

The Funding Methods of FATA's Terrorists and Insurgents

By John Solomon

THERE IS BROAD consensus in the United States and Europe that Pakistan's Federally Administered Tribal Areas (FATA) provide sanctuary to local and foreign Taliban, al-Qa`ida's central leadership, and the Islamic Jihad Union (IJU).¹ During the past two years, there have been at least four advanced attack cells with links to Pakistan's tribal areas disrupted in the United Kingdom, Germany, Denmark and Spain. Sanctuaries enable insurgents and terrorists to not only plan attacks, but also to generate critical support infrastructures by raising funds, projecting ideology and providing technical assistance to associated groups and cells. To effectively destroy al-Qa`ida and its support structures, U.S. national security policy correctly calls for the closure of these terrorist sanctuaries in concert with a coordinated global effort to desiccate the movement's funding streams.

This is no small challenge. At no time has al-Qa`ida enjoyed a more formidable redoubt than in FATA.² Known in Pakistan as *ilāqa-e-ghair* (lawless lands), the Pashtun tribal areas that revolve around the Peshawar Valley have, with some exception during the Mughal and Durrani empires, always remained autonomous. In Waziristan, there is no empire of any record that has succeeded in subjugating the region's tribes. Waziristan is a stronghold of the Tehrik-i-Taliban Pakistan (TTP) movement that Baitullah Mehsud commands, and a suspected safe haven for core elements of al-Qa`ida and the IJU.³

Despite its advantages, however, FATA has at least one significant disadvantage for the militants there: financial vulnerability. Al-Qa`ida and the IJU, and their guardians the TTP and Afghan Taliban, need stable sources of revenue to maintain their heightened scale of militancy in Afghanistan, Pakistan and Western Europe. Underscoring the relation between funding and capability, the TTP *amir* in Bannu District of the North-West Frontier Province (NWFP), Issa Khan, has reportedly said recently that the only reason it does not carry out attacks globally against the United States and Europe is because it lacks the resources to do so.⁴ Recognizing that countering the financing of terrorism is an effective way to degrade the ability of al-Qa`ida and its associated groups, this report examines the known or suspected funding methods of the main jihadist organizations active in FATA.

Funding Methods

To appreciate the current funding structures of FATA militants, one must examine those from which they have evolved. The ethnic Pashtun TTP and Afghan Taliban indeed share a common history, language, ethnicity, religion, culture and in many cases familial descent. The two groups also share material interests in common. They are intimately familiar with taxing the lucrative licit and illicit transit corridor that extends from Karachi through FATA or Balochistan to landlocked Afghanistan and Central Asia. The Taliban established its rule in the early and mid-1990s precisely because it had marginalized the warlords and positioned itself as the security provider for all those with an economic interest in the lucrative Afghanistan-Pakistan transit trade corridor of smuggled goods.⁵ Previously, a Hobbesian state of nature had developed from the war economy of the 1980s, and reached a crescendo at the time of the Soviet withdrawal, which resulted in a security vacuum filled by a dizzying array of predatory warlords and brigands. Insecurity along key trade routes was endemic and transit traders and truckers were left paying exorbitant tolls or simply having their goods stolen,

which had negative residual effects for stakeholders throughout the supply chain.

By becoming a "one-stop" security provider, the predominantly Pashtun merchants and truckers who required secure transit from the trade corridor extending from Dubai through Balochistan or FATA became the Taliban's financial backing through taxes, contributions and political support.⁶ According to one World Bank report, the estimated Taliban revenue sourced from taxing Afghanistan-Pakistan trade in 1997 was \$75 million.⁷ The same report indicated that taxed opium and "contributions" from truckers during the same year may have accounted for as much as twice that amount. The Taliban also controls vast swathes of the three highest opium producing provinces in Afghanistan, the source of 93% of world supply. The security taxed revenue from that trade is estimated to have increased to as much as 20% of \$2.2 billion.⁸

FATA's tribal militias and now the TTP umbrella alliance have also raised funds from a security tax levied on the goods Pashtun merchants transport through the tax-free area. The 1965 Afghanistan Transit Trade Agreement (ATTA) created a region-wide arbitrating center where profits could be made off policy-induced price differentials from tax-free Dubai through the tax-free FATA in Pakistan or beyond. The result, according to all first hand and scholarly accounts, is "a smugglers paradise." In addition, it has remained a perennial livelihood for many of the non-settled tribes in FATA to tax or loot goods transiting through their areas of control through the use or threat of violence. The pervasive opium industry feeds into the smuggled goods trade transiting FATA and has benefited mainly organized crime and TTP elements. On the processing and distribution sides of the business, TTP is thought to tax laboratories up to 15% and distributors a flat tax of 15%.⁹ Since

1 "Combating Terrorism: The US Lacks Comprehensive Plan to Destroy the Terrorist Threat and Close the Safe Haven in Pakistan's Federally Administered Tribal Areas," U.S. Government Accountability Office, April 2008; "EU Terrorism Situation and Trend Report," Europol, 2008.

2 For a good background, see Thomas H. Johnson and M. Chris Mason, "No Sign Until the Burst of Fire: Understanding the Pakistan-Afghanistan Frontier," *International Security* 32:4 (2008).

3 For more on TTP, see Hassan Abbas, "A Profile of Tehrik-i-Taliban Pakistan," *CTC Sentinel* 1:2 (2008).

4 Interview, Tehrik-i-Taliban lieutenant, conducted by Saifullah Mehsud, FATA, April 2008.

5 Barnett R. Rubin, "The Political Economy of War and Peace in Afghanistan," *World Development* 28:10 (2000).

6 Cyrus Hodes and Mark Sedra, "Chapter Two: Spoiler Groups and the Anti-Government Insurgency," *Adelphi Papers* 47:391 (2007).

7 Zareen Naqvi, *Afghanistan-Pakistan Trade Relations* (Islamabad: World Bank, 1999).

8 Barnett R. Rubin, "Saving Afghanistan," *Foreign Affairs* 86:1 (2007).

9 Cyrus Hodes and Mark Sedra, "Chapter Three: The

the TTP has grown more powerful and established control of markets in FATA and the NWFP, there have been some recent signs suggesting that traditional tribal structures are battling with militants over funding sources. The clashes between the Afridi-Kokikhel and Lashkar Islam in April 2008 appear to be the most transparent case of a tribal interest group defending a traditional source of revenue sought by an insurgent group.¹⁰

Apart from looting and taxing in FATA and the NWFP, TTP has deployed dual use terror-crime cells further afield in Karachi. TTP has recruited security professionals, trained them in terrorist tactics in Waziristan, and then deployed them as hit squads and bank robbers. Baitullah Mehsud and TTP allegedly provided a jihadist organized crime network called Jundullah with a hit list, money, weapons and a means of transferring stolen money via an Egyptian TTP money courier, named Hamza Jofi, to its safe haven in South Waziristan.¹¹ The Egyptian nationality suggests a possible al-Qa`ida link. To give some indication of the scale of a robbery, a recently arrested Jundullah cell's final bank heist amounted to about \$73,500. One of these arrested cadre disclosed during interrogation that there were about 600 Jundullah active and ready suicide cadre in Karachi.¹² TTP has also trained those without security backgrounds and then deployed them to cities to find security jobs in banks in order to rob them.¹³ Seeking external sources of revenue outside FATA may be a way to avoid disturbing traditional income streams had by tribal interests.

Another piece of the Taliban's partnership with the Pashtun merchant class is the suspicion that it entrusted a select class of them to act as trustees and managers of Taliban assets present at the time of the U.S. invasion in October 2001.¹⁴ After the 1998 U.S. Embassy

attacks in Nairobi and Dar es Salaam, the UN imposed financial sanctions on the Taliban and al-Qa`ida through UNSCR 1267. The sanctions sensitized the Taliban so that it likely anticipated the financial sanctions that would follow the 9/11 attacks. Therefore, the Taliban leadership probably transferred their cash assets at the time of invasion to capable businessmen who they could trust.¹⁵ A rare and relevant example regarding the destination of some of

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these funds emerged in January 2006 when Hamid Karzai's government issued an Interpol Red Notice for a prominent Kandahari Pashtun businessman, Abdul Bari, who was accused of managing Taliban funds for Mullah Omar in Pakistan.¹⁶ Individuals like Abdul Bari—successful Pashtun traders with Taliban connections, international businesses and companies dealing in commodities susceptible to trade-based laundering such as used cars and trucks, vehicle parts, and electronics operating in less regulated jurisdictions along the ATTA corridor including Dubai—would fit the profile of businessmen with whom the Taliban would likely entrust its assets.¹⁷ Due to corruption and the lack of documents and business transparency in Pakistan, Afghanistan and the Gulf, however, the money trail often does not exist or the authority bringing the charges is convinced to drop them.

Contributions and donations among Pashtun businessman and ordinary people in Pakistan and FATA constitute another dimension of the funding structure. The same Pashtun merchant class is often targeted for contributions—financial gifts over and

above the amounts mandated by the religious taxes, *ushr* and *zakat*. Usually a sympathetic mullah will use his contact base to assemble a relatively affluent audience. Then, either he or a prominent Taliban commander will address the audience and ask for financial contributions. According to anecdotal information, some high net worth Pashtun traders donate as much as \$100,000 during these gatherings.¹⁸ Money is also raised among middle and lower-middle class Pakistanis under the guise of *zakat* in *madrasas* and mosques sympathetic to the movement. The Taliban and TTP are able to raise substantial sums this way, especially in areas controlled by TTP mullahs with seminaries.¹⁹

More important perhaps are the sophisticated videos and telecommunications used by militants to target fundraising markets abroad. The Taliban and al-Qa`ida are both active fundraisers among the Gulf Arab populations in the United Arab Emirates and Saudi Arabia; almost all of their messaging is in Arabic. The IJU targets potential support markets among ethno-linguistic Turk populations in Europe (mainly Germany) and Turkey, where euros and the new lira hold relatively high exchange values. The more interesting facet, perhaps, is the informal trust verification process and the methods used to move the money once raised. There is anecdotal and other reporting information available suggesting that individuals are specifically tasked with distributing messages and collecting or moving funds. One example emerged after Saudi internal security allegedly detected and disrupted an al-Qa`ida financial support network that entered the country during the hajj pilgrimage season in December 2007. The model described by the Saudi government and other reporting follows. A mobile phone SIM card contained a message from an al-Qa`ida fundraising appeal from Ayman al-Zawahiri. The message was physically transferred by a non-

Opium Trade,” *Adelphi Papers* 47:391 (2007).

10 Sher Khan Afridi, “8 Khasadars Abducted,” *The Nation*, April 17, 2008.

11 Jamal Khurshid, “Jundullah Man Admits Sending Looted Money to Wana: Police,” *The News*, February 26, 2008.

12 Faraz Khan, “Jundullah Claims 600 Suicide Bombers Present in Karachi,” *Daily Times*, February 4, 2008.

13 Ibid.

14 Craig S. Smith, “The Business World; For Afghans,

the Bank is Often a Bag of Cash,” *New York Times*, March 10, 2002.

15 Ibid.

16 Sohail Abdul Nasir, “Two Taliban-linked Companies Raided by Pakistani Authorities,” *Terrorism Focus* 3:6 (2006).

17 Syed Saleem Shehzad, “How the Taliban Keep Their Coffers Full,” *Asia Times Online*, January 10, 2007.

18 Personal interview, Syed Saleem Shehzad, May 7, 2008.

19 For example, Maulana Sadiq Noor, a member of the Dawar tribe and an important Taliban leader close to al-Qa`ida, reputedly raises substantial sums through the Manba-ul-Uloom *madrasa* that he runs in Miran Shah, North Waziristan.

Saudi to a Saudi national in-country. Al-Zawahiri endorsed the Saudi funds collector in his recorded message as “a trusted brother in whom we have confidence.” The funds collector used the cover of charity work to approach possible donors.²⁰ Funds successfully raised are then suspected to be moved formally or informally—by *hawala* or cash courier—most probably to complicit money exchangers in Peshawar before being moved to aid FATA militants. There have been a number of arrests of Saudi al-Qa`ida members in Pakistan caught carrying substantial sums of foreign currencies while in transit between countries. To further support this claim, there is also a significant amount of Saudi currency evident in TTP strongholds, especially in Swat in the NWFP.

Taliban fundraising appeals note its financial infrastructure. According to the 21st issue of the Taliban’s Arabic monthly magazine *al-Sumud*, its financial authority is administered through a *shura* comprised of a head with deputies in every Afghan province.²¹ Budgets are apparently estimated by province, and donations collected domestically and abroad are allocated according to need. Described by some analysts as a “mini-copy of the Taliban,” the Pakistani TTP leadership tends to imitate the administrative methods of the Afghan Taliban leadership, which is comparatively older and more experienced. It is suspected that a similar finance *shura* exists in FATA and in the NWFP.

The IJU has emerged as a particularly worrisome threat in the West due to its recruitment and fundraising among ethnic Turks and converts in Germany and Turkey. IJU trainees reached advanced stages in a planning cycle to attack U.S. military facilities in Germany in 2007, after they received explosives training in Pakistan. IJU has also been linked to another plot to bomb the subway systems of a number of Western European cities. Turkic Germans recruited by the IJU have also begun to appear with greater frequency in battles and/or suicide attacks in

the Afghan theater, according to some reports. To raise funds, IJU seems to rely to a large extent on donations raised via the internet in Turkey and among the ethnic Turk demographic residing in Germany and perhaps other parts of Europe. The comparatively advantageous foreign exchange of euros or lira to rupees and afghanis could make these members financially beneficial for the group. Perhaps correspondingly, Uzbek numbers in North Waziristan seem to be increasing. According to one local source, the number of jihadist Uzbeks (IMU and IJU combined) has increased from approximately 600 into the thousands.²²

Conclusion

“Jihadi armies march on their stomachs,” as one seasoned diplomat with deep experience in the region put it, “and it’s not as easy as it used to be for them to beg food.” While the Taliban movements, al-Qa`ida and the Islamic Jihad Union exploit a wide range of financial flows, through under-regulated jurisdictions and industries, constant pressure must continue to be applied through all levers of power available to the United States and its European allies to constrain the jihadist elements in FATA. The likelihood of a military or political solution is highly unlikely in the near- or medium-term; therefore, more direct pressure must be applied on the enemy’s known and suspected funding streams to increasingly degrade its ability to attack.

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²⁰ “Interior Ministry Warns Al-Qaeda Financiers,” *Arab News*, March 9, 2008.

²¹ “21st edition of Taliban Monthly Magazine,” *al-Sumud*, March 2008.

²² Interview, Sailab Mehsud, conducted by Saifullah Mehsud, FATA, April 2008.