



COMBATING TERRORISM CENTER

at West Point



# ***Haqqani Network Financing:***

## ***The Evolution of an Industry***

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Harmony Program

Gretchen Peters

# **Haqqani Network Financing: The Evolution of an Industry**

**HARMONY PROGRAM**

**THE COMBATING TERRORISM CENTER AT WEST POINT**

[www.ctc.usma.edu](http://www.ctc.usma.edu)

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*The views expressed in this report are the author's and do not necessarily reflect the those of the Combating Terrorism Center, U.S. Military Academy, Department of Defense or U.S. government.*



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While I am not optimistic about the near-term future in Afghanistan and Pakistan, I remain fundamentally hopeful that the people of Loya Paktia and North Waziristan can one day live in a peaceful and prosperous society, free of predatory powerbrokers. Lastly and most importantly, I am grateful to and thankful for my daughters, whose love and spirit is an inspiration to me.

Gretchen Peters

Washington DC, July 2012



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## Executive Summary

The purpose of this report is to understand and outline the financial architecture that sustains the Haqqani faction of the Afghan insurgency. The Haqqani network (hereafter “the network” or “the Haqqanis”) is widely recognized as a semi-autonomous component of the Taliban and as the deadliest and most globally focused faction of that latter group. What gets far less attention is the fact that the Haqqanis also appear to be the most sophisticated and diversified from a financial standpoint. This report will illustrate that the Haqqani business portfolio mirrors a mafia operation, and illustrate why an understanding of the illicit business side of the network is critical to enriching our understanding of the group. In addition to raising funds from ideologically like-minded donors, an activity the Haqqanis have engaged in since the 1980s, information collected for this report indicates that over the past three decades they have penetrated key business sectors, including import-export, transport, real estate and construction in Afghanistan, Pakistan, the Arab Gulf and beyond. The Haqqanis employ violence and intimidation to extort legal firms and prominent community members, and engage in kidnap for ransom schemes. According to investigators, they protect and engage in the trafficking of narcotics and the precursor chemicals used to process heroin (although to a much lesser degree than other factions of the Afghan Taliban). The Haqqanis also appear to operate their own front companies, many of which appear to be directed at laundering illicit proceeds. The broad range of business activities in which the Haqqanis engage suggests that the pursuit of wealth and power may be just as important to network leaders as the Islamist and nationalistic ideals for which the Haqqanis claim to fight.

This report makes the case that, over three decades of war, the Haqqanis have evolved into an efficient, transnational *jihadi* industry, one which supports their war effort, and which is supported by it. There’s no doubt that the Haqqani network needs to raise funds in order to support its war effort; it is also true that a continued war benefits the Haqqanis’ current financial portfolio. The Haqqanis’ capacity to raise funds from ideological supporters requires continued struggle, and their capacity to profit off key business activities, in particular extortion, kidnapping and smuggling, depends on a sustained state of insecurity and limited state influence. This suggests that network leaders could have a financial disincentive to ending the conflict through reconciliation.



The length of time that the Haqqanis have been in business and the group's capacity to traverse licit and illicit dimensions of the economy across a transnational area of operations have given the network resiliency, and will make it challenging—but not impossible—to identify and disrupt their operations. Small and hierarchical at the top, the network structure becomes more amorphous in the lower ranks, with field commanders enjoying a considerable degree of autonomy comparable to that provided in the model of a franchise. The diversified and franchised nature of the network, a characteristic which is also evident in other factions of the Taliban, appears to have emerged in pragmatic response to shifting funding conditions and opportunities.

Network leaders have shown themselves to be highly adaptive in a fluid and usually dangerous environment. However, the group has potential vulnerabilities, including repetitive behavior, paranoia about traitors, a small and centralized command structure and occasional resupply chokepoints and cash flow issues. Although the group is now under considerable military pressure, the Haqqanis have never had to deal with a sustained and systematic campaign against their financial infrastructure. In partnership with the ongoing tactical campaign, a stepped-up U.S. effort to identify and disrupt Haqqani business activities and logistical supply lines, modeled on previous successful campaigns against other transnational crime networks around the globe, could significantly degrade the network's capacity to cause trouble.

The report makes the following specific findings:

- Since the 1980s, the leader of the Haqqani network, Mawlawi Jalaluddin Haqqani, has maintained the network's public position of subordination to other political entities, a strategy that has allowed it to maintain autonomy while also benefiting from the resources, infrastructure and the connections of other parties. This tactic has kept the network small, and appears to have minimized bureaucracy, making the Haqqanis flexible and more responsive to changing conditions.
- Historic records show that Jalaluddin Haqqani always made fundraising a central pillar of his operations. He was innovative, detail oriented, cautious

about spending, and careful to build and maintain long-term relationships. His sons, who run the network today, appear to maintain many of these dispositions when doing business.

- Financial records for the network obtained by the U.S. military demonstrate that the group has long obtained the bulk of its logistical supplies in Pakistan, and operates across the country, not just in the tribal areas. While the network no doubt operates extensive fundraising activities inside Afghanistan, the command and control of the network's financial operations remain in Pakistan.
- The network's resiliency can be credited as much to military prowess as to the Haqqanis' capacity to network with Pakistan's Inter-Services-Intelligence (ISI) directorate, other militant groups (in particular al-Qa'ida), and key religious figures.
- The generational shift that occurred when Jalaluddin ostensibly retired and his son Sirajuddin took command of the network marks a critical juncture in the group's financial operations, when the group appears to have diversified its illicit activities.
- Historically, the network was careful to maintain positive relations with the local populace, gaining respect for mediating local disputes. Recent increased levels of violence, criminality and brutality appear to be fueling negative public perceptions that the network has degenerated into criminality and predation.



## Introduction

The family-run Haqqani network is a semi-autonomous component of the Taliban with predominance in southeastern Afghanistan. Widely recognized as the deadliest and most effective faction of the Afghan insurgency from a military standpoint, the Haqqani network also appears to be the most diversified and well-organized component of the insurgency from a business perspective, occupying key spaces in both the licit and illicit economies of Afghanistan and Pakistan. The network's financial activities today can be broken down into seven broad categories: 1. The Haqqanis have carved out a lucrative niche extorting business entities that operate in Afghanistan's southeast and in Pakistan's Federally Administered Tribal Areas (FATA); 2. They collaborate in kidnapping-for-ransom schemes with other militant groups; 3. The network protects and taxes illicit smuggling rings, and in some cases operates its own smuggling enterprises; 4. The Haqqanis are believed to have partial ownership stakes in dozens, if not hundreds of real estate holdings, both commercial and residential; 5. Investigators also believe they have ownership stakes in construction firms, import-export operations and transport businesses; 6. Network leaders raise funds from ideological supporters and in mosques across the Gulf and in Pakistan; 7. Finally, the Haqqanis are reportedly tied to large money laundering operations occurring in their area of operations. By penetrating these key economic sectors across a transnational area of operations, the Haqqani network has effectively positioned itself so that little business gets done in its area of operations unless network leaders condone it and profit from it in some way.

Conventional analysis would suggest the Haqqani network is engaging in these activities in order to support its military, political and/or ideological interests. This report argues that the opposite is also true: The Haqqani's portfolio of business activities, in particular extortion, kidnapping and smuggling, depends on limited influence of the Afghan and Pakistani states. This report will make the case that the Haqqanis have evolved over more than three decades into an efficient mafia-type network exhibiting robust relationships with regional political, military and economic circles, and that members of the group have a financial incentive to remain the dealmakers and the enforcers in their area of operations. The report will also demonstrate how the Haqqanis' involvement in criminal and profit-making activities has diversified over time in pragmatic response to shifting funding conditions and

economic opportunities. At each stage of the group's history, Haqqani network leaders have leveraged strategic alliances and relationships to consolidate their position of authority within the community and to secure their sources of funding.

As with other militant groups in the region, leaders of the Haqqani network appear to be driven by a range of motivations. However, previous scholarship on the Haqqanis has mainly focused on the group's ideological views, its militant violence, its relationship to Pakistan's ISI and al-Qa'ida and its operational command structure.<sup>1</sup> A 2011 study by the CTC, for example, detailed the group's pivotal role as an enabler of local, regional and global militancy, and illuminated how the Haqqanis provided space for al-Qa'ida and other militant groups to develop and to initiate a campaign of attacks against the West.<sup>2</sup> Today, there is no doubt that these relationships endure, as the Haqqani network remains a primary local partner for al-Qa'ida, Uzbek militants and other global Islamists in the Afghanistan/Pakistan war theater. For this reason, it is vital to develop a more complete understanding of the network's activities, functions and relationships. This report will not re-analyze the Haqqanis' ideological commitments and military activity, and instead will zero in on the network's financial operations, an area that has previously received limited public attention.

It would be incorrect to categorize the Haqqani network as either a militant or criminal enterprise: The actual picture is more complex. Similar to the Sicilian mafia, which emerged in the 19<sup>th</sup> Century in a period when the Italian state was weak, the Haqqani network today is a hybrid organization that is at once political and criminal in nature.<sup>3</sup> This report will expand on earlier scholarship about the Haqqanis by arguing that network leaders appear to be as motivated by profitmaking as they are driven by issues like revenge, honor and ideology. The Haqqanis engage in a range of intertwined activities, some that provide community services, some of which are geared at

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<sup>1</sup> See for example: Anand Gopal, Mansur Khan Mehsud, Brian Fishman, "Inside the Haqqani Network," *New America Foundation* (3 June 2010), [http://afpak.foreignpolicy.com/posts/2010/06/03/inside\\_the\\_haqqani\\_network\\_0#\\_edn2](http://afpak.foreignpolicy.com/posts/2010/06/03/inside_the_haqqani_network_0#_edn2) (accessed 3 July 2012); Jeffrey Dressler, "The Haqqani Network, a Strategic Threat," *Institute for the Study of War* (18 March 2012), <http://www.understandingwar.org/report/haqqani-network-strategic-threat> (accessed 3 July 2012).

<sup>2</sup> Don Rassler and Vahid Brown, *The Haqqani Nexus and the Evolution of al-Qa'ida* (New York: Combating Terrorism Center, 14 July 2011), <http://www.ctc.usma.edu/posts/the-haqqani-nexus-and-the-evolution-of-al-qaida> (accessed 3 July 2012).

<sup>3</sup> Letizia Paoli, *Mafia Brotherhoods*, (Oxford: Oxford University Press, 2003), 178-9.

fundraising, and all of which serve to increase or maintain the network's stature and power within the community. This report will make the case that the pursuit of wealth and power may be just as important as the Islamist and nationalistic ideals for which the Haqqanis claim to fight.

To be sure, there are a wide range of powerbrokers in Afghanistan, ranging from tribal leaders and government officials allied with the NATO coalition to other insurgent and criminal actors who engage in similar behavior in order to maintain their wealth and position of authority. What makes the Haqqanis distinct and important to understand is the diversity of their business operations, the central role they play in the conflict in Afghanistan and their enduring relationships with networks which identify the West as their enemy; it is certainly the case that illicit earnings facilitate the network's capacity to launch deadly attacks inside Afghanistan and with more strategic affect than others. The Haqqani network's operational partnerships with transitional terrorist groups also raise the possibility that they have—or will invest—criminal profits to support those executing international attacks, even if indirectly. As a result, there is a critical need for improved fidelity concerning how the Haqqanis raise their funds and spend the money they earn.

It is also relevant to examine Haqqani violence through the lens of political economy; high profile attacks by the network in the capital Kabul, for example, have fed perceptions that Afghanistan remains in a state of chaos and that the NATO coalition has little chance of stabilizing the country. Haqqani militants repeatedly target road construction and other development projects which, if completed, would provide greater freedom of movement for Afghan and coalition forces and which could support the growth of normal economic activity and the emergence of potential business competitors.<sup>4</sup> However, the continued state of fear caused by the violence directly benefits the Haqqanis' financial interests by prompting business owners to pay protection money to the network and, in particular, by inspiring ideological supporters to contribute money to their faction. More broadly, the ongoing conflict environment—to which the Haqqanis contribute significantly—helps to prevent the emergence of a

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<sup>4</sup> For a detailed description of Haqqani attacks on road-building projects, see Thomas Ruttig, "Loya Paktia's Insurgency," in *Decoding the New Taliban*, ed. Antonio Giustozzi (London: Hurst & Company, 2009), 70-71.

healthy, licit economy and Afghan government, a situation that benefits smuggling operations and the front companies connected to the network. As stated earlier, the Haqqanis are by no means the only war profiteers in Afghanistan, and it is pertinent to recognize that a wide range of conflict actors, including senior members of the Kabul government and allies of the NATO coalition, also have a financial incentive in sustaining a state of insecurity.

As with other powerful illicit networks in Afghanistan and elsewhere, the Haqqani network's authority depends on the state's incapacity to extend a monopoly over the use of force in its area of operations. The Haqqanis' degree of power, in other words, is matched by the weakness of the state, in particular at the local level in Loya Paktia. Any sustainable operation to defeat the Haqqanis militarily would need to support the emergence of a local power structure than can step in as an alternative to the network. Meanwhile any sustainable attempts to reconcile with the network would need to accommodate the Haqqanis' economic interests, as well as their political objectives.<sup>5</sup> Given the weak state of the Kabul regime, and the fact that assassination campaigns have prompted some prominent tribal leaders in southeast Afghanistan and North Waziristan to flee these areas, the Haqqanis seem well positioned to dominate their zone of operations in the event of a precipitous U.S. withdrawal from the region.<sup>6</sup>

In addition, the Haqqani network's transnational area of operations and its capacity to form a web of key alliances has brought the network resiliency that will make it harder to degrade its activities. The network's area of operations spans a widening arc of Loya Paktia (or Greater Paktia) in southeastern Afghanistan, with network activity also occurring around the capital Kabul and in the northern province of Kunduz. The network's rear organizational base is located in Miran Shah, in the North Waziristan Agency of the FATA. Most key decisions—whether military, strategic or financial—are made from family compounds and other training bases in North Waziristan and

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<sup>5</sup> The 1996 deal between the heroin warlord Khun Sa and the Burmese government—in which he dismantled his guerilla army and invested his drug profits in legitimate, domestic businesses—could serve as a model, although it is not an outcome that produced a decline in Burmese narcotics exports.

<sup>6</sup> Rutting, 70. Author's interviews with tribal leaders from Loya Paktia in Kabul, December, 2010; Author's interview with North Waziristan businessman, Dubai, November, 2011. See also: Kate Clark, "2011 Ten Years On: The Fall of Loya Paktia and Why the U.S. Preferred Warlords," *Afghan Analysts Network* (24 November 2011), <http://aan-afghanistan.com/print.asp?id=2269> (accessed 3 July 2012).

Haqqani safe houses deep inside Pakistani territory.<sup>7</sup> Senior U.S. officials, in particular Admiral Mike Mullen, the former chairman of the Joint Chiefs of Staff, have openly accused Pakistan's main intelligence agency, the Inter-Services Intelligence (ISI), of directly supporting the network.<sup>8</sup> Although the relationship with ISI is not always smooth, it is also unlikely the Haqqanis would survive if the Pakistani state turned against them. The network's strength in Loya Paktia and North Waziristan can be tied to poor levels of governance, which has also been predatory at times, and the marginalization there of potential rival tribal leaders and political figures, dozens of whom have been killed or who have fled.

Another characteristic that sets the Haqqani network apart from other regional actors who engage in illicit activities is its level of efficiency, honed over decades of activity, and its concealment capabilities, which have sharpened in the last decade. "The Haqqanis have been much more professional than other insurgent groups in terms of how they manage their business, and they are much more ruthless," said Colonel David Murphy, the former lead on counter threat finance at U.S. Special Operations Command.<sup>9</sup> Network leaders are detail oriented, pragmatic and think long-term, managing high-level profitmaking activities from the Haqqani's rear base in Pakistan. According to investigators interviewed for this report, the Haqqani network operates financially through business partners and a web of front owners, using a formula that makes it difficult to establish proof that the Haqqanis are the shadow owners.<sup>10</sup>

Despite its strengths, the network appears to have a number of potential vulnerabilities, which include its small and centralized command structure, a growing paranoia about traitors—and an increasingly violent response to them—and occasional resupply chokepoints and cash flow issues. The loss of two key figures in the network in the last year, one of whom (Haji Mali Khan) was captured by coalition forces and the other of whom (Jan Baz Zadran) was killed in a drone strike, appears to have caused considerable disarray—at least temporarily—indicating that the relatively small,

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<sup>7</sup> Author's interviews; Mark Mazetti, Scott Shane, and Alissa Rubin, "Brutal Haqqani Crime Clan Bedevils the U.S. in Afghanistan," *New York Times* (24 September 2011); Gopal, et al.

<sup>8</sup> Elisabeth Bumiller and Jane Perlez, "Pakistan's Spy Agency is Tied to Attack on U.S. Embassy," *New York Times*, (22 September 2011), <http://www.nytimes.com/2011/09/23/world/asia/mullen-asserts-pakistani-role-in-attack-on-us-embassy.html?pagewanted=all> (accessed 3 July 2012).

<sup>9</sup> Author's interview. Tampa, March 2011.

<sup>10</sup> Author's interviews, Tampa, August 2011, and The Hague, September 2011.



leadership element of the network could have trouble sustaining many more high-level losses. The Haqqani network would also struggle to survive if it lost its safe haven and logistical supply line in Pakistan, either because the government of Pakistan or the community in North Waziristan decided it had had enough of the Haqqanis.

Rising levels of brutality among Haqqani operatives has the potential to emerge as another vulnerability for the network. A death squad that operates in Khost Province, and which appears to be loyal to the Haqqanis, has been linked to mass beheadings and a rash of targeted killings.<sup>11</sup> In one particularly grisly incident, the squad butchered two men accused of helping American forces in the capture of Haji Mali Khan.<sup>12</sup> When their bodies were found, one victim had been disemboweled; both had been crushed by boulders, had scalding iron rods shoved through their legs, and shot through the head.<sup>13</sup> Although additional data is needed, community members and U.S. military officials in Loya Paktia suggest that the rising level of brutality has hardened segments of the populace against the network, a factor that could become a strategic vulnerability for the Haqqanis and the wider insurgency if the NATO coalition or Afghan government could provide security and adequate and acceptable governance.<sup>14</sup> Unfortunately, this seems unlikely, given both the U.S./NATO timeline for withdrawal and the continued poor performance of the Afghan government in these areas.

Haqqani network leaders and commanders are creatures of habit, making it possible to disrupt their activities by identifying historic and current patterns of behavior. Although the group is now under considerable military pressure, the Haqqanis have never had to deal with a sustained and systematic campaign against their financial infrastructure. In partnership with the ongoing tactical campaign, a stepped-up effort to

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<sup>11</sup> Ray Rivera, Sharifullah Sahak and Eric Schmitt, "Militants Turn to Death Squads in Afghanistan," *New York Times*, (28 November 2011), <http://www.nytimes.com/2011/11/29/world/asia/haqqani-militants-use-death-squads-in-afghanistan.html?pagewanted=all> (accessed 3 July 2012).

<sup>12</sup> Ibid.

<sup>13</sup> Ibid.

<sup>14</sup> Author's telephone interview with a U.S. military official, October 2011. Local researcher in Kabul, December, 2011. Local interviews are borne out by a 2011 nationwide public opinion poll that suggests Taliban brutality generally is affecting the insurgency's public support. For details see Ruth Rennie, ed., *Afghanistan in 2011: A Survey of the Afghan People* (Washington DC: The Asia Foundation, 2011), <http://asiafoundation.org/country/afghanistan/2011-poll.php> (accessed 3 July 2012).

identify and disrupt Haqqani business activities could degrade the network's capacity to project power and conduct violence.

## CONCEPTUAL BASELINE

Analysts of conflict from Thucydides to Hobbes have argued that war destroys markets. In fact, conflict transforms markets, creating new winners and losers within shifting socioeconomic power structures that generally harm the aggregate populace and the overall economy, but richly benefit the select conflict elite.<sup>15</sup> Perceptions of warzones as anarchic and of conflict violence as senseless blur the fact that war can be highly profitable for the conflict elite, and that conflict violence will often strategically benefit war profiteers.<sup>16</sup> It is rational for those who reap profit from a war economy to seek to prolong that conflict rather than to end it, or at least to seek a conflict resolution that maintains their grip on power and resources.<sup>17</sup>

Insurgent groups in particular have a strong tendency to become involved in black and grey market activity, precisely because they cannot participate in the state-regulated licit economy—or at least do so openly. Since the end of the Cold War, illegal activities have provided critical revenue streams for insurgent groups around the globe, helping them to survive much longer than they could have without them, and also attracting transnational organized crime groups which gain comparative advantage by doing business in unstable war environments.<sup>18</sup> The intersection of crime and war tends to reshape conflicts, which come to be driven less by “the Clausewitzian logic of forwarding a set of political aims, but rather by powerful economic motives and agendas.”<sup>19</sup> Insurgent and other armed groups tend to deepen their involvement in

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<sup>15</sup> Peter Andreas, *Blue Helmets, Black Markets* (Ithaca: Cornell University Press, 2008), 160.

<sup>16</sup> David Keen, “Incentives and Disincentives for Violence,” in *Greed and Grievance: Economic Agendas in Civil Wars*, ed. Mats Berdal and David Malone (Boulder: Lynne Reiner, 2000); Kristina Höglund, “Violence in War-to-Democracy Transitions,” *From War to Democracy: Dilemmas of Peacebuilding*, ed. Anna K. Jarstad and Timothy D. Sisk (Cambridge: Cambridge University Press, 2008).

<sup>17</sup> Keen, “Incentives and Disincentives for Violence.”

<sup>18</sup> James Fearon, “Why Do Some Civil Wars Last so Much Longer than Others?” *Journal of Peace Research*, 41, no. 3 (2004), 275–301, <http://www.saramitchell.org/fearon.pdf> (accessed 3 July 2012); Paul Collier et al., *Breaking the Conflict Trap: Civil War and Development Policy* (A World Bank Policy Research Report), (Washington DC: The International Bank for Reconstruction and Development, 2003); Francisco Thoumi, *Political Economy and Illegal Drugs in Colombia* (Boulder: Lynne Reinner, 1995).

<sup>19</sup> Berdal and Malone, 23.

organized crime over the course of an armed struggle, as new opportunities for profit emerge, and as resources become scarcer.<sup>20</sup> Illicit earnings also provide insurgent groups with an opportunity to break free from state sponsors whose support may be dwindling or politically conditional.<sup>21</sup> A new generation of leaders, brought on by the death, capture or retirement of a former commander, often marks a critical juncture in a group's criminal involvement, marking a shift when a group tends to deepen its involvement in organized crime, or expand into new illicit sectors.<sup>22</sup>

Protracted conflicts can produce what Zartman (2005) has termed the "Robin Hood Curse."<sup>23</sup> Life at war becomes sustainable—even highly profitable—for insurgent leaders, while an end to the conflict would likely produce a decline in wealth and power for "the Merry Men."<sup>24</sup> In such environments, there is collective action logic to sustaining war and instability and a concrete financial incentive to spoil peace processes.<sup>25</sup> Once a war enters this phase it is typical to see insurgents collaborating with their enemies on organized crime, proving that profit eventually trumps politics. In this phase, the populace will frequently turn against the insurgents, who are no longer regarded as fighting for the good of the community.

Despite these common features, the political economy of war has historically received scant attention among analysts and policymakers seeking to define the drivers and facilitators of conflict. This has been particularly true with regards to the war in Afghanistan, where militant insurgents fighting in the border areas with Pakistan were long perceived to be motivated purely by a blend of religious, tribal and ethnic grievances, and to be funded predominantly by ideological supporters. There is no doubt that identity politics do continue to fuel and facilitate the conflict in Afghanistan, and it is not the intention of this report to trivialize those grievances. However, the illicit activities of the Haqqanis and other militant groups suggest that insurgent leaders in

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<sup>20</sup> William Zartman, *Rethinking the Economics of War: The Intersection of Need, Creed, and Greed* (Washington DC: The Woodrow Wilson Center Press, 2005). 269.

<sup>21</sup> Gretchen Peters, *Seeds of Terror* (New York: St. Martin's Press, 2009). 10.

<sup>22</sup> Zartman. 271. While deepening involvement in crime is the broad tendency, it should be noted that changes in generation in some groups have been marked by a shift *away* from criminality.

<sup>23</sup> Zartman. 269.

<sup>24</sup> Ibid.

<sup>25</sup> Mansur Olson, *The Logic of Collective Action*, (Cambridge: Harvard Press, 1965); Collier et al, 2003.

Afghanistan are as much driven by narrow self-interest and greed as by ideological devotion and *jihadi* spirit.

This report is founded on the theoretical assumption that violence conducted by the Haqqani network is rational to those who plan it, and directly serves the network's business and political interests. This report suggests that the Haqqani network is not only a financial enabler of the insurgency, funding its military operations through its web of businesses, but that its leaders have capitalized on continued instability and lack of governance in their zone of influence to fortify their own fiefdom. Indeed, the Haqqani family's rise from relative obscurity to power amid three decades of conflict in Afghanistan represents a classic case of war profiteering. The Haqqani network illustrates how an insurgent group can successfully adapt in order to maintain its power and military supremacy—in this case by forming transport and smuggling networks—and to leverage its influence within the community, e.g., by becoming a key mediator for business and tribal disputes. Even during periods of relative stability in their area of operations, the Haqqanis have figured out means of earning profit. In the years after Soviet forces withdrew from Afghanistan, for example, Jalaluddin Haqqani supported his operations by selling scrap metal salvaged from the battlefield.<sup>26</sup> The elder Haqqani's retirement in 2005 represents another critical juncture for the network's evolution. Since then, his sons Sirajuddin and Badruddin have expanded the network into new and highly profitable criminal activities, mainly kidnapping and extortion. The financial returns the group now receives could mean that the younger generation of Haqqani leaders perceives that ending conflict will come at a high cost to their financial operations and local position of authority, a potential sign that the Robin Hood Curse has set in. There's another side to the curse: Williams (2012) has argued that an insurgency can lose both its standing with the population and its internal sense of political identity as a result of criminalization.<sup>27</sup>

A useful parallel to help understand the Haqqani network is Sicily's Cosa Nostra, the underworld syndicate that emerged in southern Italy in the mid-19<sup>th</sup> Century and which

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<sup>26</sup> See *Jihad ma bayn nahrayn*, 24; this document is also available online via Abu'l Walid al-Masri's blog, <http://mafa.asia/>; I thank Vahid Brown for this source.

<sup>27</sup> Phil Williams and Vanda Felbab Brown "Drug Trafficking, Violence and Instability." Strategic Studies Institute, Army War College April 19, 2012. <http://www.strategicstudiesinstitute.army.mil/pubs/display.cfm?pubID=1101>

is more widely known as the mafia.<sup>28</sup> Like Cosa Nostra families, the Haqqani network is clan-based and close-knit at the top, and operates semi-autonomously within the wider Taliban confederation.<sup>29</sup> Gambetta (1993) has described the Italian mafia as less a monolithic organization and more a group of many individual and semi-autonomous firms united by a brand name, a model which could also describe the broader Afghan insurgency, made up as it is of a variety of semi-autonomous factions, loosely united under the “Taliban” Brand.<sup>30</sup> Within a realm of weak or non-existent state authority in both southeastern Afghanistan and the FATA, the local authority of Haqqani network leaders is reinforced by violence and secrecy, and their capacity to collect rents and enforce contracts.<sup>31</sup> The Haqqani network operates shadow organizations that offer limited state functions, including educating the youth and settling disputes, as do many insurgent and organized crime networks throughout history and around the globe.<sup>32</sup>

Cosa Nostra and the Taliban engage in similar business practices, such as protecting and engaging in smuggling, and systematically extorting agriculture and construction activities. They appear to use similar backroom deals to disguise their real estate and business holdings. Both the Taliban and the mafia are characterized by the relatively autonomous manner in which individual commanders are permitted to operate. Like the Sicilian mafia, the Taliban have made strategic alliances with certain political groups and regional power brokers that allow their operations to run smoothly. Finally, the Taliban *shuras* (councils) are similar to mafia commissions; both are super-ordinate bodies of coordination which meet routinely in order to reduce internal strife and competition, resolve disputes, and to plan and implement joint operations.<sup>33</sup>

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<sup>28</sup> The name “Cosa Nostra” was revealed in the last century by mafia turncoats, known as *pentiti*. “Cosa Nostra” literally translates “our thing,” or “this thing of ours.”

<sup>29</sup> Paoli, 4.

<sup>30</sup> Diego Gambetta, *The Sicilian Mafia*. (Cambridge, Mass: Harvard University Press, 1993).

<sup>31</sup> Paoli, 5; Gambetta, 7.

<sup>32</sup> Cosa Nostra, China’s Triads, Japan’s Yakuza and other organized crime and trafficking groups around the globe have offered shadow state services, which tend to focus on education services, dispute resolution and shadow justice systems and sometimes union, trade or farm support networks. Insurgent groups also have a tendency to offer such services, with the FARC in Colombia being a good example. With the money the FARC earned from taxing and protecting the cocaine trade, the group was able to provide social services, including education and health care, and also build roads and bridges in rural areas. Providing these services helped the FARC to gain a degree of legitimacy among the local populace. For more on the FARC’S activities of this nature, see Vanda Felbab-Brown, *Shooting Up: Counterinsurgency and the War on Drugs* (Washington DC: Brookings Institute, 2010).

<sup>33</sup> Paoli, 4.

While the origins and character of the Italian mafia are clearly distinct in many ways from the Afghan insurgency, there are striking similarities in the ways Cosa Nostra and factions of the Taliban have emerged, adapted and evolved over time. Historic records show that Cosa Nostra formed in order to protect land and local business interests from predatory attacks at a time when publicly provided security was scarce and banditry widespread.<sup>34</sup> The mafia emerged as Italy unified, in part because the national government developed without fully subordinating local power systems.<sup>35</sup> In other words, the chronic weakness of the state prompted the emergence of self-help organizations, much like that which has occurred since the Afghan state fragmented.

The mafia model also points to possible strategic risks faced by the Taliban, and the Haqqanis in particular. Paoli characterizes mafia associations as multifunctional ritual brotherhoods focused on retaining and consolidating their local political power base.<sup>36</sup> She contends this myopia has prevented the mafia from developing the skills needed to be a successful and lasting player in the entrepreneurial world of illegal global commerce. A similar argument could be made about the Haqqanis' narrow goal of consolidating power in their zone of operations (i.e. southeastern Afghanistan and North Waziristan). Moreover, multiple studies of Cosa Nostra have concluded that the mafia declined in strength once the levels of violence it committed became too much for the populace to tolerate.<sup>37</sup> Amid rising levels of violence in Afghanistan, in which civilians are the majority of victims and insurgents the majority of perpetrators, the Haqqani network risks losing what political capital that it has left with the Afghan and Pakistani people.<sup>38</sup>

There are limitations to the mafia parallel, among them the broad cultural differences between southeastern Afghanistan and southern Italy, and the Cold War dynamics that fostered the rise of the Haqqani network. Further, while the Haqqanis—and the wider

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<sup>34</sup> Oriana Bandiera, "Land Reform, the Market for Protection, and the Origins of the Sicilian Mafia: Theory and Evidence," *Journal of Law, Economics, and Organization*, 19, no. 1 (2003), 218-44; John Dickie, *Cosa Nostra*, (New York: Palgrave MacMillan, 2004).

<sup>35</sup> Paoli.

<sup>36</sup> Ibid.

<sup>37</sup> Ibid; Gambetta; Dickie; Bandiera.

<sup>38</sup> To some extent, the same can be said about the Afghan government and NATO coalition, given local concerns over civilian casualties perpetrated by—and perceived to be perpetrated by—both actors.

Taliban movement—do operate transnationally, they have yet to become a global criminal enterprise like the Italian mafia. Nonetheless, the structural and operational similarities between the Taliban and the Sicilian mafia provide insight into a side of the Haqqani network—its financial operations—that has previously received scant attention.

## **METHODOLOGY & CAVEATS**

This report draws on archival records and documents captured in Afghanistan that were made available to the author by the U.S. military. It is also based on interviews and surveys with local community members in areas where the Haqqani network operates, as well as the author's interviews with western, Afghan and Pakistani officials. In many cases the author has decided to not list the names of those she interviewed—either due to security concerns or out of a desire to honor that person's request for anonymity. Although this report represents a serious attempt to map out the contours of the network's business interests, and to trace how funds reach the Haqqani leadership, it should be acknowledged that examining illicit business operations is a murky undertaking in any circumstance and particularly challenging in a war zone. There is little quantitative data on key issues, which are often distorted by rumor, misinformation campaigns and speculation. Detailed documentation that mapped out the Haqqanis' financial infrastructure, or proved the network's ownership of front companies proved elusive, as is often the case with sophisticated underworld groups. Thus, this report is informed by anecdotal evidence, local sources close to the network and the impressions of investigators who have studied the group, in some cases for years. The findings therefore should be viewed as preliminary and as the start of a more rigorous conversation on the topic.

Eight local community members were subcontracted by the author to collect information presented in this report. Two assistant researchers in the Afghan capital Kabul supported the author's work in the region by arranging interviews, some of which the assistant researchers conducted on their own. Two other Afghan researchers based in Loya Paktia helped to collect information on the ground by interviewing community members, in particular small and medium-sized business owners. Assistant researchers surveyed their subjects using standard lists of questions prepared by the

author, sometimes developing their own line of questioning when the circumstance warranted. Using the same methodology, two researchers conducted interviews in the FATA, while a third research partner interviewed Pakistani officials, bankers and businesspeople to try to develop more clarity regarding the Haqqani network's shadow business structure. In all cases, there was significant deliberation to clarify the data and disentangle contradictory streams of information. It should be noted that in investigating this topic the author found the research environment on both sides of the border to be extremely complex; the most challenging in her decade-and-a-half of experience in the region.

There are advantages and drawbacks to field-based research in a conflict zone and particular challenges associated with the Afghanistan/Pakistan border areas, many parts of which are inaccessible to foreign researchers. Community members can provide a greater level of immediacy, but their information is often anecdotal and difficult to corroborate. Moreover, many people—if not most—who engage in illicit activity—whether by choice or by force—lie about their involvement, further contributing to the difficulty of separating fact from fiction and hearsay. A final challenge is that organized crime networks, in particular clan-run networks, tend to have less structure than outsiders often imagine.<sup>39</sup> In some areas it may be impossible to determine the organization's structure, simply because none exists.

Readers should also be wary of solely relying on documents captured by U.S./Coalition troops in Afghanistan, as limited collections of material can distort or fail to paint a complete picture of insurgent behavior. The author went to great lengths to try to corroborate data from these primary source documents and the field interviews.

Finally, the author encourages others to expand upon the research contained here. There is particularly urgent need for additional field research and more specific information on where the Haqqanis bank their profits and how they financially operate in the Gulf. It is apparent that the network is taking the trouble to disguise the movement of large sums of cash in its area of operations, and this laundering activity suggests it is destined for the global financial system. Data collected for this report can form a foundation for future research into the Haqqani network's financial empire. It

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<sup>39</sup> Peter Reuter, *Disorganized Crime* (Cambridge, Mass: MIT Press, 1986).



also illustrates why commanders and intelligence analysts in future military engagements ought to develop an understanding of the economic terrain—alongside the physical and human terrain—in the region where they are deployed.

## **Origins and Financial Evolution of the Haqqani Network**

Long considered one of Afghanistan's most effective commanders, Jalaluddin Haqqani was also one of the earliest militant Islamists to emerge in Afghanistan.<sup>40</sup> The son of a trader, he studied to become an Islamic scholar at the Dar-ul-Uloom Haqqania madrassa in Akhora Khattak. Years before the Soviet invasion, Jalaluddin settled in Miran Shah where he began training—with Pakistani support—to overthrow the pro-Soviet regime of Mohammed Daoud Khan, who also promoted Pashtun nationalism, a cause that worried Islamabad.<sup>41</sup> Along with other individuals who would go on to become prominent mujahidin commanders in the 1980s, including Ahmad Shah Massud and Gulbuddin Hekmatyar, Jalaluddin trained during this period with the Frontier Corps, which was then commanded by Gen. Nasrullah Babar, the man who would later mentor the Taliban.<sup>42</sup> Lt. Gen. Talat Massood, who was Pakistan's defense secretary in this era, says some funding for Babar's training camps came from Saudi Arabia and the United States, both of which wanted to "make trouble" for the leftist Kabul regime.<sup>43</sup> From his earliest days, then, Jalaluddin Haqqani relied on his Pakistani safehaven and was at least partially dependent on his Pakistani patrons for training, materiel and foreign funding.<sup>44</sup> "Haqqani had only one account, and it was with the ISI," said a prominent community member from North Waziristan.<sup>45</sup> Although levels of financial aid were far smaller than the tens of millions of dollars that would flow to the mujahidin in the 1980s, funding from the Pakistan government could have been enough

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<sup>40</sup> Ruttig, 64.

<sup>41</sup> Ruttig, 64; James Rupert, "Afghan Ally Haqqani is Now a Foe," *Washington Times*, (16 October 2008), <http://www.washingtontimes.com/news/2008/oct/16/afghan-ally-is-now-a-foe/> (accessed 3 July 2012). President Daoud had seized power in 1973 from his cousin, King Mohammad Zahir Shah.

<sup>42</sup> Ruttig, 64.

<sup>43</sup> Author's telephone interview with Lt. Gen. Talat Massood, October 2011.

<sup>44</sup> Ibid; Rahimullah Yusufzai, December, 2011.

<sup>45</sup> Interview by author, Dubai, November 2011.

to support Haqqani and his small band of warriors.<sup>46</sup> In this era, Jalaluddin also established his credentials as an effective commander, capable of carrying out high-profile missions.

After the 1979 Soviet invasion of Afghanistan, Jalaluddin emerged a prominent commander in the mujahidin resistance movement, receiving a steady supply of weapons provided by the CIA and delivered by Pakistan's ISI.<sup>47</sup> He quickly earned a reputation among American and Pakistani intelligence officers as "an anticommunist battering ram" in southeastern Khost province, where he held out against the much larger Soviet army.<sup>48</sup> Nominally a member of the Yunis Khalis-led faction of the Hizb-I Islami mujahidin party—an arrangement that provided political cover and access to covert funding flowing in from the CIA and Saudi Arabia—Jalaluddin remained operationally independent, according to various accounts, and also developed an independent network to attract donations from the Arab Gulf.<sup>49</sup> Establishing a model that still exists today, Haqqani maintained a high degree of autonomy and notoriety, but was officially part of a larger umbrella group. Haqqani's subordination to other political entities has historically proven useful as it allowed Jalaluddin to maintain his autonomy while also benefiting from the resources, infrastructure and the connections of other parties. Such a practice could have also been a way for Jalaluddin to manage the growth of his network, minimize bureaucracy and make sure that his organization remained more flexible and/or responsive to changing conditions.

Jalaluddin's rise to prominence appeared to have as much to do with his capacity to conduct and publicize attacks, and his supply links to Pakistan as with his religious status as a Mawlawi.<sup>50</sup> He was no doubt one of Afghanistan's Islamist pioneers, and an Islamic scholar who founded a *madaris* network (plural madrassa) that played a key role

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<sup>46</sup> While the ISI could have been Jalaluddin's sole source of funding during this period, it is unclear if funds from other sources, i.e., Pakistani Islamist parties, were provided to Jalaluddin at this time.

<sup>47</sup> Gopal, et. al., 9.

<sup>48</sup> Steve Coll, *Ghost Wars*, (New York: Penguin Press, 2004), 157. See also: John Greenwald, Mohammed Aftab, "Afghanistan Fighting for the Road to Khost," *Time Magazine* (11 January 1988), <http://www.time.com/time/magazine/article/0,9171,966408-1,00.html> (accessed 3 July 2012).

<sup>49</sup> Coll, 157; Ruttig, 85; Author's interview with Rahimullah Yusufzai, December, 2011; Author's interview with Ahmed Rashid, December, 2010; Author's interviews with former U.S. intelligence officials, Washington DC, June 2007.

<sup>50</sup> Ruttig, 73.

in spreading his jihadist worldview. However, some who have met the commander have commented that Haqqani appeared to be as financially opportunistic as he was motivated by religious fervor.<sup>51</sup> Thomas Ruttig, for example, noted that some observers suggested that he ran the madaris network “more for the purpose of fund-raising than for Islamic purposes, knowing their attraction for Arab donors.”<sup>52</sup>

Jalaluddin also recognized the power of the media to help to raise his stature and keep his coffers full. From early on in the resistance his network operated offices in the Gulf and in Pakistan, and towards the end of the conflict Jalaluddin churned out publicity material praising his accomplishments on the battlefield. From early on, Jalaluddin appeared to recognize that launching spectacular attacks, and publicizing them, were key to maintaining his operations. Haqqani’s *Manba’-ul Jihad* (Fountainhead of Jihad), for example, appears to have been part recruitment tool for local and foreign volunteers and part fundraising device.<sup>53</sup> It listed on its front-page the group’s Peshawar address, so volunteers would know where to turn up, and its account number with the Habib Bank, so that interested Arabs would know where to send subscription fees or donate money.<sup>54</sup> Haqqani was not only innovative about his publicity material, creating the first jihadi radio station and a magazine promoting his activities, but he also targeted a wide audience, publishing publicity material in Pashto, Urdu and Arabic.

Perhaps more than any other mujahidin leader, Jalaluddin built extensive links with Arab militants, including the late al-Qa’ida leader Usama bin Laden.<sup>55</sup> With Bin Laden’s help and with funding from Arab donors (and potentially U.S. assistance), he built an elaborate cave complex in the mountainside in Zhawara, Khost Province, just 15 minutes by vehicle from Miran Shah, which not only served as training centers for the Afghan mujahidin and foreign fighters, but also provided well-protected sites for storing arms, ammunition and other supplies.<sup>56</sup> The mountainside facility boasted a

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<sup>51</sup> Ruttig, 73; Author’s interviews with Rahimullah Yusufzai, Milton Beardon, Zahid Hussein and Robert Nicklesberg.

<sup>52</sup> Ruttig, 73.

<sup>53</sup> Two versions of *Manba’ ul-Jihad* were released – one in Arabic and another in Pashto.

<sup>54</sup> Harmony document AFGP-2005-000K1170.

<sup>55</sup> Abdul Rasul Sayyaf, Gulbuddin Hekmatyar, and Ahmed Shah Massoud all had relationships with foreign war volunteers. For background on this issue see Ressler and Brown.

<sup>56</sup> Ruttig, 85; Rahimullah Yusufzai, “A Hunt for Haqqani,” *Outlook India* (3 December 2001), <http://www.outlookindia.com/article.aspx?213922> (accessed 3 July 2012).

medical clinic, a mosque and even a small museum.<sup>57</sup> The Red Army repeatedly attacked the cave complex, only capturing it once briefly in 1986.<sup>58</sup> In the 1990s the site would continue to be used as a central logistical hub that resourced a variety of militant training camps in the same valley that were used by al-Qa'ida and Uzbek, Kashmiri and other fighters.<sup>59</sup>

The primary source material produced by Haqqani leaders that was reviewed for this report reveals a number of important insights about the group, its historical financing and how it managed and used funds. Perhaps one of the most important insights from these documents is that they show how a robust and identifiable bureaucracy has traditionally supported Haqqani financing. Documents taken from Haqqani compounds in early 2002 provide evidence that the network historically relied almost entirely on the ISI for cash, weapons and virtually all supplies during the early 1990s. This dependency is revealed in a set of telex communications between the ISI and Jalaluddin and his other commanders in the field from 1989 to 1993, during which time the mujahidin fought to oust the Najibullah regime in Kabul. More than one dozen are sent to/from "Engineer Bangash Sahib," or "Bangash SB," an apparent reference to a former brigadier general in the Pakistan military who handled logistics for the mujahidin parties.<sup>60</sup> Various messages back and forth discuss faulty equipment, and the need to send back generators and other equipment that breaks or arrives not working. Jalaluddin, in both his tone and language, appears to be conciliatory and subordinate.

A battlefield report that appears to have been written by Jalaluddin during the same time period provides similar insights into the historical nature of this relationship, as it reports to the ISI the shooting down of a Russian Mig-29 with a Stinger missile, and lists men who have been recently killed or injured. The letter acknowledges the receipt of \$126,000 in cash from the ISI, and makes a request for four kilograms of meat every month, one kilo of tea and chewing tobacco for each of his men.<sup>61</sup> Other documents

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<sup>57</sup> "The Important Centers of Jihad—the "Zhora" Historic Division," *Manba ul-Jihad* (in Pashto), 9-10 (May 1992).

<sup>58</sup> Ruttig, 86.

<sup>59</sup> In August 1998 the United States bombed several camps in the area with cruise missiles in retaliation for the bombings of the American embassies in Kenya and Tanzania. See Yusufzai "A Hunt for Haqqani," (2001).

<sup>60</sup> Author's email correspondence with William Murray, 15 March 2011.

<sup>61</sup> Harmony document AFGP 2002-008612, 210.

make requests for sugar, flour and rubber sandals.<sup>62</sup> William Murray, who was then the CIA station chief in Islamabad, said it wasn't surprising to him to see Haqqani requesting mundane items such as sugar and tea from the ISI. "All the muj[ahidin], except for the Shia groups were totally dependent on ISI for everything," he said, observing that aid from Arab donors primarily flowed through the Pakistan intelligence services as well.<sup>63</sup>

The network also appeared to be careful with its money and not to squander it, a predisposition that likely continues today. Documents related to two senior Haqqani aides, Mawlawi Nezamuddin Haqqani and Mawlawi Bakhta Jan, demonstrate that the group kept meticulous records of how it spent the cash it received, paying close attention to detail. The two men maintained careful logs of supplies that were received, listing, for example, the serial number of each rifle and the thumbprint of the Mujahid fighter to whom it had been given.<sup>64</sup> Two separate payroll accounts list the salaries of low-rank members of the group, including guards, drivers, a mechanic and a full-time chapatti (bread)-maker.<sup>65</sup>

There are numerous letters to Nezamuddin and Bakhta Jan in which commanders request, and then confirm receipt of, cash payments and supplies. There are also book-keepers' logs which record small and large expenses and confirm receipt of supplies.<sup>66</sup> In one letter, Jalaluddin requested that Nezamuddin send tents and blankets.<sup>67</sup> Another letter on Hizb-I Islami (Khalis) letterhead appoints Al Haj Abdul Jabbar as the network's new transport chief, indicating that Jalaluddin's parent organization included an organized bureaucracy capable of handling logistics.<sup>68</sup> These and other examples like them indicate that Jalaluddin relied heavily on specific individuals—often just two or three men—for the bulk of his supplies and transport logistics, suggesting that the

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<sup>62</sup> See in particular the communication logs between Haqqani commanders, including Jalaluddin, and ISI representatives during the late 1980s and early 1990s. Harmony documents AFGP-2002-008581; AFGP-2002-008582.

<sup>63</sup> Author's email correspondence with William Murray, 15 March 2011.

<sup>64</sup> This practice may have been done as an accountability mechanism either to satisfy the needs of the group and/or its military supporters. See Harmony document AFGP-2002-008583, 2-5.

<sup>65</sup> Harmony documents AFGP-2002-008583, 2-5; AFGP-2002-008624, 9, 35.

<sup>66</sup> Harmony documents AFGP 2002-008583, 3-5; AFGP-2002-008627, 98; AFGP-2002-008585, 25; AFGP-2002-008624, 35.

<sup>67</sup> Harmony document AFGP-2002-008602, 1.

<sup>68</sup> Harmony document AFGP-2002-008576, 39.

group did not handle logistical issues in an ad hoc manner and that such activity was highly centralized. Jalaluddin would have needed to sustain at least some of this logistical infrastructure during the 1990s in order to support the camps in his territory in Loya Paktia during this time. That would have left the network well positioned from a logistical standpoint in the post 2001 phase of the conflict, and it is likely that the type of logistical infrastructure used by the group in the past has been kept in place—with similar units, led by trusted confidants—being used today to support Haqqani fighters.

Correspondence between Jalaluddin and Nezamuddin often dwelled on seemingly trivial money matters, such as a 5,000 Afghani (about \$120) loan made to a fighter in the group. “How much should we take out of his monthly salary?” Nezamuddin asks.<sup>69</sup> There is no evidence in this limited collection of approximately 1,000 documents—primarily associated with Bakhta Jan—that the Haqqanis engaged in any sort of business, illicit or otherwise; however it is clear that the network had by now established itself as a key mediator within the community, settling business and tribal disputes in its area of operations.<sup>70</sup> Various documents appear to bolster the Haqqanis’ position as mediators of land and small business disputes within their community.<sup>71</sup> One document, which appears to be signed by Haqqani leaders and various individuals involved in the dispute, negotiates the return of a property in Logar province to its previous owner. The property had apparently been seized by pro-Soviet forces.<sup>72</sup> The picture that emerges of the Haqqani organization from this select group of documents is one that is receiving the bulk of its supplies and funding from foreign donor states, and which is careful about expenditure.

Based on the review of these documents, it is also apparent that the only receipts for goods purchased inside of Afghanistan came from petrol stations. In other words, Haqqani commanders filled their tanks inside Afghan territory but, according to this sample of data, it appears that all their other financial and commercial activity—from

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<sup>69</sup> Harmony document AFGP-2002-008627, 59-60.

<sup>70</sup> A number of explanations could explain the absence of documents highlighting Haqqani business dealings and/or associations with illicit enterprises. These types of documents might not have been associated with the person of Bakhta Jan; they could have been located at another facility in Afghanistan; they could have been destroyed prior to 9/11; they could be held at strategic locations in Pakistan, i.e., facilities in Miran Shah or Peshwar; and they also might not exist at all.

<sup>71</sup> For example see Harmony document AFGP-2002-011131, 40-50.

<sup>72</sup> Harmony document AFGP-2002-011124, 3, 5.

paying for medical care to purchasing supplies to sending money transfers—took place on the Pakistan side of the Durand Line. Pages of photocopied business cards, including those from travel agencies, gem stores, clothing and shoe shops, and medical clinics, taken from one of Bakhta Jan's residences are virtually all Pakistan-based, with the majority originating in Islamabad and Peshawar.<sup>73</sup>

In 1996, as the Taliban consolidated power across Afghanistan, Haqqani nominally ceded power to the regime and was officially named as the minister of tribal and border affairs in the Taliban government.<sup>74</sup> Much as he operated under Khalis, Haqqani did not seek out any real decision making role in Kabul, as he preferred to function more or less independently, neither fully a part of the Kandahar-based movement, nor contested by it. As in the 1980s, he maintained an independent power base in Loya Paktia, where certain rigid Taliban edicts, such as the one banning girls from school, were less strictly enforced.<sup>75</sup> The Kandahar-based Taliban leadership appeared to respect Jalaluddin's military prowess, and contracted his fighters in 1997 to lead the offensive against the Northern Alliance on the Shomali Plains north of Kabul, as well as during other key engagements.<sup>76</sup> A U.S. State Department cable describes the relationship as a contract, but does not spell out how the Taliban compensated Haqqani for running this military operation.<sup>77</sup>

Observers of the movement at the time say that Jalaluddin continued to receive limited funding from the ISI during the 1990s, and that Pakistan helped massage his relationship with the Kandahari Taliban.<sup>78</sup> However, the level of foreign funding he was receiving would have abated sharply after the Soviets departed Afghanistan and U.S. funding dried up. In response, the 1990s was a period when the network began to diversify its sources of funding and may have made its first forays into extortion and

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<sup>73</sup> Harmony document AFGP-2002-011170, 1-7.

<sup>74</sup> Gopal, et. al.

<sup>75</sup> Ruttig, 64.

<sup>76</sup> U.S. Embassy, Islamabad, "Afghanistan: Taliban Decision-Making and Leadership Structure," and "Afghanistan: Jalaluddin Haqqani's Emergence as a Key Taliban Commander," Confidential Cables. *National Security Archives "Taliban Files,"* [www.gwu.edu/~nsarchiv/](http://www.gwu.edu/~nsarchiv/) (accessed 3 July 2012).

<sup>77</sup> U.S. Embassy, Islamabad, "Afghanistan: Taliban Decision-Making and Leadership Structure," and "Afghanistan: Jalaluddin Haqqani's Emergence as a Key Taliban Commander," Confidential Cables. *National Security Archives "Taliban Files,"* [www.gwu.edu/~nsarchiv/](http://www.gwu.edu/~nsarchiv/) (accessed 3 July 2012).

<sup>78</sup> Ruttig, 64; Author's telephone interview with Rahimullah Yusufzai, November 21, 2011. Author's interviews in Dubai, November, 2011.

protecting drug trafficking.<sup>79</sup> These adaptations appear to have occurred in response to its loss in foreign funding, and may have also been directed at helping the network gain greater independence from Pakistan.

Jalaluddin also deepened his ties to independent Arab funding sources throughout the 1990s, making regular trips to the Gulf in order to raise funds. It is clear from air ticket stubs and old passports that network leaders made regular trips to Saudi Arabia, ostensibly to perform *Umrah* (pilgrimage to the holy city of Mecca).<sup>80</sup> According to Afghans interviewed by Jere Van Dyk—a journalist who spent time with Jalaluddin Haqqani and his men in the field in 1981, the main mosque in the city of Khost is linked to the legendary commander and was constructed with Saudi and other funds from the Gulf.<sup>81</sup> Two declassified 1997 U.S. State Department cables described Haqqani's close ties to Arab and Kashmiri extremist groups and Arab donors, suggesting that his terrorist links and his access to cash warranted U.S. scrutiny.<sup>82</sup> These Haj visits were reportedly highly lucrative for fundraising in the kingdom's Wahhabi mosques.<sup>83</sup>

Also significant, Haqqani's official role as the minister for tribal and border affairs put him in a position to consolidate control over trade that passed through his control zone, and would have bolstered his authority to mediate tribal disputes. This suggests that consolidating his position of wealth and power within his area of operations was more important to Haqqani than joining in national politics. In this time period, it is believed that Haqqani first established a network to collect rents from local businessmen and tribespeople in Loya Paktia and traders in the Pakistani district of Parachinar.<sup>84</sup> Around the same time, U.S. and British authorities began tracking massive narcotics shipments leaving through southeastern Afghanistan and believed the Haqqani network, among

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<sup>79</sup> Author's telephone interview with Rahimullah Yusufzai, November 21, 2011; Ruttig, 77.

<sup>80</sup> For example, see Harmony document AFGP-2002-011157.

<sup>81</sup> Madeleine Lynn, "Jere Van Dyk Discusses Afghanistan," Carnegie Council, (18 May 2007), <http://www.carnegiecouncil.org/resources/transcripts/5436.html> (accessed 3 July 2012).

<sup>82</sup> U.S. Embassy, Islamabad, "Afghanistan: Taliban Decision-Making and Leadership Structure," and "Afghanistan: Jalaluddin Haqqani's Emergence as a Key Taliban Commander," Confidential Cables. *National Security Archives "Taliban Files,"* <http://www.gwu.edu/~nsarchiv/NSAEBB/sept11/> (accessed 3 July 2012).

<sup>83</sup> Coll, 202.

<sup>84</sup> Ruttig, 66; Beyond the details provided by Ruttig little is known about the history of Jalaluddin's system of tax collection.



others, received cash payments to facilitate narcotics transshipments.<sup>85</sup> Key deputies in his network were also appointed to positions that would have helped them facilitate drug trafficking and other smuggling. The Taliban's Finance Ministry appointed Bakhta Jan as head of the Department of Border Control in Paktika province, for example.<sup>86</sup>

It is also apparent that Jalaluddin made efforts to maintain good relations with the community, walking a careful line between collecting rents from the public and in return providing vital public services, including religious education and health care. Haqqani offered microloans, often as little as 1500 Rupees (about \$20) each, for members of the community and his fighters, as well as advances on paychecks for his operatives.<sup>87</sup> As with other expenditures, these loans appear to have been meticulously recorded. The 1990s is also a period during which Haqqani expanded his role as a mediator in the community, providing a critical role of judge and contract enforcer in a region that lacked formal judicial systems but instead relied on traditional and tribal dispute mechanisms. "This really makes a difference in these communities," said Rahimullah Yusufzai. "People can turn to the Haqqanis when they are desperate and will remain beholden because the decision that they make will need to be implemented."<sup>88</sup> Multiple sources interviewed for this report said Jalaluddin's stature within the community was bolstered by his reputation for fairness in judging disputes, and the sense that Haqqani was working in their interests.<sup>89</sup>

Haqqani's pattern of remaining operationally and financially autonomous from the Taliban, but collaborating on some military campaigns has continued in the post-2001 phase of the Afghan conflict. Jalaluddin formally joined the neo-Taliban insurgency in 2003 and was named the commander of its eastern front.<sup>90</sup> Haqqani fighters cooperate with the Kandahari Taliban, even conducting high-profile attacks on behalf of the Quetta Shura. However, the Haqqanis appear to have negotiated an arrangement under

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<sup>85</sup> Author's interviews with current and former U.S. officials. See also Gretchen Peters, *Seeds of Terror*, (New York: St. Martin's Press, 2009), Ch. 3.

<sup>86</sup> Harmony document AFGP-2002-011118, 37.

<sup>87</sup> Harmony documents AFGP-2002-008627, pgs. 57 and 148.

<sup>88</sup> Author's telephone interview with Rahimullah Yusufzai, December 2011.

<sup>89</sup> Author's interviews in Kabul, December 2010; Dubai, November 2011.

<sup>90</sup> Rahimullah Yusufzai, "Taliban Aims to Regain Power," *BBC News*. March 28, 2003.

[http://news.bbc.co.uk/2/hi/south\\_asia/2897137.stm](http://news.bbc.co.uk/2/hi/south_asia/2897137.stm)

which they face little interference in how they conduct business in their zone of operations, and even extract tolls from Taliban fighters who transit their territory.<sup>91</sup>

The network today reportedly receives a monthly stipend from Quetta to cover operational costs, and the budget shifts depending on the season and the funding capacity of the Taliban leadership.<sup>92</sup> However, because the Haqqanis also have financial sources that are independent of Mullah Omar, Sirajuddin is not obliged to take orders from the Kandahari Taliban, and the network continues to operate relatively autonomously as it has in the past.<sup>93</sup> There are frequent reports of rivalries and disputes between the two networks but, on balance, the two Taliban factions have shown an ability to coexist. This partnership may seem remarkable, given that both groups are extremely violent and highly criminalized, however it appears to suit both the Kandahari Taliban and the Haqqanis to continue as allies. And much like the New York mafia's Five Families, the Taliban factions have appointed commissions that negotiate the division of criminal proceeds that pass between their control zones, and smooth out differences when they arise.<sup>94</sup>

Like the Kandahari faction of the Taliban, the Haqqanis have operated a well-developed system of dispute management post 9/11. Both Jalaluddin and Sirajuddin are respected among militants for moderating intra-insurgent rivalries, and the younger Haqqani has intervened numerous times over the past five years to resolve disputes among militant factions in the FATA, most notably helping to ensure an orderly transition of power in the Pakistani Taliban after the group's former emir, Baitullah Mehsud, was killed in an August 2009 drone strike.<sup>95</sup>

The Haqqanis' reputation as effective military fighters in Afghanistan also gives them influence over other militant networks that potentially lack their own logistical support

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<sup>91</sup> Partlow, Joshua, "Haqqani Insurgent Group Proves Resilient Foe in Afghan War," *Washington Post*. May 29, 2011. [http://www.washingtonpost.com/world/asia-pacific/haqqani-insurgent-group-proves-resilient-foe-in-afghan-war/2011/05/27/AG0wfKEH\\_story.html](http://www.washingtonpost.com/world/asia-pacific/haqqani-insurgent-group-proves-resilient-foe-in-afghan-war/2011/05/27/AG0wfKEH_story.html)

<sup>92</sup> Author's telephone interview with senior religious figure in Pakistan, (29 December 2011).

<sup>93</sup> Ibid.

<sup>94</sup> Gretchen Peters, "Crime and Insurgency in the Tribal Areas of Afghanistan and Pakistan," (New York: Combating Terrorism Center, 15 October 2010), [http://www.ctc.usma.edu/wp-content/uploads/2010/10/Crime-and-Insurgency\\_Final.pdf](http://www.ctc.usma.edu/wp-content/uploads/2010/10/Crime-and-Insurgency_Final.pdf) (accessed 3 July 2012).

<sup>95</sup> Peters, 2010, 83.

system. Moreover, the Haqqanis' long-standing ties with the ISI put them in a position to negotiate between other militant networks and the Pakistani state.<sup>96</sup> Interaction with other militants also serves the group's financial interests, with reports indicating that they negotiate how to split proceeds from smuggling operations and abductions.<sup>97</sup> The local business community and rival tribes also engage the Haqqani shadow justice system. Local sources report that the Taliban collects fees for resolving disputes, and will also hold cash as the equivalent of a surety bond during the negotiation of disputes. The Taliban will occasionally confiscate this bond if one party does not honor its end of the bargain.<sup>98</sup>

Under increased military pressure, the Haqqanis have been forced to close some madrassas and restrict some mediation services they previously offered inside Afghanistan. Furthermore, although not outside the realm of possibility, there is scant evidence that proceeds the network collects from predatory taxation practices are today filtered back to the local economy and community.

## **Key Financial Personalities and Organization post 2001**

The Haqqani network is a remarkably small organization at the top, with less than a dozen key players, mostly all of them relatives of the founder, Jalaluddin Haqqani. The small and centralized nature of the decision-making process and fund distribution network could be a major vulnerability for the Haqqanis, suggesting the possibility that the killing or capture of key senior figures, in particular those who handle financial matters and supplies, might significantly degrade overall network capacity. Beneath the top tier of the leadership, decision-making becomes progressively less centralized. Individual field commanders can enjoy a high level of autonomy, in particular with regards to fundraising and criminal activity. It is also pertinent to note that, at the lower ranks, Haqqani fighters appear less motivated by money than by a blend of ideology, honor, revenge and the notion that they are taking part in a historic and grand battle.<sup>99</sup>

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<sup>96</sup> Gopal, et. al., 9.

<sup>97</sup> Peters, 2010.

<sup>98</sup> Local researcher, Peshawar, June 2011.

<sup>99</sup> David Rohde, "You Have Atomic Bombs, but We Have Suicide Bombers," *New York Times*, (19 October 2009), <http://www.nytimes.com/2009/10/20/world/asia/20hostage.html?pagewanted=all>

Also typical to the mafia structure, money moves in both directions up and down the command chain. The network leader, or “capo” can distribute operational funds and salaries to captains in the field, but those captains with high earning potential must send a portion of what they raise to their superiors. Key senior leaders of the movement, who are known to play a financial role include:

**JALALUDDIN HAQQANI:** Having suffered a stroke in 2005 that left him bedridden and in poor health, Jalaluddin Haqqani is now only a figurehead.<sup>100</sup> “He has been inactive quite a few years now,” said Rahimullah Yusufzai, a Peshawar-based journalist who has interviewed the elder Haqqani on numerous occasions. “Today, he has no role in the day-to-day operations.”<sup>101</sup> However, the patriarch has left his stamp on the network, which owes its resiliency at least in part to his leadership style. His capacity to organize high-profile and embarrassing attacks against the Soviets earned him unrivaled access to covert funding and materiel that flowed into the warzone.<sup>102</sup> Those attacks, which Jalaluddin publicized in Pashto, Urdu and Arabic language magazines, and his religious credentials also fueled donations from ideological supporters.<sup>103</sup> “The Haqqanis have always been very organized and modern in their approach,” said Yusufzai. “They understand the power of the media and they know it helps them to raise money.” Jalaluddin’s marriage to an Emirati woman—his second wife—and historical integration of Arab fighters has similarly helped to ensure his personal ties to the Gulf and the flow of funds from that part of the world, including during the post 2001 phase of the conflict.<sup>104</sup>

**SIRAJUDDIN HAQQANI:** At the top tier of the network today is one of Jalaluddin’s sons by his Afghan wife, Sirajuddin. He manages network operations, serving as chair of the Miran Shah regional shura and overseeing the group’s military activities, managing relations with the Quetta Shura and overseeing the network’s business operations. In that regard, he can be considered as much a Chief Executive Officer (CEO) of the

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(accessed 3 July 2012).

<sup>100</sup> Author’s interview with senior religious figure in Pakistan, 29 December 2011.

<sup>101</sup> Author’s telephone interview with Yusufzai, November 2011.

<sup>102</sup> Coll, 157.

<sup>103</sup> Author’s telephone interview with Rahimullah Yusufzai, November 2011; Coll, 157.

<sup>104</sup> For insight into Jalaluddin’s historical integration of foreign fighters, see Rassler and Brown, 19.

network as a strategic-level commander.<sup>105</sup> Far more secretive than his publicity-loving father, Sirajuddin is described as shy and retiring by those who have met him, and also a determined and effective leader.<sup>106</sup> Some contradictory reports suggest that Sirajuddin is a weak and fearful leader who has buckled under the pressure of running the network and largely remained in hiding, relinquishing the day-to-day running of the network to his brothers.<sup>107</sup> Others suggest that under Sirajuddin's command the network has matured in its level of operational security, grown into a more lethal and criminalized organization, and diversified its investments into real estate and front companies.<sup>108</sup> Some analysts credit Sirajuddin with the vision to muscle into illicit enterprises such as timber and chromite smuggling, and say the network has become flush with money under his direction and has achieved greater independence from the ISI.<sup>109</sup> Other longtime observers of the network say that the involvement in organized crime has occurred out of necessity, as funding needs outstripped cash flow, but maintain that it does not necessarily represent an ideological shift between the generations. "During the 1980s, Haqqani did not have to pay for weapons or supplies," said Rahimullah Yusufzai. "Now they need to raise funds to purchase bomb-making equipment and vehicles."<sup>110</sup>

**NASIRUDDIN HAQQANI:** Another son of Jalaluddin's Afghan wife, Nasiruddin runs the group's financial operations, and could be considered the network's Chief Financial Officer (CFO).<sup>111</sup> He operates from central Pakistan, and is believed to enter Afghanistan infrequently.<sup>112</sup> A historical Harmony document from the late 1990s loosely ties Nasiruddin Haqqani to Gulf-based financing, suggesting that he has been involved in

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<sup>105</sup> Author's interviews, Washington DC, June 2011, Fort Bragg, Jan 2011; Dubai, November 2011.

<sup>106</sup> Author's telephone interview Rahimullah Yusufzai, 21 Nov 2011; Author's interview, Dubai, November 2011.

<sup>107</sup> Author's interviews, Washington DC, June 2011, Research assistant, Peshawar, June 2010.

<sup>108</sup> Author's interviews, Washington DC, June 2011, Fort Bragg, Jan 2011, Dubai, November 2011. Research assistant, Peshawar, June 2010.

<sup>109</sup> Author's interviews, Washington DC, June 2011, Fort Bragg, Jan 2011, Dubai, November 2011; Author's telephone interview with senior religious figure in Pakistan, 29 December 2011.

<sup>110</sup> Author's telephone interview Rahimullah Yusufzai, 21 November 2011.

<sup>111</sup> Author's interviews, Kabul, December 2010; Islamabad, December 2010; Fort Bragg, Jan 2011; Washington DC, June, 2011; Tampa, June and August, 2011.

<sup>112</sup> Author's interviews, Kabul, December 2010; Islamabad, December 2010; Fort Bragg, Jan 2011; Washington DC, June, 2011; Tampa, June and August, 2011. Local researcher, Peshawar, December 2010.

the nuts and bolts of Haqqani financial matters for some time.<sup>113</sup> The U.S. Treasury Department's 2010 designation of Nasiruddin states that he has received donations for the network made in the Arabian Gulf, and has also collected money from drug trafficking operations and payments from al-Qa'ida.<sup>114</sup> Between 2005 and 2009 Nasiruddin reportedly made regular trips to the Arabian Gulf to fundraise for the network.<sup>115</sup> He reportedly directs the network's smuggling operations, and is also the person who takes collection of large cash payments from major transport, construction and telecoms firms who seek to operate in the Haqqanis' zone of influence.<sup>116</sup>

**BADRUDDIN HAQQANI**, another son of Jalaluddin's Afghan wife, is widely considered to be the Chief of Operations (COO) for the network based in North Waziristan, where he also oversees the family business at the local level, handling high-profile abductees and micro-managing transport and smuggling operations.<sup>117</sup> A U.S. State Department designation of Badruddin says he "helps lead insurgents and foreign fighters in attacks against targets in southeastern Afghanistan."<sup>118</sup> For example, Afghan intelligence has released intercepts of Badruddin directing a 2011 attack at the Intercontinental Hotel in Kabul. Like Nasiruddin, he sits on the Miran Shah Shura, and has a say in business decisions and operations.<sup>119</sup> He is also believed to play a media role.<sup>120</sup>

**KHALIL HAQQANI**, a brother of Jalaluddin, is described by the U.S. Treasury Department as a fundraiser for the network, who has traveled within the last several years to Dubai, Saudi Arabia, Iran, China and Pakistan in order to meet with financial supporters and

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<sup>113</sup> See Harmony document AFGP-2002-800775, 3.

<sup>114</sup> U.S. Department of the Treasury, "Treasury Targets Taliban and Haqqani Leadership: Treasury Designates Three Financiers in Afghanistan and Pakistan," TG-782 (22 July 2010), [www.treasury.gov/press-center/press-releases/Pages/tg782.aspx](http://www.treasury.gov/press-center/press-releases/Pages/tg782.aspx) (accessed 3 July 2012).

<sup>115</sup> Sara Carter, "Pakistani terror network takes on major role in Afghan war," *Washington Examiner*, (16 August 2010), <http://washingtonexaminer.com/news/world/pakistani-terror-network-takes-major-role-afghan-war#ixzz1W4RLUCgW> (accessed 3 July 2012).

<sup>116</sup> Interviews by research assistant in Peshawar, Akhora Khattack and Islamabad, December 2010.

<sup>117</sup> Author's interviews, Kabul, December 2010; Islamabad, December 2010; Fort Bragg, Jan 2011; Washington, June, 2011; Tampa, June and August, 2011.

<sup>118</sup> See: Office of the Spokesman, U.S. Department of State, "Designation of Haqqani Network Commander Badruddin Haqqani," Media Note (Washington DC: U.S. Department of State, 11 May 2011), <http://www.state.gov/r/pa/prs/ps/2011/05/163021.htm> (accessed 3 July 2012).

<sup>119</sup> Author's interviews, Kabul, December 2010, Islamabad, December 2010.

<sup>120</sup> Office of the Spokesman, U.S. Department of State.

raise funds in mosques.<sup>121</sup> Khalil has served as a military commander, in charge of approximately 160 combatants at a time, and was responsible for the detention of enemy prisoners captured by the Haqqani Network.<sup>122</sup> His main responsibility currently is to operate front companies, including construction firms and transport companies that support network operations in Pakistan.<sup>123</sup> He holds a role akin to a vice president in a corporation.

**IBRAHIM OMARI**, who is often referred to as Ibrahim Haqqani, is another brother of Jalaluddin. He was briefly detained by U.S. and Afghan authorities in 2002. He manages many of the network's real estate holdings in Pakistan and the UAE.<sup>124</sup> He has also played the role of intermediary during kidnap-for-ransom operations, most recently participating in negotiations to secure a \$5 million ransom for the release of an Afghan diplomat kidnapped in Pakistan.<sup>125</sup>

**JAN BAZ ZADRAN** (deceased): Until his death in an October 2011 drone strike, Jan Baz Zadrán was the most important individual in both the business and logistical sides of the network who was not an immediate relative of Jalaluddin. He coordinated communications between Haqqani principals and the field commanders and handled the purchase and disbursement of weapons, money and other war materiel.<sup>126</sup> Jan Baz also controlled many of the network's real estate interests, organized the collection of security payments and handled other logistical responsibilities related to the disbursement of funds.<sup>127</sup>

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<sup>121</sup> U.S. Department of the Treasury, "Treasury Targets the Financial and Support Networks of Al Qa'ida and the Taliban, Haqqani Network Leadership," (2 September 2011), <http://www.treasury.gov/press-center/press-releases/Pages/tg1055.aspx> (accessed 3 July 2012).

<sup>122</sup> "Security Council Committee established pursuant to resolution 1988 (2011): "KHALIL AHMED HAQQANI," (9 February 2011), <http://www.un.org/sc/committees/1988/NSTI15011E.shtml> (accessed 3 July 2012).

<sup>123</sup> Author's interviews, Dubai, November 2011.

<sup>124</sup> Author's interview with Michael Semple and Amrullah Saleh, Tampa, August, 2011; Author's interview, Tampa, June 2011.

<sup>125</sup> Ibid; Author's telephone interview with Carlotta Gall, August 2011; See also: Thomas Ruttig, "Splitting the Haqqanis with Reconciliation Air?" *Afghanistan Analysts Network*, (11 January 2010). <http://aan-afghanistan.com/index.asp?id=1286> (accessed 3 July 2012).

<sup>126</sup> Gopal, et al.

<sup>127</sup> Author's interviews, Kabul, December 2010, Islamabad, December 2010.



**Haji Mali Khan:** The network's most important and effective field commander, Haji Mali Khan, was captured in October 2011 by a joint team of NATO coalition and Afghan security forces. Khan, who is married to one of Jalaluddin's sisters, managed bases and operations in both Afghanistan and Pakistan for the group.<sup>128</sup> He was also responsible for moving forces and funds from Pakistan to Afghanistan to conduct terrorist activity. He was seen as an emissary between the Haqqanis and the Pakistani Taliban.<sup>129</sup> Due to his position, Haji Mali Khan likely helped to ensure the operational and tactical flow of funds inside Afghanistan.

**Mullah Sangeen Zadrán:** is another important Haqqani commander who has been designated by the U.S. State Department as a terrorist.<sup>130</sup> The shadow governor of Paktika province, Sangeen is considered to be one of the most capable operational commanders in eastern Afghanistan, and is described as a "senior lieutenant" to Sirajuddin.<sup>131</sup> He is believed to have orchestrated the kidnappings of Afghans and foreign nationals in his control zone, among them the captured U.S. soldier, Pfc. Bowe Bergdahl.<sup>132</sup> The fact that Bergdahl remains in his custody and not in Miran Shah under Badruddin's watch, suggests that Sangeen maintains considerable autonomy within the network and perhaps imagines he will directly earn a ransom payment in exchange for the American serviceman.

**Fazl Rabbi:** A key Haqqani financial facilitator and member of the Taliban's Peshawar financial shura, Fazl Rabbi has made numerous trips "abroad to raise money for the Haqqani network."<sup>133</sup> For example, "[i]n February 2009, Rabbi traveled to Dubai, United Arab Emirates (UAE), to fundraise and conduct meetings on behalf of...Sirajuddin

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<sup>128</sup> Author's Skype interview with senior religious figure in Pakistan, December 29, 2011.

<sup>129</sup> "Afghanistan Haqqani militant Haji Mali Khan captured," *BBC News*, (1 October 2011), <http://www.bbc.co.uk/news/world-south-asia-15136007> (accessed 3 July 2012).

<sup>130</sup> Office of the Spokesman, U.S. Department of State, "Designation of Haqqani Network Commander Sangeen Zadrán," Media Note (Washington DC: U.S. Department of State, 16 August 2011), <http://www.state.gov/r/pa/prs/ps/2011/08/170582.htm> (accessed 3 July 2012).

<sup>131</sup> *Ibid.*

<sup>132</sup> *Ibid.*

<sup>133</sup> See: U.S. Department of the Treasury, "[Designation]," (21 June 2010), [http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Documents/taliban\\_notice\\_06212011.pdf](http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Documents/taliban_notice_06212011.pdf) (accessed 3 July 2012); "Security Council Committee established pursuant to resolution 1988 (2011): Fazl Rabi," (6 January 2012), <http://www.un.org/sc/committees/1988/NSTI15712E.shtml> (accessed 3 July 2012).



Haqqani. Rabbi has also traveled to the Gulf to raise funds for Jalaluddin Haqqani..."<sup>134</sup> Evidence compiled by the U.S. Treasury Department also indicates that Rabbi has helped to send suicide bombers into Afghanistan, and, while serving as a senior Taliban official in Kunar province during the late 1990s, ship illegal narcotics out of Afghanistan.<sup>135</sup>

**AHMED JAN WAZIR:** A deputy and advisor to Sirajuddin, Ahmed Jan has "represented the Haqqani network at the Taliban's Peshawar shura and served as a conduit between the Haqqani network and the Taliban in Ghazni province, Afghanistan."<sup>136</sup> As a commander in the province, Ahmed Jan is responsible for providing Haqqani and Taliban fighters with money, supplies, communications equipment and weapons. According to the U.S. Department of Treasury, Ahmed Jan worked for the Ministry of Finance in the Taliban era and, more recently, "has traveled with senior members of the Haqqani network to the Gulf."<sup>137</sup>

The author was not able to find extensive or reliable open source information about mid to low-level Haqqani money managers, suggesting that this could be an information gap. Community members in Loya Paktia say the network uses trusted Hawaladars and traders in the bazaars to help move money, and U.S. military intelligence is aware that trusted cash couriers help to transport money to and from network commanders inside Afghanistan.<sup>138</sup> However, identifying which individual or group of people coordinate these financial transfers for the network remains a challenge. Records from the 1980s suggest an infrastructure existed in the past, although this does not prove that the practice continues. A Pakistani religious figure close to the movement claims that Nasiruddin and Badruddin personally handle the bulk of financial matters for the network today, and that Jan Baz Zadran coordinated cash transfers until his 2011 death.<sup>139</sup>

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<sup>134</sup> Ibid.

<sup>135</sup> Ibid.

<sup>136</sup> U.S. Department of the Treasury, (21 June 2010).

<sup>137</sup> U.S. Department of the Treasury, (6 January 2012).

<sup>138</sup> Local researchers in Kabul, Khost and Ghazni, June 2011. Author's interviews, Washington DC, June 2011.

<sup>139</sup> Author's telephone interview. December, 2011.

The Haqqanis have long been renowned for their capacity to operate on a tight budget. This capacity is due in part to the low-rank Haqqani fighters, who have traditionally been drawn from Haqqani-run madrassas and other allied Islamic seminaries and earn little—if any—pay and operate with great autonomy in the field.<sup>140</sup> For example, Haqqani fighters who stormed the Serena Hotel lived on nothing but bread and dates for days leading up to the 2008 attack, according to sources close to the movement.<sup>141</sup> Low rank fighters are fed and housed by the network, but for the most part demonstrate a devotion to the movement and seem to be driven by a blend of Islamic radicalism, a desire for revenge against NATO forces and the United States, loyalty, pride and honor.<sup>142</sup> The Haqqanis are also known to distribute money to the family members of low-rank fighters who get killed or injured on the battlefield, and maintain a special fund to provide food and some cash to the families of suicide bombers (widows and children of suicide bombers receive more generous allowances).<sup>143</sup> Funds are distributed by cash couriers and through trusted Hawaladars inside Afghanistan and Pakistan.<sup>144</sup>

The Haqqanis also reportedly support an allied network of Mullahs that operates in mosques across Loya Paktia. The Mullahs support efforts to recruit young men to join their ranks, and, particularly in border districts of Paktia, have spread “pro-insurgency propaganda,” openly inciting the public against foreign “occupiers” and pro-government tribal leaders, and urging community members to support the insurgents by giving them food, money and shelter.<sup>145</sup> These Mullahs appear to receive some financial support from the network, and also may be permitted to retain a cut of whatever funds they raise in their sermons.<sup>146</sup> The late Jan Baz Zadran reportedly played a large role in devising and coordinating the network of Mullahs.<sup>147</sup>

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<sup>140</sup> There is some debate about this issue. For background see “Pakistan’s Security State: Reading the Taliban,” *Economist*, (1 February 2012), [www.economist.com/blogs/clausewitz/2012/02/pakistans-security-state](http://www.economist.com/blogs/clausewitz/2012/02/pakistans-security-state) (accessed 3 July 2012).

<sup>141</sup> Local researchers, Kabul and Paktia, June 2011.

<sup>142</sup> Ibid; Author’s interviews with Jere van Dyke and David Rohde.

<sup>143</sup> Ibid; for insights into the historical dimension of this see Ressler and Brown, 19.

<sup>144</sup> Ibid; Author’s interview Crystal City.

<sup>145</sup> Ruttig, 68; Local researchers, Kabul and Paktia, June 2011; Author’s interview Crystal City.

<sup>146</sup> Local researchers, Kabul and Paktia, June 2011; Author’s interview Crystal City.

<sup>147</sup> Dressler, 21.

## Sources of Income

This section outlines the main sources of funding for the Haqqani network. It does not claim to outline a complete list of Haqqani-owned businesses, nor does it even attempt to estimate how much the network earns in total from illicit and licit enterprises. Not only are funding streams intertwined across militant groups, but much information regarding network financing lacks specific detail or verifiable documentation. Thus, instead, this section aims to present a broad picture of how the Haqqani network derives income in and outside Afghanistan, and to trace how money moves between key network actors and into banks in Pakistan, the United Arab Emirates and beyond.

### Donations

The Haqqanis receive a significant portion of their funding from Islamic donors and from members of the communities where they operate. They are veterans in the fundraising business. There are likely a number of deep pocket donors who have been supporting the network since the 1980s. During the 1980s Jalaluddin and those prominent members of his team linked to finance matters made frequent trips to the Arabian Gulf. Jalaluddin himself often made an annual trip to the Haj, where he set up tents to solicit contributions from Haj pilgrims. Travel documents in the Harmony Database, including air tickets and passports stamped with arrival and departure dates in Saudi Arabia, show that one key Haqqani lieutenant, Mawlawi Bakhta Jan (deceased) and several of his brothers also attended the Haj.<sup>148</sup> Although it is not known if there were fundraising dimensions associated with this travel, the fact that the three family members traveled together on multiple occasions suggests that a wider range of individuals participated in the fundraising process. Magazines produced by the Haqqani network in the late 1980s and early 1990s lend credence to this assessment as they reveal that the group deployed and embedded teams of Afghan and—likely—Pakistani nationals to collect funds for the group in key cities in the region.<sup>149</sup>

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<sup>148</sup> See Harmony documents AFGP-2002-011157, 1-4; AFGP-2002-011155, 1-12; AFGP-2002-011159, 1-4; AFGP-2002-011119, 1; AFGP-2002-011154, 1-8.

<sup>149</sup> Mawlawi Aziz Khan, "The First Jihadi Operation in Afghanistan, and the Rise of the Ulema Against the Communists," *Manba al-Jihad* (in Pashto), 4-5, (October-November 1989).

Today, prominent family members, including Khalil Haqqani and Nasiruddin Haqqani, travel to the Arabian Gulf region to raise money, relying on ideological supporters cultivated during the 1980s and more recently.<sup>150</sup> Just as Jalaluddin before them, network leaders today conduct fundraising road shows, visiting large mosques around the region where they ask for alms from worshipers.<sup>151</sup> As in the past, the Haqqanis appear to realize the importance of publicity materials to communicate their successes and to help to generate donations at these events. The network publishes considerable multi-media material concerning its activities, and appears to consider publicity a core aspect of financial operations.<sup>152</sup>

Fundraising activities mainly take place in the United Arab Emirates, Qatar, Kuwait and Saudi Arabia. Magazines produced by Jalaluddin identify the group as having established local representatives and/or fundraising offices in Abu Dhabi, Al-Aiyn, Al-Sharqa, Dubai and Bada Zayed in the UAE and Riyadh in Saudi Arabia.<sup>153</sup> Given the group's historical presence in these areas, it is not unlikely that they remain the central areas of focus of the Haqqanis' Gulf-based fundraising operations today. U.S. officials have reportedly complained to Saudi authorities post 9/11 about the high number of Haqqani operatives who enter the Kingdom, usually from Afghanistan or Pakistan, and who may use the Haj as cover to conduct such fundraising activities for the network.<sup>154</sup> One individual singled out by the U.S. government was Haji Khalil Zadran, a Kabul-based businessman believed to travel on behalf of the network to raise funds and also to manage the network's front businesses.<sup>155</sup>

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<sup>150</sup> Gopal, et. al.

<sup>151</sup> Author's interview with Carlotta Gall, August 2011; for historical reference regarding Jalaluddin's fundraising activity during Hajj trips see "Interview with Steve Coll," *PBS Frontline*, (no date), [www.pbs.org/wgbh/pages/frontline/taliban/interviews/coll.html](http://www.pbs.org/wgbh/pages/frontline/taliban/interviews/coll.html) (accessed 3 July 2012); and Coll, 202, 231.

<sup>152</sup> Haqqani fighters are reportedly paid a fee for filming their attacks: see Peters, 2010, 35.

<sup>153</sup> Mawlawi Aziz Khan.

<sup>154</sup> "U.S. Embassy Cables: Taliban/Haqqani Fundraisers Sneaking into Saudi Arabia," *Guardian*, (5 December 2010), [www.guardian.co.uk/world/us-embassy-cables-documents/243038](http://www.guardian.co.uk/world/us-embassy-cables-documents/243038) (accessed 3 July 2012).

<sup>155</sup> "Saudi Arabia Cashpoint for Terrorists: Wikileaks," *Dawn*, (6 December 2010), <http://www.dawn.com/2010/12/06/saudi-arabia-cashpoint-for-terrorists-wikileaks.html> (accessed 3 July 2012).

It is problematic to assume that everyone providing funds to the Haqqani network either knows they are doing so, or is doing so because they support the network's ostensive ideology. Across Pakistan and Afghanistan, where openly raising money for the Haqqanis has become a more risky concern, locals say that network representatives simply claim they are collecting Islamic taxes, or raising money to support Islamic causes.<sup>156</sup> In this regard, some donors could be described as passive, because they do not necessarily realize that their money eventually reaches the group. Another category of passive donors includes those who understand where their money is headed, but fear the cost of not contributing. Anecdotes provided to local researchers and other reports reviewed by the author indicate that many community members claim that they feel pressured to contribute money to the Haqqanis, and do not do it willingly. In these cases, such individuals can be described as extortion victims, not donors. Until recently, locals reported that the Haqqani network maintained representatives in virtually every district of Loya Paktia in order to collect taxes in mosques, and also operated in large mosques in Pakistan's northwest frontier. These representatives, some of whom also served as Imams at the mosques, collected funds from worshippers.<sup>157</sup> Increased military pressure on the network appears to have reduced its capacity to raise money in local centers of worship. "They can't raise money openly in mosques any longer," said Yusufzai, the Peshawar journalist. "I don't recall seeing them out doing it here for more than one year."

In addition, some funds reaching the network could better be described as business-related commissions. Local sources say the Haqqanis receive substantial funds in the form of Hawala transfers from the Gulf sent by Afghan traders in the UAE and who want to ensure that the militants do not interfere with or destroy their businesses or properties in their home districts. "A businessman that I know from the past sent \$3,000 to my 135 men last year from Dubai," said a Haqqani commander. "In this way, other traders and businessmen help us."<sup>158</sup> The Haqqani network is careful to frame such payments as "donations," but the insurgents are in essence selling insurance against themselves, a commonplace mafia extortion tactic.

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<sup>156</sup> Author's interviews in Kabul, December, 2010; Dubai, November 2011.

<sup>157</sup> Local researcher, Ghazni, June 2011.

<sup>158</sup> Peters, 2010.

## Pakistani Support

In addition to private donors, the network has continued to receive financial and logistical support from the Pakistan military, and continues to maintain close operational ties with the ISI.<sup>159</sup> “If the Haqqani network were a sniper,” said Afghan Police General Mohammed Daud Daud, just weeks before he was killed by a Taliban suicide bomber, “then the ISI would be its trigger finger.”<sup>160</sup> An interview by the Crisis States Research Center with a senior Haqqani commander would appear to suggest that this metaphor is apt. The commander described how the Miran Shah Shura included a small group of former senior ISI officials who were directly “contracted by and working for the ISI.”<sup>161</sup> While the paper does not explain how its source had confirmed that the men were under ISI contract, or were former ISI officials, the notion that ISI officials sit on the shura raises the possibility that Pakistani intelligence not only has direct knowledge of the group’s illicit and militant activities, but also possesses the capacity to direct or at least influence those operations. Another Taliban commander interviewed for the same paper suggested that the network could not survive without Pakistani support: “If the...[ISI] were not with [Haqqani], then he can’t do anything.”<sup>162</sup> Historical communication logs between the Haqqani network and the ISI, which are now publicly available, suggest that such a claim is not far-fetched as it is backed by precedent.<sup>163</sup>

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<sup>159</sup> Mark Landler and Thom Shanker, “U.S. May Label Pakistan Militants as Terrorists,” *New York Times*, (13 July 2010), [http://www.nytimes.com/2010/07/14/world/asia/14diplo.html?\\_r=1&ref=global-home](http://www.nytimes.com/2010/07/14/world/asia/14diplo.html?_r=1&ref=global-home) (accessed 3 July 2012).

<sup>160</sup> Local researcher, Kabul, April 2011.

<sup>161</sup> Readers should be skeptical of these claims as little information exists about the composition of the Miran Shah Shura. For ISI association see Matt Waldman, “The Sun in the Sky: The Relationship between Pakistan’s ISI and Afghan Insurgents,” *Crisis States Discussion Papers*, 18 (June 2010), 17, [www.foreignpolicy.com/files/fp\\_uploaded\\_documents/100613\\_20106138531279734lse-isi-taliban.pdf](http://www.foreignpolicy.com/files/fp_uploaded_documents/100613_20106138531279734lse-isi-taliban.pdf) (accessed 3 July 2012). The senior commander also said he received a monthly salary of \$6,000–\$12,000 from the Haqqani leadership, paid in Pakistani Rupees, plus a supply of AK47 rounds, hand grenades and IED equipment, and, if he needed more weapons, that he could obtain letters of credit from the shura that could be presented to arms dealers in Khost or Miran Shah. He did not appear to know the source of this money.

<sup>162</sup> Ibid.

<sup>163</sup> These Harmony documents can be accessed through the Combating Terrorism Center’s website at <http://www.ctc.usma.edu/posts/haqqani-communication-log-2>.

Islamabad has repeatedly and vigorously denied it provides material or logistical support to the Haqqani network. However, Pakistan has resisted U.S. pressure to launch military operations against the Haqqanis, and then-CIA Director Leon Panetta has openly confronted his counterpart in the ISI over evidence that Pakistani authorities alerted Haqqani members ahead of a raid on an I.E.D. factory in North Waziristan.<sup>164</sup> On the business side, it is hard to imagine that war supplies and other smuggled commodities, not to mention the funds that pay for them, pass through the remote North Waziristan agency, where all roads are manned by Frontier Corps and Pakistan Army checkpoints, without the collusion or at least tacit approval of the Pakistani government. Haqqani leaders have also been able to participate in social and religious events, including an annual conference that occurred at the Dar-ul-Uloom Haqqania Madrassa in Akhora Khattak in 2009, and to move throughout North Waziristan and beyond unimpeded.<sup>165</sup>

Moreover, in the past several years a number of senior Haqqani leaders have been able to travel to the Gulf to engage in fundraising activities. For example, according to the U.S. Treasury Department, “Khalil Haqqani...[was] often traveling internationally to meet with financial supporters. As of September 2009, Khalil Haqqani had traveled to Dubai, United Arab Emirates and had raised funds from sources there, as well as from sources in Pakistan, Saudi Arabia, Iran and China.”<sup>166</sup> The Treasury Department also declared that Nasiruddin Haqqani made multiple trips from Pakistan to the Gulf in order to collect funds for the Haqqani Network. In 2004, he traveled from Pakistan to Saudi Arabia with a Taliban associate to raise funds for the Taliban.”<sup>167</sup> It is not known what role, if any, Pakistan played in facilitating such trips, but the fact that all travelers coming to and going from Pakistani airports must be photographed and their passport data entered into a counter-terrorism database suggests that the men could require official support in order to evade recognition.

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<sup>164</sup> Omar Waraich, “Sources: Panetta Confronts Pakistan Over Collusion With Militants,” *Time Magazine*, (10 June 2011), <http://www.time.com/time/world/article/0,8599,2077103,00.html> (accessed 3 July 2012).

<sup>165</sup> Research assistant in Peshawar; Author’s telephone interview with David Rohde, July 2011; Author’s interview with Tahir Ludin, December 2011.

<sup>166</sup> U.S. Department of the Treasury, (2 September 2011).

<sup>167</sup> Ibid.

*New York Times* reporter David Rohde, who spent seven months as a captive of the network in Miran Shah, has described North Waziristan as a “Taliban mini-state,” where Haqqani police patrol the streets, Taliban instructors indoctrinate young men in madrassas and Haqqani construction teams work openly on road-building projects.<sup>168</sup> Haqqani guards were able to move around town freely, and took part in training exercises to build IEDs, setting off loud explosions that never seemed to draw a reaction from the nearby Pakistani military base.<sup>169</sup> When Badruddin decided to take Rohde on a location shoot to film a ransom video, they passed a Pakistani military convoy. Badruddin pulled over, stepped out of the car and waved to the passing trucks, explaining later to Rohde that as part of a ceasefire agreement, Taliban convoys were merely required to stop and for the driver to step out of the vehicle. Rohde commented that the Haqqanis were so confident that they would not be apprehended that they took “me—a person they consider to be an extraordinarily valuable hostage—on a three-hour drive in broad daylight to shoot a location scene for an outdoor video.”<sup>170</sup>

In light of such observations, Haqqani and Pakistani denials about the group’s lack of presence in the country appear meaningless and politically motivated.<sup>171</sup> Harmony documents, including undated Pakistani Domicile certificates, establish proof of residence in Pakistan of senior Haqqani commanders and their families.<sup>172</sup> Another document illustrates how an immediate relative of Bakhta Jan received medical care at a Pakistani military hospital in Lahore in 1995 after being bitten on the nose by a horse.<sup>173</sup> More recently, Rohde was held in a variety of Haqqani safe-houses in the center of Miran Shah, which appeared to be owned by family members or close associates.<sup>174</sup> And

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<sup>168</sup> Telephone interview with author, July, 2011; David Rohde and Kristen Mulvihill, *A Rope and a Prayer* (New York: Penguin, 2010), 227.

<sup>169</sup> Author’s telephone interview with David Rohde, July 2011.

<sup>170</sup> Rohde and Mulvihill, 162.

<sup>171</sup> For examples see “‘No Sanctuaries in Pakistan’: Haqqani Network Shifts Base to Afghanistan,” *Reuters*, (18 September 2011); Kalbe Ali, “Haqqanis not in Pakistan: Malik Tells Mueller,” *Dawn*, (21 September 2011).

<sup>172</sup> See for example Harmony documents AFGP-2002-011123-3 and AFGP-2002-011117-1.

<sup>173</sup> Harmony document AFGP-2002-011117-3.

<sup>174</sup> Author’s telephone interview with David Rohde, July 2011.



the Haqqanis' logistics coordinator Jan Baz Zadran was killed in a drone strike that struck Miran Shah, where he was reported to have lived and operated.<sup>175</sup>

However, the relationship between the Haqqanis and the ISI is complex and often fraught with more tension than outsiders imagine. "There is difference between having a relationship and being under control," said a senior Pakistani religious figure with close ties to the network.<sup>176</sup> "They have a relationship with the ISI, but they are not under their control." The cleric said the two sides cooperated when it suited them, but insisted that the Haqqanis were no longer reliant on ISI for funding, and did not take orders from the intelligence agency. "Poor ISI, they can't even take revenge for 24 soldiers that the Americans killed [in a December 2011 friendly fire incident]," he said, implying that the network accepts money to carry out attacks. "The Haqqanis are independent and they have their own means to conduct operations as they decide." Historical accounts, analysts and former Pakistani spies suggest that ISI officials have long been frustrated by their limited capacity to control the Afghan militants.<sup>177</sup> "The ISI wants to control them," said Rahimullah Yusufzai, "and it is a real headache for Rawalpindi that they can't." What is interesting, according to Yusufzai, is that the Haqqanis believe "they are doing Pakistan a favor, not the other way around."<sup>178</sup>

There are signs that the relationship is deteriorating, however. Pakistani authorities routinely arrest Haqqani network leaders and limit their capacity to operate, two issues which infuriate the Haqqani leadership.<sup>179</sup> The Haqqanis, meanwhile, openly collaborate with the Pakistani Taliban (TTP), a group that has repeatedly targeted ISI and Pakistan military installations, killing dozens of intelligence officers and military personnel. Some analysts even predict that a withdrawal of U.S. forces could prompt

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<sup>175</sup> Karen DeYoung, "U.S. Steps up Drone Strikes in Pakistan Against Haqqani Network," *Washington Post*, (13 October 2011), [www.washingtonpost.com/.../2011/.../13/gIQA5rT3gL\\_story.html](http://www.washingtonpost.com/.../2011/.../13/gIQA5rT3gL_story.html) (accessed 3 July 2012).

<sup>176</sup> Skype interview with senior Pakistani religious figure, (29 December 2011).

<sup>177</sup> For detail see Mohammad Yousaf and Mark Adkin, *The Bear Trap* (Lahore: Jang Publishers, 1992); Author's interview with Mohammed Yousaf, Wah, Pakistan, 2007; Author's interview with Milton Bearden, May 2007.

<sup>178</sup> Author's telephone interview with Rahimullah Yusufzai, November 2011.

<sup>179</sup> Author's interviews, Islamabad, December 2010; local researcher, Peshawar, June 2011; Skype interview with senior Pakistani religious figure, 29 December 2011; for press indications of the detainment (and release) of Haqqani family members see "Pakistan Releases 3 Relatives of Fugitive Taliban Commander Under Swap Deal," *Frontier Post*, (14 November 2007).

the Haqqanis to turn their guns on Islamabad.<sup>180</sup> To the extent that the relationship continues to work, it does so because both sides so far have sought to avoid open confrontation. The two sides need each other, even if cooperation is not always perfect.

## **Illicit Activity**

The evolution of the Haqqani network from a politically inspired, foreign-state funded insurgent group into a mafia-type network is perhaps best illustrated in their involvement in illegal activities. In particular, it is pertinent that the Haqqanis have deepened their involvement in activities—broadening the types of businesses they extort, kidnapping local businessmen and their relatives with whom they have no political objection—that are driven more by financial interests than by principles of jihad. These activities are conveniently cloaked in a jihadi guise and the group either distances itself from this type of activity, especially when it involves locals, or justifies it as necessary to sustain its holy war against Western invaders. The Haqqani network's involvement in illicit activities certainly has spread fear and violence but, as will be argued later, it may also cause irreparable damage to the network's legitimacy if community members come to perceive the network as untenably thuggish.

### ***EXTORTION***

The Haqqani network collects regular security payments from local, regional and international businesses that operate in its zone of influence, effectively selling insurance against itself. The Haqqanis are extremely opportunistic, appearing to collect money from small local shopkeepers up to large international firms. Local sources, including business notables, Afghan intelligence, police officials and tribal leaders say it is virtually impossible to conduct business in Haqqani areas of operations unless the network approves and profits off that business in some way.<sup>181</sup> It would be useful to drill down further to obtain a more comprehensive assessment of how community members perceive the payments they make to the Haqqanis, thereby obtaining a more accurate gauge of whether a given payment is made out of choice, e.g., because of

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<sup>180</sup> Local researcher, Peshawar, June 2011; Skype interview with senior Pakistani religious figure, 29 December 2011.

<sup>181</sup> Author's interviews, Kabul and Islamabad, December 2010; Local researcher, Kabul, June 2011.

ideological or tribal affinity, or simply from coercion. Although the network is systematic in its extortion operations, the most lucrative target is the NATO coalition and foreign-funded construction projects in the Haqqanis' area of operations. Every month, as many as 8,000 trucks enter Afghanistan to deliver supplies to NATO bases, transporting everything from jet fuel to toilet paper.<sup>182</sup> Meanwhile, foreign governments and the NATO coalition operate dozens of development projects in the southeast worth hundreds of millions of dollars.

While it is impossible to pinpoint a precise figure that the Haqqani leadership and its operatives earn from extortion, multiple sources describe predation as having become the network's largest source of income. "Compared to extortion," said a businessman in North Waziristan, "everything else is peanuts."<sup>183</sup> The businessman added that the Haqqanis did not extort the local community in North Waziristan.<sup>184</sup> This may relate to concern among network leaders that such activities might cause public resentment or backlash, as it has for the Pakistani Taliban, or it may reflect a deal with Pakistani authorities. Either way, it suggests that the Haqqani network takes a nuanced approach to their extortion activities, and that they remain careful not to overstep their bounds in North Waziristan. The fact that communities inside Afghanistan bear the greater brunt of predatory behavior could indicate that network actors feel more threatened and desperate there, or that they are less concerned with maintaining public legitimacy in these areas.

For the thousands of vehicles that enter Loya Paktia each month, there are two levels of income collected by the Haqqani network, somewhat akin to local and federal taxes. Haqqani commanders at the district level are known to receive salaries and weapons from the group's leaders in Miran Shah, but they are also expected to raise their own funds, and will collect fees from passing vehicles at checkpoints. Payments are normally made per truck, although rates of taxation will vary; empty trucks will pay lower taxes, while petrol tankers hauling fuel for the U.S. military or 18-wheelers carrying Humvees

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<sup>182</sup> Louis Imbert, "The Taliban's Secret Weapon: Security," *Le Monde Diplomatique*, (1 October 2010), <http://mondediplo.com/2010/10/05taliban> (accessed 3 July 2012).

<sup>183</sup> Author's interview, Dubai, November 2011.

<sup>184</sup> Ibid.

or MRAPS will pay a much higher rate.<sup>185</sup> Locals in Ghazni, for example, describe a Haqqani commander named Rahmatullah who is active along the Kabul-Kandahar Highway. He extorts tax from truck drivers and also engages in other crimes like kidnap for ransom and stealing cars.<sup>186</sup>

At the district level in Afghanistan, a local Haqqani sub commander like Rahmatullah will also typically collect about 10 percent of the monthly earnings of shopkeepers, farmers, and other small businesses, although wealthy families can expect to pay higher rates of tax.<sup>187</sup> District level commanders also levy small taxes—along the lines of licensing fees—that must be paid in order to operate commercial vehicles, cars and tractors; these are ordinarily in the range of \$75–\$100 per month.<sup>188</sup> Haqqani sub commanders must pay a portion of what they earn to their superiors, meaning that money moves up the network chain of command, as is also true in other insurgent networks in Afghanistan and Pakistan.<sup>189</sup>

At the other end of the scale, Haqqani network leaders in Pakistan also collect substantial security payments from larger businesses, including telecoms firms, NGOs, construction companies and trucking firms.<sup>190</sup> These payments are collected less frequently—several major trucking firms reported making annual or semi-annual payments to network leaders—and the payments are based on the total projected annual value of the firm’s business.<sup>191</sup> Trucking firms also report having to pay off corrupt state officials on both sides of the Durand Line, with much higher rates of bribery if the consignment being carried includes narcotics or weapons.<sup>192</sup> A 2010 report to the House Committee on Oversight and Government Reform, which analyzed the

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<sup>185</sup> Arum Rostum, “How the U.S. Funds the Taliban,” *Nation*, (11 November 2009), <http://www.thenation.com/article/how-us-funds-taliban> (accessed 3 July 2012).

<sup>186</sup> Interviews by research assistant in Ghazni, June 2011.

<sup>187</sup> Interviews by research assistant, Khost, June, 2011.

<sup>188</sup> Author’s interview with Michael Semple, Tampa, August 2011.

<sup>189</sup> For more detail, see Peters, 2010.

<sup>190</sup> Author’s interviews with business officials, Kabul, December 2010; Interviews by research assistant in Pakistan, June 2011.

<sup>191</sup> Author’s interviews, Kabul, December 2010 and Tampa, August 2011, Dubai, November 2011. Research assistant Kabul, June 2010.

<sup>192</sup> Local researcher, Peshawar, June 2011; Author’s interviews, Dubai, November 2011.

problem of corruption and extortion on Afghan highways, called for improved transparency and oversight over U.S.-funded transport operations in Afghanistan.<sup>193</sup>

The network collects particularly hefty fees from construction firms and other organizations carrying out development projects funded by the NATO-led coalition and international aid groups. Locals describe the Haqqanis as profiting off of U.S.-funded development projects at a variety of levels. Network operatives threaten violence against firms that do not pay protection money, and militants can be expected to launch lethal attacks against construction projects in which they do not have a financial stake.<sup>194</sup> Although it is difficult to verify, community members and U.S. military officials suggest that construction firms with financial ties to the Haqqani network also get attacked from time to time, but these attacks tend to be non-lethal, and may occur as a pretext for requesting larger security fees from U.S. funders.<sup>195</sup> One local businessman suggested that Haqqani fighters obtain weapons by obtaining day jobs as security guards on road projects.<sup>196</sup>

The potential sums the network earns from extorting costly U.S.-funded projects are significant. When USAID contracted the American firm Louis Berger Group in 2007 to build a highway between Gardez and Khost, for example, the contracting firm paid a staggering \$1 million annually to a local strongman suspected of having links to the Haqqani network.<sup>197</sup> The 64-mile highway, which has yet to be completed, has cost about \$121 million so far, with the final price tag expected to reach \$176 million — or

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<sup>193</sup> “Warlord Inc, Extortion and Corruption Along the U.S. Supply Chain in Afghanistan,” Report of the Majority Staff to the Subcommittee on National Security and Foreign Affairs, Committee on Oversight and Government Reform, U.S. House of Representatives, June 2010. Copy available at: [www.cbsnews.com/htdocs/pdf/HNT\\_Report.pdf](http://www.cbsnews.com/htdocs/pdf/HNT_Report.pdf)

<sup>194</sup> Interviews by research assistant in Ghazni, June 2011; Interviews by author, Fort Carson, March 2011.

<sup>195</sup> Interviews by research assistant in Ghazni, June 2011; Interviews by author, Fort Carson, March 2011.

<sup>196</sup> Author’s interview, Dubai, November 2011.

<sup>197</sup> Alissa Rubin and James Risen, “Costly Afghanistan Road Project Is Marred by Unsavory Alliances.” *New York Times*, (1 May 2001). A separate report put the monthly fee paid to the local strongman at \$116,000. See: Matthieu Aikins, “Following the Money: India’s \$2 billion aid package may be feeding the insurgency as well,” *Caravan*, (1 September 2011), [www.caravanmagazine.in/Story/1051/Following-the-Money.html](http://www.caravanmagazine.in/Story/1051/Following-the-Money.html) (accessed 4 July 2012). A U.S. military intelligence report put the figure at \$900,000, according to a U.S. official interviewed by the author, Tampa, August 2011.

about \$2.8 million a mile.<sup>198</sup> Security costs alone on the project have topped \$43.5 million. In May 2011, insurgents attacked a road crew working on the highway, killing 35 workers and wounding another 20.<sup>199</sup> As evidence mounted that the local strongman was himself mounting attacks on the road in order to raise security costs, U.S. authorities disqualified him from holding a contract with the U.S. government. After that, there were no further significant security incidents on the Khost-Gardez road.<sup>200</sup>

There is no doubt that charging vehicles for passage is a time-honored tradition across Afghanistan, and the Haqqanis are hardly the first group to engage in it. Moreover, a host of actors collect protection money for business initiatives in their zones of operations. The scale and systematic nature of Haqqani extortion rackets portend jaw-dropping earning potential, even by Afghan standards. Amid evidence that the Haqqanis appear to extort between 10 and 25 percent of the value of each construction project in their control zones, the potential sums the network potentially earns from extortion alone are considerable. According to an account obtained by the author, under the Commander's Emergency Response Program, or CERP, as of August 2010 the U.S. military dispersed more than \$46 million in Khost Province alone. Using that formula, the Haqqani network could have earned between \$4.6 and \$11 million. The Khost-Gardez road project would have netted the network another \$12 million to \$30 million. At the very least, this practice raises serious questions about the U.S. government's capacity to provide appropriate oversight for the development projects it funds. Moreover, it creates a moral hazard for U.S. efforts in Afghanistan. The United States is not only funding the very insurgents it means to defeat, but well-intended development projects are also providing the insurgency with cash to buy weapons and explosives that kill and maim U.S. soldiers and Afghan civilians.

Haqqani extortion rackets also occur on the Pakistan side of the Durand Line. Owners of truck companies that operate in North Waziristan—which tend to be headquartered

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<sup>198</sup> Alissa Rubin and James Risen, "Costly Afghanistan Road Project Is Marred by Unsavory Alliances," *New York Times*, (1 May 2001), [www.nytimes.com/2011/05/01/world/asia/01road.html?pagewanted=all](http://www.nytimes.com/2011/05/01/world/asia/01road.html?pagewanted=all) (accessed 4 July 2012).

<sup>199</sup> Robert Johnson, "The Taliban Just Killed 35 Workers On The \$3-Million-A-Mile Afghanistan Highway," *Business Insider*, (19 May 2011), [www.businessinsider.com/gardez-khost-highway-taliban-dead-2011-5#ixzz1WvHQGEuJ](http://www.businessinsider.com/gardez-khost-highway-taliban-dead-2011-5#ixzz1WvHQGEuJ) (accessed 4 July 2012).

<sup>200</sup> Rubin and Risen.

in Karachi—report that they pay the Haqqanis annually based on the total projected revenue of their firm.<sup>201</sup> Local sources say there is a considerable amount of haggling—and no doubt some shirking—that takes place, but that once the Haqqanis accept a certain figure, then that firm’s trucks will be able to ply the roadways without trouble. Drivers will nonetheless have to pay smaller taxes to commanders along the road. One thing all sources agree on: the money being paid at the ground level is minute compared to the quantities of cash that change hands between the network leaders and the firm owners. “It’s nothing,” said one Afghan security official who studied the issue. “The real money is in Miran Shah.”<sup>202</sup> Pakistani bank officials and investigators report that multi-million dollar cash deposits have become routine at a number of bank branches in North Waziristan and nearby Parachinar.<sup>203</sup> They have discovered a pattern whereby large cash proceeds are deposited in the tribal areas, where federal regulations governing cash deposits do not apply, and then withdrawn weeks later in Karachi.<sup>204</sup> Investigators are trying to determine the destination of the funds once they are withdrawn in Karachi.<sup>205</sup>

As in Haqqani zones in Afghanistan, shop owners and medium- to large-sized firms operating in Haqqani-dominated districts of North Waziristan also have to pay protection money to the network.<sup>206</sup> Local sources report large and rising security payments made by contractors for USAID-funded projects in the FATA appearing in Haqqani coffers. “A contractor receiving a contract in the millions of rupees will normally have to pay up to 15 percent of the value of that contract in tax to the Taliban,” said a local tribal elder who is involved in the construction business. “This has become a rich source of income for the Taliban in recent years.”<sup>207</sup>

## **ROBBERY**

The network is also known to have participated in at least one high-profile bank robbery, in which Haqqani operatives mowed down civilian workers collecting their

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<sup>201</sup> Local researcher, Peshawar, June 2010. For security reasons, the CTC has agreed not to name the firm.

<sup>202</sup> Local researcher, Kabul, June 2010.

<sup>203</sup> Local researcher, Islamabad, November, 2011.

<sup>204</sup> Ibid; Author’s telephone interviews with former Pakistani bank and finance officials, May 2012.

<sup>205</sup> Local researcher, Islamabad, November, 2011.

<sup>206</sup> Local researcher, Peshawar, June 2010.

<sup>207</sup> Ibid.

salaries.<sup>208</sup> The firearm and suicide attack on the Kabul Bank branch in the eastern city of Jalalabad left 38 people dead, prompting the Afghan government to execute two militants who were captured during the operation.<sup>209</sup> In a menacing threat, Sirajuddin himself later warned through a spokesman that the executions would result in “severe consequences for the executioners.”<sup>210</sup> The Kabul bank attack, which shocked even battle-hardened Afghans, seemed to signify that the Haqqanis were willing, unapologetically, to cause dozens of civilian casualties in order to obtain money.

### *NARCOTICS AND PRECURSOR CHEMICALS TRAFFICKING*

The Haqqani network is not involved in smuggling narcotics on the same scale as the Kandahari Taliban, but sources close to the movement and U.S. officials who have tracked the issue say the network does protect small drug shipments that move across its control zones, and collects tax from other entities that smuggle narcotics through its territory.<sup>211</sup>

According to one U.S. investigator and two Pakistani officials, the Haqqanis are more deeply involved in the related but separate business of importing the precursor chemicals used to process raw opium into morphine base and heroin, including lime, hydrochloric acid and acetic anhydride (AA).<sup>212</sup> If true, this may indicate that the Haqqanis have a non-competition agreement with the Kandahari Taliban in the heroin business, or it could simply suggest that Haqqani leaders have realized that smuggling

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<sup>208</sup> Sharifullah Sahak and Alissa Rubin, “Toll Climbs to 80 in NATO Raid on Insurgent Camp in Southeastern Afghanistan,” *New York Times*, (23 July 2011), [http://www.nytimes.com/2011/07/24/world/asia/24afghan.html?\\_r=1&ref=world](http://www.nytimes.com/2011/07/24/world/asia/24afghan.html?_r=1&ref=world) (accessed 4 July 2012).

<sup>209</sup> “Afghanistan Executes Two Over Bank Attack,” *Agence France-Presse*, (20 June 2011), <http://www.pakistantoday.com.pk/2011/06/afghanistan-executes-two-over-bank-attack/> (accessed 4 July 2012).

<sup>210</sup> Elyas Wahdat, “Afghan Fighters Threaten Reprisals over Bank Raid Executions,” *Reuters*, (20 June 2011), <http://ca.reuters.com/article/topNews/idCATRE75I3CX20110620> (accessed 4 July 2012).

<sup>211</sup> Opium makes up only a minute part of the total economy in Loya Paktia, according to the Afghan Central Statistics Office, which estimated, for example, that opium constitutes only about 1 percent of the economy in Khost. In Helmand province, by comparison, opium is more than 80 percent of the economy. For details see <http://cso.gov.af/en/Documents?DID=210> (accessed 9 July 2012); Author’s interviews in Washington DC, June 2011; Kabul, December 2010; See also Peters, 2009, 129.

<sup>212</sup> Author’s interview, Tampa, August, 2011; Local researcher, Islamabad, September 2011.



precursors is less risky and often more lucrative, since a glut in poppy production drives down wholesale opium prices.

The Haqqani network appears to hide precursor imports behind legitimate fronts. Hospitals and health clinics operating in Haqqani control zones—and in which network leaders are believed to have minority stakes ownership—are importing larger quantities of AA annually than comparably sized medical facilities would ordinarily use in a decade.<sup>213</sup> One frustrated official in Pakistan’s government claimed he tried to intercept shipments of AA making their way to the Haqqanis, but the efforts have been blocked by the ISI. “Last November [2010] we intercepted a shipment of 10.5 metric tons of acetic anhydride at Port Qassim [Karachi],” said a customs collector. “When we investigated who imported it, it was a fake Peshawar company that only existed on paper.”<sup>214</sup> Customs investigators then followed a number of AA shipments, all imported by companies that turned out not to exist. They concluded that the chemicals were being imported for the Haqqanis, with ISI protection.<sup>215</sup> “This is a subject that deserves greater attention,” said the customs official.

#### *KIDNAP FOR RANSOM*

Kidnapping for ransom, often thinly disguised as politically motivated hostage taking, has become a growth industry for the Haqqani network and other militant groups operating across Afghanistan and Pakistan. Details about this activity tend to be scarce, as many families prefer to pay the kidnap gangs and keep silent than face further trouble. Local kidnap victims interviewed for this paper were reluctant to be named or to provide much detail about their experiences.<sup>216</sup> However, tribal sources say leaders of the major networks, including the Haqqanis, the TTP and the Quetta Shura met and agreed in 2007 to begin abducting hostages, and negotiated amongst themselves how to

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<sup>213</sup> Ibid. There appears to be a historical linkage between the Haqqani network and medical infrastructure, as one would suspect. According to Abu Walid al-Masri, during the early 1990s Jalaluddin’s primary residence and one of his guest houses was located next to the “big hospital” in Miran Shah. Abu Walid’s writings also suggest that this hospital was built by the elder Haqqani. See Harmony document AFGP-2002-600099, 12, 17. Jalaluddin also ran a field clinic at his headquarters base at Zhawara. See Harmony document AFGP-2002-008585, 5.

<sup>214</sup> Author’s interview, Dubai, November, 2011.

<sup>215</sup> Ibid.

<sup>216</sup> Local researcher, Peshawar, June 2011.

share ransom proceeds.<sup>217</sup> The Haqqanis designated a broad list of “legitimate targets,” including government officials and security personnel; those who cooperate with government; foreigners; transporters servicing NATO; and alleged spies.<sup>218</sup>

The majority of victims appear to be local business notables; relatives of two who were kidnapped by the Haqqanis report that it is common for tribal elders and family members to bargain down ransom demands, and that transactions are often handled relatively swiftly, without official involvement.<sup>219</sup> The Haqqani network has specifically captured or participated in the kidnapping of a number of high-profile individuals, including *New York Times* journalist David Rohde, the Afghan diplomat Haji Khaliq Farahi and U.S. soldier Bowe Bergdahl.<sup>220</sup> Details of their captivity and release indicate that, while there is not 100 percent trust between the militant networks, certain groups, specifically al Qa’ida, the TTP and the Haqqanis, cooperate “seamlessly,” as Rohde put it, when they have a high-value captive.<sup>221</sup>

Rohde was snatched when he traveled to Logar province in order to interview a Taliban commander with the *nom du guerre* Abu Tayyeb. The commander and his men took Rohde, along with his driver and translator, on a harrowing three-day road trip across southeastern Afghanistan, cutting across paved roads but never driving on them.<sup>222</sup> Local Taliban fighters escorted them through each district, while Rohde traveled in the back seat with a black scarf obscuring his vision.<sup>223</sup> They drove in a two-car convoy with a spotter leading the way on a motorcycle.<sup>224</sup> They passed without problem through TTP-dominated South Waziristan.

Rohde’s original captor appears to have been a Kandahari Taliban commander known

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<sup>217</sup> Ibid.

<sup>218</sup> Ibid.

<sup>219</sup> Ibid; Author’s interview with Pakistani police official, Washington DC, June, 2012.

<sup>220</sup> For background on the Rohde case see David Rohde, “Held by the Taliban,” *New York Times*, (17 October 2009); Author’s telephone interview with Rohde, July 2011; for background on the Bergdahl case see “Father Appeals for Release of Captured US Soldier,” *CNN*, (6 May 2011).

<sup>221</sup> Author’s telephone interview, July, 2011.

<sup>222</sup> Rohde and Mulvihill, 43.

<sup>223</sup> Author’s telephone interview with Rohde, July 2011.

<sup>224</sup> Ibid.

as Haji Najibullah Naeem.<sup>225</sup> Apparently sensing that Rohde was a valuable prize, Naeem headed for Haqqani territory. It is not clear why Naeem would decide to coordinate with the Haqqanis and not the Quetta Shura, nor if Badruddin was involved in planning Rohde's abduction. Within the first 24 hours of his capture, an Afghan commander—presumably Naeem—called the *New York Times*' Kabul bureau claiming to be named Atiqullah and wanting to discuss a ransom for Rohde. The following day another man, also claiming to be named Atiqullah, but sprinkling his Pashto with Urdu words, called the newspaper office. The second caller was later identified as Badruddin Haqqani.<sup>226</sup> In other words, before Rohde had even arrived in Miran Shah, the Haqqanis were already trying to profit from his capture.

According to Rohde, there never appears to have been complete trust between Badruddin and Naeem.<sup>227</sup> As Rohde's captivity stretched into months, Naeem would return to visit him from time to time. While away, he left his younger brother, Timor Shah, and another one of his fighters as part of Rohde's retinue guards. Rohde was left with the impression that Naeem wanted his men there to ensure he wouldn't be denied a share in any final ransom deal. "There is no question that there was deep cooperation between them," Rohde said, "but there was also mistrust."<sup>228</sup>

That blend of cooperation and mistrust was again apparent when Rohde was briefly shifted from North to South Waziristan. Although the road to Makeen, a TTP stronghold in South Waziristan, was populated with TTP checkpoints, Naeem possessed all of the correct passwords required.<sup>229</sup> Rohde was confined in a compound that appeared to be controlled by Baitullah Mehsud, who was then the emir of the Pakistani Taliban, and whose men guarded the outer perimeter of the compound.<sup>230</sup> However Rohde's primary guards were Naeem's men and others from the Haqqani compound.<sup>231</sup> "They seem to function like an organized crime group," wrote Rohde in

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<sup>225</sup> Arum Rostum, "After David Rohde's Escape, a Taliban Feud," *Nation*, (17 November 2010), <http://www.thenation.com/article/156520/after-david-rohdes-escape-taliban-feud> (accessed 4 July 2012). *The Nation* reports that Najibullah was an aide to the late Taliban commander Mullah Dadullah Lang.

<sup>226</sup> Author's interviews with U.S. law enforcement official, November 2011.

<sup>227</sup> Author's telephone interview with Rohde, July 2011.

<sup>228</sup> Author's telephone interview with Rohde, July 2011.

<sup>229</sup> Ibid.

<sup>230</sup> Ibid.

<sup>231</sup> Ibid.

his memoir, collaborating and cooperating, but functionally independent.<sup>232</sup>

Rohde did not find the Haqqanis to be living the rugged warrior life. Rohde and his Afghan colleagues were held in a relatively comfortable Haqqani safe-house in Miran Shah that had electricity, whitewashed walls, and warm water for bathing. Rohde received new clothes, toothpaste, shampoo, bottled water, fresh fruit and English-language Pakistani newspapers.<sup>233</sup> However, in order to keep up *jihadi* appearances and perhaps to throw off potential rescuers, Badruddin took the trouble of driving Rohde several hours' distance to film a ransom video in a snowy mountain area in order to make it appear that he was living in a tent. The Haqqanis want the world to believe they live in rugged training camps, but the reality is quite different.

It was also clear that Rohde's captors were motivated by financial self-interest and a desire to secure the release of Taliban prisoners. Badruddin referred to Rohde as the "golden hen," through whom the network hoped to earn \$25 million in ransom and the release of 15 fighters from U.S. custody.<sup>234</sup> Separately, Ibrahim Haqqani told a *New York Times* reporter who reached him by phone that he would not even consider helping to secure Rohde's release unless the newspaper first paid him a \$100,000 retainer.<sup>235</sup> As the months wore on, the Haqqanis dropped their ransom demands, first to \$15 million, and then to \$8 million.

After seven months in captivity, Rohde escaped with his translator Tahir Luddin to a Pakistani military base, where they were flown by helicopter to Islamabad. Furious that they had lost their prize capture, the Haqqanis and Naeem both suspected the other of having secretly received a payoff and helping to engineer the escape.<sup>236</sup> The Quetta Shura also became involved, apparently suspecting that Sirajuddin had pocketed the ransom payment.<sup>237</sup> Pakistan's ISI, which took no action against the Haqqanis after Rohde's ordeal ended, instead arrested two of the guards connected to Naeem,

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<sup>232</sup> Rohde and Mulvihill, 247.

<sup>233</sup> Ibid., 43.

<sup>234</sup> Ibid., 114.

<sup>235</sup> Author's telephone interview with Carlotta Gall, August, 2011.

<sup>236</sup> Rostum, 2010.

<sup>237</sup> Ibid.

including his brother Timor Shah.<sup>238</sup> The two men were tortured for a month in order to determine if they had helped Rohde to escape.<sup>239</sup> Once satisfied that the two men had not assisted Rohde, instead of handing the men over to the Americans, the ISI set them free.<sup>240</sup> In other words, the actions of the ISI clearly indicate its primary motivation as that of the Haqqani network.

Details surrounding the release of Afghan diplomat Haji Khaliq Farahi reveal similar levels of collaboration—and mistrust—among Pakistan-based militant groups. It appears that TTP operatives initially abducted Farahi, the former Afghan consul general in Peshawar, near his Hyatabad residence in September 2008.<sup>241</sup> He was released, after a protracted series of negotiations, two years and two months later. Farahi says his local captors quickly handed him off to Arabs, whom he interpreted to be al-Qa'ida members, and that throughout his captivity he endured a shifting mix of Pakistani Taliban as guards.<sup>242</sup>

Although the Arabs seemed to operate independently, Farahi observed close cooperation between them and Pakistani militant groups, in particular during the 17 times he was moved. And although he noted that he was never in Haqqani custody, there are credible reports that senior Haqqani leaders, including Sirajuddin and Ibrahim, played a direct role in negotiating \$5 million ransom for Farahi's release.<sup>243</sup> A relative of Farahi hand carried the money to North Waziristan, whereupon shares of the ransom were divided among participating parties.<sup>244</sup> Predictably, squabbling ensued over whether the ransom had been apportioned fairly, amid complaints from the TTP and al-Qa'ida that Sirajuddin and Ibrahim had kept the lion's share for themselves.<sup>245</sup>

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<sup>238</sup> Ibid.

<sup>239</sup> Ibid.

<sup>240</sup> Ibid.

<sup>241</sup> Author's telephone interview with Farahi, June 2011; Carlotta Gall, "Afghan Tells of Ordeal at the 'Center of al-Qaida,'" *New York Times*, (2 March 2011), <http://www.nytimes.com/2011/03/03/world/asia/03kidnap.html?pagewanted=all> (accessed 4 July 2012).

<sup>242</sup> Gall, "Afghan Tells," 2011.

<sup>243</sup> Author's telephone interview with Farahi; Author's interviews with Michael Semple and Amrullah Saleh, Tampa, August 2011.

<sup>244</sup> Author's interviews with Michael Semple and Amrullah Saleh, Tampa, August 2011.

<sup>245</sup> Ibid.

## Licit Activity

The Haqqani network maintains a portfolio of legal business interests which are similar to those of other wealthy and powerful Afghan tribal leaders.<sup>246</sup> Since the 1980s the group has been associated with and/or controlled public services that include hospitals and a network of madrassas in southeastern Afghanistan and the Waziristan region. The group is also believed to own real estate from Kabul to Dubai, and to run transport and trucking firms, construction companies and import-export operations. Some of these activities likely emerged organically out of the network's need to supply itself with commodities for the war effort, and to build roads and buildings that support network operations. The Haqqani's licit business portfolio mirrors typical mafia operations, with a focus on construction, import-export and transport. Some of these legal business operations appear to exist mainly in order for the network to launder illicit profits.

One of the great challenges in identifying the Haqqanis' licit business interests is proving that network leaders are owners or part owners of the businesses. In what one investigator regarded as "classic Chicago mob style," network leaders appear to own partial shares in real estate and front companies—often about 10 percent, but on the strength of little more than a handshake agreement—which are then run by a front man.<sup>247</sup> Local officials and tribal elders in southeastern Afghanistan identified Haji Khalil Zadran, a Kabul-based businessman, as a key Haqqani front man who appears to own real estate and firms that are actually Haqqani operations.<sup>248</sup> The addition of Khalil Zadran to the U.S. Department of Commerce's Entity List on 27 April 2012—at the same time that Jalaluddin and Ibrahim Haqqani were added to the list—lends additional credence to these claims.<sup>249</sup>

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<sup>246</sup> For example, Abdul Haq (before his death) tried to set up an unsuccessful oil business in Dubai and "Much of the Arsala fortune has been made by importing space parts for Landcruisers to Dubai." See Lucy Morgan Edwards, *The Afghan Solution: The Inside Story of Abdul Haq, the CIA and How Western Hubris Lost Afghanistan*, (London: Bactria Press, 2011), 156, 200.

<sup>247</sup> Author's interview, Tampa, August 2011.

<sup>248</sup> Author's interviews in Kabul, December 2010; local researcher, Kabul, June 2011.

<sup>249</sup> "The persons who are added to the Entity List have been determined by the U.S. Government to be acting contrary to the national security or foreign policy interests of the United States.... The Entity List provides notice to the public that certain exports, reexports, and transfers (in-country) to entities identified on the Entity List require a license from the Bureau of Industry and Security (BIS) and that

## MADRASA NETWORK

The Haqqanis own and operate a network of madrassas in Pakistan and southeastern Afghanistan. The madaris system typifies the interlocking web of political and economic bargains that supports interactions between the Haqqanis and other militant actors, and also—in part—defines relations with the general community.<sup>250</sup> The Islamic seminaries, while legitimate centers for learning in their own right, also serve as safe-houses for Haqqani fighters, network leaders and other militants. Local sources say they are also key conduits for cash couriers moving illicit proceeds out of Afghanistan, and for network leaders sending monthly salary payments to operatives inside the country.<sup>251</sup>

Additionally, madrassas give free room, board and education for poor young men, thus providing a vital service to poor families who can't otherwise afford to feed and school their offspring. This helps to provide an ongoing supply of young militants, enabling the network to sustain losses of approximately 150 men per month without diminution in numbers.<sup>252</sup> In addition to housing the young fighters and indoctrinating them with the spirit of jihad, some of these madrassas also serve as centers for military instruction.<sup>253</sup> Local sources suggest that across their madrassas the Haqqanis incur enormous daily costs to feed and house militants, indicating that the madrassas are probably a debit on the Haqqani balance sheet.<sup>254</sup> It is also known that funding Islamic seminaries is popular among Arab donors, and some analysts have suggested that the

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availability of license exceptions in such transactions is limited." See Bureau of Industry and Security, "Addition of Certain Persons to the Entity List: Action: Final rule," *Federal Register: Rules and Regulations*, 77, No. 82 (27 April 2012), 25055-7, <http://docs.regulations.justia.com/entries/2012-04-27/2012-10104.pdf> (accessed 4 July 2012).

<sup>250</sup> For background on HQN's madaris network and the role and educational philosophy associated with these facilities see "Manba' al-'Uloom is a Resource to the Jihad," *Manba' al-Jihad* (Arabic) 1, No. 1 (February 1990) and "The Manba' al-'Uloom Madrasa as a Major Educational Center," *Manba' al-Jihad* (Pashto) 1, No. 1 (July 1989).

<sup>251</sup> Local researcher, Khost, June, 2011.

<sup>252</sup> Partlow.

<sup>253</sup> "Manba' al-'Uloom is a Resource to the Jihad," *Manba' al-Jihad* (Arabic) 1:1 (February 1990) and "The Manba' al-'Uloom Madrasa as a Major Educational Center," *Manba' al-Jihad* (Pashto) 1:1 (July 1989).

<sup>254</sup> Interviews by local researchers, Peshawar and Khost, June, 2011.

Haqqanis' madaris network is partially intended to attract donations.<sup>255</sup> The fact that Mawlawi Aziz Khan—the individual who set up Jalaluddin's network of fundraising offices in the Gulf during the 1980s—returned from his Gulf posting to serve as the first administrator of the Haqqanis' famed Manba Uloom Madrassa suggests that a connection exists between Gulf based donors and Haqqani religious infrastructure.<sup>256</sup>

### *IMPORT-EXPORT*

Local businessmen, intelligence officials and tribal elders in southeastern Afghanistan and Northwest Pakistan described dozens of businessmen who operate gas stations, auto parts dealerships, lumber, textile and electric appliances shops in partnership with or in support of the network. In some cases these shops are used as cover by which to translocate needed material to the network, in effect operating as the network's logistical support department.<sup>257</sup> In most cases the businesses are conducting legal business and making profits in their own right. In some cases, the shops provide an opportunity for the network to move funds using trade-based money laundering operations, in which both sides agree to misprice a good in order to move illicit funds. "The trader will have a bank account here and a bank account abroad," said a local source knowledgeable about import-export firms that support Haqqani operations. "They can move money between accounts because they are appearing to pay for goods, but they charge the network a fee for moving that money."<sup>258</sup> Traders who cooperate with the network tend to come from the same Zadran tribe as Jalaluddin Haqqani; but many are Loya Paktia businessmen who have long cooperated with the network.<sup>259</sup> Bazaar networks appear to provide key logistical support for the Haqqanis: Further research into the scope of such networks is needed in order to determine which bazaaris are willing partners and who among them might be coerced to cooperate. On the Pakistan side of the frontier, the network is reportedly connected to as many as 70 shops located in the Hayatabad bazaar in Peshawar, where similar practices occur.<sup>260</sup> As

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<sup>255</sup> Ruttig, 73.

<sup>256</sup> For Mawlawi Aziz Khan background see Ressler and Brown, 19.

<sup>257</sup> Author's interview, Tampa, February 2012.

<sup>258</sup> Local researcher, Kabul June 2011.

<sup>259</sup> Author's interviews, Kabul, December 2010; Local researcher, Kabul June 2010.

<sup>260</sup> Author's interviews, Dubai, November, 2011.



in Afghanistan, the shops are mainly connected to selling electronics, clothing and automotive parts.<sup>261</sup>

Officials, businessmen and tribal elders in Paktia, for example, said that cloth traders from Paktia's Zurmat district who operate large shops in Ghazni city, were key facilitators for moving Haqqani funds.<sup>262</sup> They said the fabric and clothing dealers are frequent visitors to Pakistan, Kuwait and Saudi Arabia, and run major business operations in their own right, supplying clothing and cloth across the entire southeastern region of Afghanistan.<sup>263</sup> They use their clothing and cloth business as cover to hide large financial transactions that benefit the network; local traders and tribal elders indicate that the business operations of fabric dealers can also provide cover for network members who need to travel in the region.<sup>264</sup> As with the Haqqani family, which has lost numerous family members, including women and children, to U.S. drone strikes, these traders may be in part driven by revenge. Approximately two years ago a young man in one of the trading houses was killed in a raid by U.S. forces in Andar district, of Ghazni province, resulting in the family closing down their business operations for two weeks.<sup>265</sup>

Dozens of other businesses that support the network are scattered across major trading centers in the southeast, particularly the town of Ghazni, with a handful of key front companies operating out of the capital Kabul. Local sources, for example, describe a well-known electronics and auto parts dealer, who hails from the Zadran tribe and who operates a number of shops out of the transit center in Ghazni.<sup>266</sup> The auto parts dealer appears to collaborate closely with his two brothers, one of whom trades fabric and cooking oil.<sup>267</sup> Another businessman tied to the Haqqanis deals in tractor parts and water pumps in Paktia province.<sup>268</sup> Local sources in the business community and foreign officials tracking the group also point to shopping centers in Kabul and Gardez

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<sup>261</sup> Ibid.

<sup>262</sup> Research assistant in Ghazni, February, 2011.

<sup>263</sup> Local researcher, Ghazni, February, 2011.

<sup>264</sup> Ibid.

<sup>265</sup> Ibid.

<sup>266</sup> Ibid.

<sup>267</sup> Ibid.

<sup>268</sup> Local researcher, Khost, June, 2011.

which are owned by Zadran tribe members, as well as properties in Riyadh, Jeddah and Dubai which appear to be owned by affiliates of the network.<sup>269</sup>

As with the extortion practices, Haqqani network leaders negotiate with these traders on an annual and semi-annual basis to determine how funds are shared.<sup>270</sup> Money moves between the network and the traders, using trusted cash couriers for smaller amounts and Hawala traders for international transfers and larger sums.<sup>271</sup> Traders and local businessmen cite a number of reasons why the Haqqani network has had greater success penetrating these sectors of the Afghan economy than has the Kandahari Taliban, who are much more closely focused on the narcotics trade. First, they credit the Haqqani's longstanding and consistent ties to business partners in the Arab Gulf region, saying the network has built trust and contacts over three decades.<sup>272</sup> Historical magazines produced by the Haqqani network highlight the group's long-standing ties to the Gulf, lending credence to these claims.<sup>273</sup> Second, they say the network relies on Afghans from Loya Paktia who live in Saudi Arabia and the Gulf, indicating that members of this wider network help the Haqqanis to raise funds and conduct business around the region. Lastly, businessmen credit the Haqqanis with a more pragmatic and long-term perspective on business deals and relationships, describing network leaders as more reasonable than the Quetta Shura about late payments and the logistical difficulties that Afghan traders encounter from time to time.<sup>274</sup>

The network apparently relies on trusted money transfer firms, banks and Hawaladars, many of which hail from the Zadran tribe, to shift cash to and from Afghanistan and the Gulf. Local businessmen and Afghan investigators name Haji Yargul Zadran, a well-known currency exchange proprietor in Ghazni city, as an individual who has transferred large amounts of money from Dubai, Saudi Arabia and other Arab countries to the network.<sup>275</sup> They also say another banker, Haji Yaqoot Khan Zadran, is a

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<sup>269</sup> Ibid; Author's interviews in Kabul, December 2010 and Fort Bragg, January, 2011.

<sup>270</sup> Local researchers, Kabul and Khost, June 2011.

<sup>271</sup> Author's interviews, Kabul December 2010; local researchers in Kabul, Khost, Ghazni, June, 2011.

<sup>272</sup> Research assistants in Ghazni and Kabul, February, 2011.

<sup>273</sup> See Mawlawi Aziz Khan, "The First Jihadi Operation in Afghanistan and the Rising of the 'Ulama Against the Communists," *Manba' al-Jihad* (Pashto) 1: 4-5 (Oct-Nov 1989); "Interview with Commander Mawlawi Hanif Shah," *Manba' al-Jihad* (Pashto) 1: 4-5 (Oct-Nov 1989).

<sup>274</sup> Research assistants in Ghazni and Kabul, February, 2011.

<sup>275</sup> Ibid.

fundraiser and tribal interlocutor for the network, working to facilitate the network's relationship with tribes in Ghazni and Gardez.<sup>276</sup> Another currency trader based in Gardez is believed to help Khalil Rehman Haqqani funnel payments to Haqqani operatives working in Paktia and Paktika.<sup>277</sup>

#### *TRANSPORT / SMUGGLING OPERATIONS*

The Haqqani network is also believed to run trucking and warehouse businesses estimated to move as many as 200 semitrailers daily across the border between Khost and North Waziristan.<sup>278</sup> The majority of the commodities transported are legal—although no taxes are paid to Kabul—and it is widely believed among the U.S. military and local members of the business community that truckers associated with the Haqqani network even carry goods shipped to the coalition.<sup>279</sup> It is pertinent to note that the Haqqani's involvement in transport and trucking joins seamlessly with Jalaluddin's former official role as the minister for borders and tribes, and his deputy's post in the Department of Border Control. The Haqqanis were thus well-positioned to dominate this sector when American troops arrived in 2001. Since then, however, they have not been able to operate openly, requiring the network to develop front companies and partners.

Local tribal leaders in the transport business suggest that Haji Khalil Zadran, who was identified as a Haqqani financier in a leaked U.S. State Department cable, owns trucking interests as well as other firms that benefit the Haqqanis.<sup>280</sup> They also say that Haji Hakimullah, the owner of Afghan-Khost Transportation Company, a 180-tanker and trailer firm with ISAF logistical contracts, is also tied to the network.<sup>281</sup> Hakimullah, who apparently resides in Pakistan, provides the network with tens of thousands of dollars annually and also acts as a front man for acquiring contracts with NATO.<sup>282</sup>

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<sup>276</sup> Ibid.

<sup>277</sup> Ibid.

<sup>278</sup> Partlow; Author's telephone interview with senior U.S. commander in Afghanistan, October, 2011.

<sup>279</sup> Author's interviews Kabul, December 2010; Washington DC, June 2011.

<sup>280</sup> "Saudi Arabia Cashpoint for Terrorists: Wikileaks"; Research assistants in Ghazni and Kabul, February, 2011.

<sup>281</sup> Research assistants in Ghazni and Kabul, February, 2011.

<sup>282</sup> Ibid.

Other wealthy individuals in the transport industry appear to conduct business both with the Coalition and the Haqqanis. Local sources identify Haji Dur Mohammad Zadran, a Dubai-based owner of a truck company that has logistics contracts with Bagram Airbase, as a tribal affiliate of the network who has provided donations to Haqqani madrassas in Ghazni, Paktia and Paktika.<sup>283</sup> There are indications Zadran's support may be operational, not just financial. Officials from Afghanistan's National Directorate of Security have indicated that they arrested three Haqqani network members in 2010 who were orchestrating attacks in Ghazni. The three men allegedly confessed to the prosecutors that Haji Dur Mohammad Zadran's men had recruited them and paid them for launching attacks.<sup>284</sup> The notion that businessmen are funding attacks raises the possibility that the network aims to disrupt traffic for its competitors or create an environment in which it is too dangerous for most firms to operate. This is another typical mafia-style tactic used to consolidate control over a given economic sector.

#### *CONSTRUCTION AND REAL ESTATE*

In addition to extorting construction and other development projects across southeast Afghanistan, the Haqqani network reportedly co-owns and operates a number of construction firms and a sizable real estate portfolio stretching from Kabul to Abu Dhabi.<sup>285</sup> U.S. and Afghan officials say the network holds commercial and residential properties, some of which get used as safe houses from time to time, but many of which are rented out for profit.<sup>286</sup> According to a variety of sources, the properties appear to include more than one dozen upscale homes in Kabul, Gardez, Khost, Miran Shah, Peshawar, Kohat, Rawalpindi, Karachi, Abu Dhabi and Dubai.<sup>287</sup> Establishing documented proof of ownership by network leaders has proved challenging, both in the course of researching this paper and, reportedly, for investigators tracking the network.<sup>288</sup> Officials tracking the network say the Haqqanis appear to put the properties

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<sup>283</sup> Local researcher, Ghazni, June 2011.

<sup>284</sup> Ibid. It is not known how or through what type of methods these confessions were obtained.

<sup>285</sup> Author's interviews, Kabul, December 2010; Tampa, June and August, 2011.

<sup>286</sup> Ibid.

<sup>287</sup> Ibid; Local researchers in Kabul, Khost and Gardez, June 2011; See also Partlow.

<sup>288</sup> Author's interview with former members of the Afghan Threat Finance Cell, Washington DC February, 2012.

in the names of relatives and domestic employees, thus avoiding official documentation.<sup>289</sup>

The network's construction firms are large, well equipped, and have even won contracts with the U.S.-led Coalition, according to U.S. officials.<sup>290</sup> Supplies for the firms appear to reach Afghan building teams via Miran Shah, and are provisioned by cement, wiring and timber suppliers based in Peshawar. The network uses a combination of allied trucking companies based in Karachi to bring its supplies into North Waziristan.<sup>291</sup> One senior Pakistani tax official who tried to investigate the firms for tax evasion was warned by security officials not to examine them too closely.<sup>292</sup> The same official said his investigation revealed that the Pakistan Military's National Logistic Cell—Pakistan's largest trucking firm, which was developed in order to smuggle weapons to the mujahidin in the 1980s—still distributes weapons and other supplies to the network.<sup>293</sup>

### *CHROMITE*

The Haqqani network's involvement in the chromite business in Afghanistan and Pakistan is a more recent development that highlights the network's capacity to organize quickly around a new business opportunity. It is also a story of chronic state weakness and ineptitude, illuminating how insurgents are able to exploit lack of regulation, coupled with chronic corruption in the Afghan and Pakistani governments. Chromite is a rare earth oxide used to make stainless steel and to strengthen other alloys. In great demand in China, India and other developing countries with high rates of construction, the value of chromite ore has climbed steadily on the world market in recent years, rising to about \$280/metric ton.<sup>294</sup>

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<sup>289</sup> Author's interviews, Kabul, December 2010; Tampa, June and August, 2011; Local researchers in Kabul, Khost and Gardez, June 2011; See also Partlow.

<sup>290</sup> Author's interviews, Kabul, December 2010 and Tampa, April, 2010.

<sup>291</sup> Local researcher, Peshawar, June 2011.

<sup>292</sup> Ibid.

<sup>293</sup> Ibid.

<sup>294</sup> Siobhan Lismore, "Chromite Prices Continue to Climb on Tight Supply," *Industrial Minerals Intelligence*, (4 May 2011), [www.mineralnet.co.uk/Article/2818437/Chromite-prices-continue-to-climb-on-tight-supply.html](http://www.mineralnet.co.uk/Article/2818437/Chromite-prices-continue-to-climb-on-tight-supply.html) (accessed 4 July 2012).

A joint U.S.-Afghan geological survey, which estimated Afghanistan to have nearly \$1 trillion worth of untapped mineral wealth, located 980,000 metric tons of chromium oxide deposits buried beneath the provinces of Logar and Khost.<sup>295</sup> Pakistan's mineral wealth is also substantial, although less well documented. Preliminary excavations in North Waziristan and other parts of the northwestern frontier area have prompted state geologists to declare that chromite deposits there "could enable Pakistan to become a major exporter of chromite and/or ferrochrome."<sup>296</sup>

While the Karzai administration has failed to sign new leases on chromite mines located in Logar and Khost, unregulated and rudimentary mining operations have sprung up which appear to benefit corrupt state and police officials and the Haqqani network. Given the lack of data available on this issue, it is exceptionally difficult—if not impossible—to tease apart legitimate chromite enterprises in the region from those associated with militant groups like the Haqqanis and others. According to local researchers, workers using picks and shovels dig blocks of the sparkling ore out of the ground in rudimentary mines that are guarded by insurgent fighters.<sup>297</sup> Hunks of rock are then loaded onto trucks which travel to the border with North Waziristan under protection from the network.<sup>298</sup> Chromite dealers also pay a "tax" of between \$115 and \$175 per truck to the Haqqanis, who allow the trucks to pass into North Waziristan, where, before the trucks exit the tribal areas, further taxes are levied both by corrupt state officials and the Haqqani network.<sup>299</sup>

There are also rudimentary mines operating in North Waziristan. In some villages, tribal elders have formed committees in charge of the mines, and they pay a monthly share to the Haqqanis in the range of approximately 10 to 15 percent of the value of

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<sup>295</sup> For more detail, see U.S. Geological Survey, "Preliminary Assessment of Non-Fuel Mineral Resources of Afghanistan, 2007," Fact Sheet 3063, (October 2007), <http://pubs.usgs.gov/fs/2007/3063/fs2007-3063.pdf> (accessed 4 July 2012).

<sup>296</sup> Muhammad Omar Nawaz, "Economic Mineral Deposits of Pakistan," *The Geological Survey of Pakistan*, (8 January 2010), <http://www.scribd.com/doc/98158515/Economic-Mineral-Deposits-of-Pakistan> (accessed 4 July 2012).

<sup>297</sup> Author's interviews, Kabul, December 2010, local researcher, Kabul, June 2011. It is not known if insurgent fighters are always present during these operations or if they are only associated with militant groups who engage in chromite mining.

<sup>298</sup> Author's interviews, Kabul, December 2010 and Dubai, November 2011; local researcher, Kabul, June 2011.

<sup>299</sup> Author's interviews, Dubai, November 2011. Local researcher, Peshawar, June 2011.

what they extract from the ground.<sup>300</sup> In March 2011 a drone strike on a gathering in North Waziristan killed more than 40 people, including tribal elders, Pakistani Taliban representatives and members of the local government militia.<sup>301</sup> The tribesmen and militants were meeting to negotiate chromite sales by the Madda Khel tribe, according to local officials.<sup>302</sup> Local sources say that border guards and police accept bribes to let the trucks pass, both in Afghanistan and Pakistan.

On the Pakistani side of the Durand Line, Afghan chromite is sought-after because it is of a higher level of purity than ore extracted from Pakistani mines.<sup>303</sup> Chromite exporters in Pakistan will try to boost the purity of what they export from Karachi by crushing the ore and blending it with ore from Afghanistan.<sup>304</sup> Chromite exporters evade official transfer stations where customs inspectors work, instead using smuggling routes manned by Haqqani operatives.<sup>305</sup>

Chromite, which should be a vehicle for Afghanistan's sustainable growth, has instead become a means of profit for smugglers, corrupt officials and insurgents. The burgeoning illicit chromite industry is also a microcosm of the growing competition for resources between China and India. Indian firms have displayed an interest in developing Afghanistan's chromite mines.<sup>306</sup> However, at this point the illicit chromite market in Afghanistan appears to benefit China, with numerous sources reporting that the vast majority of illicit chromite is smuggled through Pakistan to China.<sup>307</sup> The

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<sup>300</sup> Ibid.

<sup>301</sup> Accounts of this attack vary. According to a number of reports, Sherabat Khan Wazir, a commander for TTP sub-commander Hafiz Gul Bahadur, was killed during the strike. See "Out of the Blue: A Growing Controversy over the use of Unmanned Aerial Strikes," *Economist*, (30 July 2011), <http://www.economist.com/node/21524916> (accessed 4 July 2012); Zia Khan, "Waziristan Drone Attack: Taliban Faction Threatens Scrapping Peace Deal," *Express Tribune*, (21 March 2011), <http://tribune.com.pk/story/135711/waziristan-drone-attack-taliban-faction-threatens-scrapping-peace-deal/> (accessed 4 July 2012).

<sup>302</sup> Gareth Porter, "Drone Strikes Shatter U.S.-Pakistani Trust," *Asia Times Online*, (14 April 2011), [http://atimes.com/atimes/South\\_Asia/MD15Df01.html](http://atimes.com/atimes/South_Asia/MD15Df01.html) (accessed 4 July 2012).

<sup>303</sup> Author's interviews, Dubai, November 2011.

<sup>304</sup> Ibid.

<sup>305</sup> Local researcher, Peshawar, June 2011.

<sup>306</sup> "Indian firms, Rio, BHP keen on developing Afghanistan mines," *Press Trust of India*, (15 June 2010), <http://www.business-standard.com/india/news/indian-firms-rio-bhp-keendeveloping-afghanistan-mines/398394/> (accessed 4 July 2012).

<sup>307</sup> Interviews by author, Tampa, June 2011; local researcher, Peshawar, August, 2011.

chromite story may also point to larger money laundering operations occurring in Haqqani control zones. Even with chromite ore selling for \$280/metric ton, there appears to be little profit to be earned after paying fuel costs and bribes to insurgent and corrupt state actors. “It’s not economically viable,” said geologist James Yeager, a former advisor to the Afghanistan Ministry of Mines. “It’s certainly not as profitable as heroin.”<sup>308</sup> Yeager suspects that small transport firms may be operating at a loss but compensating for it by participating in trade-based money laundering schemes.

### *MONEY LAUNDERING*

Hundreds of thousands of dollars’ worth of foreign currencies are being smuggled into Loya Paktia and then exchanged for U.S. dollars in the local Hawala market.<sup>309</sup> Much of the money comes from the Gulf—including large amounts of Saudi Riyals and Emirati Dinars—trucked into Afghanistan on pallets via Pakistan.<sup>310</sup> Officials are unclear about the source of the money, but one senior U.S. military intelligence official insisted it was not donations coming to the Haqqanis. “This was a straight-up money laundering operation,” he said.<sup>311</sup> Local investigators and sources in the currency exchange business say large amounts of cash flowing in from the Gulf also tend to pass through Hawaladars in Ghazni, the financial capital of the southeast, from where a portion of it is passed on to Haqqani commanders. Trucking firms that carry the pallets of cash charge a percentage to truck the money, as do Hawaladars.<sup>312</sup> Afghan intelligence and law enforcement officials say they have tracked payments moving between the Haqqanis and local traders, but claim to possess few if any mechanisms capable of stopping the cash flow. NDS officials describe a case in which they tried and failed to interdict a \$1 million US shipment sent from Saudi Arabia to three traders in Ghazni. The money appeared to be destined for an individual in Paktia’s Zurmat district identified as Haji Rasoul. NDS officials believed that Rasoul was an alias for a Haqqani commander named Mawlawi Mansoor, but did not intercept the payment before it was

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<sup>308</sup> Telephone interview by author, June, 2011.

<sup>309</sup> Interviews by author, Fort Lewis, Washington, May, 2011; Research assistants in Kabul and Ghazni, March 2011.

<sup>310</sup> Ibid.

<sup>311</sup> Ibid.

<sup>312</sup> Interview by author, Fort Lewis, Washington, May, 2011.



collected.<sup>313</sup>

Pakistani bankers and regulatory authorities have also quietly begun to investigate large and unexplained cash deposits that are entering Pakistani banks and financial institutions and which likely relate to the enormous illicit trade in narcotics and other smuggled goods coming in and out of Afghanistan.<sup>314</sup> While not all of the money moving through the banks is related to the Haqqani network, several banking and regulatory officials in Pakistan described accounts in Miran Shah that were receiving routine and large cash deposits, most but not all of which derived from Saudi Arabia. Five bank accounts in Mir Ali and 11 accounts in Miran Shah, which are believed to be connected to the network, had total transactions in the past four years that totaled more than \$27 Billion Pakistani Rupees, or about \$300 million.<sup>315</sup>

## Conclusion

Over the course of three decades the Haqqani network has evolved into a sophisticated and diversified mafia-type network, meticulously maintaining its autonomy and from early in its existence making concrete efforts to secure financial independence. The network is ruthless, innovative, invests in a diverse range of business interests, pays attention to detail and thinks long-term. In other words, the Haqqanis have been holistic in their strategy to consolidate control over illicit and licit industry in their area of operations, in effect creating a jihadi enterprise that both supports and is supported by the ongoing conflict. The network is transnational in its operations, clan-based, and has become highly secretive in the last decade. All of these factors have made the group more resilient, and will make it more challenging, although not impossible, to interdict network leaders and disrupt network operations.

Since the 1980s, the Haqqanis have also employed a tactic of publicly playing second fiddle to other, more prominent leaders—Yunis Khalis in the 1980s and early 1990s and Mullah Omar from the latter half of the 1990s to today. For much of the last decade, this practice succeeded in decreasing the visibility of the network; prior to 2008, there was

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<sup>313</sup> Local researcher, Ghazni, June 2011.

<sup>314</sup> Local researcher, Islamabad, Sept 2011.

<sup>315</sup> Ibid.

scant media reporting on the Haqqanis as constituting a distinct or significant entity. A number of high-profile attacks in Kabul have since focused attention on the group. The capacity of Haqqani leaders to form strategic alliances, such as those with al-Qa'ida, the Pakistani Taliban and the ISI, have served to increase the network's resiliency, as well as their stature within the community. Community members in North Waziristan interviewed for this project described the Haqqanis as virtually untouchable.

The Haqqani network operates in an ungoverned space spanning Afghanistan and Pakistan, but has interactions with local state actors that are vital to continued operations. "Every time we pulled back the cover on an illegal business connected to the Haqqanis, it led back to someone senior in the Karzai government," said a former investigator with the Afghan Threat Finance Cell.<sup>316</sup> If true, these accusations support the argument that some senior Afghan officials prefer to reap personal profit than to stabilize their homeland, indicating the challenges that still lie ahead for NATO and the United States and Afghan governments.

Today the network is under considerable military pressure, a shift that appears to have dramatically increased security costs for network commanders and forced Haqqani leaders to move deeper into Pakistan, impairing their ability to communicate.<sup>317</sup> However, the Haqqanis have never had to deal with a systematic and sustained campaign targeting their financial infrastructure, and there are ways in which the group appears to be careless and unnecessarily repetitive in its behavior. For example, the Haqqanis have a tendency to repeatedly use the same smuggling routes to import supplies, including cash, and to send out smuggled goods.<sup>318</sup> Stepped-up military pressure on the network has already had the effect of slowing illegal truck traffic and diverting it to other parts of the border, increasing the costs of bringing weapons into battle.<sup>319</sup> Insurgents have complained in intercepted communications of wanting to launch attacks but not having the money, bombs or people to do so.<sup>320</sup> The Haqqani

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<sup>316</sup> Author's interview, Tampa, March 2011.

<sup>317</sup> Author's telephone interview with senior U.S. military official, Tampa, March, 2011.

<sup>318</sup> Author's interviews, Washington DC, October, 2011; Sharifullah Sahak and Alissa Rubin, "Toll Climbs to 80 in NATO Raid on Insurgent Camp in Southeastern Afghanistan," *New York Times*, (23 July 2011), [http://www.nytimes.com/2011/07/24/world/asia/24afghan.html?\\_r=1&ref=world](http://www.nytimes.com/2011/07/24/world/asia/24afghan.html?_r=1&ref=world) (accessed 4 July 2012).

<sup>319</sup> Partlow; Author's telephone interview with senior U.S. military official, October, 2011.

<sup>320</sup> Ibid.

network also repeatedly uses the same, trusted Hawaladars and traders in the bazaars of Afghanistan and Pakistan to transfer funds.

The fact that few individuals hold key positions in the network exposes another key risk. Heightened levels of secrecy and violence also exacerbate levels of paranoia and internal rivalries, as does the group's perilous operational environment since the increase of drone strikes and coalition operations against the network. The appearance of a brutal death squad and the exceptionally violent response from the network to the capture of Haji Mali Khan suggest that network leaders are becoming increasingly paranoid and willing to take extreme steps to protect network operations. In addition, there is an increasing frequency of reports of rivalries between field commanders, who must rely on their own sources of funding if network leaders in Pakistan are thrown into disarray.<sup>321</sup>

A review of the financial trajectory of the network reveals another potential strategic vulnerability. Like many anti-state fighters, a young Jalaluddin Haqqani started his career primarily dependent on foreign funding (first from Pakistan, then from the United States and Saudi Arabia). He maneuvered to gain his financial independence, working relentlessly to develop unilateral donors in the Arabian Gulf. The end of the Cold War marks a critical juncture that forced the Haqqani network to further rely on its own sources of funding, and appears to mark the period of time when Jalaluddin began extorting local businesses and building his ties to the transport business. The post-2001 phase of the conflict further deepened the group's involvement in organized crime and smuggling, since it was the first time since the 1980s that the Haqqanis had to operate underground.

The 2005 stroke that ended Jalaluddin's career as a Mujahid marked another key juncture in the group's evolution, ushering in the younger generation of Haqqani brothers who are more criminalized and, according to local accounts, less respected by the local community. The brothers have expanded network operations into new fields, such as chromite smuggling, but, according to observers, increased criminality has cost

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<sup>321</sup> Ibid.

the group public legitimacy.<sup>322</sup> The fact that Haqqani members now systematically extort the community in Loya Paktia, rob banks and convoys and, in particular, engage in kidnap for ransom on both sides of the Durand Line appears to have lowered the network in the public estimation. “The jihad has become impure,” said Rahimullah Yusufzai, the Peshawar journalist. “Charging protection money and conducting robberies, they claim these are legitimate acts, but kidnapping can’t be justified in any way.” It is relevant to note that the practice of kidnapping has marked a critical juncture in other recent insurgencies, particularly Iraq and Colombia, playing a role in eroding the legitimacy of the insurgents in both places and helping to turn the tables for counterinsurgency efforts.<sup>323</sup> It is therefore not all that surprising that Sirajuddin and other Afghan and Pakistani Taliban commanders identified kidnapping as one of the main issues that the new Taliban umbrella group (*Shura-e-Muraqba*)—to which the Haqqani network is a party—must address.<sup>324</sup>

There are three broad lessons that can be gleaned from the Haqqani network’s financial evolution and perhaps applied in future trouble spots. Most importantly, intelligence and law enforcement authorities should evaluate a militant group’s financial operations early, rather than a decade into a conflict. No militant group can function without money and financial support, but this simple fact is often overlooked in devising strategy to reduce an enemy’s capacity to remain operational. Second, the evolution of a militant group into a mafia-type network appears to progress as the group adapts to circumstances around it. As the war persists and recourses become scarcer, the competition for funds can come to dominate the struggle. When a war has reached its most criminalized state it will be common to see enemy forces collaborating for profit, as is often the case now in Afghanistan. Lastly, the international community bungled early opportunities to reconcile with the Haqqanis, arresting one of Jalaluddin’s brothers when he traveled to Kabul in early 2002 to meet Afghan and U.S. officials, and launching an airstrike against a convoy of

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<sup>322</sup> Author’s telephone interview with senior U.S. military official, October, 2011; Author’s interviews in Dubai, November 2011; research assistant, Peshawar, July 2011.

<sup>323</sup> For more details see Felbab-Brown; Phil Williams, “Criminals, Militias and Insurgents: Organized Crime in Iraq,” *Strategic Studies Institute*, (Carlisle, PA: June 2009), [www.strategicstudiesinstitute.army.mil/pdffiles/pub930.pdf](http://www.strategicstudiesinstitute.army.mil/pdffiles/pub930.pdf) (accessed 4 July 2012).

<sup>324</sup> Haris Anwar, “Pakistani Taliban to Halt Attacks that Kill Civilians, News Says,” *Bloomberg*, (3 January 2012), <http://www.bloomberg.com/news/2012-01-03/pakistan-taliban-to-end-attacks-that-kill-civilians-news-says.html> (accessed 4 July 2012).

tribal elders from Khost who were traveling to Karzai's inauguration.<sup>325</sup> The Haqqani experience suggests that it may be preferable to reconcile with potential foes early on, although the international community would certainly need to monitor closely any armed group to ensure its members did not return to perpetrating violence or engaging in criminal activity. As distasteful as the idea may have seemed to U.S. officials in the months after the 9/11 attacks, the Haqqani network has certainly caused far greater headaches during these later stages of the war, since it has been able to consolidate its wealth and power around an illicit empire.

The evolution of the Haqqani network also follows a typical trajectory for insurgent and militants groups. The Haqqanis began engaging in organized crime in order to sustain themselves, and to gain independence, but over time profitmaking appears to have become a leading, if not the main, objective. Life at war has become lucrative—even if highly risky—while an end to the fighting would almost certainly produce a decline in wealth and power. This suggests that the Robin Hood Curse has set in, and implies that the Haqqanis would have a financial incentive to spoil reconciliation efforts. At the same time, however, the deepening criminal involvement could present an opportunity for the NATO coalition and Afghan government to capitalize on the Haqqani's apparent decline in legitimacy within the local community with a focused campaign to protect the populace from crime and to improve levels of law and order. Other data collected for this report suggest that it would be possible to degrade the Haqqani network's operations by exploiting weak points in its supply chain, and by launching a campaign against the network's financial operations. Although Pakistani authorities have resisted U.S. pressure to target the Haqqani network militarily, the United States could independently sanction network suppliers using its muscle in the global banking system, by threatening to sanction banks that deal with Haqqani suppliers. The evolution of the Haqqani network from a localized jihadi outfit into a sophisticated, diversified and transnational crime network implies that tactics which have been applied successfully against other criminal networks around the globe could be applied in the effort to degrade the Haqqanis.

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<sup>325</sup> Ruttig, 67.