



Afghani drugs at heart of war on terrorist financing

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Over the past few years, Western powers have poured several hundred million dollars into combating the Afghani drug trade — and for good reason. According to recent reports from the United Nations, the cultivation of poppy in Afghanistan is expected to soar almost 60 percent this year, providing 92 percent of the world's supply of opium. Much of the recent rise in production comes from Taliban strongholds in the southern part of the country. Trafficking in narcotics produces billions of illicit dollars every year in an area of the world that is quite hostile to Western interests. Much of that money, clearly, will find its way to terrorist coffers.

Efforts by the West to combat the flow of terrorist financing from this drug trade include the eradication of poppy fields, the development of alternative crops and the training of special narcotics police, prosecutors and judges. Even so, drug production continues to rise.

It is an axiom within the US law enforcement community that successfully following the money in the war on drugs is key to disrupting narcotics traffickers; money inevitably leads to the drug kingpins. Additionally, taking away criminal assets strikes at the criminals' primary motivation: greed.

In the war on terrorism, the military and intelligence communities also acknowledge that following the money trail is potentially more important than any tactical battlefield victory. In Afghanistan, however, all of these various authorities have had a hard time converting this theoretical understanding into action.

South Asian value-transfer systems still not understood

Almost five years after the US and its coalition partners entered Afghanistan, we have made virtually no progress in understanding and identifying some of the entrenched South Asian money and value trails employed by the enemies. In fact, a South Asian businessman with ties to underworld finance told me, "Don't you know that the terrorists are moving money and value right under your noses? But the West doesn't see it. Your enemies are laughing at you."

During a recent trip to Kabul, I asked Afghan bankers, *hawaladars* and businessmen how our adversaries launder narcotics proceeds and finance terrorism. Without exception, they told me that dirty money was *not* being laundered via the 13 licensed banks currently operating in Afghanistan. The value was laundered primarily through trade.

Trade goods swapped for drugs as part of narco-barter system

Opium poppy is one of the few Afghani goods that outsiders value. In fact, opium gum is often used as a currency, especially by rural farmers. Narcotics are exchanged for goods; in certain areas, the going rate for a kilogram of heroin is a color television set. Afghani narcotics are also exchanged for vehicles stolen in Europe and smuggled into Afghanistan via Iran.

Construction goods, foodstuff, electronics and necessities for rebuilding Afghanistan are flooding into the country via transit-trade agreements with neighboring Pakistan and Iran. These goods, however, are often traded for drugs that then flow to our adversaries across the region.

“Don't you know that the terrorists are moving money and value right under your noses?”

— South Asian businessman

Dubai a trade and laundering hub

Most of the trade goods used to "buy" Afghan drugs are purchased in the regional shopping center of Dubai, which also is the regional *hawala* center. Historically and culturally, *hawaladars* use both legitimate trade and invoice manipulation to move value and balance their books, which allows them to move wealth — both licit and illicit — around the world.

The trade-based wash cycle is creating a culturally unique South Asian and Arabian mix of business, finance, and drugs that — as a whole — presents a clear and present danger to the region and the West.

The bottom line is that our traditional money laundering countermeasures that focus on illicit money moving through banks are not enough. Osama bin Laden is on record as saying that Al Qaeda and jihadist groups are "aware of the cracks in the western financial system." Trade-based laundering of Afghan drug proceeds, then, is a major "crack."

War on terrorist financing stalled

Our war on terrorist finance has stalled. In a global contest of hide and seek, we have spent an inordinate amount of time and resources looking in the wrong places. It is time to reassess our efforts. One of the most immediate needs spin in a tight orbit around the rising drug trade in Afghanistan. If we do not act soon, Afghanistan will slide into the abyss of a narco-state.

Measures to successfully combat the illicit Afghani drug trade must be regional in scope. Partners should include Pakistan, Iran and the United Arab Emirates. Insight into regional value-transfer systems must be obtained and trade transparency encouraged. Real border enforcement is a necessity.

Since most of the Afghani narcotics are destined for the European and Russian market, concerned countries should provide adequate resources, share information and exert unified political pressure. We cannot afford to wait much longer.

John Cassara is a former CIA case officer and Treasury special agent and the author of Hide and Seek – Intelligence, Law Enforcement and the Stalled War on Terrorist Finance, which Potomac Books released in June 2006. Cassara can be contacted through his web site at www.JohnCassara.com.

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