



Strategies for Reforming Afghanistan's Illicit Networks

Harris Samad
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Atlantic Council

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Cover photo: Trucks wait to cross the Afghanistan-Iran border in Zaranj, Afghanistan. *Image by Sgt. Mallory S. VanderSchans, U.S. Marine Corps on Wikimedia Commons*

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The support and enthusiasm demonstrated by the governmental and nongovernmental community for the South Asia Center's exploration of illicit networks is indicative of its timeliness, centrality to the peace process, and importance to a prosperous future for Afghanistan. We hope that this report provides a solid foundation for a thorough area of work on illicit networks, as well as how they can be sustainably incorporated to support the ongoing peace process and democracy in Afghanistan.

Note on Authorship: While this was a team effort, the primary authors of the report are Harris Samad and Fatima Salman. The authors thank their colleagues Trevor Cloen, Shuchismita Hassan, and Zaara Wakeel for their contributions and research support.

Executive Summary

This report explores illicit networks in Afghanistan in the context of peacebuilding, democratic consolidation, and enhancing state capacity. Existing literature on the topic is sparse. While the 1990s saw study of the subject matter as tangential to international arms and drug trafficking policies, this period laid the foundation for renewed interest on the issue partially catalyzed by the 2001 US-led invasion. The 2008 global financial crisis shifted this lens toward one of countering the financing of terrorism strategies, corruption, and money laundering. The current day reflects a broadening of how illicit networks are analyzed beyond sector-specific policies; that is, the subject matter today encompasses more of the sectors that make it profitable, rather than focusing only on the most relevant component at a given time. Indeed, it is an internationalized issue, encompassing the smuggling of different goods and involving individuals of varying motivations and capacities within and without Afghanistan.

Illicit networks can be broadly understood at three main levels: hyper-local, national, and international. At a hyper-local level, illicit networks represent a series of interpersonal relationships that facilitate the exchange of goods and compensation (taking many forms) beyond the reach of central law enforcement or political authority. Nationally, illicit networks comprise regional and countrywide patronage, criminal, and insurgent networks that organize and profiteer from the hyper-local relationships on a macro level. Internationally, actors with reach outside of the country move illicitly gained goods such as poppy, talc, methamphetamine, minerals, and others, as well as people via human trafficking, into trading hubs in Iran, Pakistan, and the Gulf for export into international markets. They then use poorly regulated financial institutions throughout the world (notably, Western and Gulf banking systems) to store funds, some of which make their way back to Afghanistan (though this phenomenon is particularly difficult to track).

This report outlines several specific policy recommendations that will be necessary to combat the illicit networks in a manner that supports the durability of the ongoing peace process in Afghanistan and the continued consolidation of its fragile democratic institutions. These recommendations include the following:

For Afghanistan:

- ◆ Provide a path for illicit actors into the formal economy
- ◆ Generate political will and support
- ◆ Establish high-level Afghan support for countering illicit trafficking and upholding the rule of law
- ◆ Implement enhanced border management
- ◆ Expand the negotiating table to include more localized narratives
- ◆ Strengthen and internationalize counter-threat finance strategies

For the United States:

- ◆ Support a comprehensive economic settlement
- ◆ Ensure future interoperability between Afghan and US security forces

For regional stakeholders:

- ◆ Provide access to global markets to enhance regional trade integration
- ◆ Cut off regional and international components of networks to reduce viability and profitability via neighborhood watchdogs, in conjunction with the United States

Introduction

Discourse on Afghanistan is heavy on the topics of security, democratic consolidation, religion, ethnicity, and foreign involvement. The country's political system is no stranger to instability and, despite attempts by domestic and foreign powers, building a high-capacity state that governs all of Afghanistan has proven to be a Herculean task. This is at an unspeakable cost to the Afghan people, many of whom are young and have known their country only in wartime. The struggle for human rights both within Afghanistan and in the Afghan diaspora, in particular those residing across greater South and Central Asia as refugees, continues to be one of the foremost challenges facing Afghanistan and the international community.

Afghanistan also poses a challenge to regional powers, whose interests and security are complicated by political instability present on their borders for extended periods. Poppy cultivation and methamphetamine production have contributed directly to rising addiction rates in Afghanistan, Iran, and Pakistan, as well as in the Central Asian republics and the Russian Federation. The central government in Kabul, backed by the United States and its allies, is in a constant power struggle with the Taliban and other nonstate actors who vehemently oppose the republican government. Their violent resistance bleeds into neighboring countries and intertwines the region into Afghanistan's struggle for a stable political system and economic growth.

It is in this context that the illicit networks pervading Afghanistan's political economy operate. These networks are comprised of a fluid yet established system of everyday workers, intrastate and interstate goods producers, transporters, border patrols, security institutions, intelligence bureaus, *hawalas*,¹ international financial institutions, and the like. They function as a system of relationships and trust developed over extended periods of interaction. Those actors regularly undergo the difficult work of getting product A to destination Z, amidst the constantly evolving geopolitical landscape of Afghanistan and greater South Asia. While illicit economies are often characterized as dealing only in drugs, they also work with minerals, fuel, cars, talc, and many other technically licit goods, in addition to illicit areas such as human trafficking, methamphetamine, and poppy. The illicit economy is thus much more than simply a series of heroin trafficking networks and banks with poor Customer Due Diligence policies.

In referring to Afghanistan through the lens of conflict and political turbulence, though, it is important to distinguish between entities actively perpetuating the conflict, and the Afghan people making enormous sacrifices to push for peace within and without the country's fragile democracy. Here we hope to add to the discourse an area of nuance: not every individual involved in the illicit networks is criminal or intentionally supporting illicit economies—many are simply working within the economic structures they can access. Indeed, this may be in conjunction with criminal and extremist groups, but there is a distinction to be made between those illicit entities and the everyday people who are forced to source a livelihood in their presence.

Their multifaceted nature makes Afghanistan's illicit networks uniquely challenging to examine and address, necessitating a wide-angle understanding of the inner power dynamics and relationships that comprise them. In few places can one find a near alignment of interests between licit and illicit actors who use similar economic means to starkly different ends. Such is the basis for a more nuanced comprehension of these networks and the structures that perpetuate them.

The illicit networks in Afghanistan can thus be understood as a fluid, internationally linked system of relationships, actors, and incentives that play a role in the exchange of people, goods, and finances, traded beyond the grasp (and often with the tacit acceptance) of government oversight and law enforcement.

Uniquely flavored by Afghanistan's complex political economy, illicit networks are a formidable spoiler in the peacebuilding process and the continued consolidation of Afghanistan's democratic institutions. They are intrinsically linked to the conflict and postwar stability in Afghanistan due to their infiltration of every political and economic stratum in the country. If not prudently addressed, the illicit networks will continue to sustain instigators of turbulence and instability in Afghanistan and throughout South Asia. The promised withdrawal of United States military forces, a fragile peace deal between the Taliban and the United States, and the ongoing intra-Afghan dialogues are all endangered if the illicit networks are treated as a peace-process afterthought.

¹ *Hawalas* are an informal means of transferring money through private brokers. The lack of traceability makes them integral to the functioning of illicit networks and the exchange of illicitly obtained funds. That said, *hawalas* are also used extensively for licit transactions, especially in countries with weak or inefficient formal banking systems. See Integrity Watch Afghanistan, *Curbing Illicit Financial Flows in Afghanistan*, 2015, <https://iweb.org/wp-content/uploads/2016/04/IFF-report-English-2-for-screen.pdf>, 26.

This report, made possible by the generous support of the Rockefeller Brothers Fund, calls for an honest conversation around illicit networks in the context of rising international and regional calls for peace in Afghanistan. It explores existing literature and policies by the Ashraf Ghani administration to assess previous understandings, briefly maps the networks through a multilevel lens, makes initial policy recommendations, and outlines some of the potential associated challenges with an anti-illicit networks strategy. Our aim is not to encapsulate the illicit networks dialogue in its entirety, but to catalyze inclusion of the issue within the peacebuilding space as well as the peace process negotiations themselves. This is especially relevant given Yaqub Ibrahim's recent study *Political Settlement and Post-Conflict Order in Afghanistan: People's Views*, which found that close to 70 percent of Afghan citizens surveyed somewhat support or strongly support the Kabul-based government compared with the Taliban's emirate. That said, Kabul

will continue to struggle to build state capacity if violence and corruption enable illicit networks that undermine its effectiveness at every turn.

The peace process cannot ignore networks that lubricate the gears of conflict, corruption, smuggling, money laundering, international organized crime, and other intertwined perpetrators of chaos in Afghanistan. Such a situation will encourage only a temporary negative peace rather than a durable positive peace, where the benchmark for success is much more than a simple "reduction in violence." This report emphasizes the importance of incorporating illicit networks as an agenda item into the peace-process negotiations, as well as into the peacebuilding space consisting of academics, policymakers, and other stakeholders, to support a politically inclusive, prosperous future for the people of Afghanistan.



A man opens the back of his truck during a security check at the Shir Khan border crossing point. Image by Spc. Jazz Burney on Wikimedia Commons

Literature Review

Afghanistan has a long and complex history of conflict, from the post-World War II era to the 1979 Soviet invasion and consolidation of Taliban rule at the end of the 20th century. Since the 1980s, the lens through which experts have examined the country's illicit networks has changed, reflecting the dominant school of thought for understanding the state of the world at a particular moment in time. The Cold War and Great Powers' tug-of-war for domination in the post-colonial world informed many views of Afghanistan and illicit economies in a way that reflected the world order of the time.

In setting the stage for a deeper conversation around illicit networks to support peacebuilding in Afghanistan, this review draws a concise picture of previous schools of thought regarding illicit economies. While these networks may have become a more pointed area of study after the events of September 11, 2001, contextualizing the development of analyses on illicit networks with 9/11 as its epicenter would be doing a grave injustice to our understanding of the subject. Peeling back this narrative, while avoiding unnecessary entanglements in every intricacy and nuance, is key in exploring how the subject matter has developed over time.

The 1990s witnessed the consolidation of Taliban rule and the imposition of an extremely strict interpretation of *sharia* (Islamic jurisprudence). Afghanistan also saw a near complete halt to poppy production toward the end of the decade. Globalization and the new millennium brought a variety of approaches to understanding illicit economies, networks, and criminal patronage in Afghanistan. Herein lies a deep tension to be explored throughout this report: Illicit networks are both an internationalized and domestic issue for Afghanistan, necessitating complementary externalized and internalized methods of analysis.

In this review, we seek to demonstrate the trajectory of past analyses on illicit networks in Afghanistan. This is designed to “connect the dots,” creating a broad timeline of attitudes driving subject matter exploration. In four broad categories, we explore the ebbs and flows of historical understandings that have come to define the study of Afghanistan's illicit economy:

1. 1989 to 2001: A civil war, consolidation of Taliban rule, and the isolation of Afghanistan as primers for a globalized illicit economy
2. 2001 to 2008: The fall of the Taliban to the global financial crisis, poppy fuels the insurgency
3. 2009 to 2017: The financial crisis to the crest of President Ghani's first term, spotlight on illicit finances as a driver of conflict
4. 2018 to 2020: A stalemate, the Taliban-US Peace Deal, and retrospective analyses catalyzing a diversified understanding of illicit networks

While an ambitious project, exploring and tying together existing literature contextualizes the policy recommendations and issue analysis in this report as well as current policies being implemented in Afghanistan. Peacebuilding and democratic consolidation in Afghanistan require an assessment of the existing schools of thought contributing to our current understanding of illicit economies.

The 1990s: Civil war, consolidation of Taliban rule, and the isolation of Afghanistan as primers for a globalized illicit economy

Mapping historical understandings of illicit networks begins in the early 1990s. Following the Geneva Accords of 1988 and Soviet withdrawal, Afghanistan entered a period of relative international isolation. By the late 1990s, poppy production had fallen dramatically due to drought and effective restriction by the Taliban and the country fell off the radars of much of the international community. This context was strongly reflected in the minimization of studies of illicit networks. Most notable discussions on the related issues of drug and arms trafficking focused on the demand side rather than the supply side, where the subject of illicit networks was often mentioned as a tangential or a related-but-separate subject matter lacking thorough exploration in itself. The following works demonstrate the foci of the period 1998-2001 on issues related to illicit networks but intrinsically separate in scope, reflecting isolation of the topic and of Afghanistan more generally.

From the perspective of the United States, examining the illicit drugs trade in Afghanistan during this period was actively resisted. A report by the *Washington Post* in 1990 stated that “U.S. officials acknowledged that the United States plays down reports of narcotics trafficking by ISI [Inter-Services Intelligence] and the Afghan mujaheddin,

saying this has been partly for lack of evidence and partly because of the political sensitivity of exposing illegal activities by allies of the U.S. effort to oust Afghanistan's Soviet-backed government."² A desire to keep quiet mainstream discourse on the issue of illicit networks was thus in the interest of the United States given its involvement in previous years. This dynamic played a major role in silencing the problem through the decade.

In 1999, Raymond Baker of the Brookings Institution, a Washington, DC, think tank, testified to the US Permanent Subcommittee on Investigations on the subject of money laundering and flight capital. There, he discussed the lodging of illicit finances in Western banking institutions from the developing and then-recently postcommunist world.³ He highlighted Pakistan, among many other countries, as an example of how the United States' facilitation of hidden illicit finances destabilizes governments in what is already "a volatile subcontinent," citing Pervez Musharraf's 1999 coup as a key example.⁴ This testimony can be viewed as a "pre-requisite" to the current subject matter of illicit networks and economies. Pakistan was and continues to be complicit in illicit networks based in Afghanistan, often serving as a stepping stone for their expansion into other areas of the world. Notably, Baker made no mention of Afghanistan or the enormously internationalized illicit funding from its poppy economy before the Taliban banned poppy cultivation.⁵ The Baker testimony is a pointed example of a tangential mention of the subject matter without directly addressing or analyzing it as a standalone sector of analysis.

In 2000, the United Nations Information Service hosted a Third Committee Debate on Crime. This debate focused on the illegal arms trade, terrorism, and drug trafficking in the post-Cold War era,⁶ setting the stage for the study of illicit networks moving into the consolidation of the post-Soviet world order. A large part of the debate focused on peripheral components of illicit networks with representatives from Nepal, Libya, Lebanon, Brazil, Myanmar, Turkey, and Bahrain emphasizing the importance of their respective domestic drug and arms trafficking control policies.⁷ While domestic frameworks to control these phenomena are undoubtedly important, they do not focus on a major

component of the issue—the producer of illicit goods—which, in the case of the illicit poppy trade, was almost exclusively the Afghanistan-Pakistan region. Such a perception avoided shining a direct spotlight on the subject of illicit networks but began a conversation around its many externalities, in this case the drug and arms trafficking control institutions of other affected countries.

One noteworthy exception to the assertion that illicit networks were not a priority during the 1990s is the 1998 United Nations Office on Drugs and Crime (UNODC) study *Economic and Social Consequences of Drug Abuse and Illicit Trafficking*. This study explored the international illicit drug trade in impressive detail, examining different dimensions of the enterprise and resulting addiction rates on a country-by-country basis.⁸ While Afghanistan was mentioned only tangentially in the sixty-page study,⁹ the UNODC report was an early indication of the multilateral institution's commitment to developing a coordinated, comprehensive response to the many interrelated issues within illicit trafficking. Though the topic of illicit networks and trafficking was clearly on the radars of many international actors in this study, these areas were not a top concern for major drugs-control organization UNODC with regards to Afghanistan.

Toward the end of 2001, however, illicit networks driven by poppy production and poor financial accountability would soon appear on the radars of the international community and, in particular, those of the United States and allies.

2001-2008: Fall of the Taliban to the global financial crisis, poppy fuels the insurgency

Once the US-led invasion removed it from power in 2001, the Taliban leadership regrouped in Pakistan and transformed itself into an insurgency fighting an asymmetrical war against the United States and allies, NATO, and the newly created Islamic Republic of Afghanistan. The Taliban turned to poppy as a viable and attractive source of funding for its resistance against invading forces. International demand for poppy spiked against the backdrop of the worldwide opioid crisis (though most opioids in the United States

2 James Rupert and Steve Coll, "U.S. Declines to Probe Afghan Drug Trade," *Washington Post*, May 13, 1990, <https://www.washingtonpost.com/archive/politics/1990/05/13/us-declines-to-probe-afghan-drug-trade/f07eadd2-3d25-4dd5-9e8c-05beed819769/>.

3 Raymond Baker, "Money Laundering and Flight Capital: The Impact on Private Banking," Permanent Subcommittee on Investigations, US Senate, 106th Congress, 1999. Statement of Raymond Baker, Brookings Institution Guest Scholar in Economic Studies.

4 Ibid.

5 Ibid.

6 United Nations Information Service, "Links between Terrorism, Drug Trafficking, Illegal Arms Trade Stressed in Continuing Third Committee Debate on Crime," October 5, 2000, <http://www.unis.unvienna.org/unis/en/pressrels/2000/shc302.html>.

7 Ibid.

8 Ibid.

9 United Nations Office on Drugs and Crime, *Economic and Social Consequences of Drug Abuse and Illicit Trafficking*, 1998, https://www.unodc.org/pdf/technical_series_1998-01-01_1.pdf.

do not come from Afghanistan). Illicit networks and criminality in Afghanistan in this period were generally analyzed and understood through the lens of poppy production and opiate smuggling, given that this illicit trade was one of the Taliban's main funding sources.

Lionel Beehner's 2006 piece *Afghanistan's Role in Iran's Drug Problem* discusses the effects of the massive spike in opioid production undergirding the Taliban insurgency on addiction and HIV/AIDS rates in Iran.¹⁰ Illicit opiate networks trafficked much of the product coming from Afghanistan through Iran, where strong retributive and punitive counternarcotics policies existed, similar to those found in the United States and other countries with "tough on crime" justice frameworks.¹¹ A 2006 study by the Australia Refugee Review Tribunal examines the cooperation of US and Pakistani security forces with criminal trafficking networks in Pakistan to obtain intelligence on Taliban activity along the Pakistan-Afghanistan border, with the networks in question consisting almost exclusively of narcotics traffickers.¹² These networks most often involved poppy coming out of Afghanistan and passing through Balochistan in addition to the Northwest Frontier Province, which would eventually become Khyber-Pakhtunkhwa.¹³

In his 2006 book chapter "Drug Trafficking and the Development of Organized Crime in Post-Taliban Afghanistan," Mark Shaw discusses the development of illicit criminal organizations and illicit trade in the newly democratic Afghanistan as being a narcotics-centric phenomenon.¹⁴ Louise Shelley's 2005 article "The Unholy Trinity: Transnational Crime, Corruption, and Terrorism" takes a similar view, connecting the drug trade in Afghanistan as a funding source for the Taliban and criminal organizations in Europe, to criminal groups enabling the conflicts in Chechnya and Kosovo.¹⁵

Finally, the US Special Inspector General for Afghanistan Reconstruction stated that "by the end of 2003, the United States began to take a more dominant role in counternarcotics."¹⁶

From 2004 to 2008, counternarcotics became a top priority, with 2008 seeing the creation of the Afghan Threat Finance Cell, targeting illicit financial flows undergirding corruption, narcotics trafficking, and insurgency.¹⁷ Thus, from the perspective of the major stakeholders in the conflict (Afghanistan, Pakistan, the United States, NATO), illicit networks enabling the insurgency tended to be framed in the context of narcotics trafficking and poppy production in Afghanistan, from the beginning of the Taliban insurgency against the US-led invasion into approximately the financial crisis of 2007-2009.

This second phase of scholarly interest in illicit networks was thus dominated by a Western focus on how opium production affected the US-led coalition's prospects in its battle against the Taliban.

2009-2017: The financial crisis to the crest of President Ghani's first term, spotlight on illicit finances as a driver of conflict

A third phase of the literature can be marked as beginning with the onset of the 2008 global financial crisis, which spotlighted shortcomings in institutions and practices of international finance. Afghanistan's relative isolation from the global economy afforded it significant insulation from the economic recession.¹⁸ The World Bank denoted a favorable economic outlook for Afghanistan from 2010 to 2011 with significant growth in key economic sectors and domestic revenue production.¹⁹ Against this backdrop, the financial crisis, in conjunction with growing international and regional implications of Afghanistan's illicit networks, refocused international attention toward the interrelated issues of anti-money laundering (AML), countering the financing of terrorism (CFT), illicit financial flows, corruption, and good governance.

In 2011, the Financial Action Task Force (FATF) and the International Monetary Fund (IMF) reviewed Afghanistan's

10 Lionel Beehner, "Afghanistan's Role in Iran's Drug Problem," Council on Foreign Relations, September 13, 2006, <https://www.cfr.org/backgrounders/afghanistans-role-irans-drug-problem>.

11 Ibid.

12 Refugee Review Tribunal, *RRT Research Response*, Research Response Number PAK30092, April 6, 2006, <https://www.refworld.org/pdfid/4b6fe2d2d.pdf>.

13 Ibid.

14 Mark Shaw, "Drug Trafficking and the Development of Organized Crime in Post-Taliban Afghanistan," In Doris Buddenberg and William A. Byrd (Eds.), *Afghanistan's Drug Industry: Structure, Functioning, Dynamics, and Implications for Counter-Narcotics Policy* (Washington, DC: United Nations Office on Drugs and Crime and the World Bank, 2006): 199-200.

15 Louise Shelley, "The Unholy Trinity: Transnational Crime, Corruption, and Terrorism," *The Brown Journal of World Affairs* XI, no. 2 (2005): 103, <http://bjwa.brown.edu/11-2/the-unholy-trinity-transnational-crime-corruption-and-terrorism/>.

16 Special Inspector General for Afghanistan Reconstruction, *Counternarcotics: Lessons from the U.S. Experience in Afghanistan*, June 2018, <https://www.sigar.mil/interactive-reports/counternarcotics/index.html>.

17 Ibid.

18 Sayed Salahuddin, "Isolation Shields Afghanistan from Financial Crisis," *Reuters*, February 5, 2009, <https://www.reuters.com/article/us-afghan-economy/isolation-shields-afghanistan-from-financial-crisis-idUSTRE51P04D20090226>.

19 World Bank, "Afghanistan Economic Update 2010," 2010, <https://www.worldbank.org/en/news/feature/2010/05/10/afghanistan-economic-update-2010>.

adherence to AML and CFT guidelines laid out by the FATF.²⁰ The report highlighted both insufficient frameworks and lack of effective implementation to prevent illicit smuggling, money laundering, terrorism financing, public sector financial fraud, and other enabling elements of the illicit economy.²¹ Clauses 8 and 12 of section C use a financial lens to understand previous attempts to combat the illicit economy enabling terrorist groups, as well as the fluid regional network through which illicit funding could move unimpeded across national borders:

TF [terrorism financing] has been criminalized, but nevertheless remains a major cause of concern in Afghanistan. Several terrorist groups are believed to be active in Afghanistan, notably Al Qaeda. The CFT LD [Legislative Decree] criminalizes the provision and collection of funds for the commission of a terrorist act. It does not, however, criminalize the collection of funds and their provision to terrorist individuals or terrorist organizations, and the scope of the TF offenses is further limited by other deficiencies.²²

Afghanistan has established a declaration system for the cross-border transportation of currency and bearer negotiable instruments both into and out of Afghanistan which, in practice, is only implemented (albeit in a limited way) at the Kabul international Airport (KIA).²³

The illicit economy is therefore framed as an issue of insurgent funding and insufficient financial regulation by the government. Additionally, the review sheds light on porous regional financial networks enabled by legal loopholes and corruption that ease the process of moving money obtained illegally into and out of the country, as well as into the hands of groups that easily work around CFT laws. Such shortcomings strongly enable the fluid and murky environment that allows beneficiaries of Afghanistan's complex war environment to function and extract resources from it.

"Emerging Terrorist Financing Risks," a 2015 article by the FATF, details structures and vulnerabilities that undergird the illicit financial networks funding the Islamic State of Iraq and al-Sham (ISIS). It discusses both self-funding, social media-driven "crowdsourcing"-style financing, and

the "exploitation of natural resources" associated with organized crime syndicates, smuggling, illegal mining, kidnapping, corruption, and related illicit activities.²⁴ In its risk assessment, the FATF provides an overview of the various financing mechanisms and financial management practices used by terrorists and terrorist organizations, including ISIS.

In his 2016 Foreign Affairs piece "Dirty Money in Afghanistan," South Asia Center Nonresident Senior Fellow Javid Ahmad explains that the lack of a centralized financial infrastructure in Afghanistan, overseen and regulated by the state, contributes heavily to the ease of transporting illicit cargo, moving illicitly gained wealth around and out of the country, drug smuggling, informal trade, and terrorist funding.²⁵ Similarly, the US Agency for International Development stated in a 2015 report on illicit finances in Afghanistan that

Illicit financial flows allow criminals, corrupt politicians, and warlords to send the proceeds of their crimes throughout Afghanistan and the world to purchase elaborate houses, cars, and weapons, pay salaries for militias and criminal gangs, and buy their way to immunity for their crimes... Growing criminality in Afghanistan, including the country's rising transnational organized crime networks relating to narcotics, has presented a major challenge with regard to money laundering.²⁶

The illicit networks and criminality in Afghanistan were viewed in this period as lubricated by illicit financial flows, money laundering, and *hawala* banking systems. This school of thought, dominant from 2009 to 2017, studied money laundering trends to understand issues such as crime networks and narcotics, smuggling, warlords, and public sector corruption, all of which have a strong presence and a long history related to illicit networks in Afghanistan.

2018-2020: Emergence of a stalemate to the Taliban-US Peace Deal, diversified understanding of the causes and nature of illicit networks

The present day reflects a significant shift in our understanding of illicit networks, incorporating a more nuanced,

20 International Monetary Fund, *Islamic Republic of Afghanistan: Report on Observance of Standards and Codes—FATF Recommendations for Anti-money Laundering and Combating the Financing of Terrorism*, November 2011, <https://www.imf.org/external/pubs/ft/scr/2011/cr11316.pdf>.

21 Ibid.

22 Ibid., 5.

23 Ibid., 6.

24 Financial Action Task Force, *Emerging Terrorist Financing Risks*, October 2015, <http://www.fatf-gafi.org/media/fatf/documents/reports/Emerging-Terrorist-Financing-Risks.pdf>, 5, 39.

25 Javid Ahmad, "Dirty Money in Afghanistan," *Foreign Affairs*, September 7, 2016, <https://www.foreignaffairs.com/articles/afghanistan/2016-09-07/dirty-money-afghanistan>.

26 Integrity Watch Afghanistan, *Curbing Illicit Financial Flows in Afghanistan*, 1, 6.



A truck carrying thousands of pounds of processed wheat rolls past Marines and Afghan Uniformed Police on patrol, Nawa, Helmand Province, Afghanistan. Image by Cpl. Marco Mancha on Wikimedia Commons

multisectoral analysis of the networks in addition to regional and international enabling factors. As the conflict raged on and President Ghani moved toward what would become his second term in office, it became clear that a military victory was unlikely for the Taliban or the government in Kabul. BBC journalist Dawood Azami stated in mid-2019 that the government in Kabul and allies were at a “continued stalemate with the insurgents.”²⁷ Against a backdrop of greater international conversations around peacebuilding, perceptions of illicit networks in Afghanistan are now shifting beyond just opiates and money laundering. Exploration of criminal groups dealing in many goods at the regional and international levels and development factors that create an environment conducive to their survival is diversifying the current study of the subject matter.

Common perceptions of illicit networks and economies are becoming much less poppy-centric. While poppy

production is a key driver of profit for nonstate actors such as the Taliban, certain government officials, and criminal groups, the networks are diverse and involve a whole host of other goods, including talc, fuel, timber, emeralds and other minerals, people for human trafficking, cigarettes, and cars, among others. In his 2020 piece “Mules, Pick-Ups and Container Traffic: Cross Border Production and Trade and the Shaping of the Political Economy of Nangarhar,” David Mansfield examines the intricacies of illicit trade in drugs, talcum powder, diesel, fertilizer, cigarettes, and humans at a hyper-local level.²⁸ His work assesses the underlying assumptions that underpinned the international campaign against drug trafficking and illicit networks in Afghanistan. This hyper-local analysis—drawing on multiple sources of data—reveals a chasm between the realities on the ground and the objectives of the international campaign against illicit trafficking in Afghanistan. By widening “the scope of this exploratory phase of the research to include the

27 Dawood Azami, “Afghanistan War: What Could Peace Look Like?” *BBC News*, July 14, 2019, <https://www.bbc.com/news/world-asia-47733079>.

28 David Mansfield, “Mules, Pick-Ups and Container Traffic: Cross Border Production and Trade and the Shaping of the Political Economy of Nangarhar,” February 10, 2020. Pre-release text provided to the authors.

production, trade and movement of several key commodities specific to the area,”²⁹ Mansfield and his team illuminate the importance of moving beyond the notion that illicit networks are only a drug phenomenon.

Mansfield concludes that such an overemphasis disproportionately illustrates the “importance of illicit drugs within the political economy of the region” as being more than it actually is.³⁰ Virginia Comolli, a senior fellow at the International Institute for Strategic Studies, complements Mansfield’s conclusion, stating that “ignoring the role and impact of criminal activities while designing conflict-prevention mechanisms would no doubt be a short-sighted approach that risks undermining the overall peace effort.”³¹ The Center for International Private Enterprise (CIPE) argues that targeting narcotics militarily without addressing the underlying reasons for the appeal of poppy cultivation is “effectively treating the symptom rather than the disease.”³² Instead, a broad approach is needed to overhaul the Afghan economy and create real opportunity so that cultivating poppy is no longer the only realistic source of livelihood for many Afghan people.³³ Borhan Osman of the International Crisis Group argued in 2017 that “the [Taliban] is not the only player in this business, narcotics are not the Taliban’s institutionalized business, and without drug money, the movement would not fall apart.”³⁴ He challenges the notion that the drug economy and the Taliban are one, arguing that the poppy economy is a complex phenomenon involving many actors, in many capacities, with varying motivations.³⁵

Additionally, illicit networks are increasingly seen as a development and intercountry issue rather than just an “Afghanistan problem.” Eric Gutierrez, a senior adviser on tackling violence and building peace at Christian Aid, stated in a 2018 Oxfam UK piece that “over the last few years, a critical mass of research is starting to put illicit economies on the agenda of development agencies.”³⁶ Adrian Morel of The Asia Foundation adds yet another layer of illicit network intersectionality in his 2020 work “Afghanistan’s Borderlands: Unruly, Unruled, and Central to Peace.” He argues that

cross-border relationships and trade (specifically along the porous Afghanistan-Pakistan border) represent a huge part of the Afghan economy regarding communities outside the political center in Kabul.³⁷ Morel cites a previous Asia Foundation study that “paints a picture of large traders and smuggling barons profiting most from business opportunities and ineffective border controls, while many more earn a modest living as truck drivers and cargo handlers, or by transporting licit and illicit goods along local trails.”³⁸ It is thus an issue of regional and cross-border relationships, not confined by national political boundaries, which in practice are more visible on maps than in the real world.

Previous focuses on security-centric approaches to eliminating the drug component of the illicit economy at a national level not only are outdated and ineffective, but risk ignoring key factors that perpetuate the networks they purport to be against and the conflict they sustain. Building on the work of scholars like David Mansfield and institutions like CIPE and The Asia Foundation, our report suggests that peace cannot be obtained unilaterally through a poppy-focused understanding of the drivers of conflict.

Thus far, analyses of illicit networks in Afghanistan have ebbed and flowed as corruption, violence, and human rights abuses have prevented the country from achieving peace and stability. In assessing the trajectory of this subject matter, we explored the country’s international isolation and a near-complete halt to poppy production in the 1990s, the takeoff of a partially opiate-funded insurgency and international opioid crisis after 2000, and a refocus on illicit financing as an enabler of conflict in Afghanistan following the 2008 economic recession. Today, the peace process is resurfacing old mindsets dressed in new suits and ongoing talks of negotiations. Here, existing literature, in conjunction with a brief overview of current strategies to counter illicit networks, can be bridged into the nuanced analysis provided by this report to support peace-building and democracy more effectively for the people of Afghanistan.

29 Ibid., 1.

30 Ibid., 2.

31 Virginia Comolli, “Illicit Trafficking and Conflict: A Chicken-and-Egg Situation?” World Bank, blog, May 22, 2018, <https://blogs.worldbank.org/dev4peace/illicit-trafficking-and-conflict-chicken-and-egg-situation>.

32 Center for International Private Enterprise, “Countering Afghanistan’s Drug Trade Requires Meaningful Economic Reform,” blog, February 21, 2018, <https://www.cipe.org/blog/2018/02/21/countering-afghanistans-drug-trade-requires-meaningful-economic-reform/>.

33 Ibid., 2018.

34 Borhan Osman, “U.S. Bombing of Afghan Drug Labs Won’t Crush the Taliban,” International Crisis Group, blog, December 11, 2017, <https://www.crisisgroup.org/asia/south-asia/afghanistan/afghanistans-poppy-boom-isnt-all-talibans-fault>.

35 Ibid.

36 Eric Gutierrez, “Illicit Economies, Shadowy Realms, and Survival at the Margins,” Oxfam, From Poverty to Power blog, May 6, 2018, <https://oxfamblogs.org/fp2p/illicit-economies-shadowy-realms-and-survival-at-the-margins/>.

37 Adam Burke, “Afghanistan’s Borderlands: Unruly, Unruled, and Central to Peace,” The Asia Foundation, January 25, 2020, <https://asiafoundation.org/2020/01/22/afghanistans-borderlands-unruly-unruled-and-central-to-peace/>.

38 Ibid.

Existing Policies by the Ghani Administration to Counter Illicit Networks (2014-Present)

What strategies are already on the books of the Afghan government to combat the illicit networks phenomenon? What has been tried, and on which existing frameworks can the recommendations outlined later in this report build upon, to implement an effective strategy for illicit networks?

The Ghani administration's existing policies to counter illicit networks, often thorough and wide-reaching as codified in law, tend to be poorly enforced due to a variety of constraints. These include the widely discussed illicit poppy trade, as well as illicit financial flows; human trafficking; timber, mineral, and fuel smuggling; and others. The following is not intended as a complete overview of the Ghani administration's strategies to combat illicit networks, but is a concise snapshot of major relevant policies implemented from 2014 to the present day.

In October 2015, the Ghani administration enacted the National Drug Action Plan (NDAP), which consisted of three main pillars: 1) cut poppy production, 2) slash the manufacture of illicit opiate substances and opiate smuggling, and 3) bolster addiction treatment resources and reduce the demand for drugs.³⁹ "The NDAP targets all facets of the drug trade, from cultivation and production to trafficking and usage, by employing incentives such as alternative development and deterrents such as eradication, interdiction, and prosecution."⁴⁰ NDAP represents a broad, overarching anti-narcotics strategy aimed at encapsulating the majority of the illicit opiate trade in Afghanistan.

Regarding the wide-ranging issue of illicit financial flows, South Asia Center Nonresident Senior Fellow Javid Ahmad reported in 2016 that "the government has also strengthened its ability to combat money laundering and

terrorism financing. It has amended the laws that criminalize both practices, requiring the attorney general to order asset freezes against people involved in either offense as soon as the authorities have determined their involvement."⁴¹ Government oversight of *hawala* brokers also became more strongly enforced, with the licenses stripped from brokers who fail to report suspicious transactions as a tool of enforcement.⁴² More recently, 2019 saw a variety of training courses at the Afghanistan Financial Intelligence Unit related to money laundering, terrorism financing, border declaration, cross-ministry intelligence coordination, implementation of FATF standards, and dislodging of illicit finances rooted in transnational organized crime syndicates.⁴³ Special attention was also devoted to government entities tasked with reporting information to include phenomena such as money laundering and the involvement of sanctioned individuals and organizations more reliably.⁴⁴

Human trafficking frameworks have also been introduced, though the issue continues to be extremely prevalent throughout Afghanistan. In 2017, for example, the Ghani administration enacted strong laws against the highly controversial practice of *bacha bazi*, whereby young Afghan boys are sold into sexual slavery and forcibly kept in sexual relationships with older men.⁴⁵ "These boys are often dressed as females, wear makeup, and dance for parties of men, and subsequently, they are compelled to engage in sexual acts."⁴⁶ Though an entire new chapter of the penal code was devoted to addressing and criminalizing the activity,⁴⁷ the Afghanistan Research and Evaluation Unit stated that the resources for enforcement are minimal despite a strong legal framework.⁴⁸ The practice along with other sectors of human trafficking, such as organ harvesting, continue to occur in Afghanistan.⁴⁹

39 United States Department of State, *International Narcotics Control Strategy Report*, March 2018, <https://www.state.gov/wp-content/uploads/2019/04/2018-INCSR-Vol.-I.pdf>, 95.

40 Ibid., 2.

41 Ahmad, "Dirty Money in Afghanistan."

42 Ibid.

43 Da Afghanistan Bank Financial Intelligence Unit, Annual Report 2019, 2019, http://www.fintraca.gov.af/assets/Annual%20Report/FinTRACA_Annual%20Report_2019.pdf, 27-28.

44 Ibid., 28.

45 Sayed Jalal Shajjan, "The Revised Afghanistan Criminal Code: An End for Bacha Bazi?" The London School of Economics and Political Science, blog, last updated January 24, 2018, <https://blogs.lse.ac.uk/southasia/2018/01/24/the-revised-afghanistan-criminal-code-an-end-for-bacha-bazi/>.

46 Ibid.

47 Ibid.

48 Jared Ferrie, "Human Trafficking on the Rise in Afghanistan despite New Laws," Reuters, March 29, 2018, <https://www.reuters.com/article/us-afghanistan-humantrafficking-laws/human-trafficking-on-the-rise-in-afghanistan-despite-new-laws-idUSKBN1H52U8>.

49 Ibid.

Legal frameworks have also been passed in Afghanistan relating to the smuggling of non-drug-related goods, such as timber, minerals, and fuel. Illegal logging, for example, continues to be a major source of economic revenue for everyday people as well as a funding source for jihadist groups such as ISIS, despite government regulation prohibiting the practice.⁵⁰ A lack of security and coercive resources to enforce the regulations against illegal logging leaves the issue's proliferation largely unimpeded, with many actors active in the enterprise and much of the timber being shipped to market in Pakistan.⁵¹ Even though an investigation into the issue by Afghan legislators of the Meshrano Jirga, or parliamentary upper house, brought them to visit the decimated forests of Kunar Province, the magnitude of illegal logging indicates that anti-illicit-timber laws were not effectively implemented or respected.⁵²

Anti-mineral smuggling frameworks are on the books at the Afghanistan Ministry of Mines and Petroleum. The newest iteration of the government's Minerals Law was enacted in 2018, significantly updating the legal framework for Afghanistan's mineral sector. It now requires beneficial ownership, mining production, and payment data to be published, in addition to a slew of related transparency measures.⁵³ Despite these improvements, a multitude of loopholes and flaws in the framework remain, such as the lack of a standard mechanism for dispute resolution between mining organizations and local communities, an

unreliable redistribution of government mineral revenues to the mining communities producing the minerals, the ability of politicians and government officials to hold up to five percent of mining contracts, the removal of clauses mandating continued adherence to guidelines provided by the Extractive Industries Transparency Initiative (of which Afghanistan is a member), and others.⁵⁴

The illicit transportation of fuel into and through Afghanistan continues to be another major enterprise, and criminal patronage networks smuggle fuel rampantly. A 2016 report by Afghanistan's Independent Joint Anti-Corruption Monitoring and Evaluation Committee on corruption in the fuel sector recommended that "individuals involved in fuel and liquid gas criminal patronage networks ... be identified, arrested and then prosecuted by the Attorney General through [the] Anti-Corruption Justice Center."⁵⁵ This—in conjunction with wider anti-corruption frameworks, AML/CFT guidelines mentioned previously, and border control capacity—is also outlined as a strategy to combat the issue.

The above represents a framework on which to build more effective policies, as well as to reinforce the implementation of existing ones. While this report provides policy recommendations later on, taking stock of what strategies are already "on the books" contextualizes the subject matter and creates a solid foundation on which to stand for future strategies to contain illicit networks.

50 Yousef Zarifi, "Illegal Logging Destroying Afghan Forests," Institute for War and Peace Reporting, January 23, 2018, <https://iwpr.net/global-voices/illegal-logging-destroying-afghan-forests>.

51 Ibid.

52 Rohullah Anwari and Abubakar Siddique, "Afghan Lawmakers Investigate Illegal Logging," Gandhara RFE/RL, January 9, 2017, <https://gandhara.rferl.org/a/pakistan-kunar-illegal-logging/28222069.html>.

53 Global Witness, "Afghanistan's New Mining Law Risks Falling Short in the Fight against Corruption," September 15, 2018, <https://www.globalwitness.org/en/press-releases/afghanistans-new-mining-law-risks-falling-short-fight-against-corruption/>.

54 Ibid.

55 Independent Joint Anti-Corruption Monitoring and Evaluation Committee, *Vulnerabilities to Corruption in the Importation and Supply of Fuel and Liquid Gas*, 2016, <https://curbingcorruption.com/wp-content/uploads/2018/07/Afghanistan-Anti-Corruption-Committee-2016-Vulnerabilities-to-corruption-in-the-importation-and-supply-of-natural-gas.pdf>, 33.

Mapping the Illicit Networks of Afghanistan

What do “illicit networks” actually look like? How are they structured? How do public sector institutions, nonstate groups, and economic systems enable and sustain them? Is every individual involved truly “illicit” by association? In mapping the networks, this report provides a broad snapshot at different levels of analysis. It is important to recognize that illicit networks are multilayered and the intersectionality between layers makes understanding inter-network relations key. The localized, nationalized, and internationalized elements of illicit networks play differing but highly influential roles in the system’s ability to function as a whole. For this reason, this report conceptualizes our map as three distinct but overlapping categories, described below.

A localized perspective of illicit networks

The localized map presents us with a snapshot of a particular component, in a particular place, at a particular moment in time. It provides a granular picture of the micro-level, day-to-day functions of these networks: Who are the people interacting in moving cargo A to destination Z? How does the profit compensate each person and entity along the way? What are the physical steps and interpersonal connections necessary to make this economy function as an efficient, reliable system?

At a micro level, illicit networks can be understood as a series of relationships—the human component binds the system together. As such, networks are shaped by factors such as geography, border security, and product viability, all of which impact livelihoods and the survival of everyday people.

Consider a hypothetical example: A private organization illicitly—that is, without official licensing and permission from Kabul—mines talc in Nangarhar Province and needs to ship it to Pakistan for export into international markets. This is no simple task—irrespective of its dubious legality, the initial mining involves employing locals, many of whom are everyday Afghan citizens legitimately seeking a livelihood. Once the talc is mined, it has to get through checkpoints, requiring the payment of taxes, border duties, and bribes to state entities, border patrols, insurgent groups, criminal groups, local authority figures, and others. It also has to physically be moved, which usually involves multiple animal or vehicle transporters. Each of these entities “takes their cut” along the way, whether in the form of product, currency, or some other method of compensation. The result is an extremely complicated web of benefactors and contributors who, for varying motivations,

become links in the chain. Over time, they build trust and expectations that undergird an economic structure that can be relied upon for work and income.

It is important to recognize that the term “illicit network” necessitates nuance to be properly understood; not every individual and entity in the chain that produces, moves, and exports is criminal or “illicit” in nature or by definition. A shipper whose business is transporting across the Afghanistan-Pakistan border to market in Peshawar is more than likely engaging in the local economy as best they can, possibly involving the shipment of a variety of goods, licit and illicit. This is not simply an academic point. Reforming illicit networks must unpack the broad brushstroke characterization that treats every link in the chain as equivalent. Comparing warlords, criminal groups, and insurgencies who vertically structure patronage networks for exorbitant personal gain with farmers producing poppy to support their livelihoods is a false equivalency. This notion cannot and will not usefully nor constructively inform policy.

At a local level, then, illicit networks involve many actors, of varying capacities, societal positions, motivations, and goals. They develop relationships enabling the movement of illicit goods and illicit funds to maintain the system and the trust that undergirds their continued function, viability, and reliability.

Illicit networks at the national level

Scaling up the localized understanding of illicit networks inevitably necessitates considering the broader country-wide context. The same relationships mentioned above are pieces to a national puzzle organized through vertical and horizontal power structures. Following the 2001 invasion, the United States poured money into Afghanistan with insufficient accountability and financial transparency. This practice eventually slowed down, though, and as the steady stream of US financing to local power brokers tapered off, their need to extract resources in other ways increased. An anonymous expert source explained in an interview with the South Asia Center that illicit networks then morphed into a “triangular axis” best exemplified by 1) the Taliban’s insurgency, 2) a booming drug trade, and 3) widespread criminal patronage networks.

The intertwining of state structures into every stratum of these networks and their growing interdependency cannot be overstated, and it occurs at a nationwide level. Illicitly gained funding permeates the economic and political

institutions of Afghanistan, entrenching illicit networks through participation and benefit by corrupt government officials and security forces. Criminal and insurgent groups have morphed into entities with only a few degrees of separation, and the networks enabling their function have now solidified into a viable and embedded business enterprise with horizontal and vertical reach throughout Afghanistan. The past forty years have seen Afghanistan develop a conflict-oriented political economy, shaped by decades of war as a consequence of the Soviet- and US-led invasions. The chaos of wartime and heavily localized power structures fosters an environment rewarding to illicit trade and criminal patronage, something that may vary in nature by region of the country but directly affects the whole of Afghanistan at every level.

The illicit poppy trade in particular is demonstrative of this fact: it has a relatively short turnaround time (~one year) as compared with crops in alternative livelihood campaigns by the United States, some of which took two or even three years from planting to market. It provides both small-scale farmers and insurgents with a source of income (not to suggest that they are by any means equal in that relationship) but the poppy trade remains relatively unconstrained due to the lack of a single, streamlined state security apparatus. Economically speaking, then, growing poppy is rational. If the environment of rationality is changed (that is, if it becomes more economically viable to engage in other trades), then this sector could see a heavy downsizing. Given that economic opportunities on the whole are relatively scarce in Afghanistan, this is unlikely to occur, hence the development of illicit poppy networks and their entrenchment into economic and political life across the country, in conjunction with regional entities that broaden their market access outside of Afghanistan.

This context is bolstered by poor or nonexistent government services, a lack of economic opportunity, and lack of a monopoly on the use of violence by the state. It leaves much of Afghanistan a malleable landscape easily exploited by the powerful and well-connected through illicit patronage and criminal networks. Centralized law enforcement, reliable and high-quality healthcare and education, social welfare programs, and other pillars of an effective government lack a sustainable presence and enable this easily manipulated environment.

An internationalized lens of illicit networks and their entanglements outside of Afghanistan

The international community's complicity in enabling and facilitating Afghanistan's illicit networks is enormous and involves a myriad of actors, some involved tacitly, some directly. It is thus important to resist the temptation to classify illicit networks as simply an "Afghanistan problem." Their reach goes above and beyond the Islamic Republic's borders, geographically, economically, and politically.

Regional entanglements serve as stepping stones to the rest of the world. The vast majority of illicit poppy, for example, passes through Pakistan and Iran before reaching broader international markets. Illegal timber is smuggled across the border to Pakistan and sometimes used by transnational insurgent groups, notably ISIS, to fund their operations.⁵⁶ Even before the current insurgency started, the United Nations estimated in 2000 that almost 60 percent of small arms entered Afghanistan "through illicit channels" from dealers throughout Europe and Russia, as well as Khyber-Pakhtunkhwa province in Pakistan, among other sources.⁵⁷ Worldwide demand for drugs, people for human trafficking, timber, minerals, and others incentivizes the illicit networks, serving as their foundation to continue expanding operations.

Illicit networks crosscut through the intelligence and security forces of foreign governments as well as transnational nonstate actors (such as the Taliban and ISIS). Endemic corruption throughout South Asia is both an enabler and a consequence of these embedded illicit patronage networks, profitable to many entities with worldwide reach.

Afghanistan's porous borders would not exist without the cooperation of high-level security officials. The Ministry of the Interior is responsible for appointment processes in the police, making it possible for direct beneficiaries of illicit trade such as the Taliban to use their political ties within the ministry to influence appointments. Influence over appointments not only allows traffickers to enjoy lenient law enforcement, but also enables them to track competing transactions and police them.⁵⁸ Reducing corruption in the Afghan National Police regarding third parties involved in illicit trade necessitates addressing the broader factors making them more susceptible in the first place. This is partially

⁵⁶ Zarifi, "Illegal Logging Destroying Afghan Forests."

⁵⁷ Bobi Pirseyedi, *The Small Arms Problem in Central Asia: Features and Implications* (Geneva: United Nations Institute for Disarmament Research, 2000), 27.

⁵⁸ Buddenberg and Byrd, *Afghanistan's Drug Industry*, 198-199.

a result of low pay, poor training, structural nepotism and patronage, and, according to Afghanistan's new police chief, Khoshal Sadat, "zero accountability in the ministry."⁵⁹ However, economic incentives alone are not enough to solve the problem. Chief Khoshal "regularly fields calls from powerful local politicians and well-connected members of parliament" who want to protect their interests by maintaining influence over police appointments.⁶⁰ While survival-based corruption usually takes the form of bribes, corruption as a result of state capture influences the police to protect "elite and criminal groups' black market commodities."⁶¹

The illicit economy has a cyclical relationship with the chaotic political economy of Afghanistan. Addressing constant chaos demands a heavy engagement of state resources, in particular police, border guards, and military personnel. This makes it difficult for the state to free up the capacity to reform corrupt law enforcement regimes. As unchecked corruption continues to spread throughout law enforcement agencies, they become increasingly ineffective and compliant with illicit networks, which in turn fund the chaos that law enforcement is enlisted to address.

This provides a pliable context for international markets that field huge, reliable demand for illicit goods, making the business enterprises enabled by illicit networks attractive and viable. The storage of illicitly gained funds in places such as

the United Arab Emirates, China, Pakistan, and the United States as well as their transfer and exchange through major international financial institutions facilitate the intercountry expansion of networks and their beneficiaries. The role of the United States in money laundering cannot be overstated, and one expert source informed the South Asia Center that McLean, Virginia, in particular is a hotbed for concealing illicitly obtained money. Some of these resources eventually find their way back to Afghanistan, though this particular phenomenon is extremely difficult to track.

These three levels provide a snapshot of how illicit networks generally function overall and at each level of analysis, though this is by no means an exhaustive list. Analyzing this issue in the context of the peace process and the continued consolidation of Afghanistan's democratic institutions necessitates an in-depth understanding of the phenomena in question. The snapshot provides a clear point of reference in exploring policy recommendations for these issues as well as a clear benchmark for how illicit networks actually function on a day-to-day basis. Understanding their worldwide interconnectedness and the involvement of non-illicit individuals, for example, strongly informs both the necessary steps in combating the issue as well as the challenges associated with an anti-illicit networks strategy. For these reasons, we must take a concise, systematic approach to delineating the networks and how they fit into local, national, and international structures.

59 Hamid Shalizi, "New Commander Takes on Corruption 'Mess' in Afghan Police," *Reuters*, June 4, 2019, <https://www.reuters.com/article/us-afghanistan-police/new-commander-takes-on-corruption-mess-in-afghan-police-idUSKCN1T51UC>.

60 Ibid.

61 Danny Singh, "Corruption and Clientelism in the Lower Levels of the Afghan Police," *Conflict, Security & Development* 14, no. 5 (October 1, 2014), <https://www.tandfonline.com/doi/abs/10.1080/14678802.2014.963391>.

Policy Recommendations

As the United States' 2020 troop withdrawal plans unfold in the coming months and the COVID-19 pandemic wreaks havoc on international healthcare infrastructures, one can imagine a range of outcomes in Afghanistan that pose considerable risks for the country's political economy. For peace to succeed, it will require momentous effort and systemic change, including addressing criminal patronage networks as a stakeholder in Afghanistan's stability. Beset with political instability worsened by a troubled presidential election in late 2019, the country may very well be on the brink of systemic collapse if a comprehensive peace process does not include and tackle the barriers stakeholders face. With the possibility of peace on the horizon, the United States, Afghan government, and the Taliban must unite behind the Afghan state's preservation.

As the Afghan people move toward more inclusive discussions in the intra-Afghan dialogues, there are opportunities to define priorities and specific actions to be developed to enforce financial transparency and achieve inclusive economic growth. In Afghanistan, most recently, powerful nonstate actors have had a disproportionate influence on the outcomes of peace negotiations. However, it is critical that the Afghan government create opportunities for new systems and new partnerships to form and for old ones to be transformed through these dialogues. While the international community's toolkit for post-conflict economic transformation remains underdeveloped, as the United States undertakes its most ambitious peace-seeking diplomatic efforts, we must acknowledge the vexing challenges posed by organized crime and corruption and the links to peacebuilding, employment, and social welfare. Under this broader dialogue and action, each step needs to be a part of a focused and integrated effort, which will require extensive international support.⁶²

Afghanistan

As the Afghan government fights a global pandemic and suffers constricted diplomatic relations with the United States, its efforts to stabilize and support the country are more important than ever. Given the power-sharing agreement Important to change to reflect latest status quo between President Ghani and his rival, Abdullah Abdullah, there now exists an unprecedented window to tackle illicit networks in a durable way. Terrorism, transnational crime, drug trafficking, and hybrid warfare have severely complicated the security environment in the country for the past

twenty years. A longer-term strategy means considering a diverse, shared Afghan state between networks within and without the formal system. To succeed, the government should do the following:

1. Provide a path for illicit actors into the formal economy: At the strategic level, Afghanistan needs a network-based solution. At this pivotal juncture where the intra-Afghan dialogues are under threat, several key talking points must be considered. The government must leverage the Taliban's sophisticated financial network and look for ways to incorporate elements into the formal economy by creating off-ramps for local stakeholders and regional partners and providing potential amnesty schemes in exchange for long-term reform. These positive advances in financial inclusion will move Afghanistan's invisible economy into a more functioning formal one. The informal economy today is hugely dynamic, spanning a wide range of micro-, small, and medium-sized enterprises. By bringing the informal economy into the fold, Afghanistan moves a step closer to affording previously excluded individuals' access to basic financial services and networks that help them become financially secure. Peace in the Afghan context must mean incorporating all of Afghan society into a process of building security by bringing illicit networks into the light.
2. Generate political will and support: Afghan leaders must act boldly and transparently to earn the public's confidence. Inside Afghanistan, high-level political will and support to dismantle the state-organized crime alliance is low. This continues to pose a major challenge to Afghanistan's prospects, bringing enormous political and economic costs in the long run. There is a need for new tools, approaches, and resources. At a time when the government suffers from deficits of institutional capacity and political legitimacy, intersectionalities between the government and nonstate actors must be defined. A national commitment to address conflict and the fragility of the political economy is necessary for Afghanistan's overall stability as illustrated in this report.
3. Establish high-level Afghan support for countering illicit trafficking and upholding the rule of law: While US support has helped establish capable Afghan counternarcotics institutions, these institutions are

⁶² Timothy Donais, *The Political Economy of Peacebuilding in Post-Dayton Bosnia* (London: Routledge, 2005), 5.



An Afghan Border Policeman stands watch on the Freedom Bridge crossing the Amu Darya River into Uzbekistan. Photo by Petty Officer 1st Class Mark O'Donald

limited in their impact.⁶³ The National Interdiction Unit and Sensitive Investigative Unit, for example, has lacked high-level support from Kabul for years, which has stymied institutional impact on countering illicit trade efforts in Afghanistan. While the Afghan military plays an important role and its efforts have been the focus of US aid when it comes to counter-narcotics interventions in Afghanistan, those efforts need to also continue to fund competency training in the rule of law. This includes going beyond US Department of Defense initiatives like the US Rule of Law Field Force, which ran from 2010 to 2014 and ultimately failed to strengthen the state's justice sector with a short-term surge in forces. It requires

a longer-term commitment and investment by US policymakers, donors, and implementers to achieve an Afghan democratic polity that embraces the rule of law. This involves continued commitment to promoting strong state institutions and legitimizing a strong central state authority long after the planned US troop withdrawal. By embedding a more independent Supreme Court and creating stronger provisions in the Afghan constitution to strengthen judicial institutions, Kabul will be more strongly linked to democratic accountability through the rule of law.⁶⁴

4. Implement enhanced border management: Afghanistan's foreign policy is interconnected with those of

⁶³ US Special Inspector General for Afghanistan Reconstruction, *Counternarcotics*.

⁶⁴ Geoffrey Swenson, "Why U.S. Efforts to Promote the Rule of Law in Afghanistan Failed," *International Security* 42 (2017): 146-149, https://www.mitpressjournals.org/doi/full/10.1162/ISEC_a_00285.

its influential neighbors, including Iran and Pakistan. For years, a lack of an effective foreign policy strategy has taken a terrible toll on Afghanistan's fight against terrorism and other nonstate actors and has contributed to the country's fragmentation. An anonymous expert source explained to the South Asia Center that borders have become a cautionary tale, where organized networks frequently employ criminal groups in smuggling, passing international borders unimpeded. However, in the midst of a fragile peace process, Afghanistan is faced with new governance benchmarks around national reconciliation efforts and security. Kabul's policymakers must use more strategic foresight to turn the country's foreign policy challenges into opportunities in which the United States and other actors such as China can play a significant role. The United States and China should make an attempt at unifying competing political interests between Islamabad and Tehran—with the United States using its levers with the Pakistani military establishment and China using economic diplomacy with Iran. Together, the United States and China can use their influential global power to stabilize Afghanistan along its eastern and western borders and transform them into catalysts of development.

5. Expand the negotiating table: As Afghanistan continues moving through the peace process, the government should work to incorporate more localized narratives in consultation forums, peace talks, and negotiations. Women's groups and other civil society organizations can be seen as tools to promote mass engagement in the peacebuilding process and to create opportunities for addressing underlying drivers of structural constraints. For the past twenty years, grassroots organizations, women, religious leaders, and youth have taken great initiative to meet the immediate needs of their local communities. These local stakeholders are connected in a way that governments and international organizations are not with access to local knowledge, expertise, and insight. They provide connections with and understanding of hyper-localized issues and actors, including an unmatched knowledge of the local criminal patronage networks active throughout Afghanistan. The government can form an effective coalition to shape the debate in the coming months through credible and constructive narratives that transcend ethnic, religious, gender, and other divisions.
6. Strengthen and internationalize counter-threat finance strategies: The ability of illicit individuals and

entities to transfer illegally garnered funds around and out of Afghanistan is a fundamental backbone of illicit networks. A more robust, accessible, governmentally regulated Afghan banking sector, supported by pragmatic financial assistance from the international community, is crucial to tackle the proliferation of illicit wealth. It would provide an alternative to untraceable *hawala* networks, which are increasingly popular due to a lack of formal banking infrastructure outside urban centers in Afghanistan. Additionally, the financial regulatory frameworks of Great Britain, the United States, the United Arab Emirates, Pakistan, India, and other countries invested in the Afghan economy must more stringently prosecute money laundering, countering the financing of terrorism, and counter-threat financing policies. These and other international actors' complicity in lodging illicit finances cannot be overstated. It is in their interest to stop enabling this phenomenon and more comprehensively support the formal Afghan economy, because Afghanistan (with its natural resources and young, energetic workforce) presents a potential economic powerhouse and trade partner. Finally, Afghanistan, backed by the United States, should take a nuanced approach to effectively differentiating between intentional and survival-based involvement in illicit financing. As explored earlier in this report, not all individuals involved in illicit networks are equal; law enforcement should be targeting those who are deliberately supporting illicit finance networks ("intentional involvement") rather than everyday people who may indeed be complicit, but only as a side effect of seeking a livelihood in the powerful shadow of illicit entities ("survival-based involvement"). Understanding these differing motivations for participation in illicit finance networks will inform more effective security policy, and should be done in conjunction with civil society organizations that have a granular knowledge of localized economic structures and financial norms. These recommendations are designed to bolster implementation of the FATF's forty-eight total recommendations for financial intelligence, reporting, extradition, confiscation, and other policies designed to combat illicit finance networks.⁶⁵

The United States

A hasty US withdrawal will create a vacuum not only for jihadist groups like ISIS and al-Qaeda, but also for other nonstate actors that have successfully created a state within a state in Afghanistan for the past twenty years. The United States' peace negotiations must accompany a renewed approach that prioritizes Afghanistan's economy and local

65 Financial Action Task Force, "Asia/Pacific Group on Money Laundering (APG)," last updated 2019, <http://www.fatf-gafi.org/countries/#APG>.

leadership, including by providing incentives for more inclusive governance, fostering a more coordinated action plan with provincial and national leaders, and addressing fragility directly.

7. Support the process of an economic settlement: Effective peacebuilding activities must combine both political and economic components. Critical current discussions about illicit networks have been disproportionately focused on terrorism and narcotics and have failed to see Afghanistan's illicit networks through a holistic political economy lens. The debate about Afghanistan's peace negotiations must include economic conditions and prospects so as to avoid a complete system collapse and instead encourage sustained action. Against this backdrop, current international security and civilian grant support pledges are due to expire in 2020, creating huge uncertainties regarding future aid levels, which will have fundamental implications for Afghanistan's economy.⁶⁶ Confronting its economic crisis will require a momentous effort by Afghan society and international partners to transform the country's war-shattered economy into a functioning market economy. For Afghanistan, these economic dimensions mean including patronage networks like the Taliban in post-conflict stabilization efforts. An economic settlement between the Afghan government and the Taliban will be contingent on continued US economic engagement conditional on more equal, inclusive, and effective governance.
8. Ensure future interoperability: Maintaining a partnership with Afghan security forces that enables future collaboration should be key to the US drawdown. The 8,600 remaining troops that will continue to fight terrorist groups like al-Qaeda and ISIS should include a functioning National Interdiction Unit with active members of the United States Drug Enforcement Administration. A function of the interoperability forces should be to expand and improve the Afghan National Police (ANP) forces to help better control crime and growing corruption. By maintaining and professionalizing the law enforcement agency, the United States will support its objective to ensure lasting peace in Afghanistan. This in turn

will help the ANP legitimize and gain the allegiance of the Afghan people so that Afghanistan can successfully carry its share of the security burden.

Regional stakeholders

The well-organized criminal networks typically touted as an Afghan problem have stretched into the formal and informal economies of Iran, Pakistan, the United Arab Emirates, and the United States. These centrifugal tendencies were greatly exacerbated by the explosion in commodity trafficking post-2001, when the supply for the trafficked commodities far exceeded the demand in-country for goods being trafficked, including narcotics, minerals, and timber. It is thus vital to assess the interests of regional and other international actors while highlighting how Afghanistan's illicit networks problem undermines the region's interests.

9. Provide access to global markets to enhance regional trade integration: To ensure Afghanistan's stability is to sustain the country's economic development through increased regional trade integration. A keystone is closer collaboration between the government and the Taliban to educate and train the workforce in pertinent skill sets and eventually improve the country's regulatory environment. However, Afghanistan cannot do it alone. The United States should continue to encourage regional contributions, especially in the area of economic assistance and development with countries such as India, Pakistan, and Iran to help promote Afghan industries in foreign markets.
10. Work with neighborhood watchdogs: The United States should work with regional actors to deprive criminal patronage networks of their enabling means and prevent the external facilitation of terrorist activities. It can use leverage in multilateral institutions like the UNODC and the IMF to pressure regional countries to support and help implement policies targeting organized criminal patronage systems. This includes bringing counternarcotic programs into the mainstream of social and economic development strategies to reduce illicit crop cultivation, strengthening provincial drug control capacity, and liberalizing labor and product markets.⁶⁷

⁶⁶ World Bank, "The World Bank in Afghanistan: Overview," last updated April 1, 2020, <https://www.worldbank.org/en/country/afghanistan/overview>.

⁶⁷ United Nations Office on Drugs and Crime, "Afghanistan," accessed April 23, 2020, <https://www.unodc.org/unodc/en/alternative-development/afghanistan.html>; International Monetary Fund, *Corruption: Costs and Mitigating Strategies*, May 2016, <https://www.imf.org/external/pubs/ft/sdn/2016/sdn1605.pdf>.

Implementation Challenges

This report provides a critical and timely assessment of illicit economies in Afghanistan and illustrates the policy challenges that may arise locally, regionally, and internationally in the face of multiple political crises and a seemingly stalled democratic transition. While the seeds of peace may have been sown, the country faces a host of challenges that can be tackled only with a precise and rigorous strategy. The objective must not be the complete obliteration of the illicit economy, but the development of a graduated and nuanced strategy to incorporate these illicit networks into the formal economy, pointedly discarding only their criminal elements. The US troop withdrawal and peace negotiations should thus address the organized, far-reaching criminal patronage system that has built an economy within an economy.

- ◆ Spoilers to peace and implementation include a possible increased Iranian presence in Afghanistan following the US withdrawal and the variety of non-state actors operating along its borders. Important questions also remain around the sanctuary and support provided in Pakistan.
- ◆ The fundamental problem is that much of the illicit economy in Afghanistan involves the drug trade. Poppy is the highest income crop to the farmer among all of the crops with one-year plant-to-harvest time frames. To get farmers to change to more remunerative crops, those crops will need to be secure enough to invest in and then harvest for a longer period. In the past, eradication efforts to reduce poppy cultivation in Afghanistan have had no lasting impact and failed to provide sustainable alternatives to poppy.⁶⁸ It may be useful to revisit the idea of legalization of poppy production for medicinal uses under international supervision in order to support the economic integration of farmers, and in the context of the peace process, the Taliban, into the legal economy.
- ◆ The peace will not be won militarily or even diplomatically, but economically. However, integrating il-

licit aspects of the criminal networks into the formal economy will be difficult. Detecting and disrupting the most criminal elements of these networks through the use of financial tools, including the involvement of US Treasury threat financing mechanisms, could form part of this strategy.

- ◆ Key provisions regarding implementation remain a challenge. Long-standing inter-South Asia political and military turbulence makes regional cooperation between countries extremely tenuous. With many competing interests and narratives at play, Afghanistan is a piece in a greater chess game.
- ◆ Linking the economy to security and diplomacy efforts for a long-term vision of stability remains a challenge as well as addressing questions of political will from both the Afghan and US governments. Additionally, dislodging these networks is risky and potentially destabilizing due to their interconnectedness in-country and regionally. Mustering the political will to prepare the government and region for the aftershocks of disengaging illicit networks remains a challenge, including how to fold the over five hundred thousand Afghan civilians involved in these networks into the formal economy and create incentives for stakeholders, which currently do not exist.
- ◆ Finally, the US drawdown remains Afghanistan's deepest looming challenge. The vacuum left by international forces should be capitalized on by the state and legitimate political forces to expand their control of the country and prevent illicit patronage networks from further embedding into the political economy. With the Taliban being one of the biggest patronage networks in Afghanistan and now inching toward negotiating a peace agreement, Washington and Kabul have given criminal patronage networks a stronger geopolitical role. Incentivizing illicit players to transform into agents of peace and stability remains a challenge.

68 Special Inspector General for Afghanistan Reconstruction, *Counternarcotics*.

Conclusion

Reforming Afghanistan's illicit networks is a Herculean, possibly Sisyphean, task. Even in the best of circumstances, this phenomenon will take years or decades to gently unravel, partially through coercive security measures, off-ramps, greater economic opportunity, social support by the Afghan government, and others. The unique challenges faced by the world and by Afghanistan at this moment in time are further compounded by the ongoing COVID-19 pandemic, the long-term economic, social, and political effects of which the internal community cannot and will not come to terms with in the immediate future. In this context, the gravity of creating a multilateral strategy to address Afghanistan's illicit networks themselves in addition to the root causes of conflict and instability is greater than ever.

This report should spark a greater conversation around the role of illicit networks, criminality, and patronage in the peacebuilding process for Afghanistan. Promoting their inclusion in this process will create a more robust and durable peace while accounting more effectively for the interests of potential spoilers and other challengers to a conflict-free vision of Afghanistan.

Indeed, the policy recommendations outlined are ambitious. Many obstacles stand in the way of their effective implementation, both for Afghanistan and its international allies. Overcoming them will require a head-on approach that acknowledges and includes these issues, instead of sweeping them under the rug as a peace-process afterthought. We believe that bold and courageous action to this effect within the peacebuilding framework already in motion in Afghanistan will strengthen and extend the prospects for peace exponentially.

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