



**Afghanistan: Linkages Between the Illegal Opium Economy,
International Crime, and Terrorism**

Jorrit Kamminga, MA

The Senlis Council

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Introduction

This paper will deal with linkages between international crime, terrorism and the illegal opium economy, both in Afghanistan and the wider region. Many linkages can be established, but dispute remains as to the size, scope and importance that can be attached to them. Clearly, in a country such as Afghanistan, where an estimated 60 per cent of Gross Domestic Product (GDP) is directly or indirectly related to the illegal opium industry, many sectors of society are benefiting from this illegal industry. As such, the scope for ‘spill over’ to other (international) criminal and terrorist activities is extremely significant.¹

1 Terrorism and illegal drugs: An introduction

Terrorist groups can normally be differentiated from other criminal organisations and networks because they do not primarily seek monetary gain, focusing instead on political and ideological aspirations. Funding may be a means to an end; as a way to establish, maintain and expand terrorist networks, but clearly plays a secondary role in the overall terrorist strategy. On the other hand, the illegal drug industry is profit-oriented and is

¹ David Brunnstrom, ‘Drug-plagued Afghan economy faces tough rehab’, Reuters (24 September 2003).

almost exclusively focused on financial gain and the investment of profits to further increase income. Moreover, “a demand component is fuelling this industry, while in contrast there is no addiction-based international demand for terrorism.”²

Considering these basic differences between terrorist and other criminal organisations, the linkages between both phenomena can in principle only be indirect: the diversion of profits from the illegal drug industry to terrorist organisations, networks or activities. However, terrorist organisations certainly can have a more direct role in the cultivation, production and trafficking of illegal substances. This phenomenon is often described as *narco-terrorism*, defined by the American Drug Enforcement Administration (DEA) as:

“(…) a subset of terrorism, in which terrorist groups, or associated individuals, participate directly or indirectly in the cultivation, manufacture, transportation, or distribution of controlled substances and the monies derived from these activities.”³

Two main reasons explain why the illegal drug economy is being tapped by terrorists. First, the mere fact that drugs are illegal makes the commodity a highly profitable source of income. Street prices are high, as is demand, which also benefits from long-term stability. Secondly, traditional drug cultivation and production (as opposed to the production of synthetic drugs) normally take place in regions and countries where there is limited government control, widespread poverty and a serious lack of legal income opportunities. Such countries as Afghanistan, Bolivia, Colombia and Peru, but also countries like Morocco, Sudan, Syria, Lebanon and Somalia, appeal to terrorist organisations as they have the potential to provide *safe havens*, limited banking controls and sometimes fertile recruiting grounds for terrorists.

As mentioned above, in some cases the links between terrorist organisations and drug traffickers may not be purely financial. They may range from:

² US Department of State, ‘Terrorism: Threat Assessment in a Changing Global Environment’, Statement of Raphael Perl, Specialist in International Affairs, Congressional Research Service, before the House Committee on Government Reform, Subcommittee on National Security, Veterans Affairs, and International Relations (26 July 2000).

³ Statement of Asa Hutchinson, Administrator of the DEA before the House Committee on International Relations (24 April 2002).

“facilitation, protection, transportation, and taxation to direct trafficking by the terrorist organisation itself in order to finance its activities. Traffickers and terrorists have similar logistical needs in terms of materiel and the covert movement of goods, people and money.”⁴

Indeed, the logistical, operational and financial needs to sustain or expand criminal networks provide key reasons for situating terrorism and the drug industry in the same policy framework, despite the fact that they share little in terms of ideals, political objectives or the desire to change the political environment. Nevertheless, there may be commonality in smuggling routes or in money laundering methods. Drug traffickers and terrorists may also benefit from the same tendencies to engage in corruption of state officials.⁵

Considering the different roles money plays in both types of crime and the indirect financial relationship between them, it is clear that the relative importance of finances is much higher in the sphere of for-profit criminal organisations. During the Follow-up Conference to the United Nations Counter-Terrorism Committee Special Meeting in March 2004, it was argued that:

“indeed, the financial flows linked to terrorist activities are often very low and remain below the thresholds of control mechanisms within financial institutions, whereas the financial dimension of organised crime is huge. The aggregate size of global money laundering is estimated at ranging between 2% and 5% of the world's GDP (roughly US\$600 billion to US\$1.5 trillion).”⁶

4 Testimony of Mr. Rand Beers, Assistant Secretary of State for International Narcotics and Law Enforcement Affairs, U.S. Department of State (13 March 2002).

5 Kevin Newmeyer, “Terrorism and Drug Trafficking: The Approach by the Organisation of American States” (February 2004), paper prepared for the Follow-up Conference to the United Nations Counter-Terrorism Committee Special Meeting (11-12 March 2004), p.2.

6 SECI Center Anti-Terrorism Task Force, “Narco Terrorism.” *Global and Regional Review* (11 March 2004).

Loretta Napoleoni, an Italian economist and terrorist expert, has stated that the “New Economy of Terror” has merged with the international illegal and criminal economy and estimates that “together they have a turnover of US\$1.5 trillion dollars, higher than the GDP of the United Kingdom.”⁷ According to Napoleoni, the share with links to terrorism amounts to US\$500 billion which can be attributed to legal business (one third) and criminal activities (two thirds), among which “primarily drug trade and smuggling.”⁸ That would mean that the size of the terrorism economy would be more or less the same as the illegal drug economy (estimated between US\$300 and US\$500 billion per annum), with overlap where the economic activities of each coincide. Unfortunately, there is no clear data that accurately quantifies this overlap and, for now, there is no more than a general understanding of the size and scope of linkages between illegal drugs and terrorism.

2 International criminal groups in Afghanistan and the region: Linkages with the illegal drug trade

The end of the Cold War and the withdrawal of Soviet forces from Afghanistan in 1989 sparked an enormous increase in illegal drug production and trade, filling the vacuum created by the absence of an effectively functioning state and a lack of adequate aid and external support. In this environment, trans-national networks developed in Afghanistan between different criminal groups, drug traffickers, militant and terrorist groups that facilitated the opium and heroin trade between Afghanistan and the international market.⁹ Traditionally, the most important trafficking route towards Europe had been the so-called ‘Balkan Route’. Since the 1980s, huge amounts of Afghan opium and morphine base have travelled along this route through Pakistan and Iran, which are refined to make heroin in these countries or taken to laboratories in Turkey. This heroin is subsequently transported via the Balkans to Western European markets. Drug-smuggling routes used in the 1980s to move drugs (and other goods such as precious stones) to Pakistan, Iran and Central Asia and – in the other direction – weapons to

7 Loretta Napoleoni, Discussion Paper: “The New Economy of Terror”, (1 December 2003).

8 Ibid.

9 Tamara Makarenko, “Crime, Terror and the Central Asian Drug Trade”, *Harvard Asia Quarterly* (Summer 2002).

Afghanistan are still in place.¹⁰ Although present day illegal drug seizures in Pakistan and Iran are large, as a percentage of the whole industry they are low. The UNODC estimates that the bulk of all morphine, heroin and opium exported from Afghanistan continue to travel through these two countries into Turkey.¹¹

The most important alternative routes which have replaced part of the Balkan Route are those which lead through the Central Asian republics, situated to the north of Afghanistan. This partial redirection of the opium trade played an important role in increasing the involvement of new foreign criminal groups and networks in the Afghan drugs trade, especially along those parts of the trafficking routes outside of Afghanistan.

However, despite the increasing involvement of these external criminal groups, the Afghan drug lords – often also *warlords* – still play a leading and controlling role inside the Afghan territory at the initial stages of the illegal drug trade. They mainly operate from domestic bases and do not have an international network in place.¹² These criminal groups play different roles in the Afghan drug trade. In some areas, they represent the middlemen of the trade who buy opium directly from farmers and sell it to international buyers along the trafficking routes in the region.¹³ In other areas, Afghan criminal groups rely more on local structures and different local stakeholders such as landowners, small traders and shopkeepers – often coming together in small or larger opium bazaars.¹⁴ Box 1 gives an overview of the structure of Afghan criminal groups involved in drug production and trafficking in comparison to their Latin American counterparts.

10 Vanda Felbab-Brown, “Afghanistan: When Counternarcotics Undermines Counterterrorism”, *The Washington Quarterly* (2005) 28:4, p.58.

11 UNODC, *World Drug Report 2005* (2005), p.49.

12 Tamara Makarenko, “Crime, Terror and the Central Asian Drug Trade”, *Harvard Asia Quarterly* (Summer 2002).

13 Ibid.

14 UNODC, *The Opium Economy in Afghanistan. An International Problem* (2003), p.54.

Box 1 A comparison between Afghan and Latin-American criminal groups involved in the illegal drug economy

For domestic criminal groups involved in the drug trade of Afghanistan – whether drug lords, traffickers, warlords or others – involvement in this illegal industry is not solely motivated by for-profit considerations. In Afghanistan, many of these actors have deep interests in tribal, regional or national political dynamics. Profits made by producing and trafficking illegal drugs such as heroin are used to expand, consolidate and defend their tribal, regional or national political power, political aspirations and influence. That is the main reason why political power is in many cases still very much correlated with the degree of involvement in the illegal drugs trade or other criminal activities. Drug money is used for bribery, to finance private armies and to invest in a legitimate business or a political career. Profit motivations are clearly ancillary to these overriding political aims.

In Latin America, drug cartels generally operate within countries with a democratically-elected government. Their involvement in the drug trade has been – and in many cases still is – motivated by profit rather than political considerations. Although these cartels can have enormous political influence by bribing high-profile officials, their principal aim is to defend and expand their illegal trafficking activities and international criminal networks. In present-day Colombia for example, this industry has turned into a huge business, with more than 300 active drug-smuggling organisations involved.

For a licensed medical opium programme, it is important to ascertain the underlying motives of Afghan domestic criminal groups – and their ethnically-related partners from neighbouring countries – for being involved in the illegal drugs economy. If it is demonstrated that Afghan drug trafficking groups – or individual members of these groups – are more motivated by the interests of their specific tribe, family or region (aiming to increase power and influence), they may be more easily attracted to shifting from an illegal to a legal system. If these groups are convinced that they can aspire to the same ideals and political objectives by focusing on legitimate business, they may be prepared to abandon illegal drug production and trafficking. The next stage of the Feasibility Study should deal with the different sets of motives of domestic and international crime groups for being involved in the illegal opium industry in Afghanistan. Further reference should be made to the research of Guillaume Fournier which investigates the history of alcohol prohibition in the United States, where certain (groups of) smugglers were able to legalise their situation following the abandonment of prohibition, and were motivated to shift to the legal economy (Guillaume Fournier, *Legalisation and the fate of traffickers* (Paris 2003).

By comparison, drug lords in the five Central Asian republics (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan) are not as well-established in the drug trade as

their Afghan counterparts.¹⁵ Although their drug-related activities are limited, direct relationships with Afghan traders have been established.

The location of criminal groups profiting from the Afghan drug economy may be closely correlated with the heroin trafficking routes leading out of the country. From the 1990s onwards, after the collapse of the Soviet Union, an increasing quantity of illegal drugs were smuggled through the Central Asian states to the north of Afghanistan. Many organised criminal groups are operating in this area. On this so-called Northern Route, groups originating from countries like Tajikistan and Uzbekistan are involved in heroin trafficking from Afghanistan into Tajikistan and from there onwards to other Central Asian countries.¹⁶ The UNODC says that:

“(...) large loads of drugs are most of the time escorted by large and well-equipped groups of traffickers. These organisations avail themselves of medium-level armaments; they make use of radio communication networks, which they utilise both for the contacts necessary for drug transactions and for avoiding controls and interceptions.”¹⁷

In Kyrgyzstan, trafficking groups operate in the southern city of Osh, where Afghan heroin is repackaged and smuggled north.¹⁸ Towards Tajikistan, opium travels either through the mountainous area of Gorno-Badakhshan (and then north to the city of Osh in Kyrgyzstan) or into southern Tajikistan.¹⁹ From the capital of Dushanbe it travels further to Tashkent. Uzbekistan also receives Afghan opium through the Gorno-Badakhshan/Osh route that reaches the Andizhan region of Uzbekistan, and moves illegal drugs through Turkmenistan.²⁰ Illegal drugs travel through Turkmenistan to reach markets in Russia, Turkey and Western Europe. Lastly, Kazakhstan is an import transit

15 Ibid.

16 UNODC, memorandum on Law Enforcement: Central Asia.

17 Ibid.

18 IRIN, «Bitter-Sweet Harvest: Afghanistan's New War.» IRIN Web Special on the threat of opium to Afghanistan and the region. *Central Asia: Regional impact of the Afghan heroin trade* (July 2004), p.22.

19 Ibid.

20 Ibid.

country for drugs going to Russia.²¹ Russian and Chechen mafia play an important role on all trafficking routes north out of Afghanistan. Chechen criminal groups are said to dominate the Russian end of the Central Asian narcotics routes.²² Azeris and Central Asians (especially Tajiks) are also strongly involved in this Afghanistan-Russia route.²³

Growing numbers of heroin seizures in the Central Asian republics, especially in Tajikistan and Uzbekistan, point to the establishment of increasing numbers of opium refineries operating – not only in Afghanistan or Pakistan – but also along the Northern Route.²⁴ The former Soviet republics can often still be characterised by having ineffective border controls, remnants of civil war and corruption; perfect conditions for international crime to prosper. The post-war conflict situation in Iraq has even drawn traffickers to that country, to smuggle Afghan heroin to Europe through Iraq and Jordan.²⁵

According to Europol data, Turkish organised crime groups continued to dominate the heroin market in 2004.²⁶ They are said to be involved in every aspect of the illegal industry; from the poppy fields to the markets in Europe.²⁷ The importance of ethnic Albanian organised crime groups is increasing and there is evidence suggesting they are closely cooperating with the Turkish groups.²⁸ According to Raymond Kendall, former Secretary General of Interpol, in 2000, at least 80 per cent of the heroin entering Western Europe came through Turkey and the Balkans – with Albanian gangs playing an increasingly important role.²⁹ Albanian groups have been particularly active in countries

21 For a good account of how narcotics are smuggled from northern Tajikistan via Kazakhstan towards Russian cities like Moscow and St. Petersburg, see: US Federal Research Division, Library of Congress, *Involvement of Russian Organised Crime Syndicates, Criminal Elements in the Russian Military, and Regional Terrorist Groups in Narcotic Trafficking in Central Asia, the Caucasus, and Chechnya* (October 2002), pp.19-23.

22 Ibid., 25.

23 Ibid, 30.

24 IRIN, „Bitter-Sweet Harvest: Afghanistan's New War.›› IRIN Web Special on the threat of opium to Afghanistan and the region. *Central Asia: Regional impact of the Afghan heroin trade.*

25 BBC news online, “Lawless Iraq is ‘key drug route’” (12 May 2005).

26 Europol, *2004 European Union Organised Crime Report* (2005), p.10.

27 Ibid.

28 Ibid.

29 Jan Repa, “Europe’s drug gangs”, BBC News (15 June 2000).

such as Switzerland, Norway, Sweden and the Balkan countries.³⁰ They represent the link between Afghan domestic traffickers, Turkish producers and the world market. The UNODC 2005 World Drug Report mentions that Turkish, Kurdish and Albanian groups (operating from Kosovo, Macedonia and Albania) are involved in wholesale shipments from Turkey to Europe.³¹ The same Report also states that much of the retail trade is currently in the hands of West African criminal groups.³² Romanian organised crime groups have been involved in drug trafficking in northern Italy and Spain.³³ Romania itself remains an important transit country for Turkish and Albanian traffickers.³⁴

In conclusion, transnational criminal groups make up a very important group of actors in the regional and international heroin trade originating in Afghanistan. They have a profound interest in maintaining the status quo: a flourishing drug trade, combined with relatively little law enforcement capacity in the region to deal with the size and scope of this trade. Makarenko summarises the major players in the Afghan and Central Asian drug trade as follows:

“Major players (...) include the following: a network of Afghan, Kyrgyz and Russian syndicates who move shipments of opiates through Central Asia, Russia, the Baltic states and into Western Europe; a network of Afghan, Turkmen and Turkish syndicates who regularly traffic opiates through Turkmenistan (sometimes via Armenia and Azerbaijan) into Turkey for European redistribution; a coalition of Caucasian syndicates allegedly responsible for controlling a significant proportion of the narcotics industry in the Russian Federation; a coalition of Afghan-Iranian and Afghan-Pakistani groups; and independent Tajik and Uzbek groups with ethnic diaspora links in Afghanistan.”³⁵

30 Interpol, online information about heroin traffickers.

31 UNODC, *World Drug Report 2005* (2005), p.49.

32 Ibid.

33 Europol, *2004 European Union Organised Crime Report* (2005), p.9.

34 Ibid.

35 Tamara Makarenko, “Crime, Terror and the Central Asian Drug Trade”, *Harvard Asia Quarterly* (Summer 2002).

It is important to note that Afghan groups or ethnic groups linked to tribes or communities in Afghanistan are almost always at the core of the illegal drug trade *within* Afghanistan. Foreign traders from Pakistan, Iran and the Central Asian republics are certainly involved in Afghanistan, but these groups normally share the same ethnic origins (for example Pashtuns from Pakistan, Baluch from Iran or Pakistan, Tajiks from Tajikistan and Uzbeks from Uzbekistan) as people living in Afghanistan.³⁶ Nevertheless, these “Afghan” groups have a very limited presence in the complete trafficking chain leading from the poppy fields in Afghanistan to the markets in Europe and elsewhere.

In general, Afghan traffickers ship opium to or across the border, after which traffickers from neighbouring countries take over. In 2003, the UNODC observed that:

“(...) Afghan groups, in general, do not appear to participate in the lucrative international drug trafficking operations. The involvement of Afghan groups/individuals is basically limited to the opium production, the trade of opium within Afghanistan, the transformation of some of the opium into morphine and heroin, and to some extent, the trafficking of opiates (opium, morphine, heroin) to neighbouring countries (Iran, Pakistan, Tajikistan, Turkmenistan and Uzbekistan).”³⁷

³⁶ UNODC, *The Opium Economy in Afghanistan. An International Problem* (2003), p.68.

³⁷ *Ibid.* p. 64.

Box 2 A case study of international criminal organisations in Spain: an example of how Afghanistan could develop

Although Afghanistan still finds itself in the initial stages of economic development, democracy, stability and security, the realisation of these objectives will not necessarily entail a decrease in the involvement of international criminal organisations. The following example of Spain is illustrative. More than democracy, security and development will be necessary to break the heroin based drug trade in Afghanistan.

In 2003, it was found that organised crime organisations in Spain included 101 different nationalities, dominated by groups from Spain, Romania, Colombia, Morocco and Serbia. Spanish groups showed the highest level of collaboration with other criminal groups. Spain is Europe's main entry point for Colombian, Bolivian and Peruvian cocaine and Moroccan hashish. In 2004, 70 per cent of all cocaine intercepted in the European Union was seized in Spain. Moreover, 65 per cent of all hashish traded in Europe is said to have passed through the country. Moroccan groups in Spain organise the trafficking of hashish and control the trade of synthetic drugs. Colombian groups use Spain as bridgehead to the European market of cocaine.

The presence of international crime has many negative consequences for Spain ranging from violence, tax evasion, money laundering operations (especially in the construction and tourism sector) and relative high consumption and addiction rates for both cocaine and hashish.

It shows that the overwhelming presence of international drug-related crime is not limited to a country such as Afghanistan with a nascent democratic system, widespread poverty, limited law enforcement capacities and weak rule of law. In fact, since the opium trade inside Afghanistan is still mainly in the hands of Afghan drug lords, who function as intermediaries between farmers and foreign traffickers, it is feasible to consider that a democratic transition might even attract more international criminal groups to Afghanistan, especially if it is not accompanied by economic development, poverty reduction and an effective law enforcement system. To a large extent, the outcome in the longer term will also depend on whether opium cultivation and production moves to other areas, and whether domestic and international crime groups operating inside Afghanistan will switch from illegal to legal activities, following the introduction of licensed opium production and alternative livelihoods.

Although international criminal groups are trying to increase their influence within Afghanistan and are forming partnerships with Afghan drug lords, the latter appear to remain in control of the industry and main trafficking activities inside the country.³⁸

³⁸ Chechen criminal groups have been sighted in Kandahar and Helmand, two of Afghanistan's main opium-growing provinces.

3 Terrorist and insurgent groups in Afghanistan: Linkages with the illegal drug trade

In Afghanistan, there is a thin line between “terrorist” and “insurgent” groups. Many groups operating in Afghanistan are considered to be fighting an insurgency using terrorist means. Security is fragile, leading UN Secretary General, Kofi Annan, to express in a recent press release that the overall security situation and the rise in insurgency in Afghanistan is of paramount concern:

“It is impossible to overestimate the importance of restoring security in Afghanistan as a condition for the sustainability of the peace process.”³⁹

The key terrorist group operating in Afghanistan is Al Qaeda. This terrorist organisation, claimed to be forming the largest truly global network of terrorist cells comprising thousands of members, has become the centre of attention for most law enforcement agencies since 11 September 2001.⁴⁰ The United States National Commission on Terrorist Attacks that investigated the 11 September attacks concluded that:

“Al Qaeda has been alleged to have used a variety of illegitimate means, particularly drug trafficking and conflict diamonds, to finance itself. While the drug trade was a source of income for the Taliban, it did not serve the same purpose for al Qaeda, and there is no reliable evidence that Bin Laden was involved in or made his money through drug trafficking.”⁴¹

There is, indeed, little evidence linking Al Qaeda with the drug trade. Moreover, at present, it is unclear to what extent Al Qaeda is still active in Afghanistan. In the past few years, Al Qaeda members have been arrested in Pakistan, mostly in the area that is

39 UN press release: “Afghanistan: Despite progress, objective of stability remains to be met – ANNAN” (16 August 2005).

40 The Statement made by Rohan Gunaratna, renowned terrorist expert before the National Commission on Terrorist Attacks Upon the United States (9 July 2003) provides a good overview of what Al Qaeda is and how it has developed since 11 September 2001.

41 National Commission on Terrorist Attacks upon the United States, *The 9/11 Commission Report* (2004). Chapter 5.4. A Money Trail? p.169.

bordering south and south eastern Afghanistan. US intelligence suggests that Al Qaeda's leaders, Osama bin Laden and Ayman al-Zawahiri, are currently living in this mountainous border region.⁴² Some say that the forced move from Afghanistan to Pakistan was anticipated before the September 11 attacks were carried out, as it was clear that the US would have to react to these attacks.⁴³ Rumours circulate that currently Al Qaeda terrorists are re-entering Afghanistan under the cover provided by the enormous flows of refugees returning to Afghanistan, *inter alia* from the tribal belts of North and South Waziristan in north-western Pakistan.

Since 1996, Al Qaeda was protected and harboured in Afghanistan by the Taliban movement, which has been widely implicated in drug cultivation and trafficking. While doubts can be raised as to what extent the Taliban represents a terrorist movement, the UN Security Council has, in resolutions such as Resolution 1390 (2002) concerning sanctions, repeatedly grouped this organisation together with Al Qaeda and its leader Osama bin Laden.⁴⁴ The Taliban banned opium poppy cultivation in July 2000, when Mullah Muhammad Omar issued an edict declaring opium production incompatible with the beliefs of the Islam.⁴⁵ Consequently, opium cultivation and production plummeted drastically, with cultivation down 91 percent and production 94 percent.⁴⁶ The economic effect of the ban was a significant rise in the price of opium and its derivatives. While this assured profits for the traffickers and revenue for the Taliban regime that taxed them, it was devastating for those many thousands of households reliant on opium as their only source of livelihood.⁴⁷

Currently, Afghanistan is faced with an insurgent movement that is made up of remnants of the Taliban, with links to Al Qaeda and other groups like Hezb-e-Islami Gulbuddin

42 Dan Murphy, "Al Qaeda to West: It's about policies", *The Christian Science Monitor* (5 August 2005).

43 Syed Saleem Shahzad, "Al-Qaeda witch-hunt in Pakistan's army", *Asia Times* (7 May 2005).

44 For Security Council Resolution 1390 (2002),

45 ODCCP Update, *Afghanistan ends opium poppy cultivation* (June 2001), p.3.

46 ODCCP, *Global Illicit Drug Trends* (2002), p.6.

47 Testimony of William Bach from the Bureau of International Narcotics and Law Enforcement Affairs before the Committee on Government Reform, US House of Representatives Subcommittee on Criminal Justice, Drug Policy, and Human Resources (5 October 2001).

(HIG) that operate against the military troops of the international coalition in Afghanistan:

“An insurgency by Taliban, pro-Taliban, and Al Qaeda remnants persists, but appears to be gaining little traction or popular support. On the other hand, narcotics trafficking appears to be a growing threat to Afghan development and stability.”⁴⁸

The *modus operandi* of these groups is almost entirely based on terrorist-inspired tactics. They mainly conduct rocket and small arms attacks on the international coalition and international relief and reconstruction workers.⁴⁹ In addition, for many years five Pakistani terrorist groups have been involved in Afghanistan: the Harkat-ul-Mujahideen, the Harkat-ul-Jihad-al-Islami, the Lashkar-e-Toiba, the Jaish-e-Mohamad and the Sunni extremist Lashkar-e-Jhangvi (LEJ).⁵⁰ These terrorist organisations also suffered heavy casualties as a consequence of the US-led war in Afghanistan and are now said to be operating from Pakistan with hit-and-run style terrorist tactics.⁵¹ It is not entirely clear what course the evolution of terrorism inside Afghanistan will take. After the presidential elections in October 2004, one analyst said that:

“the major terrorist threat – remnants of Taliban, al-Qaeda, Hezb-i-Islami and others in a loose, largely Pakistan based coalition – apparently realised that they lacked the strength to make a significant impact on the election and decided not to disrupt it. It may also reflect an increasing overlap between terrorist and criminal activity that makes violent action without material profit unappealing. However, despite Karzai's claim, terrorism in Afghanistan has not been decisively cowed by recent set-backs but is rather searching for new and softer targets while awaiting changes that would facilitate a broader reach.”⁵²

48 US Congressional Research Service (CRS), *Afghanistan: Post-War Governance, Security, and U.S. Policy* (June 2004), p.10.

49 Ibid, p.22.

50 B. Raman, “Afghanistan: Enduring terrorism”, *Asia Times* (12 June 2003).

51 Ibid.

52 David C. Isby, “Soft-targets in Post-election Afghanistan”, *The Jamestown Foundation's Terrorism Monitor* (2 December 2004).

This would suggest then that the spectre of terrorism will remain in Afghanistan for the next few years at least, but that its intensity might be low given the relative weakness of the different groups involved. The September 2005 parliamentary elections will prove whether the current trend of small-scale violence, sporadic suicide bombings, abductions and small pockets of resistance to the international coalition will be disrupted by more substantial acts of terrorism and insurgency aimed at protesting and disrupting the fledging central Government and coalition plans for the reconstruction of Afghanistan.

Although Afghan warlords and local commanders ought not to be included in the category of terrorist or insurgent groups, there is a clear overlap in terms of involvement in the drug economy as well as their interest in political power and survival. Although their influence is still strong in Afghanistan, they are said to be slowly losing power and turning their attention either to making money through illegal drugs, legitimate businesses or solidifying their influence through involvement in the upcoming elections.⁵³

4 Terrorist and insurgent groups in Central Asia: Linkages with the illegal drug trade

In Central Asia, the Islamic Movement of Uzbekistan (IMU) is the dominant terrorist group involved in drug trafficking and other criminal activities. At its peak, it had a near monopoly on Central Asia's drug trafficking business.⁵⁴ Founded in 1998, the IMU sought to overthrow the Uzbek regime of President Karimov and establish an Islamic state. They also fought alongside the Taliban and Al Qaeda during the last Afghanistan war. Unlike Al Qaeda, however, the IMU is less bound by Islamic doctrine and turned to a substantial degree to illegal drug trafficking in order to pay its fighters and to obtain arms, equipment and supplies.⁵⁵ From 1999 onwards, the IMU's activities have mainly

⁵³ Netherlands Institute of International Relations Clingendael, *Afghanistan 2005 and Beyond. Prospects for Improved Stability Reference Document* (2005), p.52.

⁵⁴ Tamara Makarenko, *Briefing on Central Asia's Opium Terrorists* (22 August 2002).

⁵⁵ Ibid.

been concentrated on drug trafficking from Afghanistan through Tajikistan and Kyrgyzstan, to markets in Russia and Europe.⁵⁶ Terrorism and international crime expert Tamara Makarenko states that:

“the group's success in drug trafficking is due to their knowledge of mountain routes; their ability to corrupt border officials; and, more importantly, their willingness to enter into armed engagements with border guards to distract attention from trafficking operations in nearby areas.”⁵⁷

The IMU has also suffered from the war in Afghanistan as well as from international anti-terrorism measures since 2001. The movement is often described as an insurgent group that transformed into a criminal organisation, directing its regional operations almost entirely towards protecting old and opening new trafficking routes.⁵⁸ Hizb-ut-Tahrir (HT), a second Islamic organisation and widespread underground Islamic movement in Uzbekistan, Tajikistan and Kyrgyzstan, has also been reported to be involved in the illegal drug trade.⁵⁹ Terrorism expert Ahmed Rashid speculates that HT is involved in narcotics sales and uses the same trafficking infrastructure as IMU and other trafficking organisations in the region.⁶⁰ In general, many insurgent, terrorist and mixed groups seem to be going through a phase of re-thinking their objectives, strategy and modus operandi.

56 Tamara Makarenko, “The Changing Dynamics of Central Asian Terrorism,” *Jane's Intelligence Review* (February 2002).

57 Central Asia's Opium Terrorists.

58 Justin L. Miller, *The Narco-Insurgent Nexus in Central Asia and Afghanistan* (7 May 2003).

59 US Federal Research Division, Library of Congress, *Involvement of Russian Organised Crime Syndicates, Criminal Elements in the Russian Military, and Regional Terrorist Groups in Narcotic Trafficking in Central Asia, the Caucasus, and Chechnya* (October 2002), p.18.

60 *Ibid.*

5 The impact of licensed opium production on international crime

In the context of the proposal to introduce licensed opium production to Afghanistan, it is essential to consider the impact of a system of licensed production on important actors in the illegal drug economy, including terrorist or insurgent groups whose funding – in some cases – is derived from this lucrative illegal trade. In a country where an estimated 60 per cent of GDP is directly or indirectly related to the illegal opium industry, many actors are involved and take their share of this enormous underground economy. It is worth noting that a shift from an illegal to a licensed opium industry will entail similar consequences as those resulting from a transition from illegal opium poppy to the cultivation of other crops as wheat, saffron or rice. If any counter-narcotics measures prove to be successful and sustainable, it is inevitable that criminal organisations will lose at least part of their income derived from illegal drugs. At the same time, some criminal actors may be able to benefit from general amnesty provisions, which could allow them to switch from the illegal to the legal economy. Such amnesty provisions are beyond the scope of this paper.

Criminal groups in Afghanistan – whether domestic, foreign or forming part of international networks – are important stakeholders in Afghanistan’s illegal opium economy. Should a system of licensed opium production be implemented in Afghanistan, it is necessary to take into account that this could affect these groups substantially. Any estimation of the degree to which this impact will be felt, can only be answered once a greater level of detail is established of:

- 1) the size of the project;
- 2) the regions and specific areas that are included;
- 3) the farmers and wage labourers to be included;
- 4) who owns the land and
- 5) who runs, controls and manages these programmes.

These questions will be fully answered at the next stage of the Feasibility Study.

Nevertheless, some observations can be made here concerning the relationship between criminal groups and the proposed system of licensed opium production. Licensed cultivation of opium poppy has the potential to provide many opium farmers, wage labourers and other Afghans with a legitimate income opportunity, which will create the incentive to move away from the criminal sector. Other groups directly or indirectly linked to the illegal economy (for example, traders and shopkeepers) may also benefit from the introduction of a new licensed economic activity which could, for example, provide job security, steady incomes, access to credit and technical assistance. Furthermore, a licensed opium industry offers the clear potential to extricate farmers and wage labourers from their accumulated opium-denominated debt.

Criminal groups – both Afghan and foreign – large-scale traders, war lords, *drug lords* and others benefiting from the current illegal trade could be influenced in a rather different way. While the Feasibility Study research will fully tackle these complex dynamics later, some possible scenarios can be outlined as follows:

- 1 Selected farmers and wage labourers move from illegal to licensed cultivation under the newly implemented licensed opium programme. This could require the Afghan government to implement general or specific amnesty provisions. It could entail that fewer farmers and other workers would work in the illegal sector, less opium could be collected by the traffickers and the prices of opium could go up.
- 2 Traffickers need to find new opium farmers or move to other areas. This could entail moving to areas where illegal opium poppy already grows, or promoting opium poppy cultivation in new areas, which can be described as a *balloon effect* as cultivation shifts to new areas following a change in policy or government action. One possibility is the introduction of large-scale illegal opium poppy cultivation in neighbouring Central Asian republics such as Tajikistan, which has a lot of fertile land where opium poppy would easily grow. For traffickers, this would not be an unattractive option as this territory of the former Soviet Union is already part of the trafficking routes to the west, has good east-west rail

connections from Central Asia to Ukraine and western Russia, and features widespread corruption and relatively little law enforcement capacities. However, Afghan traders will probably have less scope to relocate abroad because of their limited presence and influence outside of Afghanistan's borders. By contrast, international criminal groups and networks already have trafficking infrastructure in place in the region. The next stage of the Feasibility Study should assess the probability of shifting patterns of cultivation, production and the re-location of domestic and international criminal groups.

- 3 The newly established licensed industry has no or only very limited effect on traffickers working in and outside of Afghanistan. In this scenario, traffickers will most likely continue to tap the available illegal cultivation and production, until they are forced to leave the area because of other factors (for example, interdiction, law enforcement, alternative livelihood programmes, and general economic development). One of the precipitating factors of this scenario could be the possibility that the size and scope of the illegal opium economy remains substantial in the short and medium term.
- 4 International crime groups, being mostly involved in the part of the Afghan opium trade taking place outside of Afghanistan, move to other activities or attempt to procure their opium, morphine and heroin from other sources. International or foreign criminal groups are less tightly connected to specific areas in Afghanistan. As discussed above, in most instances they receive opium through their contacts with Afghan drug "mafias". Therefore, they may be able to get the illegal drugs from other sources within the country or from other countries in the region. Should the licensing programme have a deep impact on these criminal groups, they may even decide to shift to different criminal activities such as the smuggling of other goods or human trafficking – or shift to legal activities.

Of course, each of these scenarios is pure conjecture and calls for further research at a later stage of this Feasibility Study.

6 The ability of international groups to disrupt licensed opium production

This paper has shown that in most instances, it is Afghan drug ‘mafias’ who are at the core of almost all different trafficking networks and partnerships involved in the Afghan drug trade inside the country. This limits the ability of international or foreign criminal organisations to influence, manage or control what happens inside Afghanistan. Afghan criminal groups and ethnically related groups from neighbouring countries are in most cases the middlemen between opium farmers or small traders and transnational organised crime.

International and foreign criminal groups operate in the more lucrative part of the opiates trafficking routes originating in Afghanistan, since profits rise substantially with the degree of removal from the source country. As such, international groups tend to have more financial clout with which to operate and influence the drug trade in the region. However, direct influence in Afghanistan appears very limited, because of the fact that specific ethnic groups control the drug trade inside the country. For the Afghan government, it is very difficult to confront the Afghan drug lords or warlords belonging to these ethnic groups as they wield enormous power in local areas.

Nevertheless, should licensed opium production substantially influence the position of domestic players in the opium trade, it is likely that their partner organisations and direct trading partners abroad will try, at least indirectly, to influence proceedings in Afghanistan or direct domestic groups towards other activities or areas. The illegal opium economy is not likely to disappear in the short term, which makes it very hard to predict the response of both domestic and international crime groups. Phase II of the Feasibility Study should further investigate these dynamics and identify scenarios that could occur once licensed opium production systems are introduced in Afghanistan.

7 The effect of the licensed opium industry on income of terrorist or insurgent groups

Considerations of the impact of a licensed opium industry on terrorist and insurgency funding require statistical examination of existing revenue streams.

In broad terms, terrorist organisations derive their funding from three different sources:

- 1 Contributions from supporters and sympathisers (including states);
- 2 Channelled funds from (semi-)legal activities;
- 3 Criminal activities.

The size of the first source is difficult to measure. State support, ranging from political, financial, logistical and material support to offering safe havens to terrorists, has been decreasing since the beginning of the 1990s. First, the end of the Cold War removed patterns of ideological support to like-minded foreign insurgent groups and the leftist organisations that now feature on lists of terrorist organisations.⁶¹

Secondly, since September 11, the international community has increasingly rallied round the common struggle to fight terrorism, which makes it more difficult for states to fund groups that are or could soon be considered terrorist organisations. Nevertheless, support from sympathisers and political groups continue to fund terrorist networks.

The second source, (semi-)legal activities, comprise of *inter alia* (front) businesses, charitable organisations, financial institutions, money laundering operations, fraudulent import and export schemes, and informal banking systems. Examples are the *al-Barakaat* financial network, which yearly channelled several million dollars to Al Qaeda, and the *Holy Land Foundation for Relief and Development*, a large US-based Islamic charity linked to the Palestinian *Hamas* terrorist organisation.⁶² Terrorist organisations are said to make extensive use of *hawala* or *hundi*, which is an informal,

61 Library of Congress (LOC), *A Global Overview of Narcotics-Funded Terrorists and Other Extremist Groups* (May 2002), p. 2.

62 US Senate Committee on Banking, Housing and Urban Affairs, Hearing on “Hawala and Underground Terrorist Financing Mechanisms”. Opening Statement of Subcommittee Chairman Evan Bayh (14 November 2001).

traditional method of transferring money operating outside of normal banking channels and their control mechanisms.⁶³ It can be found in Afghanistan, India, Pakistan, the Middle East and parts of Africa.⁶⁴

The third source, criminal activities, represents a highly diverse group of activities including smuggling (drugs, arms, cigarettes, radioactive materials, precious metals, precious stones, body parts, human beings and so forth), kidnapping for ransom, extortion, robbing banks and businesses, fraud and drug production. All these activities have been linked to the *modus operandi* of different terrorist organisations. Considering this almost inexhaustible list, there is ample evidence that terrorism is indeed highly intertwined with other types of national and trans-national organised crime. Part of the reason why crime has risen in importance is the above mentioned decline of ideological state support for armed groups after the end of the Cold War.

In Afghanistan, the third source, containing criminal activities like drugs and arms trafficking, will undoubtedly play a relatively bigger role than the other sources, given the importance and size of the opium industry and the history of arms trade and arms-for-drugs deals in the country. The enormous amounts of income generated by the illegal drugs trade have a far-reaching potential to fund terrorist and insurgent groups. ***Considering the profitability and availability of illegal drugs, selling a relatively small amount of opium or heroin on the black market could provide terrorists with enough money to perpetrate the type of small scale attacks that can be witnessed in Afghanistan almost every day.***

So long as the illegal opium economy persists, it is likely that terrorist and insurgent groups will continue operating in Afghanistan. It is anticipated, however, that the effect of a licensed system of opium production on general economic development and alternative livelihood creation could have an incremental and long lasting, structural impact on the ability of these groups to continue to derive income from the illegal opium trade.

⁶³ CNN, Customs Service goes after terrorist funding (25 October 2001).

⁶⁴ Opening Statement of Subcommittee Chairman Evan Bayh (14 November 2001).

On the other hand, forced eradication of opium poppy fields, as currently proposed in Afghanistan, could indirectly lead to more financial and popular support for terrorist and insurgent groups. If eradication programmes are initiated without sufficient sustainable alternative income sources or compensation programmes in place, popular dissent may drive people in the hands of terrorist movements or cause them to sympathise with their political agenda.

A licensed opium industry certainly has the potential to become a substantial building block in the Afghan process of rural rehabilitation, economic development, poverty reduction and employment creation. That process could in the long term seriously reduce terrorism and insurgency in Afghanistan, not by taking away political disagreement, historical feuds and ideological extremism, but by providing jobs, income, food and development to Afghanistan.

8 Corruption and the consequent detriment to the implementation of licensing schemes

Phenomena such as war, post-conflict resolution, endemic corruption, poverty, crime and human rights violations all have impact on the stability of Afghanistan. Of these, corruption is perhaps the most insidious and undermining, creating a political and judicial environment that is both unstable, unpredictable and which severely hinders the establishment of a state based on the rule of law. Corruption is therefore a key consideration in the implementation, management and control of licensed opium programmes.

Large-scale drug trafficking often involves corruption on the part of officials (including elected officials, enforcement agents, prosecutors and judges, and military personnel) on

the other side.⁶⁵ The World Bank underscores the importance of addressing corruption by stating that:

“In the short run corruption – defined as the abuse of public position for private gain – undermines the nascent institutions of state, rule of law, and democracy and justice. Over the longer term corruption will also jeopardize the attainment of broad-based and sustainable economic development objectives. (...) Of notable concern in Afghanistan are the close links between corruption and the drug industry and other criminal activities.”⁶⁶

The types of corrupting activities associated with the illegal opium industry include the payment of significant bribes to provincial officials and police, concealment of illegal drugs and money laundering.⁶⁷ Besides these local or regional officials and police officers, the present day judicial system in Afghanistan also faces a deep crisis of public confidence.⁶⁸ During public consultations, people frequently cited judicial corruption and the general state of impunity exploited by commanders as major concerns.⁶⁹ The Netherlands Institute of International Relations Clingendael states that:

“criminal and corrupt official elements in the surrounding regions [of Afghanistan] are involved in the trade in opiates originating in Afghanistan, as well as other forms of trafficking (timber, persons).”⁷⁰

The current nature of Afghan politics reinforces political corruption within Afghanistan. Most political dealings still occur on a local level and outside the framework of official political institutions.⁷¹

65 US Congressional Research Service (CRS), *Illicit Drugs and the Terrorist Threat: Causal Links and Implications for Domestic Drug Control Policy* (20 April 2004), p.6.

66 World Bank, *Afghanistan–State Building, Sustaining Growth, and Reducing Poverty* (2005), p.59.

67 Ibid, pp.60-61.

68 Netherlands Institute of International Relations Clingendael, *Afghanistan 2005 and Beyond. Prospects for Improved Stability Reference Document* (2005), p.41.

69 Ibid, p.10.

70 Ibid, p.32.

The proposed licensed opium schemes would normally also take place in the provinces, sometimes far removed from political control of Kabul. That means that the provincial governor or local authorities would be responsible for these programmes. Moreover, local government officials would likely remain in charge of managing, controlling and supervising licensed opium production in certain areas of the country, as well as the labourers involved.

The main risk that corruption poses for licensed opium production is the possibility that corrupt officials will permit diversion to the illegal opium trade, either at the poppy cultivation or at the morphine production stage. Full control over licensed opium production schemes is an absolute necessity; diversion would undermine the basic assumptions and objectives of such a project. The objective of licensing opium production is not to maintain or support the illegal opium economy, but rather to convert the production towards productive and positive goals. It is about providing an alternative to the illegal opium economy in Afghanistan. Therefore, Phase II of the Feasibility Study, which will consider implementation issues, much attention should be given to safeguards that would rule out diversion through corruption. However, it should be noted that corruption is a general problem in Afghanistan and in no way directly tied to the initiation of licensed opium production schemes.

Lastly, given that licensed opium production schemes would integrate the entire value chain of opium production for medicinal purposes into a tightly controlled licensed system, corruption would be likely to decrease within the area of these projects.

71 Ibid, p.51.

Glossary

Balkan Route: Traditionally the main trafficking route between opium poppy fields in Afghanistan and the European market, leading through Pakistan, Iran, Turkey and the Balkan countries.

Balloon effect: Relocation of opium poppy cultivation or opium production to new areas because of farmers and itinerant workers moving to other regions as a result of counter narcotics measures taken by the government or other factors.

Hawala / hundi: Informal, traditional system of transferring money, which operates outside of normal banking channels and their control mechanisms. No records are produced of individual transactions and the system is entirely based on trust and honour.

Narco-terrorism: Subset of terrorism, in which terrorist groups, or associated individuals, participate directly or indirectly in the cultivation, manufacture, transportation, or distribution of controlled substances and the monies derived from these activities.

Northern Route: System of trafficking routes through the Central Asian republics to the north of Afghanistan, targeting markets in Russia and Europe.

Private armies: Illegitimate forces recruited by warlords, major traffickers or local commanders in order to protect their position and activities.

Safe havens: Countries or regions where terrorists and terrorist networks can hide from law enforcement agencies or international search warrants, because of limited government control or through protection by the government or local (armed) groups operating in the area.

Terrorism: The unlawful use or threatened use of force or violence by a person or an organised group against people or property with the intention of intimidating or coercing societies or governments, often for ideological or political reasons.

Warlord: Supreme (military) leader exercising civil power in certain regions of Afghanistan, normally operating independently from any official authorities and especially in areas where the rule of central government is weak or completely absent. Most warlords have their own private armies.

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