

Taliban gains money, al-Qaida finances recovering

By KATHY GANNON – Jun 20, 2009

PESHAWAR, Pakistan — He moved his finger slowly across his throat, to show that the Taliban kills truckers who don't pay for safe passage through large swaths of territory near Afghanistan.

"The situation is very dangerous for us. We give them money or our fuel, or they kill us," said Ghadr Gul, a middle-aged trucker, who reluctantly spoke to The Associated Press outside his oil tanker. Along the road, storage depots are piled high with the burned-out hulks of vehicles destroyed by the Taliban.

As the Taliban gains power in Afghanistan and Pakistan, its money is coming mostly from extortion, crime and drugs, the AP found in an investigation into the financial network of militants in the region. However, funding for the broader-based al-Qaida appears to be more diverse, including money from new recruits, increasingly large donations from sympathizers and Islamic charities, and a cut of profits from honey dealers in Yemen and Pakistan who belong to the same Wahabi sect of Islam.

"With respect to the Taliban, the narco dollars are a major if not majority of their funding sources, and I think add in there as well extortion and kidnapping," said Juan Carlos, a former U.S. National Security Council adviser on terrorism who now works at the Center for Strategic and International Studies in Washington. "With al-Qaida I think it is a mixed bag. They draw benefits from the Taliban but they are not relying wholesale on narcotics. They still rely on sympathetic donors and to a certain extent charities."

Afghanistan produces more opium than any other country in the world. The Taliban charges drug kingpins to move the opium through its territory, for what the United Nations estimates could run upward of \$300 million annually.

The Taliban euphemistically refers to extortion money as tolls, taxes or even zakat, the 2.5 percent of donation to charity that Islam requires. A kidnapped Pakistani businessman had to pay more than 10 million rupees (\$125,000) in ransom. When his Taliban captors freed him, he said, they told him, "Think of this as your zakat. Now your place in heaven is guaranteed."

Money from drugs and criminal gangs make up roughly 85 to 90 percent of Taliban revenue, estimates John Solomon, a terrorism expert with U.S Military Academy's Counter Terrorism Center. In Pakistan alone, Owais Ghani, governor of northwest Pakistan, puts the Taliban's annual earnings at roughly four billion rupees (\$50 million).

Taliban foot soldiers are paid \$100 a month, almost \$20 more than the average Pakistani policeman. A Taliban commander makes upward of \$350 a month, or nearly a third of the average annual salary of most Pakistanis.

The money also goes a long way because explosives are available locally and cheaply, said a senior Pakistani security official. The explosive devices that kill U.S., NATO and Pakistani troops cost less than \$100 each to make, said the official, who asked not to be named to avoid compromising his job. The training to make, place and detonate the devices likely comes from al-Qaida, he said.

The informal money transfer system known as hawala or hundi is also still flourishing in Pakistan, Afghanistan, the Middle East, Europe and the United States. During his tenure that ended in 2007, Pakistan's former prime minister, Shaukat Aziz, said upward of \$5 billion went out of Pakistan every year through this system, which operates without regulation and moves money with just a phone call. Mostly it's corrupt politicians, bureaucrats and businessmen getting their ill-gotten windfalls out of the country, but terrorists also piggyback onto the system, say financial investigators.

In three of the last five years, the No. 1 source of money into Pakistan through this hawala system has been the United States, according to the Pakistani security official. He couldn't say how much of the money went to terrorists and how much was sent from Pakistanis abroad to their families.

After the attacks of Sept. 11, 2001, the financial crackdown closed some of al-Qaida's most lucrative sources of funding. But with the help of the hawala system, al-Qaida has since re-established its money line, latching onto Taliban crime while making a modest comeback on illicit business and donations after the American-led invasion of Iraq, according to interviews with jihadis, traders, security officials and terrorism experts.

In the last two years, al-Qaida has turned up the call for donations, told new recruits to bring money with them, and shown signs of being more frugal. For analysts, that adds up to one of two things: Either al-Qaida is saving up for another 9/11-style attack, or the crackdown of the last nine years has curbed its fundraising abilities. It could mean both.

"Al Qaida has conserved its funding to allow for continued high-value training and plotting," said Carlos, the terrorism adviser. "I think to a certain extent al-Qaida will find ways of funding more things that are important to them. And to a certain extent it might explain a lot of questions of why we haven't seen another major attack on the scale of 9/11 __ in part because of the disruptive effort, part of it is luck and part of it is financing constraints."

Estimates of al-Qaida's annual budget needs vary wildly from \$300 million to as low as \$10 million.

Carlos, who estimates al-Qaida's needs as "modest," said its big expenses are payments to families; food and shelter to maintain operations; travel and logistics; money for cells engaged in plots; bribes, and expenses for longer-range plans such as an anthrax program.

Some Islamic charities with known al-Qaida connections have quietly renamed themselves and continued to operate. In Pakistan, charities with links to terrorist group Lashkar-e-Taiba and al-Qaida, but operating under new names, have cashed in on natural disasters such as the devastating 2005 earthquake and the current refugee crisis from the Swat Valley to replenish their finances. In Kuwait, the Revival Islamic Heritage Society, believed by the U.S. to heavily finance al-Qaida, still operates.

Because of demands from the International Monetary Fund, Pakistan has removed restrictions on the amount of money that can be brought into the country, said Pakistani financial intelligence director, Azhar Quereshi. But Pakistan has limited to \$10,000 the money that can leave the country, cracking down on some of the biggest hawala dealers.

"Once the money is inside the country, it is difficult to locate it. Smugglers and transporters help finance the Taliban either out of sympathy for their cause or because they are being forced to give a share," said the Pakistani security official who asked not to be identified.

Militants also said a cartel of Pakistani honey dealers is back in business, laundering money and moving drugs to support al-Qaida. The scale is smaller than in 2001, but revenues to the terrorists are steady.

A former fighter with Afghanistan's wanted guerrilla leader Gulbuddin Hekmatyar said honey is sent from Pakistan with an inflated price tag to markets in the Middle East — mostly Saudi Arabia, Dubai and Kuwait. The profits are returned and sent by courier to al-Qaida.

Honey dealers in Peshawar who didn't want to be identified for fear of harassment by the authorities said that there is no al-Qaida link to their sales. One honey dealer said the outlawed Al Shifa Honey Press still operates in Pakistan's most populous Punjab province but said he knew of no al-Qaida affiliation.

(This version CORRECTS National Security Council in fourth graf. Minor spelling changes throughout. AP video is available with this story. AP Video.)

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