

# Drug Money Flows and its links with Terrorism Financing : Afghanistan Case

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**Abstract.** Afghanistan is the leading producer of the illicit opium at global level. Afghan opium income was used by the war lords during the civil war. After the civil war ended, Taliban has continued to enjoy the huge volume of income generated from Afghan opiates. Every year some US 2-3 billion afghan opiate money flows to the Afghan drug traders and certain percent of this amount goes to the Afghan Taliban. Terrorist groups in Pakistan, including Pakistani Taliban, Haqqani group and Al-Qeda benefits from the opiate trade indirectly as well. Total market value of Afghan Opiates in Pakistan is estimated around US\$ 1-2 billion per year. A remarkable percentage of this amount is enjoyed by Terrorist groups in Pakistan. Afghan opiates has started to move to East and West Africa where Al-Shabab and Boko Haram is well located, in larger volumes after 2010. Africa has started to be a new hub for Afghan Opiates Trafficking. It is estimated that the level of opiate trafficking, organized crime and terrorism will increase further in Africa in near Future. Finally, it is estimated that ISIS is benefiting from Afghan Opiates not as a trader but user as well. Large volume of morphine flows from Afghanistan through Pakistan and Iran / Persian Gulf towards ISIS which needs morphine for its fighters. The Annual market value of Afghan Opiate trade is around US\$ 65-70 billion per year. It is much higher than GDP's of a lot of countries worldwide. Thus, Afghan opiate trade is a global threat for global security. However, the policies and strategies developed and implemented to counter Afghan opiates is not anymore working well. Therefore, it is essential to develop or modify the strategies on countering the Afghan opiates and sopping the links with Terrorism organizations.

**Keywords.** Afghan opiate trade, terrorism funding, drug trafficking, organized crime

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## 1. Introduction

Afghanistan was not a major illicit opium producer until end of 1980. After the civil war started in the country, the level of opium poppy cultivation has increased sharply. During this period, Afghan war lords used the opium income to pay for their armed soldiers and weapons.

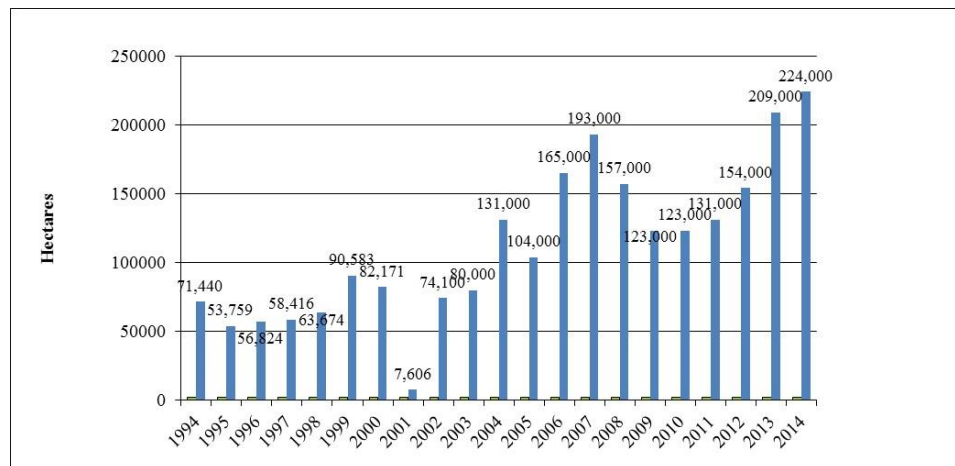


Figure 1 : Opium Poppy Cultivation in Afghanistan, Source : UNODC

After Taliban started to control the vast majority of the country, opium poppy cultivation has continued and amounted to around 82,000 hectares in 2000. In 2001, opium poppy cultivation decreased sharply in the country due to the political engagement of Taliban at international level. Apart from Northern Afghanistan, there was no cultivation. However, there was no shortage of heroin in Europe or other destination markets as there was enough opium stocks with the opiate traders and farmers. Taliban was still strongly controlling the opiate trade and had high level of income as dry opium price increased from US\$ 80 to US\$ 520 in 2001. However, the negotiations and talks ended between Taliban and International community after 9/11 attacks in USA. Furthermore, as of 2002, opium poppy cultivation has started to increase sharply and reached to 224,000 hectares in 2014.

Total global illicit opium poppy cultivation was around 267,000 ha in 1994. Out of this amount only 71,000 ha (26 percent) was in Afghanistan. Until 2003, level of illicit opium poppy cultivation was higher in Myanmar than Afghanistan. But in that year, as a first time, cultivation in Afghanistan was slightly higher than in Myanmar (80,000 in Afghanistan and 74,000 ha in Myanmar). After that date, level of cultivation has increased sharply and reached to 224,000 in Afghanistan in 2014. However, level of cultivation has decreased in Myanmar and Lao PDR and decreased to around 64,000 ha in 2014. Moreover, as a first time, level of illicit opium poppy cultivation reached to over 300,000 ha at global level on same year. Today, Afghanistan accounts around 70% of the global illicit opium poppy cultivation.

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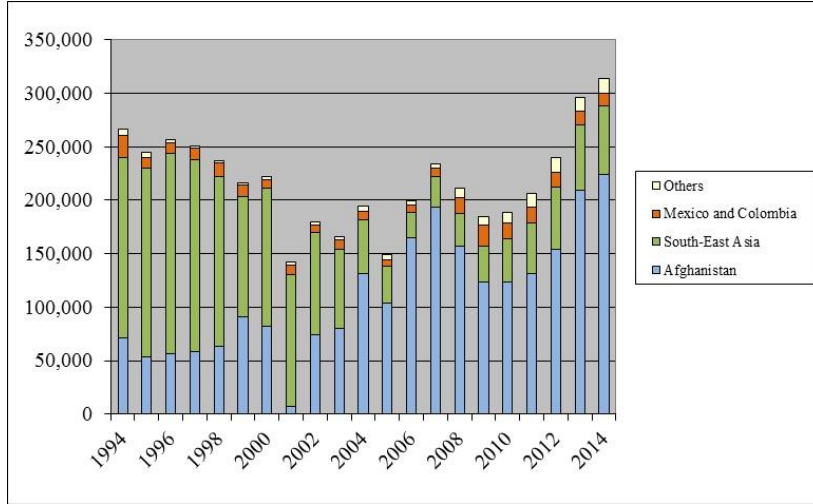


Figure 2: Illicit Opium Poppy Cultivation (ha) at global level, Source : UNODC

Currently, Afghanistan is the major illicit opium producer in the world. Total of 7100 tons of illicit opium was produced at global level in 2014. It is estimated that some 350-400 tons of heroin was used every year almost all around the world. Of the 350-400 tons of heroin consumed in 2010 and 2011, 80 per cent were supplied by Afghanistan. In each of these years, Myanmar supplied around 9 per cent (40-45 tons) of the world's heroin market, Mexico and Colombia supplied 8 per cent (30-40 tons), and South Asia (mainly India) supplied 3 per cent (10-20 tons).

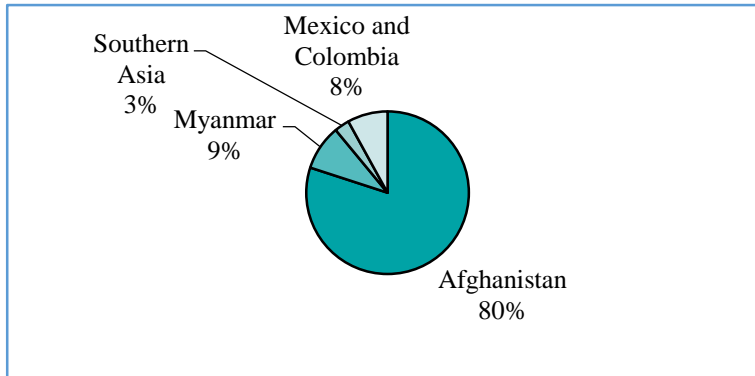


Figure 3: Global heroin production

Total market value of the global opiate market is estimated to be between US\$ billion 65-70 per year. Out of this, around US\$ 45-50 billion is produced by Afghan opiates. This amount attracts the interest of organized crime groups and terrorist organizations.

## 2. Global Dynamics of Illicit Opium Production

The increase in illicit opium poppy cultivation and production figures tell us a clear need to modify the narcotics strategy. In addition to Afghanistan, latest figures for Myanmar and Laos PDR, shows a clear increasing trends in opium poppy cultivation in both countries as well. Furthermore, remarkable level of cultivation was reported in Mexico. Finally, according to the Government of India, source of heroin (most of it) and opium (all of it) used in the country is locally produced. This suggests a sizeable level of illicit opium poppy production in the country.

There were total of 15.2 million estimated opiate users and average amount of opium per user was 319 grams in 2004. However, ten years later, production increased by 63 %, and cultivation by 84%, but number opiate users only raised slightly by 8%. Average illicit opium produced per opiate user was 319 gram in 2004, whereas it reached to 476 grams with 51 percent increase in 2014.

Year	opium production (kg)	Estimated number of opiate users	Average opium per opiate user (gr)	Cultivation (ha)	Average opium area (square meter) per opiate user
2003	4,783,000	15,200,000	315	168,600	111
2004	4,850,000	15,200,000	319	195,940	129
2005	4,620,000	15,900,000	291	151,500	95
2006	5,810,000	15,800,000	368	201,000	127
2007	8,090,000	15,500,000	522	235,700	152
2008	6,841,000	16,500,000	415	213,003	129
2009	4,953,000	16,800,000	295	185,935	111
2010	4,735,000	16,800,000	282	190,662	113
2011	6,983,000	16,800,000	416	207,500	124
2012	4,905,000	16,400,000	299	236,320	144
2103	6,883,000	16,400,000	420	296,720	181
2014	7,800,000	16,400,000	476	310,000	189

Figure 4 : Global Opium production and average amount per opiate user<sup>2</sup>

Hence, what is the reason for dynamics behind the overall increase in illicit opium poppy cultivation worldwide? Does it mean that demand for illicit opium has increased worldwide?

The lack of actual possibility to comprehensively and accurately explain the increase in illicit opium production with the slight increase in number of opiate users worldwide goes without a doubt. There are, however, several possibilities to explain the situation:

<sup>2</sup> Source: Opium production, cultivation and opiate user figures are from UNODC Publications. Note : 2014 figures are estimated figures by the Author.

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- a- The number of opiate users are underestimated;
- b- There is a demand for illegal opium and morphine for different purposes, namely to produce opium based pain killers, cough syrups etc and morphine injections;
- c- Both above options are true.

Author believes that we can only explain the situation by option C. First of all, there is no data available on the exact number of opiate users from most of the countries. There is, *inter alia*, no estimation about number of opiate users in China and India. The total population in these two countries are almost 2.5 billion which account 36% of the world's population. Iran exemplifies the given trend as well, as according to Iranian statistics, the number of opiates users within the country has not changed since 1999 and is constantly estimated to remain at the same level of 1.2 million. The given statistics constitute a significant contradiction to the sharp increase in opiate users reported by Afghan and Pakistani authorities at the respective period. The level of data and information from Africa continent is very limited. However, there is a lot of anecdotal information suggests that heroin consumption has increased in the continent in parallel to the increase in trafficking since 2009

Secondly, notably over the past 20 years, the world has faced a dramatic rise of local and global terrorism. Terrorist groups are not any longer composed of ill-equipped single fighters, but now they frequently possess their own armies. ISIS in the Middle East is currently estimated to be in charge of around 50,000 fighters on duty. Boko Haram in Nigeria, Al-Shabab in Somalia, Taliban in Afghanistan and Pakistan as well as Al-Qeda have thousands of devoted soldiers. Like the regular armies, these outfits need morphine and pain killers for their wounded soldiers. Besides, terrorist organizations use illicit substances as a tool to provide fighters with courage and motivation before violent attacks. According to information from key sources<sup>3</sup> in Baluchistan province of Pakistan, morphine prices has sharply increased recently due to the high demand by the traffickers in 2014. It is believed that morphine moves to Iran through Sistani Baluchistan province of Iran. More worryingly, the support for ISIS terrorist group<sup>4</sup> is in rise in some parts of the Baluchistan.

Terrorist groups, such as Taliban in Pakistan and Afghanistan, benefit from drug trade both directly as well as indirectly. It is estimated that Taliban and other anti-government elements made around US\$ 215 million from opium trade in 2014<sup>5</sup>. According to the Combined Maritime Forces in Bahrain, terrorist groups in Pakistan, Afghanistan and East Africa benefit from opiate trade<sup>6</sup>. In addition, they might be using Afghan morphine as a pain killer for their own fighters<sup>7</sup>. According to the UNODC estimates, total income generation created by Afghan Opiates is around 65-70 billion per

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<sup>3</sup>Interviews with drug law enforcement officers and drug users in Baluchistan

<sup>4</sup>Caution: ISIS was not in the list of terrorist organizations of UN, EU and US at time of this report was drafted.

<sup>5</sup> Author's estimation

<sup>6</sup>Combine Maritime Forces presentation at UNODC Southern Route meeting in Vienna, March 2014.

<sup>7</sup> Authors's analysis , see below figure

year. Organized crime, terrorist and other type of criminal groups benefit from this trade directly and indirectly per year.

### 3. Illegal opiate-based pharmaceuticals trade

It is reported<sup>8</sup> that there are number of illegal pharmaceutical entities in the Baluchistan province of Pakistan producing illegal drugs including morphine injections. Morphine injections are also reportedly trafficked to the Islamic Republic of Iran.

It is believed that the use of morphine injections is prevalent with drug addicts in the region<sup>9</sup>. This information has yet to be published or mentioned openly by the countries in the region or international organizations. However, this issue needs specific attention and therefore needs to be studied and investigated further.

Iran and Pakistan have been reporting morphine seizures in substantial quantities for many years. Morphine is either used as a painkiller or used to produce heroin. Morphine is traded;

- To produce heroin mainly in Pakistan and lesser extend in Iran
- To produce illegal morphine based pain killers, including morphine injections

Produced morphine injections may also be trafficked to illegal armed and terrorist groups in Syria and Iraq. All these groups, including ISIS, need morphine injections for their wounded fighters. Most likely, thousands of morphine injections are being trafficked out of Pakistan and Iran towards Syria and Iraq. Last but not least, there are several small scale heroin labs based in the Baluchistan province of Pakistan. Therefore, it is very likely that there are high levels of morphine trading taking place in Pakistan and Iran.

Below map shows the location of the morphine seizures made in Afghanistan, Pakistan and Iran between 2010 and 2014. The footprint of the seizures depicts an intensive morphine flow from Afghanistan to Iran (Sistani Baluchistan province) through Baluchistan province of Pakistan. There is morphine flows towards Tajikistan – Afghanistan and Eastern border of Afghanistan with Pakistan as well. However, there is no morphine seizures reported neither in Tajikistan and nor in FATA region of Pakistan. Therefore, this suggests that morphine flows to Northern Afghanistan and Eastern Afghanistan are used for the heroin production by the heroin labs located in Badakshan and Nangarhar provinces of Afghanistan.

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<sup>8</sup>Interviews with key informants (pharmacies and drug users) in Baluchistan

<sup>9</sup> Information provided by the key informants located in the region.

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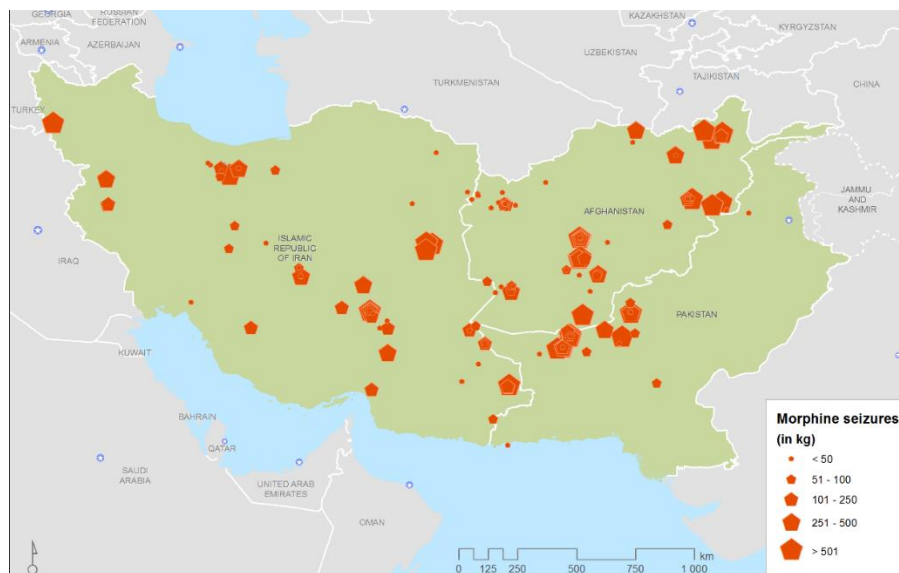


Figure 5: Locations of the morphine seizures between 2010 and December 2014<sup>10</sup>

Furthermore, The illegal pharmaceutical entities in Afghanistan-Pakistan and Iran region also produce codeine-based Cough Syrups and opiate based pain killers. Codeine is extracted from Opium. One hundred kilograms of Opium yields around 1.72 kilogram of codeine<sup>11</sup>. Codeine-based cough syrups are very common among the addicts in Afghanistan, Pakistan, Iran and South Asian countries, especially in their prisons<sup>12</sup>.

Finally, according to the latest report of UNDP<sup>13</sup> released at CND meeting in March 2015, currently, current level of legal morphine production does not meet the demand or at least substantial amount world's population cant reach morphine. This gap is most likely filled by opium based pain killer and morphine black market traders. Therefore, It is essential to re-draw the narcotics strategies over Afghanistan, including letting Afghan farmers to produce legal and controlled opium poppy.

### 4. Opiate Trade and Terrorism Financing

It is a well-known fact that Taliban benefits from Opiate Trade in Afghanistan and Pakistan. Apart from Northern regions of Afghanistan, entire opiate trade including cultivation, production and trafficking is done at Taliban controlled areas in Afghanistan. Taliban gets direct and indirect income from opium farmers and opiate traders. Below graph shows the estimated income of Afghan Taliban from Afghan opiate trade.

<sup>10</sup> Source : UNODC online database

<sup>11</sup>Narcotics Drug Report , page 140, INCB, 2013

<sup>12</sup> Consultant's interviews with key informants during his visits to the region in 2012 and 2013.

<sup>13</sup> Perspectives on the development Dimensions of Drug Control Policy, UNDP, March 2015.



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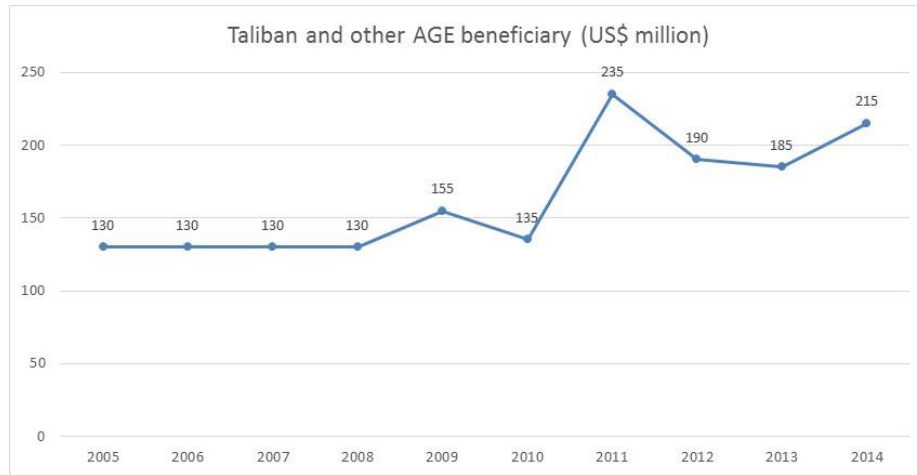


Figure 6: Income of Taliban and Anti Government Elements from Opium Trade in Afghanistan<sup>14</sup>

Below map shows the locations of the terrorist groups in Afghanistan, Pakistan, Middle East and Africa. Same map also includes the drug flows in these regions. It is clear that there is a strong correlation between the routes of the drug flows and location of the terrorist groups.

Opiate is trafficked through the heavily terrorist based locations in Pakistan as well. Al-Qeda, Pakistani Taliban and Haqqani group is located at the borders region of Pakistan with Afghanistan. Therefore, it is very clear that all of these groups directly or indirectly benefits sizable amounts from Afghan drug trafficking including opium and cannabis. Afghan Taliban is estimated to earn between US\$ 130 and US\$ 215 million per year since 2005. This is a very high volume of income for this organization. With such a regular income, they can easily organize most of their activities.

Around 170-200 tons of opiates trafficked through Pakistan each year. Out of this amount some 20-30 tons consumed in the country and the rest is trafficked out. The value of the Afghan opiates trafficked through Pakistan is estimated to be around US\$1-1.5 billion. In addition to opiates large volumes of cannabis is consumed in the country and trafficked out. Drugs move through Afghanistan – Pakistan border where Pakistani Taliban, Al-Qeada and Haqqani group and then reaches to Pakistan / Iran border and/or sea borders of Pakistan. Therefore, it is very clear that these terrorist groups benefit from drug trade directly and/or indirectly. In addition to these groups, there are other groups located in Baluchistan province of Pakistan, such as Baluchistan Liberation Army. Baluchistan is a very active province in terms of drug trafficking and consumption in Pakistan. Although, there is no evidence that such opposition and illegally armed groups are not benefiting from drug trade, it is still very likely they benefit at least indirectly given that they are located on the main drug trade routes.

<sup>14</sup> Source : 2005-2010 UNODC estimations, 2011-2014 Author's estimations

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Recently Afghan heroin started to move to Africa in an increasing trend since 2010. Heroin is trafficked mainly From Pakistan and lesser extend from Iran especially to Eastern Africa and Nigeria. In addition to opium large volumes of cocaine reaches to country for further trafficking to Europe. Finally cannabis is cultivated in most of the African countries and it is the biggest traded drug type. Thus, Africa has become a hub for drug trade in recent year. As a result, drug consumption has sharply increased in the continent. This is a serious concern for the public safety and health in the region. Especially, given the level of AIDS/HIV, drug consumption can further trigger the situation.

As an interesting coincidence, terrorist groups in Africa, Al-Shabab and Boko Haram have increased their level of activities and power since 2010 as well, especially after Usama Bin Laden was eliminated. There are some evidences that both of these groups' benefits from drug trade including heroin, cannabis and cocaine. Furthermore, there are some evidences that AQ-Maghreb benefits from Drug trade as well.

Furthermore, ISIS is expanding its activities to Afghanistan for a while. They have several training camps in the country as well. It is also a possibility that they might most likely soon control the opium trade in the country. Given that ISIS and its alliance groups like Al-Qeada, Al-Shabab and Boko Haram are well located on main drug trafficking routes, we can safely assume that these groups will benefit heavily from drug trade more and more in near future.

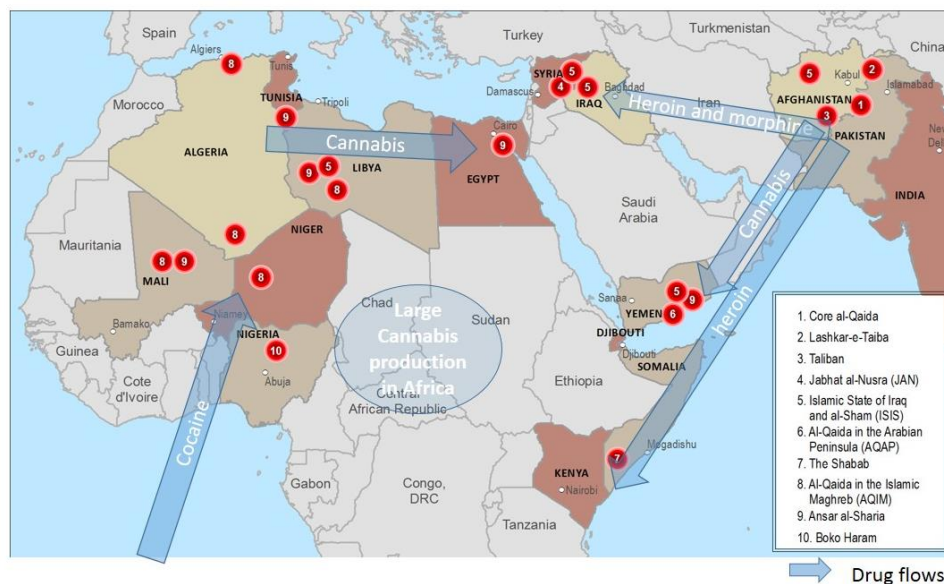


Figure 7: Drug Flows and Terrorist Group Locations

## 5. The Way Forward

It is very clear that the world is going through a new version of terrorism. As a first time, the size of the some terrorist groups reached to a form an army. Such as , number of armed soldiers of ISIS is estimated to be between 30,000 – 60,000 . This figure is bigger than level of the size of the active soldiers of more than 60 countries worldwide. Such as ISIS alone has more armed and active soldiers than Netherlands<sup>15</sup>. In addition to this, daily tens of people are joining ISIS. Furthermore, Al-Shab and Boko Haram has their own armies as well. We can simply estimate that there are currently around 100,000 well trained and well-armed terrorists located on Afghanistan-Pakistan- Middle East-Gulf and Africa. These groups need funding sources to cover their costs daily. If we assume that daily US\$ 50 is needed to cover the cost of food, accommodation, salary and other expenses of one terrorist, total daily cost can be around US\$ 5 million. Total annual cost would be around US\$ 3.6 billion.

So, how these terrorist groups find funding to cover their expenses? They have several sources of funding. This include ransom, taxation of legal business, illegal trade, donations and state funding. It is estimated that ISIS earns US\$ 2 million from oil trade per day. But this amount of income is not enough to cover its expenses. In addition to this, they lost several oil stations recently. Therefore, ISIS needs other resources as well unless they are fully funded by a give state. Under the assumption that ISIS does not get state funding, then they need to make money by other means, including ransoms and drug trade.

Drug trade is a possible source of income for ISIS, given that ISIS is now increasing their existence in Afghanistan. There are some indications that ISIS is now in power struggle with Taliban. If ISIS blocs the incomes of Taliban from drug trade then Taliban will not be able to survive. Because Afghan Taliban heavily relies on Afghan drug trade. If this happens then ISIS will be solely beneficiary of the Afghan drug trade (both directly and indirectly). Total of around 350-400 tons of heroin trafficked out from Afghanistan each year. The market value of the Afghan opiates at the border of Afghanistan is around US\$ 2 billion per year. In addition to this, high volume of cannabis is trafficked out from Afghanistan. Furthermore, given that ISIS is located on the main opiate trafficking routes in Middle East and Africa (through its alliance) , they can earn more money from Afghan opiate trade. Thus, if they prefer, ISIS can easily cover its annual expenses with the help of drugs originated in Afghanistan.

It is a fact that Taliban benefits from drug trade in Pakistan as well. There are also some evidences that AQ-Maghreb benefits from cocaine and cannabis trade in Northern Africa. There are reports that indicates Al-Shabab is benefiting from Khat trade in Eastern Africa. According to the Combined Maritime Forces based in Bahreyn, terrorist groups located in Pakistan, Afghanistan, Yemen and Eastern Africa, they all benefit from drugs originated in Afghanistan. Therefore, it is safe to conclude that terrorist groups benefit from drug trade. Therefore, it is essential to minimize the drug trade so that terrorist

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<sup>15</sup> <http://www.globalfirepower.com/active-military-manpower.asp>

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organization cant benefit. How this would be possible? There are number of ways and options;

- i- Decrease the drug consumption so the level of drug trade goes down
- ii- Increase the efficiency of drug law enforcement and stop the drug trafficking
- iii- Stop the illicit crop production like cannabis, opium and cocaine with the help of law enforcement social policies

Drug consumption has been existing for centuries in the world. Therefore, it is very unlikely to stop the consumption but can be limited through effective social programmes. There is always demand for the drugs. If there is a demand, there is always a supply either legally or illegally.

It is almost impossible to stop the drug trafficking at global level. Because as the legal trade increases and as the world becomes more global, it is almost impossible to control borders and illegal trafficking. Such as annually more than 700 million containers travels in the world. Millions of people travels with airlines, millions of vehicles travels between the countries. Therefore, it is almost impossible to stop the drug trafficking, as trafficker abuses the legal trade channels. We can only make the life more difficult for drug traffickers by increasing the information and intelligence between the countries. However, as we know, this is also not an easy task , as lots of countries do not trust each other currently. In addition to this, unfortunately, corruption is very high in a lot of countries. But we still need to increase the efficiency of the drug law enforcement.

As for the drug production, it is also very difficult to control and stop it. Such as opium poppy cultivation has not decreased but rather increased at global level in last 20 years. All above mentioned policies were agreed in 1998 at Commission on Narcotics Drugs meeting by all Members. But there has not been any single progress made since then. Member states every year repeats the same targets but postpone the deadline. Now the new deadline is 2018. It is a fact that none of these targets are reachable with the current drug policies and strategies. Therefore, it is essential to review the strategies on drug control without further delay. This strategy may include using the Turkey model for Afghanistan. That means, opium poppy cultivation in Afghanistan can be legalized and controlled. By this way, a legal income for Afghan farmers can be developed, given that there is need for legal opium production word wide. This can bring good level of income for Afghan Government as well. At the same time, a link between Afghan opiates and terrorism can be cut off. Otherwise, Afghan opiates will be continued to be used by terrorist and organized crime groups to fund their activities.