

# CRS Report for Congress

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## Taliban and the Drug Trade

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### Summary

There is evidence that many terrorist organizations and some rogue regimes pressed for cash rely on the illicit drug trade as a source of income. In the case of Afghanistan, reports indicating that the drug trade is a major source of income for the Taliban have received growing attention. According to some reports, the regime uses poppy-derived income to arm, train and support fundamentalist groups including the Islamic Movement of Uzbekistan (IMU) and the Chechen resistance. There have also been allegations of Osama bin Laden's personal involvement in drug trafficking to finance al Qaeda's activities.

U.S. foreign drug policy currently focuses on reducing illicit drug supply to the United States, and only to a lesser extent on denying funding to organized international criminal or terrorist groups. Should the latter objectives receive greater priority, some policy and organizational realignment may be necessary.

Related products are CRS Issue Brief IB88093, *Drug Control: International Policy and Options*, by Raphael Perl, updated regularly; CRS Report RL31119, *Terrorism: Near East Groups and State Sponsors 2001*, by Kenneth Katzman, September 10, 2001; and CRS Report RL30588, *Afghanistan: Current Issues and U.S. Policy Concerns*, by Kenneth Katzman, May 9, 2001. This report will not be updated.

### Afghanistan's Role in Drug Production

Afghanistan's role as the world's largest opium producer is well documented. Until recently, the majority of Afghan opium production had taken place in Taliban controlled territory. According to the Department of State's *International Narcotics Control Strategy Report, March 2001* (INCSR),<sup>1</sup> Afghanistan remained the world's major producer of opium poppy despite a protracted drought, and ongoing civil war. The report also noted that "the Taliban, which controls 96 percent of the territory where poppy is grown, promote(d) poppy cultivation to finance weapons purchases as well as military

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<sup>1</sup> U.S. Department of State, International Narcotics Control Strategy Report (INCSR), March 2001. [<http://www.state.gov/g/inl/rls/nrcrpt/2000/>]

operations.”<sup>2</sup> Although the Taliban reportedly banned opium poppy cultivation in late 1997, opium production in Afghanistan increased through the year 2000, accounting for 72% of the world's illicit opium supply, according to U.S. government sources. Most Afghan opium is sold in Europe and not the United States.

On July 27, 2000, the Taliban again issued a decree banning opium poppy cultivation. According to the March 2001 INCSR, the announcement of the ban caused prices to rise. However, the State Department noted that “Neither the Taliban nor the Northern Alliance has taken any significant action to seize stored opium, precursor chemicals or arrest and prosecute narcotics traffickers. On the contrary, authorities continue to tax the opium poppy crop at about ten percent, and allow it to be sold in open bazaars, traded and transported”.<sup>3</sup>

Some members of the U.S. drug enforcement community suggest that a new strategy may have been adopted by the Taliban in the wake of their July 27, 2000 announced ban on cultivation. This strategy would reflect a desire by the Taliban to use their “monopoly” position to maximize profits, i.e. restrict supply by restricting cultivation; drive prices up dramatically; and sell from an extensive supply of stockpiled opium. According to the United Nations Drug Control Program (UNDCP) personnel, in the past, up to 60% of opium stock has been stored for sale in future years.

Whether sincere or not in maintaining their most recent ban, the Taliban clearly has enforced it. DEA analysts note that Afghani opium production has declined dramatically from over 3,000 metric tons in 2000 to 74 metric tons through October 2001. The lion's share of production, in the wake of the Taliban's July 2000 ban, reportedly takes place in areas controlled by the Afghan opposition. According to U.S. drug enforcement data, the price of a kilo of opium in Afghanistan and bordering regions has jumped almost tenfold from \$44 per kilo to between \$350 and \$400 per kilo.<sup>4</sup> U.N. officials report that the price has jumped as high as \$700.<sup>5</sup>

Fear of military strikes and increased needs for immediate cash have reportedly sparked a reversal of the Taliban's ban on production. A spokesman for British Prime Minister Tony Blair announced that the British Government has information that the Taliban has lifted its ban on poppy growing and is now instructing farmers to cultivate opium for export.<sup>6</sup> The spokesman estimated 3000 tons of opium are being stockpiled in Afghanistan – a significant portion of it by bin Laden personally and by his followers.<sup>7</sup>

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<sup>2</sup> INCSR, page VII-3.

<sup>3</sup> INCSR, Page VII-3.

<sup>4</sup> October 3, 2001 statement of Asa Hutchinson before the House Government Reform Committee, Subcommittee on Criminal Justice, Drug Policy, and Human Resources.

<sup>5</sup> “Afghanistan's anti-drug efforts could be casualty of terrorism fight,” by Ken Guggenheim, AP report of September 26, 2001.

<sup>6</sup> October 1, 2001 *Scottish Daily Record Report*, *op cit*.

<sup>7</sup> “West will hit the Taliban's opium trade,” by Jonathan Oliver, *Mail on Sunday*, September 30, 2001.

## Taliban Links to Drug Trade

In remarks delivered October 2, 2001, British Prime Minister Tony Blair referred to the Taliban as “a regime founded on fear and funded on the drugs trade.” He stressed that “the biggest drug hoard in the world is in Afghanistan controlled by the Taliban” and that “the arms the Taliban are buying today are paid for with the lives of young British people buying their drugs on British Streets.”<sup>8</sup> The Prime Minister’s remarks indicate concern that the Taliban finance a substantial share of their military operations from the drug trade, and use income from the opium trade to fund extremists in neighboring countries such as the Islamic Movement of Uzbekistan (IMU) and the Chechen resistance. Additional news reports citing UN officials, say Afghan drug dealers, expecting a Western military strike, appear to be selling off their narcotics stockpiles for cash.<sup>9</sup>

The December 2000 *International Crime Threat Assessment*, produced by an interagency working group chaired by the Central Intelligence Agency, reports that under predominantly Taliban rule, international terrorists and drug traffickers have been able to operate with impunity in Afghanistan. The Taliban have given sanctuary to renegade Saudi terrorist Osama Bin Laden, allowing him and other terrorist groups to operate training camps in Afghanistan. Bin Laden, in return, has used his extensive wealth and business network to help financially support the Taliban. Despite the Taliban’s public condemnation of the illicit narcotics industry, virtually all of Afghanistan’s opium poppy cultivation and morphine base and heroin processing laboratories are located in Taliban-controlled territory. The Taliban profits from the Afghan drug trade by taxing opium production and drug movements.”<sup>10</sup>

A Taliban imposed tax rate of 10% on poppy cultivation is widely cited together with varying rates for sporadic taxation of processing and transportation.<sup>11</sup> A Department of State representative stated, however, in October 3, 2001 congressional testimony, that “before last year’s ban, the Taliban collected from 10-20% taxes on the yield of poppy fields, as well as taxing the processing, shipment, and sale of opiates.”<sup>12</sup>

The *International Crime Threat Assessment* notes that the “Central Asian countries are increasingly calling for action against the expanding drug trade from Afghanistan.

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<sup>8</sup> BBC News, October 2, 2001, 17:06 GMT. (Remarks to the British Labour Party Conference.)

<sup>9</sup> “In targeting terrorists’ drug money, U.S. faces dilemma,” by Allan Cullison and James Dorsey, *The Wall Street Journal*, October 2, 2001, p. A16. See also “U.S. official says Taliban behind Afghan opium surge,” by Ken Guggenheim, AP report of October 3, 2001.

<sup>10</sup> *International Crime Threat Assessment*, December 15, 2001, Chapter 3, p.21

<sup>11</sup> October 3, 2001 Hutchinson statement.

<sup>12</sup> Statement of William Bach, Office Director (Asia, Africa, Europe, NIS Programs), Department of State’s Bureau of International Narcotics and Enforcement Affairs before the House Government Reform Committee, Subcommittee on Criminal Justice, Drug Policy, and Human Resources, October 3, 2001.

Uzbekistan, Kyrgyzstan, and Tajikistan in particular believe that drug trafficking is a major source of funds for insurgencies threatening their national security.”<sup>13</sup>

DEA Administrator Asa Hutchinson, in October 3, 2001 congressional testimony, stated that “Credible DEA source information indicates ties between the Taliban and the drug trade. The Taliban directly taxes and derives financial benefits from the opium trade. They even provide receipts for their collected drug revenues.”<sup>14</sup>

October 3, 2001 Department of State congressional testimony also points to Taliban links to the illicit drug trade. William Bach, of the Bureau of International Narcotics and Enforcement Affairs, suggested that the drug trade brought at least \$40 million to the Taliban in 1999. He noted, however, that a report by a U.N. Committee of Experts on the Resolution 1333 of December 20, 2000, for sanctions against the Taliban states that “funds raised from the production and trade of opium and heroin are used by the Taliban to buy arms and war materials and to finance the training of terrorists and support the operation of extremists in neighboring countries and beyond.”<sup>15</sup> Bach noted that if credence is to be given to reports that the Taliban is directly involved in the drug trade as U.N. experts suggest, then the Taliban’s share of revenues “may be far greater” than the \$40 million figure cited. Bach also pointed out that press reports indicate that bin Laden encouraged the Taliban to increase its drug trade as part of its war against the West.<sup>16</sup>

## Bin Laden Links to Drug Trade

News reports have linked Osama bin Laden and al Qaeda directly to the illicit opium trade. To the extent that income from the trade sustains the Taliban, however, bin Laden may benefit at least indirectly as the Taliban is bin Laden’s protector. Furthermore, some reports maintain that “al Qaeda earns cash by protecting Afghanistan’s shipments of opium bound for the West.”<sup>17</sup> There are indications that bin Laden serves as a middleman for the Afghan opium producers, using income derived from this role to run terrorist training camps in Afghanistan. For example, there are news reports that the British Prime Minister’s office has evidence that Osama bin Laden is personally involved in the opium trade to buy arms for al Qaeda and to undermine the West.<sup>18</sup> A summary of the evidence

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<sup>13</sup> *International Crime Threat Assessment*, December 15, 2001, Chapter 3, p.14.

<sup>14</sup> October 3, 2001 Hutchinson statement.

<sup>15</sup> See *Wages of War*, by Ahmed Rashid, *Far Eastern Economic Review*, August 5, 1999, p.10-11 for detailed reporting on Taliban drug activity. See also “UN panel accuses, Taliban on drugs,” by Edith Lederer, AP report of May 25, 2001 for summary of U.N. experts panel.

<sup>16</sup> October 3, 2001 Bach statement.

<sup>17</sup> “How a terror network funds attacks,” by David Kaplan with Joshua Kurlantzick, *U.S. News and World Report*, October 1, 2001, page 21. Reports that bin Laden is attempting to develop “super heroin” in a hidden chemical research facility (e.g. *N.Y. Times* report by Barry Meier of October 4, 2001, p. B3) have generally been given little credence in the law enforcement and intelligence community.

<sup>18</sup> “Britain Targets Bin Laden Drug Trade Profits,” by Joe Murphy, *Sunday Telegraph* (London) September 30, 2001.

has been released by the Prime Minister's Office. The summary notes that bin Laden is the leader of al Qaeda and that "the network includes...commercial operations able to raise significant sums of money to exploit its activity. That activity includes substantial exploitation of the illegal drugs trade from Afghanistan. Usama Bin Laden and the Taleban regime have a close and mutually dependent alliance....They jointly exploit the drugs trade. The Taleban regime allows Bin Laden to operate his terrorist training camps and activities...and protects the drugs stockpiles."<sup>19</sup>

## Policy Options

Options for policy makers to address the Afghan opium supply in isolation are limited. Stepped-up enforcement activity at the borders of neighboring states is one option; however, Iran has already been aggressively pursuing such a policy and drug related corruption in Afghanistan's other neighbors poses a significant obstacle. Locating and destroying stockpiles within Afghanistan is seen by most observers as difficult, as such stockpiles are well hidden. It has been suggested that better intelligence on these stockpiles might be obtained if U.S. forces begin operating in Afghanistan, thereby enabling U.S. or allied personnel to seize and destroy them. Also, spraying poppy crops could be an option should cultivation resume. A downside of spraying is that air operations in such a remote and high altitude environment could be difficult. Should, however, the Taliban regime fall, a wide range of options and opportunities for counter-drug cooperation may unfold for Congress and the Administration to address as part of a wider assistance program to Afghanistan.

Meanwhile, additional options may open in event of a U.S. or multinational intervention in Afghanistan, or a deepening civil war. In a sustained anti-terrorism campaign, drug markets, illicit drug products, and major drug "players" could become legitimate targets for interdiction, law enforcement, military, and paramilitary operations. Indeed, British press reports indicate poppy fields, supply lines, storehouses, and producers may become targets in efforts to prevent Taliban funding of terrorists campaigns.<sup>20</sup>

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<sup>19</sup> *Responsibility for the Terrorist Atrocities in the United States*, September 11, 2001. [<http://www.pm.gov.uk/evidence.htm>]

<sup>20</sup> Blair's Vow on Heroin Onslaught by Steve Smith, *Scottish Daily Record & Sunday Mail*, October 1, 2001.