



America-Eurasia Center

4/4/2023

International Security Program Financing Terror How Terrorist Organizations Operate



Taliban Takeover in Afghanistan Photo Credit: Jim Huylebroek The New York Times

Constantinos Landis

**The America-Eurasia Center
International Security Program**

www.eurasiacenter.org

The America-Eurasia Business Coalition

www.eurasianbusiness.org

In August 2021, the United States withdrew from Afghanistan, trusting to the domestic security forces to keep the peace in the absence of the US military.¹ Rather than see a successful transition from US force projection to Afghan security forces, the Taliban was successful in capturing the national capital and exerting control over the domestic administration. Since that time, we have seen the Taliban attempt to make a credible commitment to supply the population with public goods in the absence of foreign intervention. Today, we see the Taliban engaging in ruthless tactics in order to suppress the population and maintain order. The financial situation of the nation at large is dire, with many international actors unwilling to commit aid or engage in bilateral economic agreements with the Taliban.² Today, Afghanistan has been gripped by a humanitarian crisis and a crumbling economy, with the Taliban unable to invest in major growth sectors to sustain itself while thousands of Afghans fleeing as refugees.³

This brief will explain what tools and methods terrorist organizations use to fund their organizations, how this affects their relationship with civilian populations, how funding levels influence operations, and how funding can affect operational capabilities in a general sense.

Examining Terrorist Organization Operations at Large

Since the events of September 11, 2001, a considerable number of resources have been dedicated to the analysis and combatting of terrorist organizations. These resources are typically routed through established security apparatuses and defense organizations in order to determine the objectives of terrorist organizations. A great deal of analysis has been dedicated to determining how these organizations operate in terms of funding and target selection. Terrorism, in its most basic form, is the premeditated use or threat to use violence by individuals or subnational groups against noncombatants to obtain some specific political or social objective through the intimidation of a large audience beyond that of the immediate victims.⁴ The impetus behind such attacks is to impose economic, psychological, sociological, and political costs on the targeted society to coerce its government into granting aforementioned concessions. These organized attacks, or even the presence and operation of terror groups, create increased security costs, perhaps signaling difficulties in managing supply chains for MNCs (multinational corporations) operations while highlighting domestic political instability.⁵ Since 2001, major defense and security organizations

have identified hundreds of organized terrorist groups across the globe and identified major funding networks which provide these groups with the means to carry out attacks.

The relationship between terrorist organizations and the populations within which they reside can be described from a pragmatic point of view. Warring or conflicting parties will rely on the civilian population to extract resources and recruits.^{6,7} The civilian population during the course of any civil conflict or period of political unrest may opt for whichever faction can maintain credible commitments of security and reliably provide public goods.⁸

The groups examined in this report are all designed as Foreign Terrorist Organizations (FTO's) by the Department of State Bureau of Counterterrorism.⁹ An important aspect to note is that organizations are not designed as FTO's simply because they have carried out a terrorist attack, but also if that group retains the capability and intent to do so. The groups to be examined in this report are Al Qaeda, Hezbollah, Islamic State of Iraq, the Taliban, and the Islamic State of Iraq and the Levant. These groups were chosen because of their high activity rates, areas of operation, and abilities to maintain large annual revenue streams, both through institutional control and sporadic financial activity.

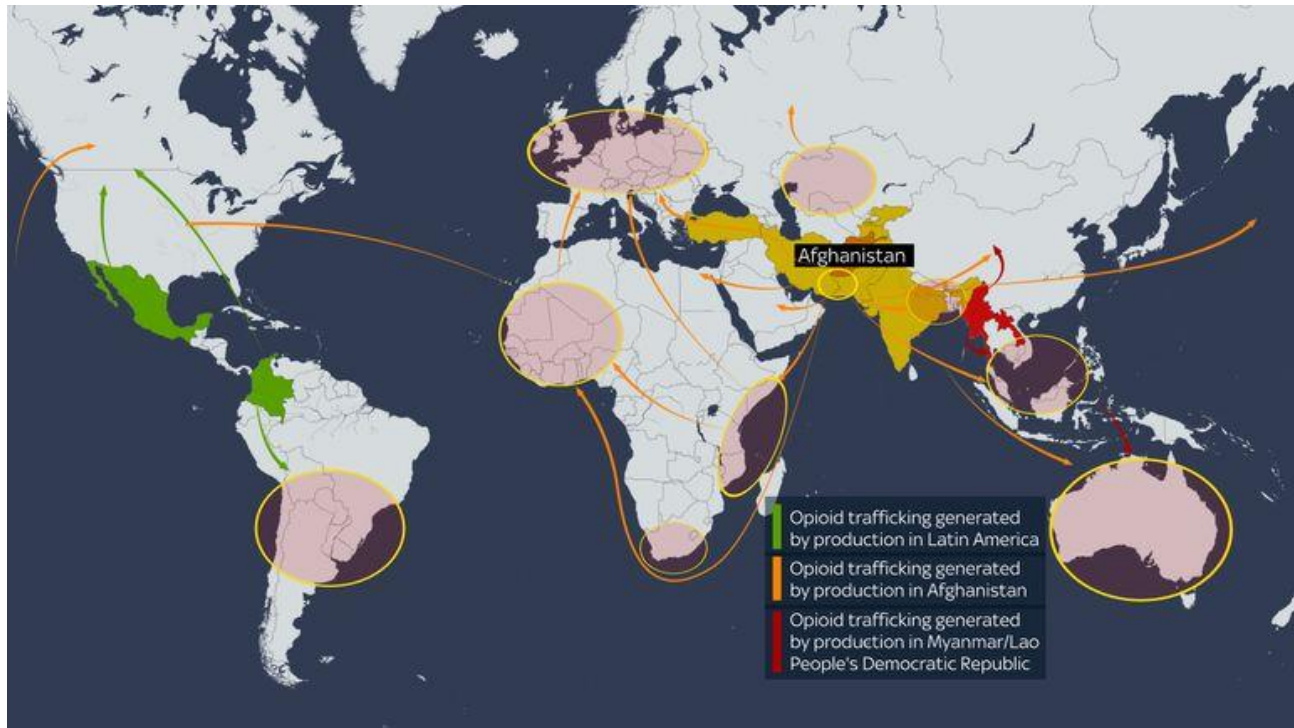
Major Revenue Sources

There are several major revenue streams for terrorist organizations. The bulk of the income for many groups comes from narcotic trafficking and taxation revenue, but these organizations have several methods of augmenting their operational budgets.

Taxation and Tariffs: Much in the same way a national administration would do so, terrorist organizations will levy a tax on those citizens it controls. These can range from basic forms of income tax, to tariffs on trade passing through controlled territory.

The Taliban collect income from two major forms of taxes: *Ushr* and *zakat*. *Ushr* is a 10% tax levied against farmers' harvests in controlled territory. Given the sheer scale of opium production in Afghanistan, this tax accounts for the bulk of the Taliban's earning in this sector. It is estimated that Afghanistan produces nearly 80% of the world's opium supply, with opium trade accounting for

roughly 10% of Afghanistan's economy.¹⁰ Income generated by Afghan farmers in 2022 reached \$1.4 billion.¹¹ While this did yield a higher return in terms of cash flow, the increase was somewhat moderated by a large spike in inflation.



Afghanistan is the source of Opium for a large part of the world Image credit: UNODC

Natural Resources: Natural resources such as oil and precious minerals are often sold or smuggled for additional funding. ISIS is known for protecting and maintaining oil fields in order to use the oil for domestic consumption and export.¹¹

Kidnapping: Terrorist organizations will routinely kidnap journalists, aid workers, missionaries, and in some cases locals, in return for ransom money. Many western travelers are insured against such seizures and thus provide a relatively reliable source of income for terrorist organizations who engage in such behavior.

Antiquities: ISIS has been known to draw profit from certain archeological sites by charging fees for the looting of certain historical pieces. They can then charge groups again for the transportation of these goods out of the country.

Donations: Foreign individuals as well as state sponsors of terrorism often donate to larger terrorist networks. Motivations can include basic sympathy for a specific group, or a larger donation meant to damage another group by using a terror cell as a proxy. Donations are gathered globally with clandestine internet connections making this practice more viable and more costly to prevent.

Contract Fraud: With such a large influx of foreign resources in the Middle East, groups such as the Taliban have been able to take advantage of large contracts in their areas of operation. The ISAF Afghan Threat Finance Cell notes that the Taliban made \$316 million from trucking contracts given from a total contract of \$2.6 billion by the United States. The local need for certain services and the lack of appropriate oversight allows for contract funding to be skimmed by these groups. In many cases this is benign in practice, simply workers taking wages allocated from contracts and giving them to terror cells. It can be virtually impossible to protect against this practice in an overarching sense.

How Does Funding Affect Operation

Terrorist organizations, quite predictably and in a similar fashion to rebel groups, will begin fighting and sustain a conflict if they can be reasonably sure they can absorb any predicted losses on the battlefield.¹² In Figure 1, data on terror attacks committed by Al Qaeda, Hezbollah, ISI, and the Taliban from 2002 - 2020 reflects this notion. Collated by the Global Terrorism Database, Figure 1 demonstrates that the pattern of attacks by the aforementioned groups spiked during the time between 2005 – 2011, when the capacity to commit such attacks existed and the targets presented themselves.¹³ As we move from 2011 onward, we see a steep drop in terror attacks. In 2009 when a new troop surge was ordered by then President Barak Obama, and a more aggressive campaign was called for, we see the effects of this in the form of a net decrease in attacks, culminating in a generally lower number of attacks from 2011 onward. The campaign against ISIL some years later shows a more dramatic downturn of attacks.¹⁴ ISIL set itself apart from many other terrorist organizations in its pursuit of territorial gains during the Syrian civil war. The Islamic State and ISIL raised most of their revenue based on very aggressive models of expansion and taxation, with a reliance on seizing territory and moving to exploit the population that lived there. Figure 2 provides an illustrative insight into this model by plotting the attacks perpetrated by both ISI and ISIL from 2002 – 2020. After 2016 we see a sharp decline in the number of attacks by year, which coincides

with a number of operations enacted which both destroyed physical infrastructure and reduced the terrorist organization's ability to draw revenue from their usual sources. Operation Tidal Wave II allowed coalition forces to begin bombing key pieces of oil infrastructure among other targets, while local state governments such as Iraq began to crack down on government salary misallocation.¹⁵ With their finances crippled and upwards of 50% of their territory being seized, the aggressive economic model failed and the ability to finance operations suffered in the years beyond 2016. These losses do not mean a complete defeat for ISIL and ISI. Both groups will continue to garner support in the region contingent upon how much effort is dedicated by local governments to stop them. Attacks will also most likely continue to some extent as the fundamentalist message espoused by the group will still resonate with a certain base, albeit at a degraded capacity given the fewer resources these terror groups have at their disposal for media outreach.¹⁶

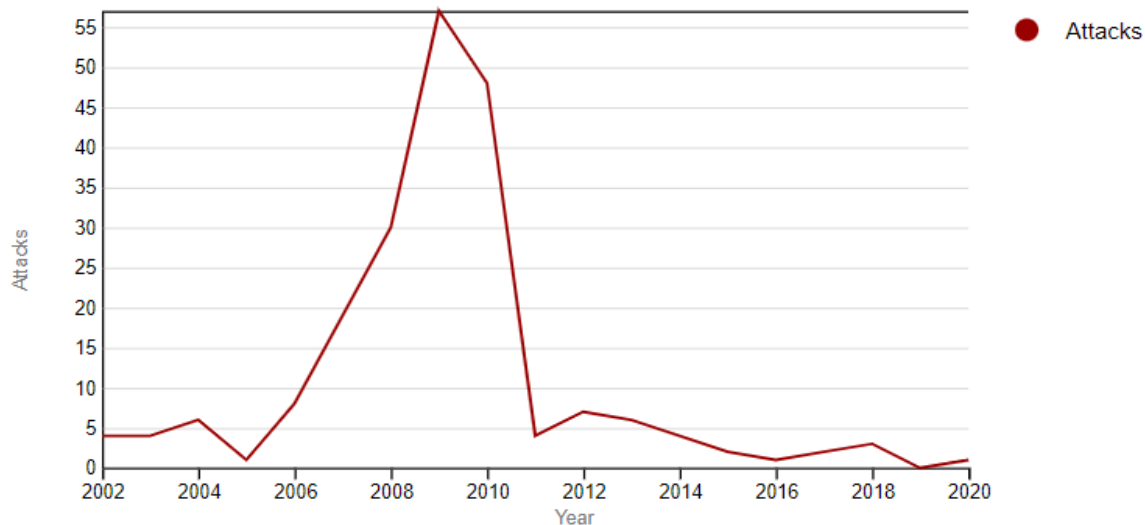


Figure 1 Global Terrorism Database, University of Maryland, Image Credit.

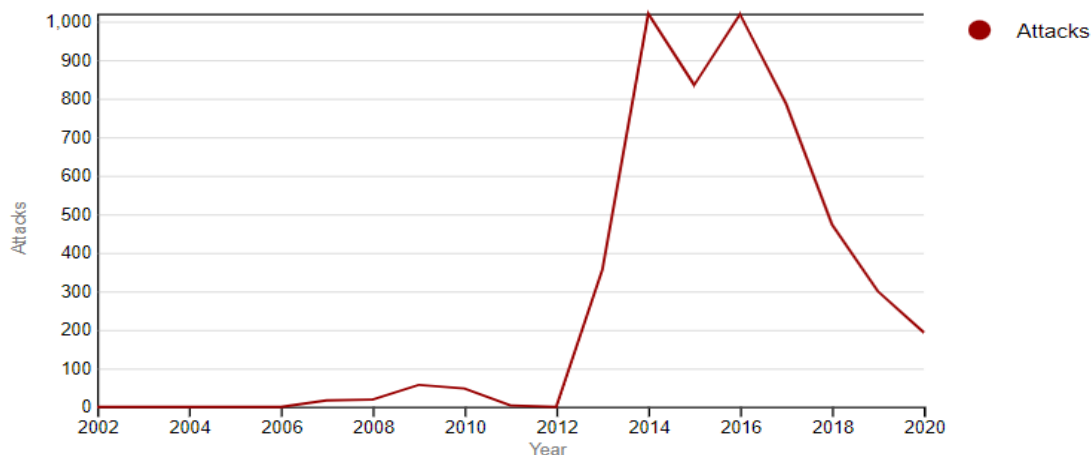


Figure 2 Global Terrorism Database, University of Maryland, Image Credit.

REFERENCES:

¹ Ordenez, Franco “For Biden, the chaotic withdrawal from Kabul was a turning point in his presidency”. 08/16/22. *National Public Radio*

² Mohammad Yunus Yawar “Taliban's first annual Afghan budget foresees \$501 million deficit”. 05/14/22. *Reuters*

³ National Intelligence Council. June 2022. “Afghanistan: Implications of Taliban Rule”

⁴ Bandyopadhyay, Subhayu, Todd Sandler, and Javed Younas. 2018. “Trade and Terrorism: A Disaggregated Approach.” *Journal of Peace Research* 55 (5): 656-70

⁵ Osgood, Lain., and Simonelli, Corina (2020) “Nowhere to Go: FDI, Terror, and Market-specific Assets” *Journal of Conflict Resolution* 64 (9): 1584 – 1611

⁶ Tamm, Henning. 2016. “Rebel Leaders, Internal Rivals, and External Resources: How State Sponsors Affect Insurgent Cohesion. *International Studies Quarterly* 60: 599 – 610

⁷ Mason, T. David, Joseph P. Weingarten, and Patrick J. Fett. 1999. "Win, Lose, or Draw: Predicting the Outcome of Civil Wars." *Political Research Quarterly* 52 (2): 239-268

⁸ Kalyvas, Stathis (2006) *The Logic of Violence in Civil War*. Cambridge: Cambridge University Press

⁹ <https://www.state.gov/foreign-terrorist-organizations/>

¹⁰ Reality Check Team “Afghanistan: How much opium is produced and what's the Taliban's record?”. 08/25/2. *BBC News*

¹¹ Reality Check Team ” Afghanistan: How do the Taliban make money?”. 08/21/21. *BBC News*

¹² Bryce W Reeder, Dongjin Kwak, John R Smith, Michael D Wales. 2022 “Rebel Resource Efficiency and the Escalation of Civil Conflict”. *Journal of Global Security Studies*

¹³ <https://www.start.umd.edu/gtd/>

¹⁴ <https://www.cfr.org/timeline/us-war-afghanistan>

¹⁵ <https://icsr.info/wp-content/uploads/2017/02/ICSR-Report-Caliphate-in-Degradation-An-Estimate-of-Islamic-States-Financial-Fortunes.pdf>

¹⁶ <https://www.dni.gov/files/ODNI/documents/assessments/NICM-Declassified-ISIS-Core-Rebuilding-2022.pdf>

