

Statement of
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Executive Summary

DEA employs a global approach to attacking drug organizations that fuel the terror network. In 2000, Afghanistan produced 70 percent of the world's opium supply and 80 percent of the opiate products destined for Europe. Unlike their counterparts in Colombia, the terrorists of Afghanistan enjoy the benefits of a trafficker-driven economy that lacks even a recognized national government.

DEA intelligence confirms the presence of a linkage between Afghanistan's ruling Taliban and international terrorist Osama Bin Laden. Although DEA has no direct evidence to confirm that Bin Laden is involved in the drug trade, it is clear that the sanctuary enjoyed by Bin Laden is based on the Taliban's support for the drug trade, which is a primary source of income in Afghanistan. Credible DEA source information indicates ties between the Taliban and the drug trade. The Taliban directly taxes and derives financial benefits from the opium trade. They even provide receipts for their collected drug revenues.

In 2001, Afghanistan produced approximately 74 metric tons of opium, a substantial reduction from the 3,656 metric tons produced in 2000. Despite this significant decrease and the Taliban's claims of lab destructions, DEA has seen no decrease in availability, and no increase in prices of Southwest Asian Heroin in the United States and European consumer countries. This indicates that significant amounts of opiates still remain available. According to the United Nations, up to 60% of Afghanistan's opium crop is stored for future sales. Since the Taliban's opium ban of July 2000, the kilogram price of opium has skyrocketed from US \$44 to over US \$400. This price increase, which was limited to the immediate region and did not resonate to international markets, appeared to be a means for the Taliban to capitalize on a rise in the price of a commodity over which they exercise nearly total control.

DEA will continue to aggressively identify and build cases against drug trafficking organizations contributing to global terrorism. In doing so, we will limit the ability of these drug traffickers to use their destructive goods as a commodity to fund their malicious assaults on humanity and the rule of law.

Chairman Souder and Ranking Member Cummings, it is a pleasure for me to appear before you and the other members of this Subcommittee for the first time in my capacity as the Administrator of the Drug Enforcement Administration (DEA). I know that all of DEA deeply appreciates this Subcommittee's leadership and support in our fight against international drug trafficking. Indeed, I look forward to continuing DEA's very successful and productive cooperative relationship with this Subcommittee.

I appear before you today to testify on the connection between international drug trafficking and terrorism. As the tragic events in New York, Pennsylvania, and Washington, D.C. so horrifyingly demonstrate, terrorist violence is indeed a threat to the very national security of the United States. Accordingly, the degree to which profits from the drug trade are directed to finance terrorist activities, as well as the extent to which both types of organizations rely upon the same money laundering and smuggling facilitators or systems, is of paramount concern to the DEA.

DEA's mission is to target the powerful international drug trafficking organizations that operate around the world, supplying drugs to American communities, employing thousands of individuals to transport and distribute drugs. Some of these groups have never hesitated to use violence and terror to advance their interests, all to the detriment of law-abiding citizens. We see in these groups today a merger of international organized crime, drugs, and terror. While DEA does not specifically target terrorists, per se, we can and will target and track down drug traffickers involved in terrorist acts, wherever in the world we can find them.

As a law enforcement agency, DEA aims to gather evidence sufficient to arrest, indict, and convict criminals. When DEA operates in foreign posts, we work within the legal systems of our host nations, and of course within the structures of the U.S. legal system, in cooperation with our host nation police agency counterparts. Our evidence must be usable in a court of law, and it must withstand intense scrutiny at every level of the criminal justice process. With that in mind, my testimony will be limited to presenting DEA's view from a law enforcement perspective of the threats resulting from drug trafficking and terrorism. DEA's interest in terrorism and insurgencies is based on three considerations: National Security, Force Protection, and Foreign Intelligence.

- **National Security** – DEA views information on potential acts of terrorism directed against United States interests as a matter of the highest importance for national security and will naturally share any such information with the appropriate officials and agencies. Clearly, international criminal organizations smuggling drugs into the United States pose a threat to national security. International drug trafficking that threatens to undermine governments friendly to the United States, or countries that have strategic interest to the United States, is also a matter of national security concern.

- **Force Protection** – DEA’s need to protect our own personnel, both domestically and abroad, is crucial to the successful implementation of DEA operations. In particular, DEA must be constantly vigilant for any developing situations that could lead to threats to DEA operations or personnel, or to our foreign counterparts with whom we conduct combined operations. DEA’s interest in force protection from potential terrorists or guerilla action is most acutely focused on those instances when we are participating in operations against concrete, specific counterdrug targets. We do not participate in operations designed to exert control over a general area unless there is a specific counterdrug focus.
- **Foreign Intelligence** – DEA maintains 400 personnel in 56 countries to support its worldwide investigations and cooperative efforts. As a law enforcement agency, DEA does not have a counter-terrorism or counter-insurgency mission. However, when DEA does acquire relevant information from its active drug investigations and drug intelligence collection programs, we share that information with the appropriate U.S. agencies – ones that do have counter-terrorism responsibilities. DEA passes specific threat information on to the FBI in domestic cases and to the foreign intelligence community in overseas cases.

Given our mission responsibilities, DEA remains fully engaged in participating, with the rest of the U.S. Government, in understanding the connection between drugs and terrorism. DEA brings useful information to the table for the use of other agencies, and benefits from the expertise of our counterparts.

The recent attacks recently perpetrated on our Nation graphically illustrate the need to starve the financial base of every terrorist organization and deprive them of the drug proceeds that might otherwise be used to fund acts of terror. Unlike their counterparts in Colombia, the terrorists in Afghanistan enjoy the benefits of a trafficker-driven economy that lacks even a recognized national government. Sadly, the profits of the drug trade that help fund this chaos and perpetuate human suffering. The cells of terrorists are dispersed beyond the geographic boundaries of Afghanistan, much in the same manner as other international narcotics syndicates. Accordingly, DEA’s approach to both the drug trade and the terror network must be equally global in scope.

Southwest Asia

Afghanistan, The Taliban, and Osama Bin Laden

The DEA has not maintained a presence in Afghanistan since January 1980, when the office was closed for security reasons as a result of the Soviet invasion in December 1979. Following the withdrawal of Soviet troops 10 years later, civil strife has ensued in Afghanistan. Consequently, DEA covers Afghanistan from its two offices in Pakistan: The Islamabad Country Office and the Peshawar Resident Office. In addition to Pakistan and Afghanistan, the DEA Islamabad Country Office also includes in its area of responsibility Uzbekistan, Kyrgyzstan, Kazakhstan, Tajikistan, the United Arab Emirates, and Oman.

DEA intelligence confirms the presence of a linkage between Afghanistan's ruling Taliban and international terrorist Osama Bin Laden. The al-Qa'ida organization, which is recognized as a terrorist entity by the U.S. Department of State, is openly led by Bin Laden. Although DEA has no direct evidence to confirm that Bin Laden is involved in the drug trade, the relationship between the Taliban and Bin Laden is believed to have flourished in large part due to the Taliban's substantial reliance on the opium trade as a source of organizational revenue. While the activities of the two entities do not always follow the same trajectory, we know that drugs and terror frequently share the common ground of geography, money, and violence. In this respect, the very sanctuary enjoyed by Bin Laden is based on the existence of the Taliban's support for the drug trade. This connection defines the deadly, symbiotic relationship between the illicit drug trade and international terrorism.

The Islamic State of Afghanistan is a major source country for the cultivation, processing and trafficking of opiate and cannabis products. Afghanistan produced over 70 percent of the world's supply of illicit opium in 2000. Morphine base, heroin and hashish produced in Afghanistan are trafficked worldwide. Due to the warfare-induced decimation of the country's economic infrastructure, narcotics are the primary source of income in Afghanistan, a country dependent on agricultural production where opium is the most profitable cash crop. As the country is landlocked, drug traffickers must rely on land routes to move morphine base and heroin out of the country. Opiates are consumed regionally, as well as smuggled to consumers in the west. It is estimated that 80 percent of opiate products in Europe originate in Afghanistan. Afghanistan is a party to the 1988 UN Drug Convention, but the Taliban does not implement the country's international obligations.

The Taliban is not recognized as the national government in Afghanistan and opposing factions continue to battle for control of the country. In addition, intelligence indicates that corruption is widespread within the Taliban, and among the senior leadership. Even if the current political attitude in Afghanistan should change, little to no enforcement activity can be expected in the future, since the Taliban authorities lack the political will to interdict and investigate.

The Taliban, a fundamentalist Islamic group enforcing a rigid social code, now controls roughly over 90 percent of Afghanistan, while a loose coalition of opposition forces (referred to as the Northern Alliance) maintains control of portions of northeast and central Afghanistan.

DEA possesses credible source information indicating ties between the drug trade and the Taliban. Current indicators suggest that the Taliban derives a significant amount of income from the opiate trade. Acting as the defacto-government of Afghanistan, the Taliban taxes all aspects of the opium trade. DEA intelligence reveals that taxation is institutionalized, but not standardized. It is even institutionalized to the point that the Taliban provides receipts for collected revenues [see Exhibit A]. While the current tax rate for cultivated opium appears to be ten percent, processing and transportation of the product is sporadic and taxed at varying rates.

According to the official U.S. Government estimate for 2001, Afghanistan produced an estimated 74 metric tons of opium from 1,685 hectares of land under opium poppy cultivation. This is a significant decrease from the 3,656 metric tons of opium produced from 64,510 hectares of land under opium poppy cultivation in 2000.

AFGHAN OPIUM PRODUCTION: METRIC TONS

	2001	2000	1999	1997	1997	1996
USG	74	3,656	2,861	2,340	2,184	2,099
UNDCP	N/A	3,276	4,581	2,102	2,804	2,248

The Taliban reportedly banned the cultivation of cannabis in October 1996, and in late 1997, banned opium poppy cultivation. In 1999, the Taliban decreed that opium poppy cultivation would be reduced by one-third in 1999-2000. However, as illustrated by the chart above, there have been steady increases in opium production between 1996 and 2000. The Taliban did report that opium poppies were destroyed in Qandahar and Helmand Provinces. This eradication effort was apparently in response to an agreement with the United Nations Drug Control Program (UNDCP), which agreed to fund alternative development projects on the condition that cultivation be reduced in Qandahar. In fact, there was a 50 percent reduction in the three UNDCP target districts in Qandahar, but there was not a one-third reduction overall, as promised by the Taliban.

Taliban officials claim to have destroyed a large number of heroin processing labs in Nangarhar Province in the spring of 1999. However, reports suggest that heroin processing continues in Nangarhar. Laboratories are located throughout Afghanistan, with a significant number of conversion laboratories located in Helmand Province. Taliban officials also reportedly destroyed two heroin conversion laboratories in Helmand Province in October 2000.

On July 28, 2000, Taliban leader Mullah Omar, recognizing the importance of world opinion, issued a decree banning future opium poppy cultivation in Afghanistan. The decree states that the Taliban will eradicate any poppy cultivation found in the 2001 growing season in areas under their control. Reportedly, this ban applies to any territory

seized from the Northern Alliance. In February 2001, the UNDCP declared that the opium poppy cultivation ban was successful and that the 2001 crop was expected to be negligible. This marks the first real effort by the Taliban to reduce opium production. According to press reports dated August 31, 2001, Taliban leader Mullah Omar extended the opium poppy cultivation ban for another year, to the 2001-2002 growing season.

The Empty Promises of the Taliban:

Despite the Taliban's claims of opium eradication and lab destruction, DEA has seen no decrease in the amount of Southwest Asian Heroin availability and no increase in prices in the United States and European consumer countries. This suggests that significant amounts of opiates remain available. According to UNDCP reporting, up to 60% of each year's opium crop has traditionally been stored for future sale, suggests that significant amounts of opium are still available.

Prior to the imposed ban in July 2000, the price of a kilo of opium was US \$44. Until recently, current prices of opium ranged from US \$350 to \$400 per kilo. The price increase, which was limited to the immediate region and did not resonate to international markets, appeared to be a means for the Taliban to capitalize on a rise in the price of a commodity over which they exercise nearly total control.

The Taliban maintains effective control of nearly all of the opium poppy growing areas in the country, even though they are not internationally recognized as the official Government of Afghanistan, and do not control the entire country. Islamic law (Shari'a) has been imposed in territory controlled by the Taliban, and local Shari'a courts have been established throughout the country. In 1997, the Taliban re-activated the State High Commission for Drug Control, which was originally established in 1990 by the legitimate interim government. Prior to the UNDCP reports indicating that implementation of the 2000-2001 opium poppy cultivation ban has been effective and the release of the U.S. Government estimate indicating a dramatic reduction in opium production, the Taliban made only token gestures toward anti-drug law enforcement. As a result, Afghanistan, under the Taliban, has during the past decade emerged as a vital hub of the Southwest Asian illicit drug trade.

Heroin Processing:

Laboratories in Afghanistan convert opium into morphine base, white heroin, or one of three grades of brown heroin, depending on the order received. Large processing labs are located in southern Afghanistan. Smaller laboratories of Afghanistan, including Nangarhar Province. In the past, many laboratories were located in Pakistan, particularly in the Northwest Frontier Province (NWFP). These laboratories appear to have relocated to Afghanistan, the source of opium and to avoid law enforcement actions by the United States and Pakistan.

Heroin is trafficked to worldwide destinations by many groups. These groups quickly adjust heroin smuggling routes based on political and



Reports of heroin shipments north from Afghanistan through the Central Asian States to Russia have increased. Tajikistan is a frequent destination for both opium and heroin shipments, although Tajikistan serves mostly a transit point and storage location rather than a final destination. While some of the heroin is used in Russia, some also transits Russia to other consumer markets. Heroin transits India en route to international markets. Heroin also continues to be trafficked from Afghanistan through Pakistan. Seizures are frequently reported at Pakistan's international airports. Heroin is also smuggled by sea on vessels leaving the port city of Karachi, Pakistan. Heroin produced in Afghanistan continues to be trafficked to the United States, although generally in small quantities.

Morphine Base:

Morphine base is usually produced for traffickers based in Turkey. The morphine base is then shipped to Turkey, where it is converted to heroin prior to shipment to European and North American markets. The primary market for Afghan morphine base is traffickers based in Turkey. Morphine base is transported overland through Pakistan and Iran, or directly to Iran from Afghanistan, and then into Turkey. Shipments of Afghan-produced morphine base are also sent by sea from Pakistan's Makran Coast. Routes north through the Central Asia Republics, then across the Caspian Sea and south into Turkey are also used.

Cannabis:

Cannabis, or marijuana, grows wild and is also cultivated in Afghanistan. Afghanistan is a major producer of cannabis, much of which is processed into hashish. According to INTERPOL, Afghanistan and Pakistan together produce about 1000 MT of cannabis resin each year, with Afghanistan producing the bulk of the product.

Hashish:

Hashish originating in Afghanistan is trafficked throughout the region, as well as to international markets. Although the bulk of the hashish intended for international markets is routed through Pakistan and Central Asia and sent by sea, train or truck, hashish has also been smuggled in air freight in the past.

Precursor Chemicals:

Afghanistan produces no essential or precursor chemicals. Acetic anhydride (AA), which is the most commonly used acetylating agent in heroin processing, is smuggled primarily from Pakistan, India, the Central Asian Republics, China, and Europe. For example, according to the World Customs Organization, China seized 5,670 metric tons of AA destined for Afghanistan in April 2000. The AA was reportedly found in 240 plastic boxes concealed in carpets.

Drug-Related Money Laundering:

As the unsophisticated banking system that previously existed in Afghanistan has been damaged by years of war, money laundering activity is completely unregulated. It

is likely that the informal banking system used extensively in the region, usually referred to as the *hawala* or *hundi* system, is also used by drug traffickers. This system is an underground, traditional, informal network that has been used for centuries by businesses and families throughout Asia. This system provides a confidential, convenient, efficient service at a low cost in areas that are not served by traditional banking facilities. The *hawala* or *hundi* system leaves no “paper trail” for investigators to follow.

Prices:

The cost for raw opium, heroin, hashish and precursor chemicals have traditionally been relatively low in Afghanistan. As stated earlier, the initiation of the Taliban’s opium cultivation ban in July 2000 has prompted a nearly ten-fold increase in the kilogram price of opium. The price of heroin in Afghanistan also increased dramatically during the same time period, from US \$579 in July 2000 to \$4564 in August 2001.

According to DEA sources, however, the price of a kilogram of opium was as high as US \$746 on September 11, 2001. In the wake of the recent mass exodus from Afghanistan, opium wholesalers were reportedly dumping their stocks of opium for as low as US \$95 per kilogram, apparently in anticipation of military intervention in the region.

Key Observations:

- At this point, drug trafficking in the Golden Crescent appears to be heavily dependent on the Taliban. Although they have reportedly now banned opium poppy cultivation, the Taliban have long relied on drug trafficking for financial support to prosecute the war in Afghanistan.
- In order to gain international recognition as the legitimate government of Afghanistan, the Taliban must make a convincing effort to halt drug trafficking activities. Roadblocks to international support for the Taliban remain even if the opium ban is proved successful, due to concern about harsh treatment of women, human rights abuses, and, of course, support for extremist organizations.
- Opium production may resume if the Taliban believe that the international response to their opium ban is inadequate, or if domestic circumstances necessitate the need for additional revenues as domestic unrest against the poppy ban persuades the Taliban to relent on eradication efforts.
- Recent press accounts report that the Taliban has threatened to lift the ban on opium cultivation in the event that Afghanistan is subjected to military action by the United States.

Drug Traffickers and Terrorists: The Need for Perpetual Vigilance

By way of conclusion, we can and should continue to identify and build cases against the leaders of the criminal groups involved in drug trafficking wherever they may be found. These criminals have already moved to make our task more difficult by withdrawing from positions of vulnerability and maintaining a much lower profile than their predecessors. They have not refrained from using violence to protect their interests when they are threatened.

The DEA remains committed to our primary goal of targeting and arresting the most significant drug traffickers in the world today. In particular, we will continue to work with our partners around the world to improve our cooperative efforts against international drug smuggling, and to cut off drug money as a support for international terrorism. The ultimate test of success will come when we bring to justice the drug lords who control their vast empires of crime that bring misery to the nations in which they operate. They must be arrested, tried and convicted, and sentenced in their own countries to prison terms commensurate with their crimes, or, as appropriate, extradited to the United States to face American justice. Their assets and infrastructure must be seized and forfeited. In doing so, we will limit the ability of drug traffickers to use their poison as a commodity to fund evil assaults on humanity.

Thank you for the opportunity to testify before the Subcommittee today. I will be happy to respond to any questions you may have.