

# Corruption Suspected in Airlift of Billions in Cash From Kabul

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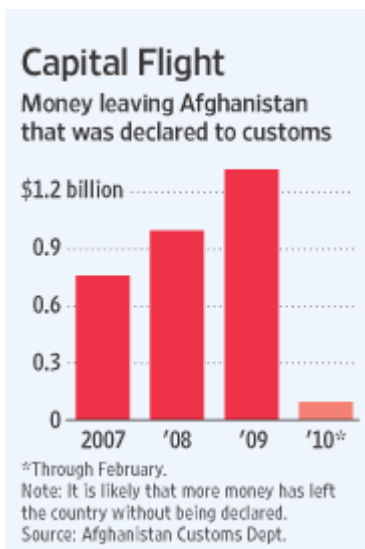
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KABUL—More than \$3 billion in cash has been openly flown out of Kabul International Airport in the past three years, a sum so large that U.S. investigators believe top Afghan officials and their associates are sending billions of diverted U.S. aid and logistics dollars and drug money to financial safe havens abroad.

The cash—packed into suitcases, piled onto pallets and loaded into airplanes—is declared and legal to move. But U.S. and Afghan officials say they are targeting the flows in major anticorruption and drug trafficking investigations because of their size relative to Afghanistan’s small economy and the murkiness of their origins.

Officials believe some of the cash, if not most, is siphoned from Western aid projects and U.S., European and NATO contracts to provide security, supplies and reconstruction work for coalition forces in Afghanistan. The North Atlantic Treaty Organization spent about \$14 billion here last year alone. Profits reaped from the opium trade are also a part of the money flow, as is cash earned by the Taliban from drugs and extortion, officials say.



The amount declared as it leaves the airport is vast in a nation where the gross domestic product last year totaled \$13.5 billion. More declared cash flies out of Kabul each year than the Afghan government collects in tax and customs revenue nationwide. “It’s not like they grow money on trees here,” said a U.S. official investigating corruption and Taliban financing. “A lot of this looks like our tax dollars being stolen. And opium, of course.”

Most of the funds passing through the airport are being moved by often-secretive outfits called “hawalas,” private money transfer businesses with roots in the Muslim world

stretching back centuries, officials say.

The officials believe hawala customers who have sent millions of dollars of their money abroad include high-ranking officials and their associates in President Hamid Karzai's administration, including Vice President Mohammed Fahim, and one of the president's brothers, Mahmood Karzai, an influential businessmen.

Where they allegedly get the money is one of the questions under investigation.

Vice President Fahim, responded through his brother, A.H. Fahim, a businessman, who denied the allegations. "My brother? He doesn't know anything about money," Mr. Fahim said.

Mahmood Karzai said in an interview he has engaged in only legitimate businesses and has never transferred large sums of cash from the country.

In a Jan. 22 financial disclosure form that he gave the Wall Street Journal to review, Mr. Karzai declared his net worth was \$12,157,491 with assets of \$21,163,347 and liabilities of \$9,006,106. He reported an annual income of just over \$400,000 but didn't provide dates.

Mahmood Karzai, an American citizen, blamed the allegations that he was transferring illicitly earned cash from Afghanistan on political opponents.

"Yes, millions of dollars are leaving this country but it is all taken by politicians. Bribes, corruption, all of it," he said. "But let's find out who is taking it. Let's not go on rumors. I've said this to the Americans."

President Karzai addressed the matter at a news conference Saturday, calling for greater scrutiny of business run by relatives of officials.

"Making money is fine and taking money out of the country is fine," he said. "The relatives of government officials can do this, starting with my brothers. But there's a possibility of corruption," he said without being specific.

Between the beginning of 2007 and February of this year, at least \$3.18 billion left through the airport, according to Afghan customs records reviewed by The Wall Street Journal.

U.S. officials say the sum of declared money may actually be higher: One courier alone carried \$2.3 billion between the second half of 2008 and the end of 2009, said a senior U.S. official, citing other documents that are in the possession of investigators.

The officer said officials believe the money was declared, and that Afghan customs records may not be complete.

In their declarations, couriers must record their own names and the origins of the money they are transporting. Instead, they usually record the name of the Afghan hawala that is making the transfer and the one in Dubai that is accepting the cash. Often, the actual sender of the money isn't named, officials said.

"We do not even know about it. We don't know whose it is, why it is leaving, or where it is going," Finance Minister Omar Zakhilwal said at a December conference about the money

leaving the airport.

The capital flight has continued apace in 2010. In the week ending May 29, more than \$20 million, about half of it in U.S. currency, left the airport, according to a senior Afghan customs official. Apart from U.S. dollars, the currencies being flown out range from Saudi riyals and Pakistani rupees to Norwegian kroners and even outdated Deutsche marks now redeemable for euros.

“You get boxes loaded on the back of airplanes. You get guys, literally, bringing boxes of cash onto the plane,” said the senior U.S. official.

The declared cash is believed to represent only “a small percentage” of the money moving out of the airport and all of Afghanistan, said Gen. M. Asif Jabar Khail, the chief customs officer at Kabul’s airport.

Hundreds of millions of undeclared dollars, maybe billions, are being carried across Afghanistan’s porous border with Iran and Pakistan, where a number of Afghan hawalas have branches, he said.

One figure often cited by Afghan and Western officials is \$10 million a day leaving Afghanistan. That is \$3.65 billion a year, more than a quarter of the current GDP.

Officials can’t say how much money is coming into Afghanistan; that isn’t tracked by Afghan authorities.

Afghanistan’s endemic corruption and the suspected involvement of high-ranking officials in the opium trade has left the government deeply unpopular and fueled support for the Taliban, undercutting a war effort that is now focused on convincing Afghans to support their own state and turn away from the insurgents.

U.S. officials are also trying to disrupt the flow of money to the Taliban.

The insurgency is believed to earn a sizable portion of its operating expenses from extortion and the opium trade, funds that can easily be moved abroad to avoid detection or seizure.

But anticorruption efforts have increasingly taken center stage for the U.S. and its Western allies.

Restoring the credibility of the Afghan government is a central tenet in the American counter-insurgency strategy. Combating corruption by the government is now as important a priority as actually fighting insurgents. The investigations into the money flow are part of the shift in focus.

The U.S.-led initiatives carry significant risks: many of those believed by U.S. officials to be involved in shipping money out of the country are key Afghan power brokers who are important allies in the fight against the Taliban.

Balancing demands to clean up the government with the need to keep them on the same side will not be easy, especially after so many years of Western officials effectively turning a blind eye to allegations of wrongdoing by their Afghan allies, U.S. officials say.

Gen. David Petraeus, who is to take over shortly as top U.S. commander in Afghanistan from

Gen. Stanley McChrystal, faces the added burden of getting to know many of the main players in the country at the same time that officials under his command are investigating some of them and their associates.

The formal banking system here is in its infancy, and hawalas form the backbone of the financial sector. The State Department says that 80% to 90% of all financial transactions in Afghanistan run through hawalas.

Hawala networks run on what is effectively an honor system and much of the business they do is legitimate.

At their simplest, a customer drops off money at one dealer and is given a numeric code or password, which is then used by the money's recipient when the cash is picked up elsewhere.

The hawala operators then settle up among themselves.

Hawala fees are far cheaper than standard banks, often as little as \$150 to move \$100,000, and transfers can be done in minutes or hours as opposed to days.

The United Nations, NATO and international aid groups in Afghanistan have at times even used hawalas to move money and pay staff.

Afghanistan, shattered by three decades of war, is a predominantly cash society. "Afghanistan is a country that is built on personal connections and trust.

If someone trusts them, he will do business with them," said Haji Najib, the chairman of Kabul's hawala association. "It is the same for hawala."

But those ties also make hawalas especially difficult for investigators to penetrate to find the identity of funds being transferred.

Most of the cash loads are taken on one of the eight flights a day from Kabul to Dubai in the United Arab Emirates. Wealthy Afghans have long parked their money in Dubai.

Dubai and neighboring emirates, with their tight banking secrecy laws, also have been used by the Taliban and al Qaeda as a convenient locale to move or stash money, although Emirati authorities have aided American efforts to shut the flow of terror money.

Investigators say it is tough to trace where the Afghan money goes from Dubai. Some of it likely stays in Dubai, either in banks or property, some is probably moved to U.S. and Europe or back to Afghanistan and Pakistan. Dubai officials didn't respond to requests to comment.

Over the past year, U.S. and other Western officials have grown alarmed by the ways in which corruption was fueling support for the Taliban and indications that the massive infusions of poorly monitored Western dollars were helping foster a culture of graft.

A U.S. Drug Enforcement Administration-led operation to disrupt Taliban finances created last year is now largely focused on corruption, and military intelligence is dedicating more assets to fighting the problem. NATO is also creating a task force to scrutinize contracts given to provide security, supplies and reconstruction work for coalition forces.

American officials have been working with Afghanistan's central bank to impose Western-style regulation on hawalas.

Under Afghan regulations enacted in the last few years, hawalas must report to the central bank every transaction they made monthly.

When they suspect illicit activity, they are required to file suspicious activity reports, as banks do in the U.S.

Compliance has been spotty, say central bank officials. Most still keep track of their transactions in handwritten ledger books, sometimes transcribed in code.

So far, not one suspicious activity report has been filed, said a central bank official who deals with enforcement matters.

Cash also moves easily without detection or declaration through the airport's VIP section, where officials aren't searched and often driven straight up to their planes, according to Gen. Asif and U.S. and Afghan officials.

Gen. Asif said that last year, his men found a "pile of millions of dollars," all undeclared, and tried to stop it from being put on a flight to Dubai.

But "there was lots of pressure from my higher ups," Gen. Asif said. He refused to name the officials who were pressuring him, but said: "It came from very, very senior people. They told me there was an arrangement with the central bank and told me to let it go."

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