



Funding the Pakistani Taliban

Poppies, tobacco and the "timber mafia." But that's not all.

Shahan Mufti

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MARDAN, Pakistan — Standing in the lush plains of Mardan in the Northwest Frontier Province, the rugged and arid mountains that enclose the Peshawar valley on all sides may appear farther than they actually are. A few dozen miles to the north and west in the mountains, the Pakistan army has been engaged in a bloody battle with Taliban militants for years over the control of territory.

The armed guerrilla fighters have avoided forays onto the flat plains of Mardan, but driving through the main market of the city where vendors sell everything from kebab to Kalashnikovs, or among the cattle in leafy tobacco fields, or the large 16-wheeler trucks on the potholed roads, there are traces of Taliban, even here.

You don't see Taliban foot soldiers — young men with the signature long hair, black turbans and beards — cruising the streets in the backs of pick-up trucks shaking down shop owners like gangsters. But in this bustling town and many others much farther away from the war zones, the Taliban's financial engine is chugging at full force right under the nose of law enforcement.

“The money is coming in from more sources than we know,” said Aftab Ahmed Sherpao, a native of the nearby town of Charsada, who served as the interior minister under former President Pervez Musharraf. Sherpao was the man responsible for organizing civilian law enforcement when the Taliban first emerged on the scene in Pakistan.

Having survived two targeted assassination attempts and no longer serving in the government, he said “if they can dry up their revenues, (the militants) won't last for long.” But tracking the money, he said “isn't an easy job.”

And it's not just Sherpao who's worried. Cutting off the revenue streams of the Pakistani Taliban is something that U.S. President Barack Obama's Af-Pak special envoy, Richard Holbrooke, has linked to the successful completion of the American campaign in Afghanistan.

During his last visit to Pakistan in June, Holbrooke told reporters that in the past the traditional belief in Washington was that all the money came from the drug trade in Afghanistan. “That is simply not true,” he was quoted saying. In a press conference in Islamabad he announced that a member of the U.S. Treasury Department will be added to his staff to find out “where the money really comes from.”

Traditionally, guerrilla groups thrive on one large favored revenue stream. For example, the FARC in Colombia has leaned heavily on the trade of coca for three decades and the diamond trade has fueled years of war in Africa. Just over Pakistan's border, the Afghani Taliban have a deep hand in the cultivation and trade of poppy.

While poppy has been largely eradicated from Pakistan, the political leadership and military planners in the country say that a chunk of the Afghan drug money still makes its way to Pakistani Taliban hands — to the tune of \$200 million dollars a year, according to Pakistani military estimates.

An official at the Anti-Narcotics Force in Pakistan said that tracking terrorism funds is "far beyond our official mandate." But the force is working closely with the military to "stop drug money from getting into dangerous hands" and is stacked at all levels with retired and serving military generals.

But following this money across borders is especially difficult because much of it moves through the hawala system, which transfers money through unofficial money lending networks. In the hawal system, drug money is thrown in to the same pile as legal expat remittances, making it impossible to fully trace.

The tactics of the Pakistani Taliban suggest though that its needs go beyond a cut from the Afghan poppy industry, which the State Department estimated at \$4 billion in 2007. The Pakistani Taliban shares a name with the Afghan group, but when it comes to the money, Sherpao said the rule is: "live off the land."

Back in 2005, television camera crews in Swat, Pakistan, captured for the first time images of Taliban collecting donations from locals. Then, wooden carts with mounds of cash were parked on the street sides as women were seen dropping their jewelry into bags for masked young men carrying AK47s.

The Pashtun militancy first grew in the tribal areas of Pakistan when the Pakistan military ventured to the Afghan border for the first time in history. At the time, the American military said that the Taliban had moved its bases into Pakistan and major high profile ex-Afghan-mujahedeen leaders were traveling freely across the porous Af-Pak border.

But by 2005 groups claiming to be part of the umbrella Taliban Movement of Pakistan (TTP) had started popping up in places like the Swat Valley, which has no border with Afghanistan. In Swat, the leadership of the major Taliban group came from the remnants of an old secessionist movement in the region that dates back to the 1970s, decades before the Taliban existed.

As the Pakistan army moved deeper into the steep green valley to battle these new groups, the Taliban couldn't just rely on the dwindling goodwill of a few poor ideological supporters. Like any good business, it diversified.

A report by the Center for Public Integrity in Washington published in June claims that millions of dollars are also ending up in Pakistani Taliban coffers from its control of the trade in counterfeit cigarettes. The report estimates that profits from the illicit cigarette trade may account for as much as 20 percent of total funding for these terrorist groups.

“After poppy, tobacco is probably the biggest revenue generator,” for the Taliban, said Ikram Sehgal, a former major-general in the Pakistan army who now runs one of the largest private security firms in the country.

Plus, officials constantly identify new Taliban revenue streams. The environmental protection agencies in Pakistan are blaming the “timber mafia” — illegal loggers — for funding the militancy. Last year the Taliban took over a dormant marble mine near the Afghan border, which then reportedly generated tens of thousands of dollars for it every month.

Aftab Sherpao, the former interior minister, said the Taliban also would have made hundreds of thousands of dollars in the past from emerald mining in the Swat Valley.

But nothing, it seems, pays better than good old crime. Rackets, extortion, kidnapping and bank heists are all helping the Pakistani Taliban pay the bills. Earlier this year the Taliban reportedly demanded nearly \$1 million from Sikh minorities in their areas as jizya, or “tax.”

A thousand miles away, five men were arrested in June in the city of Karachi, the country's financial hub, for funding Taliban groups. The men were “involved in robbing banks and trailers on highways” and “different crimes” to provide funding to the Pakistani Taliban, according to the city's police chief. The police also said the suspects were planning to kidnap businessmen in Karachi.

“Kidnapping is a major revenue source for them,” said Gen. Athar Abbas, the central spokesman for the Pakistan Army. “Sometimes we don't even know how much has been paid to get people released so it's hard to keep track,” he said. While the official stories mostly recount escapes, ransom is usually paid — “sometimes in the millions of dollars,” said Abbas.

But to Abbas and many others in Pakistan, stopping the drug trade in Afghanistan is still the key to controlling the militancy in Pakistan. “I don't agree with (Holbrooke's) assessment,” he said. “The opium trade is still the backbone of the funding” for militants in Pakistan.

Former minister Sherpao said that since the pay-offs in the drug trade in Afghanistan go up to the “highest levels,” “it's not easy to control it from this side.”

Sherpao's suggestion is echoed frequently by Pakistani officials who say that Afghan officials, including the Afghan president, are involved in the drug trade and thereby complicit in financing the Taliban militancy inside Pakistan.

It's a not a purely academic debate. By hitting such a disparaging note in the funding debate, Pakistan is then able to build political pressure on Afghanistan and the United States to do more on the other side of the border.

The Pakistan government now also routinely points the finger at India for backing the Pashtun and Balochi insurgents in Pakistan through consulates in Afghanistan.

This month, basking in the glory of a fairly successful anti-Taliban offensive in the Swat Valley region, the Pakistani government used U.S. Secretary of State Hillary Clinton's visit as an opportunity to announce that it had presented the Indian Prime Minister with evidence of his country's involvement in financing and aiding terrorism in Pakistan.

Looking in another direction, Holbrooke has said that the U.S. would look closely at wealthy individuals on the Arabian peninsula who might be funding the Taliban in Pakistan. That might be difficult, however. A 2003 study by the World Bank suggests that drug money transacted between the Middle East and Afghanistan goes through the opaque hawala system.

Before this, for a few years the U.S. had maintained that the Pakistan army and intelligence outfits were themselves funding the insurgency they were fighting. And now the debate has come full circle — a common refrain in Pakistan echoed by many from retired diplomats to retired militants is that the “Taliban are agents of America.”

How is the Pakistani Taliban financing its war? There is no easy or singular answer. And in the ensuing confusion everyone is blamed while no one admits to anything. In the end, it might be this blame game that the Taliban profits from most.