<sup>94</sup> McCoy, *The Politics of Heroin*, 484–486.

<sup>95</sup> McCoy, *The Politics of Heroin*, 486.

<sup>96</sup> Griffin, *Reaping The Whirlwind*, 149.

<sup>97</sup> Rubin, *The Fragmentation of Afghanistan*, 264.

<sup>98</sup> Rubin, *The Fragmentation of Afghanistan*, 183.

Requests made in 1994, to aid in the humanitarian crisis during the mujahideen warring, found the U.S. unwilling to help do to “budgetary constraints.”<sup>99</sup> However, the U.S. didn’t completely cut off aid to the Afghan people, aid was provided through neutral channels. UNOCHA, United Nations Office for the Coordination of Humanitarian Assistance in Afghanistan, funnelled \$512 million to Afghanistan from primarily U.S. and Japanese sources.<sup>100</sup>

Ultimately, the Taliban gained control and demanded recognition in exchange for the eradication of drugs. By this time estimates put 3,000 tons of opium being produced in 1996. The U.S. chose not to take the deal in order to maintain its human rights stance.<sup>101</sup> This led to the continued growth of the international drug trade originating within Afghanistan, as well as the continued human rights abuses against the Afghan population. The U.S. failed to curtail any of the nefarious activities of the Taliban regime. The opium trade from Afghanistan since 1996 has only become progressively larger with only a one year ban in 2000–2001.

## **E. CONCLUSION**

The problems we are facing today with the illicit drug trade originating in Afghanistan is as much to blame on the social economic factors that have plagued that country for the last 30 years as on the involvement and disinterest the U.S. paid Afghanistan during vital times of development and recovery. The U.S. attitude towards Afghanistan in the 1950s and 1960s is one of overall confusion, not fully understanding it’s strategic role in the years to come, and ignorance as to the potential threat the country might become if left to stagnate.

If efforts in the 1950s–1960s were lackluster, then efforts in the 1970s can only be described as paltry with almost complete disregard, even on the verge of Soviet aggression. The fresh memories of Vietnam both frightened the U.S. into inaction, as well as fermented desires to force the Soviet Union into the same situation, only to ignore

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<sup>99</sup> Magnus & Naby, *Afghanistan: Mullah, Marx and Mujahid*, 174.

<sup>100</sup> Gladstone, *Afghanistan: History, Issues, Bibliography*, 9.

<sup>101</sup> Griffin, *Reaping The Whirlwind*, 155.

the realities of a regional conflict on the internationalization of criminal narcotics networks. The Cold War trumped all notions of having to fight future conflicts in which the enemy was near invisible, and with funds that were coming out of U.S. pockets.

In the 1980s, efforts towards Afghanistan were centered on fighting the Soviets and using the Afghans to die for our cause at any price. The explosion of the opium trade and the conversion of the Helmand river valley into the opium factory for the world were inconsequential, due to the ideological struggle against the Soviet Union. Even U.S. attempts to address the opium issue following the conflict were empty gestures, due to the complete irrelevance of Afghanistan in the post Cold War era. As before, the U.S. became quickly distracted by events in other parts of the world and Afghanistan was left to fester in post-conflict turmoil.

William Kerr Fraser-Tytler (British Minister to Afghanistan, 1935–41) makes an eerily easily applicable statement to any time in either the 1950s, 1960s, 1980s or 2000s, “To anyone with any pre-war knowledge of Afghanistan there is a familiar ring about all of this, and I cannot help wondering, not for the first time, how the labours of all these various foreigners are commensurate with the costs of maintaining them in so remote a country.”<sup>102</sup> He was referring to the period of the early 1950s, when he wrote his book. This is undoubtedly a statement those driving the current efforts in Afghanistan need to reflect on.

I shall leave the reader with one of the most ironic statements the U.S. put out shortly after the Soviets withdrew, “It should be made clear that the U.S. has no intention of supplanting the U.S.S.R. in terms of trying to manage the country.”<sup>103</sup> Only 13 years later the U.S. would find itself assuming exactly that role.

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<sup>102</sup> William Kerr Fraser-Tytler, *Afghanistan: A Study of Political Developments in Central and Southern Asia* (London: Oxford University Press, 1953), 305.

<sup>103</sup> Arnold, *Afghanistan: The Soviet Invasion in Perspective*, 107.

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### **III. OPIUM – WHAT IT MEANS TO AFGHANISTAN’S POPULATION AND TO THE INSURGENCY**

#### **A. THE OPIUM TRADE – SOCIAL FACTORS VS. TERROR WEAPON**

Michael Ross makes a compelling argument that sums up much of the factors Afghanistan offers to a civil war scenario,

A state where the rule of law is weak might be unable to attract investment in its manufacturing sector, and hence would depend more heavily on resource exports; this state might also face a heightened risk of civil war through a different process. The result could be a statistically significant correlation between resource dependence and civil war, even though neither factor would cause the other.<sup>104</sup>

Ross continues to surmise that the ‘lootability’ of a natural resource, timber, diamond, drug crops, etc., will not start a civil war; however, it will increase the duration of the civil war once it has begun. He also states that natural resources are those that cannot be produced, but exist in a fixed geographic location. In the case of Afghanistan, the ‘lootable’ resources are almost every export Afghanistan provides. Agricultural products, opium, timber, minerals all have fixed geographic boundaries in which they can be ‘manufactured,’ but more importantly, the ties to the international trade are vital for these industries and lie in the porous borders with all surrounding countries. In addition, the weak state security apparatus allows the movement of the ‘lootable’ resources.

Looking at the media and governmental reports, there is an initial impression that the opium trade is the only significant factor for fueling the insurgency; however, looking deeper there lie many other sources of revenue readily available. This chapter will cover some of the media and government reports on the opium trade, highlighting some of the facts and figures. In addition, the opinions of the population, and the mood of those growing opium, are also gauged to assess the question as to whether opium is a product of necessity in order to sustain an Afghan existence, or the product of the business end of a Kalashnikov for the greed of profiteers within a weak state.

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<sup>104</sup> Michael L. Ross, "How Do Natural Resources Influence Civil War? Evidence from Thirteen Cases," *International Organization* 58, no. 1 (Winter 2004): 35–67.

## 1. The Farmers

In 2010, the NATO and Afghan forces took the agricultural area surrounding the town of Marjah by force, in an attempt to interdict a large node of the opium industry in southern Afghanistan. The following statements capture the popular sentiment summing up the connection of the Taliban to opium, “The Marjah region has long been a bastion of pro-Taliban sentiment and is where the Taliban had set up a shadow government. It is a key area in Afghanistan’s heroin trade and full of the opium used to fund the insurgency.”<sup>105</sup> This had indeed been the case for an area central to the Helmand River Valley project that was geographically isolated from the town of Lashkar Gah to the east and the desert to the north, south and west. The Taliban had indeed been able to exert control over this area and maximize its agricultural improvements during the 1960s to their advantage. Following years of neglect by the NATO forces, “Marjah, a small town in a farming district some 380 miles southwest of Kabul, became a strategic target because it is a key supply hub for the opium poppy crop and shelters Taliban.”<sup>106</sup> Indeed, the Helmand River cuts straight through, north to south, central Helmand and turns to the west in southern Helmand flowing into Iran. This ribbon of water has created a network of roads from the major poppy cultivating areas to the north toward the borders of Pakistan and Iran.

As an isolated case, this implies that much of Afghanistan would look the same, especially where the insurgency is the strongest. Moving from a district level in Helmand province to the province itself, the picture of opium in Afghanistan does not look any better. “Helmand is the world's largest producer of opium, the main ingredient in the production of heroin, and Afghanistan accounts for more than 90 percent of the world's opium supply. Some of the proceeds from this multibillion-dollar trade go to fund the

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<sup>105</sup> Matiullah Mati, *Afghan president visits city at center of anti-Taliban push*, March 7, 2010, [http://articles.cnn.com/2010-03-07/world/afghanistan.main\\_1\\_baghlan-province-taliban-afghan-government?\\_s=PM:WORLD](http://articles.cnn.com/2010-03-07/world/afghanistan.main_1_baghlan-province-taliban-afghan-government?_s=PM:WORLD) (accessed March 7, 2010).

<sup>106</sup> The Associated Press, *Helmand town may be first battle in bigger war.*, January 14, 2010, [http://www.msnbc.msn.com/id/34851573/ns/world\\_news-south\\_and\\_central\\_asia/page/2/](http://www.msnbc.msn.com/id/34851573/ns/world_news-south_and_central_asia/page/2/) (accessed January 14, 2010).

insurgency. Profits also line the pockets of corrupt government officials.”<sup>107</sup> However, this picture of Helmand province is very deceptive; in fact, the situation on the ground is much more minimal than first appears.

The actual agricultural area that is cultivated for opium totals 1.6 percent of the total agricultural land in Afghanistan.<sup>108</sup> This has been consistent for both the 2009 and 2010 growing seasons, implying a combination of factors have now maximized the opium output of Afghanistan. However, the potential remains for this figure to rise, should the price of opium increase due to increased demand, higher farm-gate prices, or alternative licit opiate production shortages in other places in the world. What has also helped is the infiltration into the high poppy-cultivating regions by NATO troops. As seen in a recent press report, the United States is not mistaken as the leader in the push to secure the situation in Afghanistan, “The hope now is for the United States to persuade the locals to change their crops from poppies, grown to produce opium for the Taliban's drug trade, and instead grow crops like wheat, which can help them survive and provide income as well.”<sup>109</sup> Again looking at a local district the situation across the whole of Afghanistan for farmers does not look promising, however, it is much less severe than initial press reports would indicate.

Only 280,700 of 4,145,000 households in Afghanistan, or 6 percent of the total households, are involved in poppy cultivation.<sup>110</sup> Of the working population, unlike a society of the U.S. or Europe where 2 percent-3 percent of the workforce is employed in agriculture, 76 percent of the working population of Afghanistan is employed in agriculture. Of the percentage of those employed in agriculture, the amount of households

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<sup>107</sup> The Associated Press, *Helmand town may be first battle in bigger war*, January 14, 2010, [http://www.msnbc.msn.com/id/34851573/ns/world\\_news-south\\_and\\_central\\_asia/page/2/](http://www.msnbc.msn.com/id/34851573/ns/world_news-south_and_central_asia/page/2/) (accessed January 14, 2010).

<sup>108</sup> UNODC, *Afghanistan Opium Survey 2010*, Survey, Office on Drugs and Crime, United Nations (Vienna: UNODC, 2011).

<sup>109</sup> The Associated Press, *Helmand town may be first battle in bigger war*.

<sup>110</sup> UNODC, *Afghanistan Opium Survey 2010*.

involved in poppy cultivation still only reaches 9 percent.<sup>111</sup> Thus the facts prove that although Afghanistan provided 66 percent of global poppy cultivation in 2010 the agricultural population does not universally embrace it.

The Senlis Council report from 2007, which contains over 40 interviews with an assortment of the Afghan population, has the major recurring theme of the unemployed population joining the insurgency out of financial necessity and lack of alternative opportunities.<sup>112</sup> According to the Afghan Center for Socio-Economic and Opinion Research (ACSOR) based in Kabul only four percent of Afghan adults responding in 2010 deemed poppy cultivation/drug trade as the ‘biggest problem’ in Afghanistan. The number one problem Afghans stated was unemployment and lack of jobs, followed by insecurity. 31 percent of responders to the survey also stated that opium was acceptable if no alternatives were available with which to make a living. The survey also shows that 11 percent of those surveyed believed drug traffickers were the ‘biggest danger’ to Afghanistan, only second after the 69 percent who viewed the Taliban as the biggest threat.<sup>113</sup>

The poppy farmers have large economic incentives for cultivating poppy and harvesting the opium. In 2010, the total farm-gate proceeds were estimated at \$605 million, with the average for household that cultivating poppy at \$2433. This exceeds the net income from the cultivation of wheat by 4:1, a lucrative crop at current prices.<sup>114</sup> In 2007, this was not the case, which makes it understandable as to why the poppy is not more of a ubiquitous crop. “In 2007, a farmer could expect returns of about \$320 per acre of wheat and \$640 for an acre of poppy. But by this spring, the return on an acre of wheat had risen to \$840 per acre, while poppy had fallen to \$400 an acre.”<sup>115</sup> The global food price increases the world has seen over the last several years hold the potential to even

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<sup>111</sup> CIA World Factbook.

<sup>112</sup> The Senlis Council, *Countering the Insurgency in Afghanistan: Losing Friends and Making Enemies*, Policy Report (London: MF Publishing, 2007), 200.

<sup>113</sup> *Afghan Center for Socio-Economic and Opinion Research (ACSOR) Survey*, (Kabul, 2009).

<sup>114</sup> UNODC, *Afghanistan Opium Survey 2010*.

<sup>115</sup> Foreign Policy, *The Poppy Trade*, August 12, 2008, [http://www.foreignpolicy.com/articles/2008/08/12/the\\_poppy\\_trade](http://www.foreignpolicy.com/articles/2008/08/12/the_poppy_trade) (accessed August 16, 2010).

the ratio of opium to wheat cultivation, and will naturally supplant the poppy as a cash crop due to simple economics. According to a U.N. Office on Drugs and Crime report released in September, the value of Afghan opium skyrocketed from \$29 per pound in 2009 to \$77 per pound in 2010, fueling fears that production levels will soon follow upward. Although the amount of land devoted to growing poppies has remained the same over the past year—about 304,000 acres—the number of families producing the crop has grown. In all, more than 1.5 million Afghans depend on the sale of drugs for their livelihoods.<sup>116</sup> Along with some of the economic incentives for the farmers, there does come some coercive elements as well, “the Pajhwok News Agency reported on October 30, 2005 that farmers in the Khan Nishin District in Helmand province were being forced by the Taliban to cultivate poppies under threat of death,” and, “there are also regular reports of cooperation between political insurgents and profit-driven criminal groups. One example is their collusion to throw small farmers off their land or to indenture them under debts and threats in order to maintain opium production.”<sup>117</sup> However, this may well be isolated to those areas insecure enough, the farmers feel they have no alternative, but to comply with the insurgent or criminal network demands.

David Mansfield gives a very detailed year to year account of the motivations of the population involved in the opium trade, and explores the financing systems that sustain the poppy cultivation, as well as the socio-economic traps that the Afghan farmers fall into when dealing with the narco-traffickers. In a report from July 2008, David Mansfield describes several factors the farmers throughout Afghanistan take into account when growing their crops. The first factor he noted was the preponderance of farmers to grow licit crops following the eradication of poppy crops the year before. He also noted that farmers were more inclined to grow poppy where the insecurity was highest, which is where the road taxes were excessive when moving produce from farms to district centers. His paper also alludes to the fact that, of those areas where the farmers do not travel with their goods, the criminal networks will collect the opium harvest directly from

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<sup>116</sup> UNODC, *Afghanistan Opium Survey 2010 Summary Findings*, Survey, Office on Drugs and Crime, United Nations (Vienna: UNODC, 2010).

<sup>117</sup> Hayder Mili, “Afghanistan’s Drug Trade and How it Funds Taliban Operations,” *Terrorism Monitor* 5 (May 10, 2007).

the farm-gate, which leads to a distinct relationship where the farmers understand the importance of the crop and have to do little in order to move the fruits of their labor. The road taxes, Mansfield notes, were mainly thought to be a product of the corrupt government as opposed to the insurgency. This report also highlights the ten percent ushr, or Islamic tithe, the farmers give with the insurgents receiving 5 percent and the village mullahs receiving the other half.<sup>118</sup> This would indicate the efficiency in collecting the ushr, by simply concentrating on the village mullahs. Also, this highlights the mullahs role as the dominant figure within the rural life of the Pashtun population, as opposed to the historical leaders being the village elders.<sup>119</sup>

During 2010, an unrecognized fungus was found to be sapping the yields of the poppy crops throughout Afghanistan. The reduced yields expected in early 2010, pushed the price of farm-gate opium up along with the more refined dry opium. This gave some good insight into the financial dynamics between the insurgents, farmers, and traffickers, “Farmers suggest that the amount of opium the Taliban insurgents collected last year was worth nearly \$3 million in the local market. The insurgents are likely to pocket hundreds of millions of dollars because a price increase will multiply the value of their opium stockpile.”<sup>120</sup> As the UNODC documents stated in 2010, the farmers as a whole receive approximately one half of the net proceeds, compared to the insurgents and traffickers moving the opium out of the country. This was a sharp improvement from 2009, when the ratio was 1:5 in the traffickers’ favor, much to do with the global price not rising in kind with the price paid for the reduced yields in Afghanistan at the farm-gate.<sup>121</sup> The most obvious impact of this shift is the amount of revenue the insurgency can generate, acting as the middleman for the narcotics trade. Another less obvious revelation from

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<sup>118</sup> David Mansfield, "Responding to Risk and Uncertainty: Understanding the Nature of Change in the Rural Livelihoods of Opium Poppy Growing Households in the 2007/08 Growing Season," Report for the Afghan Drugs Inter Departmental Unit of the UK Government (2008).

<sup>119</sup> Thomas H. Johnson and M. Chris Mason, "All Counterinsurgency Is Local," *The Atlantic*, October 2008.

<sup>120</sup> Abubakar Siddique Mohammad Elyas Dae, *As Afghan Opium Blight Spreads, Farmers' Lives Wilt*, May 18, 2010, [http://www.rferl.org/content/As\\_Afghan\\_Opium\\_Blight\\_Spreads\\_Farmers\\_Lives\\_Wilt/2046022.html](http://www.rferl.org/content/As_Afghan_Opium_Blight_Spreads_Farmers_Lives_Wilt/2046022.html) (accessed May 18, 2010). BBC World News, *Fungus hits Afghan opium poppies*, May 13, 2010, <http://news.bbc.co.uk/2/hi/8679203.stm> (accessed May 13, 2010).

<sup>121</sup> UNODC, *Afghanistan Opium Survey 2010*.

these figures is the strength of the farmers, understanding that the reduced yields will create a higher demand for their product and financially capitalizing on this fact.

A significant factor, outside that of the financial needs of the Afghan farmer, also plays a more sinister part in the nature of the poppy cultivation. The collusion of the die-hard insurgents and the pan-national narco-traffickers has also kept poppy cultivation in Afghanistan at historic levels throughout the 2000s. In 2008, UNODC Executive Director Antonio Maria Costa stated:

The UNODC assessment shows that almost 80 percent of villages with very poor security conditions grew poppy, while opium grows in only 7 percent of villages unaffected by violence. This is further proof of the overlap between high insecurity and high cultivation. The message is clear: in order to further reduce the biggest source of the world's deadliest drug, there must be better security, development, and governance in Afghanistan.<sup>122</sup>

The link between the level of insurgent activity and opium harvesting can only indicate the farmers of Afghanistan are either making rational choices, or are being influenced. For the farmers the question is simple, why not harvest opium to make greater profits while the government cannot establish security or effectively eradicate. Alternatively, the farmers are influenced in their decision to harvest opium through insurgent or criminal coercion. Either way, the lack of effective security is assisting the harvest of opium and keeping Afghanistan number one in the world's producers of opium.

## **2. The Insurgents**

Much of the literature and media attempts to put economic figures on the amount of money the Taliban skims from the opium trade; however, the accounts vary significantly, and there are also questions of funding sources altogether. "Economics, greed, or profit play marginal roles despite a booming annual Afghan poppy industry

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<sup>122</sup> UNODC, *UNODC predicts stable opium crop in Afghanistan*, February 10, 2010, <http://www.unodc.org/unodc/en/frontpage/2010/February/unodc-predicts-stable-opium-crop-in-afghanistan.html> (accessed February 10, 2010).

valued at \$2.6 billion (or 36 percent of the licit gross domestic product) in 2008.”<sup>123</sup> This implies the Taliban are motivated by their religion vs. the successful trafficking in heroin, a tough pill to swallow given the enduring success of the Afghan narcotics trade, the known ties between the Taliban and the narco-traffickers, and the necessity of funding the persistent insurgency. In addition, as the population of Afghanistan themselves feel the poppy cultivation is insignificant compared to the threat of the Taliban or the criminal networks using the opium production for profit.

Looking at a few of the ‘official’ and media assessments of the revenue garnered from the opium trade, one gets the idea of the scale and ambiguity of the opium financing the insurgency collects. “Opium production provides up to 40 percent of the Taliban total financial support.”<sup>124</sup> “The \$3.4 billion opium crop of 7,700 metric tons (2008) produces weapons and supplies for the Taliban. Drug money is a fifth of the gross national product (GNP). Afghanistan produces 93 percent of the global supply of heroin. This criminal trade funnels \$200–400 million into the Taliban and the warlords.”<sup>125</sup>

The United Nations Office on Drugs and Crime reports in 2008, puts the Taliban income at \$200–400 million for the narcotics trade.<sup>126</sup> The report goes on to state, “in Afghanistan, authorities impose a charge (called ushr) on economic activity, traditionally set at 10 percent of income. Opium farming may have generated \$50–\$70 million of such income in 2008. Furthermore, levies imposed on opium processing and trafficking may have raised an additional \$200–\$400 million.”<sup>127</sup> What was not in question among the literature was the fact that, “Opium was funding the insurgency, and, in turn, the insurgency enabled drug cultivation to continue.”<sup>128</sup> The glaring ambiguities lie in the

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<sup>123</sup> Sultan Barakat and Steven Zyck, "Afghanistan's Insurgency and the Viability of a Political Settlement," *Studies in Conflict and Terrorism*, 2010: 193–210. 198.

<sup>124</sup> Mohammad Masoom Stanekzai, *Thwarting Afghanistan's insurgency*, Special Report, United States Institute of Peace (Washington D.C.: United States Institute of Peace, 2008).

<sup>125</sup> Barry R. McCaffrey, *Afghanistan After Action Report*, Memorandum, West Point Military Academy (West Point, 2009).

<sup>126</sup> Walter Kemp, *United Nations Office on Drugs and Crime (UNODC)*, November 27, 2008, <http://www.unodc.org/unodc/en/press/releases/2008-11-27.html> (accessed November 10, 2009).

<sup>127</sup> *Ibid.*

<sup>128</sup> Rani D. Mullen, "Afghanistan in 2008: State Building at the Precipice," *Asian Survey* 49, no. 1 (January/February 2009): 28–38.

different contexts in which the finances of the Taliban are reported. Some report in simple percentages, percent of gross national product, percent of total insurgent funding (which is an educated guess at best and therefore impossible to guess what percent of that the opium is!), and the \$200–\$400 million sum, seemingly derived from the single source, the UNODC.

Looking at Hayder Mili’s article from 2006, which again quotes the UNODC:

The opium yield blossomed in 2006, rising to 6,100 metric tons. This marked a 49 percent increase over 2005, yielding an estimated \$755 million to farmers on the basis of a slightly decreased farm-gate price of \$125 per kilogram of dry opium.<sup>129</sup>

The interesting fact about the figures from 2006, is that the zakat collected in 2006, given the historical ten percent figure, only amounts to \$75 million. Adding the ushr collected directly from the farmers in the form of raw opium, claimed to be ten percent of the crop, the total proceeds for the insurgency is somewhere near \$225 million in 2006. This is demonstrated later as a recurring source of revenue in insurgent controlled areas.

The following excerpt is from an article on the first narco-trafficker extradited to the U.S., which describes the relation of criminal networks to the Taliban from 1996–2001, when the Taliban were the de-facto government in Kabul:

The Organization then arranged for the heroin to be transported from Afghanistan and Pakistan into the United States, including New York City, hidden inside suitcases, clothing, and containers. Once the heroin arrived in the United States, other members of the Organization received the heroin and distributed the drugs. These co-conspirators then arranged for millions of dollars in heroin proceeds to be laundered back to Baz Mohammad and other members of the Organization in Afghanistan and Pakistan. According to the indictment, the Organization was closely aligned with the Taliban in Afghanistan. During the course of the conspiracy, the Organization provided financial support to the Taliban. More specifically, between 1994 and 2000, the Organization collected heroin proceeds in the United States for the Taliban in Afghanistan. In

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<sup>129</sup> Hayder Mili, “Afghanistan’s Drug Trade and How it Funds Taliban Operations.”

exchange for financial support, the Taliban provided the Organization protection for its opium crops, heroin laboratories, drug-transportation routes, and members and associates.<sup>130</sup>

The dynamics of this relationship were set up while the Taliban were in power and attempting to ostensibly broadcast the un-Islamic nature of the entire drug chain. One example of an edict the Taliban released on 10 September 1997:

The State High Commission for Drug Control issued the following declaration through the Taliban's Ministry of Foreign Affairs: "The Islamic State of Afghanistan informs all compatriots that as the use of heroin and hashish is not permitted in Islam, they are reminded once again that they should strictly refrain from growing, using and trading in hashish and heroin. Anyone who violates this order shall be meted out a punishment in line with the lofty Mohammad and Sharia law and shall not be entitled to launch a complaint."<sup>131</sup>

Despite the overt calls for eradication of drug production and use, the Taliban had established and profited from the narco-criminals throughout Afghanistan. These networks most likely did not disappear when the Taliban were forced to relinquish control of the Afghan state. Indeed, this long-standing relationship is common knowledge.<sup>132</sup> In Gretchen Peter's book she attributes the vast majority of the Taliban success since their 2001 defeat to the heroin proceeds in southern Afghanistan, "the insurgency is exploding precisely because the opium trade is booming," however, she goes on to show that the Taliban force the population to grow set quotas, making the poppy cultivation not just tolerated but forced.<sup>133</sup>

Evidence to support Peter's assessment is easily found in the following:

A Western law-enforcement official in Kabul who is tracking Khan says that after a tip-off in May, agents in Pakistan and Afghanistan turned up evidence that Khan is employing a fleet of cargo ships to move Afghan

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<sup>130</sup> Erin Mulvey, *First Heroin Kingpin Ever Extradicted From Afghanistan Pleads Guilty To Smuggling Heroin Into United States*, News Release, United States Drug Enforcement Administration (Washington D.C.: U.S. DEA, 2006).

<sup>131</sup> Dave MacDonald and David Mansfield, "Drugs and Afghanistan," *Drugs: education prevention and Policy* 8, no. 1 (2001): 1-6, 5.

<sup>132</sup> Deepak Lal, "Endangering the War on Terror by the War on Drugs," *World Economics*, 2008: 1-30.

<sup>133</sup> Gretchen Peters, *Seeds of Terror*, 4-6.

heroin out of the Pakistani port of Karachi. The official says that on return trips from the Middle East, at least three vessels brought back arms, such as plastic explosives and antitank mines, which were secretly unloaded in Karachi and shipped to al-Qaeda and Taliban fighters.<sup>134</sup>

This is clear evidence that the relations the Taliban had established during their control of Afghanistan were endearing, given the complacency of the Pakistani ISI and the profit margins associated with a protracted conflict.

Several policy papers stand out, which address the opium market's link to insurgency. Christopher Blanchard (Congressional Research Service) give a detailed account of the opium economy and it's implications for Afghanistan and the region. He goes on to discuss policy options to counter the opium trade.<sup>135</sup> These policies are built on evidence of the disruptive nature of the opium trade to the internal security in Afghanistan, seen in the following reports.

The foreign support to the insurgency is covered in Chapter IV, however, Iranian support to the insurgency in a BBC report creates a good link between the insurgency and the criminal networks, "The disclosure that weapons are still freely flowing across the border follows Afghan army claims that Iranian weapons were recovered from a notorious Taliban and drug trafficker haven in Helmand province."<sup>136</sup> This revelation enhances not only the link between the insurgency and the criminal networks, but also the link between narcotics trafficking and weapons procurement.

Deepak Lal incorporates an extensive history of the opium trade going back a century and uses this as a backdrop to highlight the increasingly dangerous nature of the opium trade in financing terrorism and insecurity. He incorporates economic theory to the opium market and uses world figures for the opium trade to analyse the incomes from the illicit activity. An interesting facet of Mr. Lal's argument is that of legalization in order to

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<sup>134</sup> Tim McGirk, Terrorism's Harvest, August 2, 2004, <http://www.time.com/time/magazine/article/0,9171,1101040809-674777,00.html> (accessed November 9, 2009).

<sup>135</sup> Christopher Blanchard, Afghanistan: Narcotics and U.S. Policy, Congressional, Middle Eastern Affairs, Congressional Research Service (Washington D.C.: CRS, 2009).

<sup>136</sup> Ben Farmer, Iranian weapons getting through to Taliban , June 8, 2009, <http://www.telegraph.co.uk/news/worldnews/asia/afghanistan/5477283/Iranian-weapons-getting-through-to-Taliban.html> (accessed November 9, 2009).

drive the cost of opium consumption into prohibitive territory through steep taxation and tariffs. He argues that setting a globally universal opium price with steep tax rates would lead to a black market maintaining criminal endeavours. He states the ideal economic theory for opium is free market enforced through law and custom to minimize the cost overspillage of cost prohibitive enforcement measures.<sup>137</sup>

The extensive networks moving opium out of Afghanistan extend to every direction from Afghanistan, not really surprising given the 77 percent of global production the country accounts for. “Out of Afghanistan’s total opium production, 21 percent is trafficked northward through Central Asia. Around 31 percent travels directly to Iran, which has suffered considerable human and financial costs in responding to both the direct drug traffic and the substantial opiate shipments arriving via Pakistan.”<sup>138</sup> Almost half of the opium is trafficked to Pakistan for refinement to heroin in the relative safety of the Pakistan border regions. In order for effective interception of these shipments and processing labs the Pakistan authorities need to exercise greater control along the border regions. Pakistan has taken the completely opposite approach to the insurgency, from simple complacency to outright management and all manner of support to the insurgents. Unfortunately, for the coalition efforts in Afghanistan, not to mention the billions of dollars in aid money that is given to Pakistan for its support in the war on terror, the U.S. continues to publically ignore Pakistan’s playing on both teams.

### **3. Mitigation**

Dr. Robert Looney highlights the difficulties of weaning the Afghan population off of the poppy cultivation, which is an impediment to government legitimacy and fuel for the insurgency, through the criminal networks.<sup>139</sup> In fact, after reflecting upon Dr. Looney’s conclusions, the expectation in light of increasing security across Afghanistan, even with the currently (2011) high troop levels, that the criminal networks and insurgent forces would relinquish the lucrative ground gained so far, is fantasy. The 132,000

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<sup>137</sup> Deepak Lal, "Endangering the War on Terror by the War on Drugs."

<sup>138</sup> Hayder Mili, "Afghanistan’s Drug Trade and How it Funds Taliban Operations."

<sup>139</sup> Robert Looney, "Trends: Afghanistan Strung Out," *The Milken Institute Review*, April 2009: 8–15.

foreign coalition troops and the official figure of 250,000 Afghan security forces are severely hampered by the given cost of maintaining a presence in such a remote place on the globe. The best tactic for the opposition forces is to lie low until a reduction in the foreign troop presence allowed an easier resurgence or cooption of the Afghan security forces. The criminal networks and shadow governments could continue to operate where security is weakest, shifting the focal point of the coalition effort until the Western governments are forced to relinquish due to budgetary constraints. The insurgency on the other hand would continue to create and compile revenue for the inevitable weakening of effort by the coalition forces while the criminal networks continued their opium sponsorship in the weaker areas.

The lack of anti-narcotic program immediately following the invasion of Afghanistan inevitably lead the resurgent Taliban to utilize the criminal narco-traffickers to produce revenue and move supplies. The opium, ultimately, is not the issue, but the lack of security throughout the agricultural rural areas where the Taliban were allowed to fully infiltrate. This allowed coercion of the population, and the zakat and ushr to be levied upon the profitable opium crop. Now that the Taliban is established, take away the opium and the insurgents will levy taxes on the licit crops, transportation networks and labor force. The removal of the poppy cultivation will only bring about the demise of the criminal narco-trafficking elements, currently taking advantage of the freedom of action within Afghanistan.

As Deepak Lal emphasizes, the global fight against the plight of opiates is a difficult path to navigate, given the complexity of balancing the costs vs. rewards to a state willing to legalize such a commodity. Indeed, without legalization there is a heavy cost as the reliance to control the illicit drug trade is upon primary source countries to effectively exercise their sovereignty. Unfortunately, this has often fallen to weak states to burden, and ultimately they allow the conditions for illicit crop to remain within their borders. Western governments wishing to contain the illicit drug trade, especially from the origination countries, will push resources into those countries, in hopes of degrading the narcotics flow. Whether the coalition was present in Afghanistan or not, there would

still be a large financial burden in attempting to curtail the opiate trade, just as there has been in the Golden Triangle in Southeast Asia and Colombia in South America.<sup>140</sup>

The January 2010, State Department document concerning the Afghanistan and Pakistan Regional Stabilization Strategy states as one of its main focus points, that the coalition aims to “reduce the funding that the Taliban receives from poppy cultivation.”<sup>141</sup> This statement is subject to misinterpretation by readers who will assume the Taliban relies heavily on the opium trade to continue the insurgency. The next chapter will concentrate on revenue sources to the insurgency apart from the opium trade. These areas have gotten far less media attention, perhaps due to its internal and regional impacts, visé the global impacts of opium and heroin.

#### **4. Conclusion**

The interdiction of the opium trade has paradoxical consequences. Of the 1.5 million Afghans who have financial gain from the poppy cultivation, the eradication would mean an even greater social impact if not properly managed. Conversely, if the opium trade is not curtailed, the narco-traffickers will continue to exploit the farmers of Afghanistan and support the insurgent forces that protect the profitable business. In addition, the mitigation of the insurgent capabilities is the overall goal; yet the cultural understanding with the population and the establishment of control over regions of Afghanistan will be hard to overcome, with or without opium. The insurgents will simply raise revenue from the licit crop trade. The potential revenue of \$400 million or more to the insurgency allows the continuation of the conflict and the continued securing of the opium production centers. What impact the elimination of opium proceeds to the insurgency will have, is evaluated in Chapter IV, along with estimates of the financial burdens of continuing the conflict.

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<sup>140</sup> Martha Mendoza, *AP Impact: U.S. Drug War Has Met None of Its Goals*, May 14, 2010, <http://abcnews.go.com/US/wireStory?id=10642775> (accessed September 21, 2010).

<sup>141</sup> Office of the Special Representative for Afghanistan and Pakistan, *Afghanistan and Pakistan Regional Stabilization Strategy*, Strategy Document, United States Department of State (Washington D.C.: Office of the Special Representative for Afghanistan and Pakistan, 2010).

## IV. ALTERNATIVE REVENUE FOR THE INSURGENCY

### A. ANALYSIS OF REVENUES OTHER THEN ILLICIT DRUGS

Since 2008, understanding the extent of the alternative revenue sources for the insurgency have gained momentum, and in some cases are now considered more important than the opium trafficking proceeds. The alternative funding sources have come under closer scrutiny and have been given a level of appreciation that is commensurate with their revenue generating potentials, with estimates from 60 percent to 80 percent of the total insurgent finances, “Gen. Dan McNeill, commander of the NATO-led International Security Assistance Force (ISAF), “It is my best subjective estimate that the insurgency enjoys fiscal resources from the cultivation of poppy probably to the level of 20 percent to 40 percent of its total fiscal resources,””<sup>142</sup> The estimate given by Gen. McNeill in 2006 seemed isolated during this period of time, despite looking in the right direction. This does not therefore remove the opium trafficking as an important source but does raise questions as to the potential damage to the insurgency should the opium proceeds be diminished. This chapter will look at the various revenue sources in Afghanistan and the potential revenue to the insurgency.

Media sources, such as Eric Schmitt’s New York Times article, ‘Many Sources Feed the Taliban War Chest,’ put facts and figures together and surmize that the total Taliban funding could be well over 500 million dollars annually.<sup>143</sup> However, the breakdown needs to be more carefully understood, in order to enable security forces to find significant mitigation avenues available, both inside and outside of Afghanistan. Gretchen Peters wrote in 2006:

Today, there's raging debate among experts over how much the Taliban leadership depends on heroin for its financing. Some say that donations from wealthy Arabs and financial support from Pakistan make up a larger

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<sup>142</sup> Phillip Smith, *Southwest Asia: Opium Accounts for Maybe Half of Taliban Funding, US Commander Says*, October 26, 2007, [http://stopthedrugwar.org/chronicle/2007/oct/26/southwest\\_asia\\_opium\\_accounts\\_ma](http://stopthedrugwar.org/chronicle/2007/oct/26/southwest_asia_opium_accounts_ma) (accessed October 17, 2009).

<sup>143</sup> Eric Schmitt, *Many Sources Feed Taliban’s War Chest*, October 18, 2009, <http://www.nytimes.com/2009/10/19/world/asia/19taliban.html> (accessed November 10, 2009).

portion of the Taliban's financing than heroin. I don't believe Mullah Omar and his top counsel are involved, but they have clearly allowed [trafficking] to happen," says the Western official.<sup>144</sup>

Apparently, the 'raging' debate did not produce much in the way of recognition of the alternative sources of revenue, nor the substantial capability of those sources. Only since 2008 has this become more of a mainstream idea. This is not hard to understand, given the difficulties of attempting to mitigate just one significant revenue source, opium.

More careful scrutiny of the alternative revenues available, has led to several more detailed looks at this phenomenon, "The Taliban-led insurgency has built a fundraising juggernaut that generates cash from such an array of criminal rackets, donations, taxes, shakedowns and other schemes that U.S. and Afghan officials say it may be impossible to choke off the movement's money supply."<sup>145</sup> Much of this has stemmed from the military placing more emphasis on these alternative revenues, and understanding the difficulties the coalition effort would have in combating the diverse nature of the insurgent financing. In 2009, General McChrystal's Commander's Initial Assessment included the following passage:

The three main insurgent groups require resources, mainly money and manpower. The Quetta Shura Taliban derives funding from the narcotics trade and external donors. The Haqqani Network similarly draws resources principally from Pakistan, Gulf Arab Networks and from close association with Al-Qaeda and other Pakistan based insurgent groups. Hezb-e Islami Gulbuddin seeks control of mineral wealth and smuggling routes in the east.<sup>146</sup>

Appreciation of the extensive funding the Taliban receives led the then U.S. Afghanistan mission commander to state, "Eliminating insurgent access to narco-profits, even if possible, and while disruptive, would not destroy their ability to operate so long

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<sup>144</sup> Gretchen Peters, *Taliban drug trade: Echoes of Colombia*, November 26, 2006, <http://www.csmonitor.com/2006/1121/p04s01-wosc.html> (accessed October 17, 2009).

<sup>145</sup> Craig Whitlock, *Diverse Sources Fund Insurgency In Afghanistan*, September 27, 2009, <http://www.washingtonpost.com/wp-dyn/content/article/2009/09/26/AR2009092602707.html> (accessed September 27, 2009).

<sup>146</sup> Gen. Stanley McChrystal, *Commander's Initial Assessment*, Military (Kabul: Headquarters International Security Assistance Force, 2009), 26, 2–6.

as other funding sources stay intact.”<sup>147</sup> The assessment did not break down the specific methods of financing being utilized by insurgents throughout Afghanistan. While some media sources identify a few of the insurgent revenues:

These other sources range from kidnapping to taking a cut from mining and logging industries to taking a percentage off the top of the multi-billion industry of non-governmental organizations, or NGOs, that operate on the tax dollars of the same coalition countries that are fighting against the Taliban.<sup>148</sup>

This thesis focuses on examining all alternative sources. This paper identifies eight separate revenue sources that include: foreign donations, insurgent fundraising, natural resource exploitation, warlord protection racketeering, extortion and corruption, kidnapping and ransom, licit business taxation, and foreign state actions.

### **1. Foreign Donations**

It was known during the 1990s, the Taliban was receiving aid from Saudi Arabia, United Arab Emirates, and Pakistan. In ‘Invisible History’, the author’s tie the rise of the Taliban to the Middle Eastern states, who imposed their will on Afghanistan, and remained tied to the Taliban, without adding much in the way of quantifiable data to back up these claims.<sup>149</sup> Craig Whitlock, a Washington Post journalist answers the question of the continued support to the insurgency as of 2009:

It's unclear whether the flow of foreign donations to the Taliban has increased, decreased, or remained stable. I don't think the U.S. government was monitoring it that closely until recently. The U.S. officials I interviewed said there was no evidence that governments in the Persian Gulf region were donating money, as they did in the 1980s and 1990s to Afghan fighters.<sup>150</sup>

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<sup>147</sup> Gen. Stanley McChrystal, *Commander's Initial Assessment*, 2–8.

<sup>148</sup> C.M. Sennott, *Life, death and the Taliban: Funding the Taliban*, August 13, 2009, <http://www.globalpost.com/dispatch/afghanistan/090812/funding-the-taliban> (accessed November 9, 2009).

<sup>149</sup> Paul Fitzgerald and Elizabeth Gould, *Invisible History: Afghanistan's Untold Story*.

<sup>150</sup> Craig Whitlock, *The Taliban: Following the Funding Q&A*, September 28, 2009, <http://www.washingtonpost.com/wp-dyn/content/discussion/2009/09/26/DI2009092602737.html?sid=ST2009092602905> (accessed September 28, 2009).

There may be no direct evidence of donating money from official governments, however, the capacity of these countries, not only limited to the three mentioned, to generate donations from internal sources is quite large:

Obama administration officials say the single largest source of cash for the Taliban, once thought to rely mostly on Afghanistan's booming opium trade to finance its operations, is not drugs but foreign donations. The CIA recently estimated that Taliban leaders and their allies received \$106 million in the past year from donors outside Afghanistan.<sup>151</sup>

These figures are interesting compared to those estimated in Chapter III of \$200–\$400 million for narco-trafficking alone. If the CIA estimates the \$106 million is the largest source of funds, that would put many estimates of the narco-funds too high as much as 100 percent to 400 percent. Looking at the resource flow from the Gulf States, much of the financing is brought through the madrassas and Hawala networks in Pakistan, from which the money is easily transferred through the porous border into Afghanistan.<sup>152</sup> Based on the above excerpts, the external funding the Taliban has been receiving has gone largely unnoticed until recently, perhaps due to the informal banking systems used or by diversion into fighting the prevalent opium trade, which was widely credited for funding the insurgency. Jean MacKenzie quotes Richard Holbrooke, “less than half of the war chest comes from poppy, with a variety of sources, including private contributions from Persian Gulf states.”<sup>153</sup> In other reporting on the new focus of tracing the multitude of funding sources, “Mr. Holbrooke said that private donors, including some from Persian Gulf countries, were increasingly believed to be a far more important source of money for the Taliban than even the opium trade, which the United Nations estimates to be about \$300 million a year.”<sup>154</sup>

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<sup>151</sup> Craig Whitlock, *Diverse Sources Fund Insurgency In Afghanistan*.

<sup>152</sup> Craig Whitlock, *The Taliban: Following the Funding Q&A*, September 28, 2009, <http://www.washingtonpost.com/wp-dyn/content/discussion/2009/09/26/DI2009092602737.html?sid=ST2009092602905> (accessed September 28, 2009).

<sup>153</sup> Jean MacKenzie, *Global Post*, August 12, 2009, <http://www.globalpost.com/dispatch/taliban/funding-the-taliban> (accessed November 10, 2009).

<sup>154</sup> Sabrina Tabernise, *U.S. Plans New Hunt for Sponsors of Taliban*, June 5, 2009, <http://www.nytimes.com/2009/06/06/world/asia/06pstan.html> (accessed November 9, 2009).

Seth Jones describes how this support from within foreign states is collected, where and from whom:

Most of the Taliban's funding came from sources other than drugs, according to Afghanistan government intelligence estimates. Examples include zakat (the Islamic practice of giving alms) collected at mosques in Afghanistan, Pakistan, and the broader Muslim world; aid from wealthy Arab donors, especially from individuals in Qatar, Saudi Arabia, and the United Arab Emirates; and other forms of profit, such as kidnapping.<sup>155</sup>

Assisting in the transfer of funds from the Gulf States to the insurgents is the long time relationship with al-Qaeda. Since 2002, one of al-Qaeda's main roles has been diverting wealth from the Arab Gulf States to funding the struggling Taliban. One recently killed Saudi sheikh named Asadullah, for example, was described as "the moneybags in the entire tribal belt. Men like Asadullah have paid bounties for Taliban attacks on coalition troops, provided money to Taliban commanders such as Baitullah Mehsud to encourage them to attack Pakistani troops and launch a suicide bombing campaign in that country, and used their funds to re-arm the Taliban."<sup>156</sup>

Barakat and Zyck go on to show the lack of oversight within the Islamic charities, "Pakistan's Ministry of Religious Affairs, for instance, can account for only approximately \$60 million of the more than \$1 billion annually given as zakat (charity). Observers indicate that a portion of this money finds its ways to Pakistani as well as Afghan insurgent groups."<sup>157</sup> If only 2 percent made it to the hands of the insurgents, that would equal \$20 million, a sum surely higher than this is the true value.

In the 2010 discussion paper by Matt Waldman, the links the insurgents currently enjoy with the Pakistani ISI are laid out in great detail. This includes numerous interviews with Taliban fighters who claim to get direct support from the ISI even so much as to reward the fighters for successful attacks against coalition troops in

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<sup>155</sup> Seth G. Jones, "The Rise of Afghanistan's Insurgency," *International Security*, 2008: 7–40, 9.

<sup>156</sup> Brian Williams, "Return of the Arabs: Al-Qa`ida's Military Role in the Afghan Insurgency," *CTC Sentinel* (West Point Military Academy ) 1, no. 3 (February 2008): 32.

<sup>157</sup> Sultan Barakat and Steven Zyck, "Afghanistan's Insurgency and the Viability of a Political Settlement," *Studies in Conflict and Terrorism*, 2010: 193–210, 208.

Afghanistan by as much as \$2,000–\$3,000. His paper concludes the ISI, if not directly in control of the overall insurgency in Afghanistan, supports all facets of the insurgency, both within Afghanistan and Pakistan.<sup>158</sup>

Overall, the insurgent funding from Gulf States and Pakistan seems to fall in the \$100–\$200 million dollar range. This is a significant sum, comparable to the proceeds from opium trafficking.

## 2. Direct Insurgent Fundraising

The insurgents in Afghanistan have also set up their own fundraising networks, utilizing ‘business trips’, and websites. Catherine Collins writes in a New America Foundation policy paper, “Substantial sums are also raised from sympathetic individuals and charitable organizations in the Persian Gulf states, despite efforts by Saudi Arabia and some other governments there to tighten controls. Militant groups maintain their own fundraising operations in the United Arab Emirates and other wealthy countries.”<sup>159</sup> In addition to fundraising networks, insurgent leaders have been known to travel to the Gulf States. The United Nations has reported on fundraising trips by insurgents to the Gulf States, “From at least 2005 to 2008, Nasiruddin Haqqani collected funds for the Haqqani Network through various fundraising trips, including during regular travel to the United Arab Emirates in 2007 and through a fundraising trip to another Gulf state in 2008.”<sup>160</sup>

Even the controversy of the mosque near the World Trade Center in New York City is assisting. Taliban spokesman Zabihullah told Newsweek, “By preventing this mosque from being built, America is doing us a big favor. It’s providing us with more recruits, donations, and popular support.”<sup>161</sup>

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<sup>158</sup> Matt Waldman, *The Sun in the Sky: The Relationship Between Pakistan's ISI and Afghan Insurgents*, Discussion Paper, Kennedy School of Government, Harvard University, Carr Center for Human Rights Policy (London: London School of Economics, 2010).

<sup>159</sup> Catherine Collins, *Financing the Taliban*, Policy Paper, New America Foundation (Washington D.C.: New America Foundation, 2010), 15, 9.

<sup>160</sup> Chris Lawrence, "Son of notorious insurgent leader is arrested," *CNN World*, December 24, 2010, [http://articles.cnn.com/2010-12-24/world/pakistan.haqqani.arrest\\_1\\_haqqani-network-miram-shah-north-waziristan?\\_s=PM:WORLD](http://articles.cnn.com/2010-12-24/world/pakistan.haqqani.arrest_1_haqqani-network-miram-shah-north-waziristan?_s=PM:WORLD) (accessed December 24, 2010).

<sup>161</sup> Sami Yousafzai and Ron Moreau, "The Taliban Vs. The Mosque," *Newsweek*, September 6, 2010: 10.

Islamic charities have also been linked directly to the U.S., “The American Muslim Association of North America (AMANA) has put a number of terror-related links on its site. These include links to one of the main websites that was raising funds and recruiting fighters for al-Qaeda and the Taliban, and the al-Haramain Foundation (AHF), an Islamic charity that has been banned worldwide by the United Nations for, as well, being a financing arm to al-Qaeda and the Taliban.”<sup>162</sup> These fundraising efforts may be small outside of the Gulf States, however, prove the breadth of the effort the insurgency is willing to go to for funding. In addition, there is almost no credible information as to the proceeds of direct fundraising due to the internal nature of the endeavors.

### **3. Natural Resource Exploitation**

As was described by Michael Ross in the beginning of Chapter III, the ‘lootable’ resources in Afghanistan create lucrative enterprises for the insurgents. The insurgents in Afghanistan and Pakistan have co-opted legitimate businesses that either were banned by the government, not operating due to insecurity, or stagnating as tribal feuds over revenue and land rights were contested. The strong insurgency capitalized on these factors and forced the industries to operate often making the population happy with the new income.

The government of Afghanistan bowing down to international pressure has banned the export of logs from areas in the northeast of the country. This leads to a lucrative ‘illicit’ product, which the insurgents can export under their protection, and thus tax the illegal trade, or run the business outright. Only with competent security forces securing the trade, can the government properly regulate the trade of the industry and garner taxes. Again this leads to the necessity of two of Afghanistan’s largest failings, effective central government and effective national and regional security apparatus’.

Several authors highlight some of the industries the insurgents are exploiting. Shah and Perlez highlight the marble trade as one of the industries the Taliban are operating outside of government administration. This is viewed as a significant, “Effort

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<sup>162</sup> Joe Kaufman, *Terror Walks on J Street*, September 8, 2010, <http://frontpagemag.com/2010/09/08/terror-walks-on-j-street/> (accessed September 8, 2010).

by the Taliban to harness the abundant natural resources of a region where there are plenty of other mining operations for coal, gold, copper and chromate.”<sup>163</sup> The insurgents gain more than money from these operations. The population also supports the Taliban effort, as they now can work under protection while performing the ‘illegal’ work. Within Afghanistan’s Kunar river valley there was approximately 8 million cubic feet of lumber, highly sought after in the Gulf States (known for their lack of forests!), in 2006. Yaroslav Trofimov describes the scene:

The cut wood, valued at tens of millions of dollars, has been slowly rotting away since 2006, when President Hamid Karzai banned logging and lumber sales in Afghanistan giving a powerful boost to the Taliban-led insurgency. Logging has continued unabated here since Kabul imposed the ban. But now the industry is largely supervised by the Taliban. They skim off the profits and use the smuggling networks established to haul Kunar’s trees into neighboring Pakistan to transport weapons and men, American officers say. As a result, logging clans are now part and parcel of the insurgency.<sup>164</sup>

The pre-cut wood alone is worth more than \$10 million to the local economy, with the insurgency reaping greater reward as it sells for inflated prices to dealers in Pakistan. The marble industry described above didn’t quite come close to generating as much revenue for the Taliban, a mere \$45,000 initially plus estimated \$500 per day, but the locals were happy as the marble industry was again functioning and profitable. In 2009 the Taliban also took control of an 8km/sq emerald mine in the Swat valley of Pakistan and were taking one third of the worker’s proceeds received selling the emeralds.<sup>165</sup> The ability of the insurgency to create economic enterprises gives them a sense of legitimacy among the local populations. What the government is failing to do the insurgents manage to accomplish much more rapidly, again relying on smuggling networks to transfer goods across the Afghan/Pakistani border with impunity.

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<sup>163</sup> Pir Zubair Shah and Jane Perlez, *Pakistan Marble Helps Taliban Stay in Business*, July 14, 2008, <http://www.nytimes.com/2008/07/14/world/asia/14taliban.html> (accessed August 16, 2010).

<sup>164</sup> Yaroslav Trofimov, "Taliban Capitalize on Afghan Logging Ban," *Wall Street Journal*, April 10, 2010.

<sup>165</sup> "Taliban take over emerald mines in Pak's Swat region," *The Times of India*, March 25, 2009.

#### 4. Warlord Protection Racketeering

Insurgents can garner significant revenues through protection rackets. Although the regional insurgent group may not be directly involved in the illicit activity, they will provide protection to the transshipment of the material for a fee. The ownership of the material in some cases is irrelevant as long as the necessary protection fees are paid. In the case of Hajji Juma Khan, a major opium trafficker following the fall of the Taliban, “To keep his routes open and the drugs flowing, he lavished bribes on all the warring factions, from the Taliban to the Pakistani intelligence service to the Karzai government.” In addition he informed on the Taliban and rival narco-traffickers to gain immunity from the attention of the U.S. authorities.<sup>166</sup> This is a product of the regional instability throughout Afghanistan leading to militia control of transit routes, for which taxes/tolls can be levied. This also applies to the legitimate trade that occurs. Militias will ‘provide’ secure passage for a certain company trucks, if the company has compensated the militia accordingly.

Indeed extortion within Afghanistan seems to be an extremely lucrative business, especially where security is compromised. Coalition co-opted warlords give a good representation of the money that is flowing into the hands of the Taliban. Matiullah Khan, a private Afghan warlord, protects a stretch of road for one day a week and charges, “NATO cargo trucks \$1,200 for safe passage, or \$800 for smaller ones, his aides say. His income, according to one of his aides, is \$2.5 million a month.”<sup>167</sup> A portion of this money is inevitably funneled to the insurgents in that area of the country where the safe passage of the trucks is guaranteed.

In a separate account, “The cost, \$1,500 per truck from Bagram to Kandahar, with \$1,500 needed for each truck that continues on to Helmand. Given that convoys are often as large as 300 trucks, a single trip might make a security company more than half a

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<sup>166</sup> James Risen, "Jailed Afghan Drug Lord Was Informer on U.S. Payroll," *New York Times*, December 11, 2010.

<sup>167</sup> Dexter Filkins, *With U.S. Aid, Warlord Builds Afghan Empire*, June 5, 2010, [http://www.nytimes.com/2010/06/06/world/asia/06warlords.html?\\_r=1&pagewanted=1&partner=rss&emc=rss&src=ig](http://www.nytimes.com/2010/06/06/world/asia/06warlords.html?_r=1&pagewanted=1&partner=rss&emc=rss&src=ig) (accessed June 5, 2010).

million dollars.”<sup>168</sup> While the military protects its own convoys on resupply missions to smaller Forward Operating Bases, the major bases are supplied by convoys travelling through Pakistan and entering through either Spin Boldak in the south between Quetta and Kandahar or through Torkham Gate in the north between Jalalabad and Peshawar. These civilian driven convoys supply U.S. forces are the real breadwinners for the warlords and consequently the insurgents. Using the example above, one convoy a week from Bagram to Kandahar equals approximately \$22 million dollars per year alone. Given the convoys moving from the border to Kabul, from Kandahar to Helmand and further west the sums could reach into the \$100 million dollar range easily, for the sole purpose of insuring insurgents not to fire on U.S. goods in transit. Adam Roston in a 2009 Gaurdian article cites military contracts to six trucking firms in Afghanistan worth \$2.2 billion, of which it is estimated 10 percent ends up in the hands of the Taliban, an easy \$220 million.<sup>169</sup> This phenominal sum, from simply moving trucks down the road, is not the only source of racketeering.

Security contracts set up through in country contractors are also known to finance the insurgency directly. A recent congressional report about this specific phenomenon details how contractors would receive funding and immediately turn the proceeds over to the local Taliban. The Taliban elements would in turn purchase weapons and supplies, and completing the cycle by attacking the coalition forces the very funds that were given to protect.<sup>170</sup> This process guarantees job security for the security contractor, as long as the contractor is not out and out involved in the attacks. This simply equates to our contract dollars being return to us in lethal form! In this declassified document it details how one company, of many, was awarded \$99.9 million to provide security for areas in

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<sup>168</sup> Nick Schiffrin, *Report: U.S. Bribes to Protect Convoys Are Funding Taliban Insurgents*, June 22, 2010, <http://abcnews.go.com/WN/Afghanistan/united-states-military-funding-taliban-afghanistan/story?id=10980527&page=1> (accessed June 22, 2010).

<sup>169</sup> Adam Roston, "How the US army protects its trucks – by paying the Taliban," *The Gaurdian*, November 13, 2009.

<sup>170</sup> Committee on Armed Service, United States Senate, *Inquiry Into The Role and Oversight of Private Security Contractors in Afghanistan*, Armed Services Committee Report, United States Senate (Washington D.C.: United States Senate, 2010).

northeast Afghanistan, understanding that the men hired worked for a local warlord and who was known to conduct criminal activities and anti-coalition activity as well.

## 5. Extortion and Corruption

George Bryjak cites multiple sources with first hand experience the Taliban are receiving funding through extortion and corruption.<sup>171</sup> “Afghans paid nearly \$1bn (£658m) in bribes in 2009, more than half said state corruption was fuelling the Taliban's growth.”<sup>172</sup> Bryjak's articles also points out the millions of dollars being siphoned off from reconstruction projects throughout the country as protection money, and the Taliban taxes on businesses to guarantee smooth operations.

The monies collected from extortion are so lucrative it was reported that insurgent groups also vie for these monies in areas with poor security, “Earlier this month, officials said that at least 60 militants were killed in fighting between the Taliban and Hezb-e-Islami in Baghlan province in northern Afghanistan. Reports said they had clashed over control of local villages and taxes.”<sup>173</sup> With such events occurring the proceeds from the extortion and corruption must be extremely lucrative. When attempting to put a number on the money siphoned off of aid and military contracts from extortion and corruption, “Estimates have ranged as high as hundreds of millions of dollars.”<sup>174</sup> Which is not hard to image given “eight years of international intervention, and \$60 billion in foreign aid”<sup>175</sup> Not to mention the fact that the poor security throughout large areas of the country is pervasive.

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<sup>171</sup> George J. Bryjak, *Adirondack Daily Enterprise*, November 14, 2009, <http://www.adirondackdailyenterprise.com/page/content.detail/id/509750.html> (accessed November 14, 2009).

<sup>172</sup> Quentin Sommerville, *Afghan corruption has doubled since 2007, survey says*, July 8, 2010, <http://www.bbc.co.uk/news/10549258> (accessed July 8, 2010).

<sup>173</sup> BBC World News, *Afghan Hezb-e-Islami militants hold peace talks in Kabul*, March 22, “2010, <http://news.bbc.co.uk/2/hi/8579380.stm> (accessed March 22, 2010).

<sup>174</sup> Catherine Collins, *Financing the Taliban*, 8.

<sup>175</sup> Todd Pitman, *Afghans Losing Hope After 8 Years Of War*, January 10, 2010, [http://www.huffingtonpost.com/2010/01/10/afghans-losing-hope-after\\_n\\_417930.html](http://www.huffingtonpost.com/2010/01/10/afghans-losing-hope-after_n_417930.html) (accessed January 10, 2010).

So far, \$60 billion of United States aid money has been given to the government of Afghanistan and various organizations working to promote the improvement of quality of life for the Afghan population. A percentage of this aid money makes it into the hands of the insurgency through extortion. Local examples, are contractors receiving building contracts from the government, then paying off the Taliban to not attack the construction crew or equipment during the construction phase. Once the contract is complete and the contractor is paid, the Taliban are then free to destroy the project per their desire. An unidentified contractor stated this exact scenario:

I was building a bridge, he said, one evening over drinks. The local Taliban commander called and said ‘don’t build a bridge there, we’ll have to blow it up.’ I asked him to let me finish the bridge, collect the money, then they could blow it up whenever they wanted. We agreed, and I completed my project.<sup>176</sup>

A media source in Kabul is reported to have seen a Taliban financier review all high-level construction projects from the government and assess fees in order to avoid violent harassment of the project. An Afghan contractor who has a robust business using U.S. aid funding stated he automatically, “builds in a minimum of 20 percent for the Taliban in his cost estimates.”<sup>177</sup>

In addition, criminal gangs or the Taliban themselves will use outright threats in order to extort wealthy Afghans they know are well off, largely in part due to the reconstruction aid pouring into the country. In Kapisa, a local construction mogul was repeatedly extorted for hundreds of thousands of dollars until he was forced to flee the country, after his son was badly wounded during a kidnapping attempt.<sup>178</sup> It is difficult to evaluate the funds generated through extortion, as many of the crimes go unreported by Afghan locals fearful for retaliation.

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<sup>176</sup> Jean MacKenzie, *Funding the Afghan Taliban*, August 9, 2009, <http://www.globalpost.com/dispatch/taliban/funding-the-taliban?page=0,1> (accessed Sept 22, 2010).

<sup>177</sup> Ibid.

<sup>178</sup> Elena Becatoros, "Growing class of thugs terrorizing Afghan civilians," *Star-Telegram*, January 17, 2011.

Given the \$60 billion that has come into Afghanistan in U.S. aid money over the last nine years, even one percent getting to hands of the insurgents represents approximately \$70 million a year. Understanding that contractors are known to build in 20 percent for the insurgent extortion fees, that \$70 million has the potential to be much larger. The accountability for the massive aid packages has not helped, as the U.S. agencies in charge of monitoring and distributing the funds, could not account for 10s of billions of dollars worth.<sup>179</sup> The continuation of massive aid packages disbursed in a country with standards of accounting glaringly lacking will only propel this revenue generation for insurgents.

## **6. Kidnapping and Ransom**

Initially kidnapping and ransom may not seem like a lucrative source of revenue in a country where the average gross domestic product is approximately \$1000 per person. However, the influx of aid money and corruption has created a wealthy class and the influx of Western civilians into the conflict zone has create numerous targets for the estimated 35 percent unemployed population on which to prey and make a living.<sup>180</sup> Not all kidnapers may be associated with the insurgency, rather, as the examples below show, even those simply out to ransom for profit will cooperate with the insurgency.

This presence and advocating of NGOs and corporate personnel going into areas with less than desirable security apparatus' will continue to allow the exploitation of kidnapping, ransom, extortion and illicit taxation upon unprepared individuals.<sup>181</sup> Again only a sizable and competent government led security force will mitigate this threat. In a recent report the Afghanistan NGO Safety Office (ANSO) writes, "The likeliest cause of this trend is the pervasive NGO presence, multiple contested areas, and a leavening of active criminal groups along many of the regional roads in the region."<sup>182</sup> This is

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<sup>179</sup> Special Inspector General for Afghan Instruction, "DOD, State and USAID Obligated Over \$17.7 Billion to About 7000 Contractors and Other Entities for Afghan Reconstruction During Fiscal Years 2007–2009," SIGAR Audit (2010).

<sup>180</sup> CIA World Factbook.

<sup>181</sup> Clayton Consultants, Inc., *The Rise of Kidnapping in Afghanistan* (Carlsbad: Clayton Consultants, Inc., 2007).

<sup>182</sup> The Afghanistan NGO Safety Office, *The ANSO Report*, Country Report (Kabul: ANSO, 2011).

referring to the recent incident in north Afghanistan in which an NGO worker was killed, maintaining the trend of violence against NGO personnel in the region.

In an incident in the same region, workers from a Hungarian oil firm were ambushed, “One driver and one laborer from the MOL oil company were killed while two engineers were abducted. The soldiers from paramilitary Frontier Corpse (sic) chased the attackers and, during an exchange of fire, four troops were killed.” Successful abductions such as these feed the coffers of the insurgency if and when ransoms are paid, or a transaction is agreed upon for the release of the captives, such as insurgent prisoner release exchanges. This has caught the attention of the ISAF troops stationed in Afghanistan as a persistent problem worthy of military action. In a recent incident a known kidnapper along Hwy 1 between Kabul and Kandahar was apprehended.<sup>183</sup>

Collins also has some good details on the kidnappings taking place, with individual kidnappings reported to generate from \$200,000–\$2 Million per hostage. Those generating the largest ransoms are foreign journalists and aid workers, with the captures being perpetrated by the Taliban themselves, stating they were making good money from such activity.<sup>184</sup>

The Rawa News issued a story concerning kidnappings in northern Afghanistan targeting wealthy business owners and demanding ransoms of \$400,000. The story also stated there were 42 kidnappings the previous year and 60 in the first seven months of 2010 alone, obviously an increasing trend nationwide.<sup>185</sup> Can Merey tells the story of ordinary Afghans who are targeted for ransom by criminal gangs, demanding excessive sums, with no support from the authorities.<sup>186</sup> The article states 175 abductions in Kabul

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<sup>183</sup> ISAF Joint Command – Afghanistan , "ISAF Releases," *International Security Assistance Force Afghanistan*, January 3, 2011, <http://www.isaf.nato.int/images/stories/File/2011JAN/2011-01-S-030-Forces%20capture%20Taliban%20leader%20connected%20to%20Highway%201%20kidnappings.pdf> (accessed January 3, 2011).

<sup>184</sup> Catherine Collins, *Financing the Taliban*, 7.

<sup>185</sup> Rawa News, *Kidnapping on Rise in Afghan North*, November 29, 2010, <http://www.rawa.org/temp/runews/2010/11/29/kidnapping-on-rise-in-afghan-north.html> (accessed November 29, 2010).

<sup>186</sup> Can Merey, *Abduction fears take heavy toll on Afghan society*, March 11, 2009, [http://www.thaindian.com/newsportal/health/abduction-fears-take-heavy-toll-on-afghan-society\\_100165399.html](http://www.thaindian.com/newsportal/health/abduction-fears-take-heavy-toll-on-afghan-society_100165399.html) (accessed September 22, 2010).

in the first 6 months of 2009, with the figure most likely higher given the lack of reporting to the authorities. The ransom gained in the story was \$200,000 for a doctor working in Kabul, although the kidnappers wanted \$5 million.

Matthieu Aikins, a Western journalist, describes his personal experience, when in Afghanistan his host was offered \$200,000 to let the criminals take him hostage. Lucky for Mr. Aikins his host declined the offer. He goes on to state that foreign hostages are worth up to half a million dollars. The criminal groups often only do the initial capture for fear of massive retaliation, and quickly pass the hostage to larger organizations like the Taliban for safekeeping and to receive the ransom.<sup>187</sup>

A report from the Clayton consulting firm details the increasing peril of traveling throughout Afghanistan. Extrapolating their data shows the number of NGOs abducted in 2007 was approximately 120. Given the valuable nature of NGOs compared to ordinary Afghans, this number of NGOs could fetch up to \$60 million in ransom. The report also notes that despite the extra protection afforded to the foreign NGO staff, the trend was likely to increase, along with the kidnapping of locals.<sup>188</sup> Journalists also go into unsecure areas and run the risk of being captured by insurgent forces, “We’ve documented at least 16 journalist abductions in Afghanistan since 2007. As in Pakistan, the kidnapping of journalists is an indicator of how little security there is.”<sup>189</sup>

Again the difficulty of quantifying the revenue generated by this activity and the exact number of kidnappings makes the potential revenue to insurgents almost impossible. Although there is a connection to the insurgents who profit from ransoms, the majority of the kidnapping activity seems to be focused on successful Afghan business men or their families. Even if the insurgents only profit by \$200,000 per NGO or Western citizens captured, then the proceeds still amount to millions.

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<sup>187</sup> Matthieu Aikins, *The big business of kidnapping in Afghanistan*, October 20, 2010, [http://afpak.foreignpolicy.com/posts/2010/10/20/the\\_big\\_business\\_of\\_kidnapping\\_in\\_afghanistan](http://afpak.foreignpolicy.com/posts/2010/10/20/the_big_business_of_kidnapping_in_afghanistan) (accessed October 20, 2010).

<sup>188</sup> Clayton Consultants, Inc., *The Rise of Kidnapping in Afghanistan*.

<sup>189</sup> Bob Dietz, *In Afghanistan, at least 3 journalists still held captive*, April 30, 2010, <http://www.cpj.org/blog/2010/04/in-afghanistan-at-least-3-journalists-still-held-c.php> (accessed September 22, 2010).

## 7. Licit Business Taxation – Ushr & Zakat

Coalition forces targeting the opium trade unwittingly open up alternate revenue generation. After a major raid on Marjeh in Helmand province, which took out an estimated \$4 million in narcotics related material, the local commander stated, “We got reports post operation that they began to tax the farmers on their wheat and other crops to make up for their losses.”<sup>190</sup> This was meant to be a positive statement on the impact of the counter-narcotic campaign, however, the practice of taxing legitimate business and crops is not unknown in the insurgent controlled areas. “The Taliban have begun heavy handed tactics of taxation of various businesses to support their campaign.”<sup>191</sup> This includes varying sums of Zakat, on all manner of businesses. It also includes wheat, fuels and animals as Ushr, when the population has excess, instead of monetary Zakat.

The wholesale transition to licit crops at this stage of the conflict, however beneficial to curtail the international drug trade, will have only minimal impact on the insurgency within Afghanistan. The Taliban are thoroughly embedded in the Afghan countryside and will resort to increased taxation on licit crops, transportation and agricultural services. Already part of the Taliban process, a farmer in the Marjah region of Helmand is quoted as stating, “We have to give them two kilos of poppy paste per jerib during the harvest; then we have to give them ushr (an Islamic tax, amounting to one-tenth of the harvest) from our wheat. Then they insisted on zakat (an Islamic tithe). Now they have come up with something else: 12,000 Pakistani rupee (approximately \$150) per household.”<sup>192</sup> In addition to taxing households, the Taliban will set up checkpoints along provincial roads, and extort the traffic. The potential revenue from any Afghan citizen under insurgent control remains as long as the population is allowed to conduct business. The licit business taxation, be it farming or brick and mortar enterprise,

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<sup>190</sup> Catherine Collins, *Financing the Taliban*, 11.

<sup>191</sup> Hershel Smith, *Financing the Taliban*, August 15, 2008, <http://www.captainsjournal.com/2008/08/15/financing-the-taliban/> (accessed November 9, 2009).

<sup>192</sup> Jean MacKenzie, *Funding the Afghan Taliban*.

could in theory generate the equivalent income at the farm-gate or doorstep as opium does now. The major impact will lie with the criminal networks that will no longer reap huge profits moving drugs.

## **8. Foreign State Actions**

Geopolitics plays a significant role in the insurgency within Afghanistan. The insurgency would never openly admit, without the support or, at least, the complacency of foreign governments the insurgency would be much more difficult to prosecute, if not impossible. Much of the support from foreign states has to do with the simple presence of U.S. troops in Afghanistan, "There are some countries that are against the policies of the U.S. and the United Nations, and they support the guerrillas. The most important role belongs to Russia, Iran, and Pakistan."<sup>193</sup> This article was written in 2003, not long after the Taliban returned to Afghanistan to fight the insurgency, at a time when U.S. troop levels were only 20,000 and foreign aid was a fraction of what it is now. The likely involvement of Russia is doubtful, as the Russians disliked the Taliban due to their support for the Chechen rebels. The support from Pakistan has been covered throughout this paper, and the Taliban have had ties to the Pakistani ISI since the beginning of their rise to power in 1994. Support from Iran will be the focus for this section.

An article the Economist notes, "Iran's Afghan policy has been to make life uncomfortable for the occupiers but without destabilizing its own borderlands. To this end, Iran trains the Taliban and furnishes it with light weapons but carefully directs the militants to the south and east of Afghanistan."<sup>194</sup> Iran does not want to create a formidable force too near its own border with Afghanistan and to maintain influence among the western Afghanistan elites. The 2009 State Department report on state sponsors of terrorism concerning Iranian support to the Taliban:

Iran's Qods Force provided training to the Taliban in Afghanistan on small unit tactics, small arms, explosives, and indirect fire weapons. Since at least 2006, Iran has arranged arms shipments to select Taliban

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<sup>193</sup> Scott Baldauf and Owais Tohid, *Taliban appears to be regrouped and well-funded*, May 8, 2003, <http://www.csmonitor.com/2003/0508/p01s02-wosc.html> (accessed November 9, 2009).

<sup>194</sup> The Economist, "Edgy Neighbors," *The Economist*, January 29, 2011: 38.

members, including small arms and associated ammunition, rocket propelled grenades, mortar rounds, 107mm rockets, and plastic explosives.<sup>195</sup>

This last identified source of revenue, foreign state actors, is a great link to the informal banking systems that circumvent the computer-aided scrutiny of the Western governments. In the most damning evidence against Iran's involvement in the Afghan insurgency, Miles Amoores highlights a complex payment scheme that channels money to insurgents:

Iran is paying bonuses of \$1,000 for killing an American soldier and \$6,000 for destroying a U.S. military vehicle. Iranian companies working in Afghanistan win contracts to supply materials and logistics to Afghans involved in reconstruction. The money often comes in the form of aid from foreign donors. Profits are transferred through poorly regulated Afghan banks, including Kabul Bank, which is partly owned by Karzai's brother Mahmood, to Tehran and Dubai. From these countries, the money returns to Afghanistan through the informal Islamic banking system known as hawala to be dispersed to the Taliban.<sup>196</sup>

The overall level of funding Iran and Pakistan provide is somewhat difficult to assess. The necessary supplies for the insurgency, in addition to training and logistics must run into the millions of dollars annually, however, without direct interdiction of the materiel or fighters this support is difficult to cut off or accurately quantify. In the case of Iran, "According to the Afghan government's own internal records over the last Islamic year 10.5 tons of weaponry was intercepted in Herat province alone, 60 percent of which they say comes directly from the Iranian government."<sup>197</sup>

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<sup>195</sup> United States Department of State, "Country Reports on Terrorism 2009, Chapter 3: State Sponsors of Terrorism," Counterterrorism Report (Washington D.C., 2010).

<sup>196</sup> Miles Amoores, *Iran Paying Taliban to Kill U.S. Troops*, September 7, 2010, [http://www.timesplus.co.uk/sto/?login=false&url=http://www.thesundaytimes.co.uk/sto/news/world\\_news/Afghanistan/article387113.ece](http://www.timesplus.co.uk/sto/?login=false&url=http://www.thesundaytimes.co.uk/sto/news/world_news/Afghanistan/article387113.ece) (accessed September 7, 2010).

<sup>197</sup> Nima Elbagir, *Iran supplies weapons to Taliban*, March 18, 2010, <http://www.channel4.com/news/iran-supplies-weapons-to-taliban> (accessed September 22, 2010).

## **B. UNDERSTANDING THE HAWALA SYSTEM – THE DIFFICULTIES OF INTERDICTION**

The informal banking system is well established and trusted by the local population who use this hawala system to obtain loans and move remittances from Afghanistan. It is also used by the insurgency to launder finances and collect revenues from illicit trade, “The Taliban's access to two major funding streams, one from the opium trade and the other from overseas donations from Muslim countries, which reach the Taliban by courier or through a system of informal banks (hawalas) that operate across much of the Islamic world.”<sup>198</sup> The hawalas could be shut down by tracking the agents at each end of the transaction, but for countries like Afghanistan, Somalia and other nations without widespread formal banking systems, the cost would be devastating to the population.

The Financial Action Task Force (FATF) released a good study of the methods and trends associated with money laundering known throughout their document as ‘typologies.’ They identify three reasons a person prefers to use the hawala system over conventional banking, not including the lack of alternatives. First, the hawala system is personal, maintaining cultural customs and preserving anonymity to the authorities. Second, customer service is superior, allowing mobile banking, easy dispute resolution, and no formal requirements, for example, multiple currencies in one transaction or goods as currency. Third, the hawalas are economical, offering speed, low cost, no account maintenance, and no legal requirements to overcome, for example, international transfer limits.<sup>199</sup> The system that works well for the non-criminal population, works just as well for the criminal networks, and those moving funds for illegal activities, such as loans for poppy cultivation.

Thompson gives a good account of the hawala networks, referred to as saraf, in that exist Afghanistan and their operating methods. The report is part of the UN and

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<sup>198</sup> Peter Bergen, *U.S. intelligence briefing: Taliban increasingly effective*, January 25, 2010, [http://articles.cnn.com/2010-01-25/world/afghanistan.taliban\\_1\\_taliban-gen-michael-flynn-insurgency?\\_s=PM:WORLD](http://articles.cnn.com/2010-01-25/world/afghanistan.taliban_1_taliban-gen-michael-flynn-insurgency?_s=PM:WORLD) (accessed January 25, 2010).

<sup>199</sup> Financial Action Task Force, *Money Laundering & Terrorist Financing Typologies 2004–2005*, Financial Study, Financial Action Task Force (Paris: Financial Action Task Force, 2005).

World Bank report from 2006 on the Afghan opium trade. She highlights the difficulty of tracing any funds flowing through the hawaladars due to the fact that 90 percent of Afghanistan's economy moves money in this way as do the criminal networks. She estimates in 2004–2005 the hawaladars were able to handle in excess of \$6 billion, while keeping relative small balances on their books. She estimated 900 hawala dealers in the country at this time. An interesting note that Thompson brings out is the fact that despite traditional trust networks, usually involving the extended family, the opium hawaladars will cross ethnic, linguistic and cultural boundaries to secure their profits.<sup>200</sup> The hawala system also benefits the diaspora that work in foreign countries supporting the insurgency in Afghanistan. The Guardian newspaper recently ran a story concerning a cab driver who works to support the insurgency, "There are many people like me in London. We collect money for the jihad all year and come and fight if we can."<sup>201</sup> Thompson backs this by stating the majority of the hawala drug orders, although different than remittances, did originate in London.<sup>202</sup>

Recent reporting from the Afghan Threat Finance Cell looks to provide some promising moves to curb the use of hawala for illegal activity, "the ATFC's initial steps include trying to help institute uniform licensing and attempting to identify hawalas involved with insurgent activity. The previous day, the ATFC had helped Afghan authorities bust three hawalas connected to insurgents and drug networks."<sup>203</sup> The lack of attacks upon hawalas and hawaladars within the insecure areas of Afghanistan is a testament to the necessity of this form of monetary transfer system to the local population, the insurgents, and criminal networks.

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<sup>200</sup> Edwina Thompson, *The Nexus of Drug Trafficking and Hawala in Afghanistan*, Analysis & Policy Paper, UN Office on Drugs and Crime & World Bank (New York: UNODC, 2006), 34.

<sup>201</sup> Ghaith Abdul-Ahad and Jon Boone, "UK-based Taliban spend months fighting Nato forces in Afghanistan," *Guardian.co.uk*, November 25, 2010, <http://www.guardian.co.uk/world/2010/nov/24/uk-based-taliban-afghanistan> (accessed November 25, 2010).

<sup>202</sup> Edwina Thompson, *The Nexus of Drug Trafficking and Hawala in Afghanistan*, 16.

<sup>203</sup> Douglas Wissing, *How the US is attacking Taliban funding*, January 20, 2010, <http://www.globalpost.com/dispatch/afghanistan/100119/afghanistan-corruption-us-investigation?page=0,1> (accessed September 22, 2010).

A U.S. diplomatic cable released by the WikiLeaks website staff demonstrate the knowledge the U.S. has as to the Hawala networks. The diplomatic cable states one particular hawala network, New Ansari, "is facilitating bribes and other wide-scale illicit cash transfers for corrupt Afghan officials and is providing illicit financial services for narco-traffickers, insurgents, and criminals through an array of front companies in Afghanistan and the UAE."<sup>204</sup> The cable goes on to point out that tracking the funds is extremely difficult through the hawala network due to the lack of accountability. More recently the New Ansari hawala network and its senior management was sanctioned by U.S. authorities due to its ties to the narcotics industry and illegal transfers of narcotics funds. The New Ansari was the largest hawala in Afghanistan, run by businessmen from Kandahar.<sup>205</sup>

The U.S. State Department released the following information concerning the hawala system in Afghanistan:

Currently, only 3 percent of the Afghan community is banked. Afghanistan is widely served by the traditional and deeply entrenched hawala system, which provides a range of financial and non-financial business services in local, regional, and international markets. It is estimated that between 80 percent and 90 percent of all financial transfers in Afghanistan are made through hawala. Financial activities include foreign exchange transactions, funds transfers (particularly to and from neighboring countries with weak regulatory regimes for informal remittance systems), micro and trade finance, as well as some deposit taking activities. Although the hawala system and formal financial sector are distinct, the two systems have links. Hawala dealers often keep accounts at banks and use wire transfer services, while banks will occasionally use hawaladars to transmit funds to hard-to-reach areas within Afghanistan. There are some 300 known hawala dealers in Kabul, with branches or additional dealers in each of the 34 provinces. There are approximately 1,500 dealers spread throughout Afghanistan that vary in size and reach. Given how widely used the hawala system is in Afghanistan, financial crimes, including terrorist financing, undoubtedly occur through these entities. With only 40 percent of the hawaladars

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<sup>204</sup> Tim Lister, *WikiLeaks cables on Afghanistan show monumental corruption*, December 3, 2010, <http://www.cnn.com/2010/WORLD/asiapcf/12/02/afghanistan.wikileaks/index.html> (accessed December 3, 2010); Scott Shane, Mark Mazzetti and Dexter Filkins, "Cables Depict Afghan Graft, Starting at Top," *The New York Times*, July 28, 2010.

<sup>205</sup> Ginger Thompson, "Sanctions Placed on Afghan Exchange," *New York Times*, February 18, 2011.

registered, the push should be for registration compliance to ensure regulation and mitigation of the transfers of illegal funds.<sup>206</sup>

The hawala system works with more than cash or cash equivalents. The hawala dealers will allow a crop-for-credit exchange, known as salaam, which allows farmers to get loans in order to restock winter supplies or obtain the necessary seed and fertilizer for the upcoming season. The farmers agree to sell the crop at an agreed on rate once the harvest is complete, potentially damaging if the price of the crop goes up or down significantly. If the price rises, the farmers have an agreed upon quantity of the crop that must be paid on the loan, or if the price goes down the hawala dealers require the equivalent quantity of the crop at current lower market rates, to pay the loan. Either way the farmer is best served by a steady rate for the crop.<sup>207</sup> This has led to large debts being carried by many farmers who were forced not to grow poppy during the Taliban ban in 2000 and 2001, and more recently during a severe fungal blight in 2010 that devastated approximately 25 percent of the opium harvest driving up prices by as much as 50 percent.<sup>208</sup>

The hawala network will be easier to regulate once to security apparatus in Afghanistan is strong enough to enforce the registration and reporting from all hawaladars. Until this occurs the movement of illicit funds will continue unabated.

### **C. CONCLUSION**

While many of these reports are several years old the situation in Afghanistan has changed little. The insurgency achieved its most deadly year in 2010, sowing over 14,000 IEDs, and causing 499 U.S. fatalities as part of the total of 711 coalition.<sup>209</sup> The opium

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<sup>206</sup> United States Department of State, "Money Laundering and Financial Crimes Country Database," Bureau for International Narcotics and Law Enforcement Affairs (2010), 6.

<sup>207</sup> Christopher Blanchard, *Afghanistan: Narcotics and U.S. Policy*, Congressional, Middle Eastern Affairs, Congressional Research Service (Washington D.C.: CRS, 2009), 31.

<sup>208</sup> Richard A. Oppel, "Misterious Blight Destroys Afghan Poppy Harvest," *New York Times*, May 13, 2010.

<sup>209</sup> iCasualties.org, *Operation Enduring Freedom*, February 12, 2011, <http://icasualties.org/oef/> (accessed February 12, 2011).

cultivation is more heavily concentrated to the south and the government has achieved little gain in legitimacy outside of the capital, which is also in doubt after a series of suicide bombings in early 2011.<sup>210</sup>

In total the potential revenue, whether it be through the hawala system of money exchange or direct payments from extortion or ransom, are substantial. Of the eight categories of funding identified above the over total is estimated at over \$1 billion, conservatively, the potential is significantly greater. This is also only the estimated alternative revenue, not including the highly lucrative opium trafficking. The underlying cause of all the revenue sources available to the insurgency is the lack of effective state control of the population, even within the capital city, often touted as the only place where the government exerts authority. The insurgency has the ability to generate wealth within and outside of Afghanistan, seemingly in excess of the estimates put forth by all sources. Chapter V will offer comprehensive conclusions as to the effectiveness of interdiction of any of these revenue sources. Before that can be determined, it is necessary to estimate the needs of the insurgency in terms of funding and supplies.

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<sup>210</sup> BBC News, *Afghanistan: Three dead in Kabul 'suicide blast'*, February 24, 2011, <http://www.bbc.co.uk/news/world-south-asia-12446865> (accessed February 24, 2011).

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## V. CONCLUSIONS – THE WAY FORWARD

### A. WHAT THE TALIBAN NEED

As Dr. Metz and Lieutenant Colonel Millen point out in their paper titled ‘Insurgency & Counterinsurgency in the twentieth-first century,’ an insurgency needs five resources in order to operate successfully. These are manpower, funding, equipment/supplies particularly access to arms and munitions, sanctuary and intelligence.<sup>211</sup> All of these resources are easily identifiable within the Afghan insurgency. What is not so readily identifiable is the quantity of each resource the insurgency utilizes. Desire to degrade the ability of the insurgencies fighting ability will necessitate the identification and eradication of the funding the insurgents generate. The funding allows all the other aspects of the necessary resources to function. Without funding, no men could be hired to fight, no equipment could be purchased, weapons and ammunition could not be bought, sanctuary could not be guaranteed without fiscal incentive, and intelligence could not be secured nor intelligence equipment purchased.

In a 2001 article, Chris Dishman writes of the collaboration of the politically motivated forces, in the case of this paper the Taliban and other insurgent groups vying for power in their respective regions of Afghanistan, and the criminal networks that simply act for the goal of profit:

Political group—empowered by a criminal alliance—could gain weapons, money, intelligence, explosives, and other wartime goods and services. A pan-criminal-political alliance would be a force multiplier for radicals, sharpening their military edge and making it difficult for legitimate governments to combat them.<sup>212</sup>

The genesis of the Taliban from state sponsored group, widely known to be supported by the Pakistani Inter-Service Intelligence (ISI) throughout the 1990s, has culminated in what Dishman is describing occurring in Columbia and Kosovo, that of a

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<sup>211</sup> Steven Metz and Raymond Millen, *Insurgency and Counterinsurgency in the 21st Century: Reconceptualizing Threat and Response* (Carlisle, PA: U.S. Army Strategic Studies Institute, 2004), 7.

<sup>212</sup> Chris Dishman, "Terrorism, Crime and Transformation," *Studies in Conflict and Terrorism* 24, no. 1 (January 2001), 55.

insurgency aimed at political ascendancy utilizing the criminal elements as proxies. The use of criminal elements has blurred the lines between those insurgents fighting for the ascendancy of the Taliban to a governing authority, and those who simply profit from the lack of security and ongoing conflict. Indeed this very blurring has led the coalition focus in Afghanistan on a never-ending mission creep, to which more and more of the criminal network activities and nation building efforts now are the focus of military force.<sup>213</sup>

Thus the funding the insurgency generates is the critical element to degrading the insurgents continued presence throughout Afghanistan. As this paper discusses the funding can be separated into that generated from opium production/trafficking and that from all other sources. Attacking the narcotics industry in Afghanistan has garnered most of the attention of institutions seeking methods of degrading the effectiveness of the insurgency. However, there is a lack of conclusive evidence that a significant impact on the narcotics industry will produce an equally significant impact on the potential of the insurgency to recruit, fund, equip, house, or collect intelligence.

Fully understanding the insurgency is not beholden to the narco-traffickers, and exhibit a dynamic ability to generate alternative revenue, is not enough to claim the insurgency is or is not dependant on the proceeds of the opium industry. In order to fully appreciate the necessities of the Taliban as a battlefield fighting force with aspirations of returning to the pre 9/11 era of governing and control, one must look at the numbers of fighters the Taliban employs and the basic needs of said fighting force.

As was noted in the introduction the estimated numbers for insurgent fighters in Afghanistan is somewhere between 25,000 and 36,000 active fighters.<sup>214</sup> As the ANA and ANP were being rebuilt, to achieve competent forces to who the coalition can leave the fate of Afghans security too, the pay for these troops and police was inferior to that of the average Taliban foot soldier. The Senlis Council wrote a comprehensive paper in 2007, concerning the insurgency in Afghanistan, the Taliban fighters were being paid up to \$400 per month, significantly better than their ANA and ANP counterparts, who only

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<sup>213</sup> Anthony Cordesman, "More Troops, Less Caveats. Let's Get Serious," *The Times*, August 10, 2009.

<sup>214</sup> Jerome Starkey, "Major-General Richard Barrons puts Taleban fighter numbers at 36,000."

receive \$60 per month.<sup>215</sup> Additional sources back up these claims, “\$200–\$600 per month was offered to work for the Taliban. Law enforcement officials corroborated this in their report stating that the Taliban successfully recruits young locals to fight for \$20 a day.”<sup>216</sup> Combining these figures, the insurgency spends approximately \$11,000,000 per month or \$130 million per year on recruitment alone. This is based on the troop level of 36,000 paid at \$300 per month, on the high side. Evidence of additional payments based on specialized skills, bomb maker, foreign specialist and dangerous operations, mortar team, sniper would indicate this price is higher by at least several million dollars.

The manpower of the insurgency is not the only necessity the insurgency must spend funding on. Supplies, which are essential to continuing the fight, consist of expensive conventional hardware all the way down to cheap IED triggers. The 14,000 IEDs placed during 2010 do cost the insurgency to manufacture.<sup>217</sup> “It is believed that as much as 500,000 metric tons of fertilizers is imported from Pakistan into Afghanistan, legally and otherwise.”<sup>218</sup> Even if each of the 14,000 IED contained 50lbs of fertilizer, that would only amount to 700 tons total, a drop in the bucket. Even at U.S. prices of \$400 per ton,<sup>219</sup> the total for 700 tons equals only \$280,000. The cost for the 50lbs of explosive for each of the 14,000 IEDs is only \$20. The cost for additional components for IEDs such as batteries, wires, detonation cord and trigger supplies, is minimal. In total the cost for an IED may average \$50–\$100 dollars. This makes the total for IED construction for 2010 at approximately \$1.4 million. Considering the same sum could purchase only 73 500lb guided bombs for the U.S. military, the cost to the insurgency is minimal given the impact gained.<sup>220</sup>

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<sup>215</sup> The Senlis Council, *Countering the Insurgency in Afghanistan: Losing Friends and Making Enemies*, Policy Report (London: MF Publishing, 2007), 200, 72.

<sup>216</sup> Hayder Mili, “Afghanistan’s Drug Trade and How it Funds Taliban Operations.”

<sup>217</sup> Craig Whitlock, “Number of U.S. casualties from roadside bombs in Afghanistan skyrocketed from 2009 to 2010,” *The Washington Post*, January 25, 2011.

<sup>218</sup> Adil Husain, *Afghanistan’s Fertilizer Market*, Background Report (Shanghai: Emerging Asia, 2009).

<sup>219</sup> USDA, *Data Sets*, May 18, 2010, <http://www.ers.usda.gov/Data/FertilizerUse/> (accessed September 22, 2010).

<sup>220</sup> GlobalSecurity.org, *Guided Bomb Unit-12 (GBU-12) Paveway II*, October 1, 2006, <http://www.globalsecurity.org/military/systems/munitions/gbu-12.htm> (accessed Sept 22, 2010).

Conventional weapons seem to flow into Afghanistan from all sides, most notably Pakistan and Iran. The cost for the ubiquitous AK-47 in Afghanistan has varied from \$150–\$400 depending on the demand and availability.<sup>221</sup> Even at the \$400 price every \$1 million could buy 2500 AK-47s, although it is likely the insurgency benefits from Iran and Pakistan in being well supplied with weapons and ammo. Rockets, mortars, and cheap small arms sustain the insurgency, with few heavy weapons found or used in Afghanistan.<sup>222</sup> As far as military vehicles go, the insurgents rely on pick-up trucks and motorcycles for the most part.<sup>223</sup> While it is difficult to assess the quantity of truck and motorcycles the insurgents use, it is reported that criminal networks will supply vehicles, insurgents will simply take vehicles from the population, and Pakistan will supply vehicles to take into Afghanistan.

Using the above figures as the largest necessities of the insurgents, the total the insurgency needs to sustain the current levels of operations is approximately \$150 million. This is aggregated from the manpower, bomb making and equipment needs of the insurgents. While the figure may be higher or lower the overall cost of the continuing insurgency is easily sustainable given the revenue generating capability in excess of \$1 billion annually, from the opium trade and the multitude of alternative revenue sources. The question derived from these figures is: where can an impact be made upon the effectiveness of the insurgency through the interdiction of funds?

## **B. MOST BANG FOR THE BUCK (AKA COALITION EFFORT)**

There is no doubt the end state for Afghanistan is reliant on the foreign troops that withstand the efforts of the insurgency to perpetuate the current anarchy through lack of effective security. What is ideally needed is an effective method to degrade the potential of the insurgency to continue to return to the battlefield. This is in my opinion a combination of two critical factors. The bolstering of the Afghan government and security forces, and the interdiction of the revenue the insurgency needs to recruit

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<sup>221</sup> Tim McGirk, "Gun Prices Soar As Afghanistan's Postelection Crisis Continues," *Time*, September 9, 2009.

<sup>222</sup> Author's experience as a military intelligence officer.

<sup>223</sup> Ravi Somaiya, "Guerrilla Trucks," *Newsweek*, October 14, 2010.

fighters, obtain supplies, and purchase weaponry. Identifying the revenue for the insurgency is not difficult, but interdicting it is. There is no lack of reporting as to the extent of revenue generation and criminal activity on which the insurgency relies. Of all the major funding sources to the insurgency, the opium trade has garnered the most attention, most likely due to its high visibility in the fields of Afghanistan and on the streets of Western nations. The U.S. spent over \$1 billion dollars in 2009 in counter narcotics operations in Afghanistan.<sup>224</sup> As great of an effort as this is, no external plans for defeating the illicit drug trade will work due to the righteous nature of the Western endeavors. It is difficult to translate the disdain for opium that the West has to the farmers who know that the crop sells and good profit can be made. The Afghan population simply wants/needs to survive, and have ambitions to prosper thus will farm those crops which provide for their families. As with any entrepreneur, the farmers of Afghanistan will go where the money is and where the authorities allow them. Reasonable ideas for the opium harvest have been proposed, for example, purchase.<sup>225</sup> Unfortunately, Western governments, despite good intentions and well-devised plans, will not purchase opium crops with taxpayer's money. The change has to come from inside Afghanistan in the form of economic development and increasing the government legitimacy, both being held down by the formidable opium trade and rampant insecurity. The best place for the coalition to help this effort, especially from the outside, is the degradation of the funding the insurgents receive, internally, support the government development and security forces buildup.

Rising food prices on a global scale herald a possible saving grace for those opposed to the cultivation of opium, should wheat become fiscally competitive. Recent trends in world food prices, currently in 2011 at an all time high, may help to move Afghan farmers off of poppy cultivation and on to licit crops.<sup>226</sup> However, as a Marine

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<sup>224</sup> United States Department of State, *Report on U.S. Counternarcotics Strategy for Afghanistan*, March 24, 2010, <http://www.america.gov/st/texttrans-english/2010/May/20100506165948xjsnommis0.6096765.html> (accessed September 22, 2010).

<sup>225</sup> Christopher Hitchens, *How To Win Afghanistan's Opium War*, October 6, 2008, <http://www.slate.com/id/2201622/> (accessed Sept 22, 2010).

<sup>226</sup> Svetlana Kovalyova, "FAO food price index hits record high in January," *Guardian.co.uk*, February 3, 2011, <http://www.guardian.co.uk/business/feedarticle/9482466> (accessed February 3, 2011).

Colonel operating in the Marjeh region of Helmand province notes, “keeping farmers away from growing poppies would require finding cheaper and safer ways for them to grow legal crops such as wheat.”<sup>227</sup> David Mansfield notes two factors that could bring about more conversion from poppy cultivation to licit crops, not limited to wheat. The first is the rising food insecurity felt both by farmers themselves and through global rising prices will bring farmers to plant foodstuffs rather than poppy. Second is the manpower availability to the rural areas, which alone does not inhibit opium production, but can limit the expansion of poppy cultivation due to the manpower intensive nature of opium collection. Any economic increases nationally will move workers from the rural areas, heightening the challenges of successful opium harvesting.<sup>228</sup>

The wholesale transition to licit crops at this stage of the conflict, however beneficial to curtail the international drug trade, will have only minimal impact on the insurgency within Afghanistan. The Taliban are thoroughly embedded in the Afghan countryside and will resort to increased taxation on licit crops, transportation and agricultural services. Only the narco-traffickers will be adversely affected, who, without effective local security, will force the population to move back to poppy cultivation.

Unlike the efforts at the beginning of the war, to ignore the drug trade and concentrate on targeting the terrorist elements,<sup>229</sup> in order to combat international drug trafficking, the coalition focus must be on the narco-trafficking networks. Thus once the demand at the farm gate for opium products is stemmed, alternative crops can be subsidized, although this again only targets the opium trade and will do little to affect the insurgency, given the alternative revenues available.

New strategies based on the cultural history of Afghanistan have the potential to impact opium production. As described in Chapter II, the extensive orchards of the pre-Soviet invasion time were destroyed in order to prevent ambush sites. This now has the

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<sup>227</sup> Pamela Constable, "As opium prices soar and allies focus on Taliban, Afghan drug war stumbles," *The Washington Post*, January 14, 2011.

<sup>228</sup> David Mansfield, "Responding to Risk and Uncertainty: Understanding the Nature of Change in the Rural Livelihoods of Opium Poppy Growing Households in the 2007/08 Growing Season," Report for the Afghan Drugs Inter Departmental Unit of the UK Government (2008).

<sup>229</sup> Tim McGirk, "Drugs? What Drugs?" *Time*, August 18, 2003.

potential to be reversed in the focus to redirect the agricultural efforts of Afghan farmers. As the 2010 State Department report on International Narcotics states, “USAID agricultural programs in the major opium cultivation areas provided incentives for farmers to permanently move away from planting poppy crops by promoting orchards or vine crops, as opposed to wheat.”<sup>230</sup> This gets to the understanding that planting wheat crops will still allow the field the dual use potential should the insurgency or criminals force such measures. With orchards or vines the farmer will be forced to convert the farmland to accommodate these crops, eliminating the potential reversal to poppy cultivation. Also these types of agriculture take significant time to develop into mature production thus the farmers are committed and less likely to destroy orchards or vines to plant poppy.

Many ideas have surrounded the mitigation of the opium trade, invariably coupled to the strength of the insurgency. The underlying factor behind the profits from the opium is not the opium itself, but the permissive nature of the Afghan environment. With the opium trade providing up to \$400 million a year to the insurgency, the cessation of this revenue would certainly cause a significant blow, unfortunately though given the abundant alternative revenue the insurgency would continue unabated.

Most of the alternative revenues available to the insurgency rely on the lack of effective security throughout Afghanistan and Pakistan. Thus the focus of the coalition must be two-fold. Attack the funding and build the security capability.

The presence and advocating of NGO’s and corporate personnel going into areas with less than desirable security apparatus’ will continue to allow the exploitation of kidnapping, ransom, extortion and illicit taxation upon unprepared individuals. Again only a sizable and competent government led security force will mitigate this threat. In a recent report the Afghanistan NGO Safety Office (ANSO) writes, “The likeliest cause of this trend is the pervasive NGO presence, multiple contested areas, and a leavening of active criminal groups along many of the regional roads in the region.”<sup>231</sup> This is

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<sup>230</sup> United States Department of State, "International Narcotics Control Strategy Report," Bureau for International Narcotics and Law Enforcement Affairs (2010), 101.

<sup>231</sup> The Afghanistan NGO Safety Office, *The ANSO Report*, Country Report (Kabul: ANSO, 2011).

referring to the recent incident in north Afghanistan in which a NGO worker was killed, maintaining the trend of violence against NGO personnel in the region. This has caught the attention of the ISAF troops stationed in Afghanistan as a persistent problem worthy of military action. In a recent incident a known kidnapper along Hwy 1 between Kabul and Kandahar was apprehended.<sup>232</sup> Although military action against kidnappers is a positive step, the elimination of the presence of kidnappers through effective security is the long-term solution to this problem.

In addition to kidnapping, insurgents can garner significant revenues through protection rackets. Although the regional insurgent group may not be directly involved in the illicit activity, they will provide protection to the transshipment of the material for a fee. This is a product of the regional instability throughout Afghanistan leading to militia control of transit routes, for which taxes/tolls can be levied. This also applies to the legitimate trade that occurs. Militias will 'provide' secure passage for a certain company trucks, if the company has compensated the militia accordingly. The revenues generated through this are among the highest, and only 10 percent to the insurgency equals \$220 million.

Government inability to regulate industries has lead to a lucrative 'illicit' product, which the insurgents can export under their protection, and thus tax the illegal trade, or run the business outright. Only with competent security forces securing the trade, can the government properly regulate the trade of the industry and garner taxes. Again this leads to the necessity of two of Afghanistan's largest failings, effective central government and effective national and regional security apparatus'.

The rampant, and very publically discussed corruption that is pervasive throughout Afghan government, needs to be curtailed. In order to maximize the effects of aid to Afghanistan, proper allocation of the aid money for it's intended purpose must be insured. Also this will foster the possibilities for healthy, honest competition, in turn driving down costs for all businesses.

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<sup>232</sup> ISAF Joint Command – Afghanistan, "ISAF Releases."

\$60 billion of United States aid money has been given to the government of Afghanistan and various organizations working to promote the improvement of quality of life for the Afghan population. A percentage of this aid money makes it into the hands of the insurgency through protection rackets. With sources claiming up to 20 percent of project funds are built into contracts for insurgent payoffs, the revenue potential is in the \$100s of millions. In addition, criminal gangs or the Taliban themselves will use outright threats in order to extort wealthy Afghans they know are well off, largely in part due to the reconstruction aid pouring into the country.

Security contracts set up through in country contractors are also known to finance the insurgency directly. A recent congressional report about this specific phenomenon details how contractors would receive funding and immediately turn the proceeds over to the local insurgents.<sup>233</sup> The cessation of such contracts will only lead to a greater insurgent pool as the manpower employed as security would turn to criminal behavior for sustenance. Economic reform, generating significant employment across Afghanistan will mitigate the need for private security militias. This economic reform can only be realized through the bolstering of local government and improved security.

Of all the revenue sources the most effective to maximize the impact upon the insurgency would be first and foremost the opium trade. Not only would this impact the insurgency by \$400 million or more, it would also degrade the criminal drug trafficking networks that cause insecurity alongside the politically motivated insurgency. The international support to the insurgency whether it be from Pakistan, Iran, the Gulf States or other donors could severely mitigate the potential combat ability. Most notably Pakistan, which supplies everything from funds, material, weapons and safe haven to the insurgents. The next largest impact would be gained by reducing the protection racketeering, prevalent throughout the country, eliminating up to \$220 million or more from the coffers of the insurgency. Along with that is the extortion of aid and reconstruction projects, given the \$60 billion that has flowed into the country, the insurgency has extorted hundreds of millions from this business.

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<sup>233</sup> Committee on Armed Service, United States Senate, *Inquiry Into The Role and Oversight of Private Security Contractors in Afghanistan*.

After assessing the financing capabilities of the insurgency, the question of whether the elimination of the opium trade would adversely affect the combat potential of the insurgents is definitely no. The transition to licit crop taxation and alternative revenue is far in excess of what the insurgency requires in terms of manpower, weapons and supplies. The most significant benefit would be to the global fight against drugs, as three-quarters of the world's supply of opium would be out of the market place.

The same goes for the alternative revenue sources the insurgency enjoys. Eliminating just one of the alternative sources would not significantly reduce the potential of the insurgent forces. However, the only viable method to defeating most of these alternative revenues is through increased security and governance internal to Afghanistan. When an effective level of security backed by legitimate government structures, many of the alternative revenue sources to the insurgency will become threatened. Simple oversight measures for aid and reconstruction projects, enhanced border security, responsive ANA units throughout the country, government management of resource wealth, financial monitoring of the hawala system and alternative to poppy cultivation could stem the tide of insurgent funding from both within and outside of Afghanistan. This obviously is much easier said than done, especially within a conflict zone. If the coalition forces desire a withdrawal with Afghanistan, labeled as successful, then internal security is exactly what needs to be focused on in the next several years until it becomes successfully self-sufficient, or the coalition time and patience wears out, leaving Afghanistan to continued internal conflict, promoted by regional actors.

### **C. GOVERNANCE AND SECURITY – THE ONLY WAY FORWARD**

Hayder Mili sums up this paper's thesis in one sentence, "reducing their financial power would undermine an important component of their recruitment model."<sup>234</sup> The greater goal is to ultimately degrade the insurgency to the point where the indigenous security forces can sustain the momentum and the foreign troops can finally get out of the way permanently. The recruitment model does consume a large portion of the insurgent funding and if the recruiting alone can be degraded, while simultaneously supporting a

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<sup>234</sup> Hayder Mili, "Afghanistan's Drug Trade and How it Funds Taliban Operations."

legitimate economic base, the locals will have no choice but to turn to licit work for survival. In addition if the recruiting can be undermined, it will lead to a domino effect on the rest of the insurgency, with less fighters to control ground and protect revenue sources the area the insurgents control will shrink rapidly, thus depriving them of additional revenue. The cycle would continue until the insurgents would be constantly on the run amid local, provincial and state security forces. A success of that magnitude would also lead the supporting neighbors to abandon the insurgency in support of the central government. Without a need for foreign troops in Afghanistan, Iran would certainly curtail the support to the insurgents. As the downward cycle of the insurgents occurs the political gap must be filled, and this is not a lost concept.

Robert Kemp, after spending four years in eastern Afghanistan, sees the best method of defeating the criminal and insurgent forces is the building of legitimate governors capable of engaging with the population, coordinating with the Afghan security forces, defeat corruption and be a conduit of the central government.<sup>235</sup> He also emphasizes the role successful governors can play in securing economic funding to the local level in order to generate an economy for the population to build on.

Major Knight highlights a crucial metric that the U.S. needs to adapt, “the true measure of success in Afghanistan, and one that is not uniformly evaluated, is the amount of ‘influence’ that the government holds over the population.”<sup>236</sup> Knight advocates for gaining more influence for the Afghan government, supplanting that of the insurgents, especially with the local leaders. He supports the problems in the government not dealing with illicit products. He refers to the timber ban in the north as a point of contention for the local leaders, who will only support the government when a strong government presence combined with economic opportunities is materialized.

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<sup>235</sup> Robert E. Kemp, "Local Governance and COIN in Eastern Afghanistan," *Military Review*, January–February 2011: 54–63.

<sup>236</sup> Andrew J. Knight, "Influence as a Measure of Success," *Military Review*, January-February 2011: 64–72.

Colonel Spiszer advocates for more focus on building up the Afghan Security forces, all-inclusive, the troops, the leadership, the command and control and the relationship to the population for whom they will be left to protect.<sup>237</sup> As Spiszer points out, the government must have the faith of the people in order to support the government security apparatus as one that will work on the population's behalf. Spiszer also highlights four areas where gains were made; 1) separating the enemy from the population through careful planning, 2) developing the ANSF, 3) using funds to jump start the economy, facilitate security efforts, providing jobs and building infrastructure, 4) partnering and building government.<sup>238</sup>

Colonel Veneri, while watching three Afghan Army cadet trainers attempt to pump up a basketball with a faulty pump, surmised, "we seem unaware that our resource-intensive efforts may not work and Afghanistan might not make strategic sense in the end."<sup>239</sup> This is a good summation of the efforts from the initial invasion until this point. The greater the resources the U.S. and coalition partners pour into Afghanistan, the greater the resources the insurgency has to feed upon, again bringing the question of the strategic vision the Afghan mission has morphed into.

Thomas Johnson and Chris Mason propose a radical approach to the difficult task of empowering the village elders in order to restore their historic place as the respected heads of families and clans, and the return of the traditional decision by consensus:

To reverse its fortunes in Afghanistan, the U.S. needs to fundamentally reconfigure its operations, creating small development and security teams posted at new compounds in every district in the south and east of the country. This approach would not necessarily require adding troops, although that would help, 200 district-based teams of 100 people each would require 20,000 personnel, one-third of the 60,000 foreign troops currently in the country.<sup>240</sup>

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<sup>237</sup> John M. Spiszer, "Counterinsurgency in Afghanistan – Lessons Learned by a Brigade Combat Team," *Military Review*, January-February 2011: 73–79, 74.

<sup>238</sup> Ibid.

<sup>239</sup> Michael C. Veneri, "Multiplying by Zero," *Military Review*, January-February 2011: 86–95.

<sup>240</sup> Thomas H. Johnson and M. Chris Mason, "All Counterinsurgency Is Local."

Healthy, effective government-led security apparatus' for all provinces are the only way to curb any possible revenue sources for the insurgency. Formation and growth of regional government administrative institutions and competent security forces will be necessary for the responsive control of regional resources, Afghanistan largest national asset. Incorporation of the tribes into ownership and stewardship of regional natural resources is also necessary to bolster the central government efforts. A U.S. government official backs up the need for comprehensive security by stating, "We know they are raising substantial amounts of money; they can finance their operations. If you take away the Gulf money, they can make it up. If you take away the narco money, they can make it up. It's like punching jello."<sup>241</sup> Until the funding can be effectively interrupted, the efforts of the coalition will be exactly that; like punching jello, until the time comes for the U.S. and its coalition partners to step down.

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<sup>241</sup> Douglas Wissing, *How the US is attacking Taliban funding*.

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