

# COMBATING THE HAQQANI TERRORIST NETWORK

---

---

## HEARING

BEFORE THE

SUBCOMMITTEE ON TERRORISM,  
NONPROLIFERATION, AND TRADE

OF THE

COMMITTEE ON FOREIGN AFFAIRS

HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

—————  
SEPTEMBER 13, 2012  
—————

**Serial No. 112-177**  
—————

Printed for the use of the Committee on Foreign Affairs



Available via the World Wide Web: <http://www.foreignaffairs.house.gov/> or  
<http://www.gpo.gov/fdsys/>

—————  
U.S. GOVERNMENT PRINTING OFFICE

75-860PDF

WASHINGTON : 2012

—————  
For sale by the Superintendent of Documents, U.S. Government Printing Office  
Internet: [bookstore.gpo.gov](http://bookstore.gpo.gov) Phone: toll free (866) 512-1800; DC area (202) 512-1800  
Fax: (202) 512-2104 Mail: Stop IDCC, Washington, DC 20402-0001

COMMITTEE ON FOREIGN AFFAIRS

ILEANA ROS-LEHTINEN, Florida, *Chairman*

CHRISTOPHER H. SMITH, New Jersey  
DAN BURTON, Indiana  
ELTON GALLEGLY, California  
DANA ROHRBACHER, California  
DONALD A. MANZULLO, Illinois  
EDWARD R. ROYCE, California  
STEVE CHABOT, Ohio  
RON PAUL, Texas  
MIKE PENCE, Indiana  
JOE WILSON, South Carolina  
CONNIE MACK, Florida  
JEFF FORTENBERRY, Nebraska  
MICHAEL T. McCAUL, Texas  
TED POE, Texas  
GUS M. BILIRAKIS, Florida  
JEAN SCHMIDT, Ohio  
BILL JOHNSON, Ohio  
DAVID RIVERA, Florida  
MIKE KELLY, Pennsylvania  
TIM GRIFFIN, Arkansas  
TOM MARINO, Pennsylvania  
JEFF DUNCAN, South Carolina  
ANN MARIE BUERKLE, New York  
RENEE ELLMERS, North Carolina  
ROBERT TURNER, New York

HOWARD L. BERMAN, California  
GARY L. ACKERMAN, New York  
ENI F.H. FALEOMAVEGA, American  
Samoa  
BRAD SHERMAN, California  
ELIOT L. ENGEL, New York  
GREGORY W. MEEKS, New York  
RUSS CARNAHAN, Missouri  
ALBIO SIRES, New Jersey  
GERALD E. CONNOLLY, Virginia  
THEODORE E. DEUTCH, Florida  
BEN CHANDLER, Kentucky  
BRIAN HIGGINS, New York  
ALLYSON SCHWARTZ, Pennsylvania  
CHRISTOPHER S. MURPHY, Connecticut  
FREDERICA WILSON, Florida  
KAREN BASS, California  
WILLIAM KEATING, Massachusetts  
DAVID CICILLINE, Rhode Island

YLEEM D.S. POBLETE, *Staff Director*

RICHARD J. KESSLER, *Democratic Staff Director*

---

SUBCOMMITTEE ON TERRORISM, NONPROLIFERATION, AND TRADE

EDWARD R. ROYCE, California, *Chairman*

TED POE, Texas  
JEFF DUNCAN, South Carolina  
BILL JOHNSON, Ohio  
TIM GRIFFIN, Arkansas  
ANN MARIE BUERKLE, New York  
RENEE ELLMERS, North Carolina

BRAD SHERMAN, California  
DAVID CICILLINE, Rhode Island  
GERALD E. CONNOLLY, Virginia  
ALLYSON SCHWARTZ, Pennsylvania

# CONTENTS

---

|   | Page |
|---|------|
| WITNESSES   |      |
| Ms. Lisa Curtis, senior research fellow, Asian Studies Center, The Heritage Foundation .....  | 7    |
| Mr. Jeffrey Dressler, senior research analyst, Institute for the Study of War ...   | 20   |
| Ms. Gretchen Peters, author, Haqqani Network Financing .....  | 28   |
| LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING  |      |
| The Honorable Edward R. Royce, a Representative in Congress from the State of California, and chairman, Subcommittee on Terrorism, Non-proliferation, and Trade: Prepared statement ..... | 3    |
| Ms. Lisa Curtis: Prepared statement .....   | 10   |
| Mr. Jeffrey Dressler: Prepared statement .....  | 22   |
| Ms. Gretchen Peters: Prepared statement .....   | 31   |
| APPENDIX  |      |
| Hearing notice .....  | 50   |
| Hearing minutes .....   | 51   |
| The Honorable Gerald E. Connolly, a Representative in Congress from the Commonwealth of Virginia: Prepared statement .....  | 53   |



## COMBATING THE HAQQANI TERRORIST NETWORK

THURSDAY, SEPTEMBER 13, 2012

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON TERRORISM,  
NONPROLIFERATION, AND TRADE,  
COMMITTEE ON FOREIGN AFFAIRS,  
*Washington, DC.*

The subcommittee met, pursuant to notice, at 2:08 p.m., in room 2172, Rayburn House Office Building, Hon. Edward R. Royce (chairman of the subcommittee) presiding.

Mr. ROYCE. This hearing of the subcommittee will come to order.

This hearing title is “Combating the Haqqani Terrorist Network.” We are examining a terrorist network that the State Department has just decided to designate as a Foreign Terrorist Organization. And yesterday, we were all saddened and angered over the killing of an American diplomat and three other U.S. Government personnel during an attack on our consulate in Benghazi, Libya. Exactly 1 year ago today, it was the Haqqani network that launched a 20-hour long assault on the U.S. Embassy compound in Kabul. And that attack left 16 Afghans dead.

It was after this attack that our then top military officer pronounced the Haqqani network a “veritable arm” of the Pakistani ISI used to pursue its paranoid policy of “strategic depth” in Afghanistan. The Haqqani base of operation in Pakistan’s tribal area of North Waziristan is the most important militant haven in the region. Al-Qaeda is said to train and plan attacks under the protection of the Haqqani network from their bases there. Indeed one prominent report finds that “the Haqqani network has been more important to the development and sustainment of al-Qaeda and the global jihad than any other single actor or group.” The Haqqanis have plenty of blood on their own hands, killing U.S. and coalition forces.

Yet the State Department more than dragged its feet in doing the obvious, which would have been to blacklist the Haqqani network. Despite calls from U.S. commanders to act, it kept the case under lengthy review. Frustrated, Congress—on a bipartisan basis—unanimously passed the Haqqani Network Terrorist Designation Act of 2012, and that legislation was signed into law last month. This act spurred last week’s designation announcement, which apparently was not an easy one for the administration to make. Without congressional pressure, I am sure the Haqqanis would have been under permanent review, further shortchanging our efforts against it.

This hearing is about looking ahead though. What can we do now? In this regard, it is too bad the State Department was unable to provide a witness to discuss what this designation will mean operationally.

The Foreign Terrorist Organization (FTO) designation sets the stage to attack the vast financial network supporting the Haqqanis. And as we will hear today, this outfit has built an empire out of kidnappings, out of extortion, out of their smuggling operations. Arab donors from the Middle East, trucking firms, car dealerships, real estate. The financial streams running into North Waziristan are very diverse and widespread. We have many targets.

As one witness notes, while they have faced military pressure, “the Haqqanis have never had to deal with a sustained and systemic campaign against their financial infrastructure.” As Ms. Peters will testify, such a campaign, in concert with military efforts, could even bring the Haqqani network to the point of “collapse.” That is optimistic but at least now possible with the Foreign Terrorist Organization designation that has been made.

This subcommittee has looked at U.S. Government financial squeezes on others: The North Korean criminal state, arms dealers, such as Victor Bout, A.Q. Khan, and Hezbollah. Success has required sustained support and leadership from the very top. Given the administration’s dithering on the Haqqani designation, it is right to be concerned about its will to execute an aggressive financial campaign against that entity.

Concluding, this cannot be a case of designate and forget. It is clear that continued congressional pressure will be needed to ensure that this was just a step toward hammering the Haqqani network.

And I will now turn to our ranking member, Mr. Sherman from California, for his opening statement.

[The prepared statement of Mr. Royce follows:]

**Subcommittee on Terrorism, Nonproliferation, and Trade**

Opening Statement - Chairman Ed Royce  
*Combating the Haqqani Terrorist Network*  
September 13, 2012

Today we're examining the Haqqani network, which the State Department has just decided to designate as a "Foreign Terrorist Organization."

Yesterday we were saddened and angered over the killing of an American diplomat and three other U.S. government personnel during an attack on our consulate in Benghazi, Libya. Exactly one year ago today, it was the Haqqani network that launched a *20-hour* long assault on the U.S. Embassy compound in Kabul, which left 16 Afghans dead.

It was after this attack that our then top military officer pronounced the Haqqani network a "veritable arm" of Pakistani intelligence, used to pursue its paranoid policy of "strategic depth" in Afghanistan. The Haqqani base of operations in Pakistan's tribal area of North Waziristan is the most important militant haven in the region. Al-Qaeda is said to train and plan attacks under the protection of the Haqqani network there. Indeed, one prominent report finds that, "the Haqqani network has been more important to the development and sustainment of al-Qaeda and the global jihad than *any other* single actor or group." The Haqqani's have plenty of blood on their *own* hands, much of it U.S. and coalition forces.

Yet the State Department more than dragged its feet in doing the obvious, blacklisting the Haqqani network. Despite calls from U.S. commanders to act, it kept the case under lengthy "review." Frustrated, Congress - on a bipartisan basis - unanimously passed the "Haqqani Network Terrorist Designation Act of 2012," signed into law a month ago. This Act spurred last week's designation announcement, which apparently was not an easy one for the Administration to make. Without Congressional pressure, I'm sure the Haqqanis would have been under *permanent* review, further shortchanging our efforts against it.

This hearing is about looking ahead though. What can we do now? In this regard, it's too bad the State Department was unable to provide a witness to discuss what this designation will mean operationally.

The FTO designation sets the stage to attack the vast financial network supporting the Haqqanis. As we will hear today, this outfit has built an empire out of kidnapping, extortion and smuggling. Arab donors, trucking firms, car dealerships, real estate... The financial streams running into North Waziristan are diverse and widespread. We have many targets.

As one witness notes, while they have faced military pressure, "the Haqqanis have never had to deal with a sustained and systematic campaign against their financial infrastructure." As Ms. Peters will testify, such a campaign, in concert with military efforts, could even bring the Haqqani network to the point of "collapse." That's optimistic, but at least now possible with the FTO designation made.

This Subcommittee has looked at U.S. Government financial squeezes on others: the North Korean criminal state, arms dealers, and Hezbollah. Success has required sustained support and leadership from the very top. Given the Administration's dithering on the Haqqani designation, it's right to be concerned about its will to execute an aggressive financial campaign.

Concluding, this can't be a case of designate and forget. It's clear that continued congressional oversight will be needed to ensure that this was just a step toward hammering the Haqqani network.

---



Mr. SHERMAN. Thank you, Mr. Chairman for holding these hearings. I want to join with you in our expression of both regret and anger as to the death of our diplomats in Benghazi. And I know that the administration is responding with urgency to work with the Libyan Government to bring these attackers to justice.

Now the focus of our hearing. The Haqqani network based in Pakistan's tribal areas is commonly viewed as the most lethal force battling us in Afghanistan. The group is responsible for many high profile attacks, including the attack on the U.S. Embassy in Kabul in September 2011. Secretary of State Hillary Clinton formally announced the designation of the militant Haqqani network responsible for these deadly attacks as a terrorist organization last Friday. I commend the Obama administration and the Secretary of State for making this choice.

The Haqqani Network Terrorist Designation Act of 2012 was passed by this Congress and called upon the State Department to report within 30 days on the issue of designating the Haqqani network. I cosponsored that bill and also cosponsored a House bill with our colleague Ted Poe which would have simply taken the matter out of the administration's hands and designated what we all knew to be true and that by any definition, and certainly the definition of our laws, the Haqqani network was a terrorist organization and remains so today.

This designation last Friday was not the first action taken against the Haqqani, either legal or kinetic. Several Haqqani network members were already on the U.S. Government's list of specially designated global terrorists. The administration has posted a \$5 million reward leading to the capture of one of the group's leaders and killed the main leader's son who was also an operational figure. This is an organization, the Haqqani network, that works hand in hand with the Taliban and has a history of supporting al-Qaeda.

Most worryingly, then Chairman of the Joint Chiefs of Staff, Admiral Mullen, testified before Congress that the Haqqani network acts as a veritable arm of Pakistani intelligence, the ISI. The admiral also noted that with ISI support Haqqani operatives planned and conducted the assault on the U.S. Embassy in September 2011.

So this is a terrorist organization that seems to be benefiting from moneys of the U.S. taxpayer in two ways. First, we provide a lot of aid to Pakistan with insufficient control. Much of that ends up in the hands of the ISI, and the ISI then supports the Haqqani network.

Second, our use of private contractors to get supplies into Afghanistan, combined with the fact that we maintain 85,000 or more troops there, means that these private contractors sometimes find it profitable to pay protection money to the Haqqanis. So both our foreign aid funds and our military operations funds can find their way into Haqqani hands.

The Haqqani network has a sophisticated financial means, according to recent studies. The organization raises money from those who are ideologically sympathetic donors, but also gets profit from smuggling the protection payments and transportation that I have previously mentioned, et cetera.

In fact, the labeling of the Haqqani network as a terrorist organization is necessary but not sufficient. Now is the time for the State Department and Transportation Department to ramp up efforts to go after the network's global finances and businesses and front companies.

We also have to change our policy toward Pakistan. Part of that is reaching out to the Pakistani people. We should no longer kowtow to Islamabad when they tell us that the Voice of America should broadcast only in Urdu. It is time to reach out to the Pakistani people in other languages, particularly southern Pakistan in the language of Sindhi. And it is time for us to try to go around the military-dominated political forces in Islamabad and reach out to the Pakistani people while at the same time conditioning our aid on different policies of the Pakistani Government.

And I yield back.

Mr. ROYCE. Thank you, Mr. Sherman.

We will go now to Mr. Connolly of Virginia for 3 minutes for your opening statement.

Mr. CONNOLLY. Thank you, Mr. Chairman. I also want to commend the State Department for declaring the Haqqani network as a Foreign Terrorist Organization, however long overdue that designation might have been. But I want to join with the chairman in expressing disappointment that the State Department is not represented here today. I think they owe the subcommittee and the Congress a fuller explanation for how and why we got to that determination and operationally, as the chairman suggested, what it means moving forward. Responsibility to account to the Congress is a constitutional responsibility and it is not a matter of when and if the administration chooses to respond to Congress' request to testify before a subcommittee such as this.

I must say the designation, however, raises as many questions as it provides answers. What does it mean with our drawdown in Afghanistan just across the border given the impunity with which the Haqqani network now operates in that part of Pakistan? What does it mean that there is clear and documented evidence that the ISI, the Pakistani ISI, has long provided overt protection, including security protection, to leaders of the Haqqani network within the Pakistani borders? And what does that mean for the level of cooperation that is actually cited in the designation announcement in which Pakistan was referred to as an extremely valuable ally in countering extremism and terrorism? How does that comport with overwhelming evidence that one branch of the Pakistani Government is not cooperating in those endeavors at all when it comes to the Haqqani network?

So I am looking forward, Mr. Chairman, to this hearing and to the testimony to be provided. And like you, I wish the State Department were represented here. I think they should be. Thank you so much for holding the hearing.

Mr. ROYCE. Thank you, Mr. Connolly.

Ms. Lisa Curtis is the senior research fellow for South Asia at the Heritage Foundation. And before joining Heritage, she served on the Senate Foreign Relations Committee staff and at the State Department and at the Central Intelligence Agency. She has ap-

peared before the House Foreign Affairs Committee numerous times. It is good to have you back.

Mr. Jeffrey Dressler is a senior research analyst and leads the Afghanistan and Pakistan team at the Institute for the Study of War. He has written several extensive reports on the Haqqani network. Mr. Dressler was invited to Afghanistan in July 2010 and participated in a team conducting research for General David Petraeus.

And lastly, we have Ms. Gretchen Peters, a researcher and author. In July, the Combating Terrorism Center at West Point published her extensive thesis, "Haqqani Network Financing: The Evolution of an Industry." She is also author of a book, "Seeds of Terror," which traces the role of the opium trade in Afghanistan.

We will start with Ms. Curtis.

**STATEMENT OF MS. LISA CURTIS, SENIOR RESEARCH FELLOW, ASIAN STUDIES CENTER, THE HERITAGE FOUNDATION**

Ms. CURTIS. Thank you very much, Mr. Chairman, Ranking Member Sherman.

Mr. ROYCE. I am going to ask you to push the button there.

Ms. CURTIS. Thank you, Mr. Chairman, Ranking Member Sherman, and the rest of the distinguished committee for inviting me here today.

The Obama administration's designation of the Haqqani network as a terrorist organization was certainly a welcomed if not long overdue step. The Heritage Foundation has been calling for this designation for a year, ever since the Haqqani network attacked the U.S. Embassy in Kabul on this day a year ago. This designation will facilitate U.S. goals in Afghanistan by pressuring Pakistan to deal effectively with this deadly group and assisting the U.S. in attacking the group's financial network.

Since Pakistan has failed over the last 3 years to either take military action against the group or to bring this group to compromise at the negotiating table, the U.S. had little choice but to corner Islamabad on the issue. Pakistani officials had repeatedly questioned why they should take military action when U.S. policy toward the group was ambiguous. With this designation, the U.S. leaves no doubt on where it stands on the issue and thus removes a major Pakistani excuse for failing to take action.

Up to this point, Pakistani military officials seem to have calculated that the U.S. would acquiesce to a strong Haqqani role in any future political dispensation in Afghanistan. Now the U.S. has signaled that instead it would work to prevent the Haqqanis from re-establishing their base in Afghanistan.

I think people are generally familiar with who are the Haqqanis, but let me briefly talk about who they are. Jalaluddin Haqqani is a powerful, independent, militant leader whose followers operate mainly in eastern Afghanistan in the provinces of Paktia, Paktika, and Khost. They operate from their headquarters in North Waziristan in Pakistan's tribal border areas.

Jalaluddin Haqqani has been allied with the Afghan Taliban for over 16 years, having served as the tribal affairs minister in the Taliban regime in the late 1990s. His son Sirajuddin is now the operational commander of the group.

The Haqqani network of course has been a major facilitator of the Taliban insurgency, having conducted some of the fiercest attacks against U.S. and coalition forces, Afghanistan civilians, and U.S. civilian interests. The source of the Haqqanis' power stems mainly from their ability to forge relations with a variety of terrorist groups in the region as well as with the Pakistani intelligence service. Pakistani military strategists view the Haqqani network as their most effective tool for blunting Indian influence in Afghanistan.

The overarching goal of the U.S. should be to end Islamabad's dual policies toward terrorism. Islamabad's continuing support for the Taliban, the Haqqani network, and other terrorist groups is jeopardizing the entire U.S. and NATO mission in Afghanistan.

It is true that Pakistan has facilitated efforts to degrade al-Qaeda's capabilities. We have shared intelligence with the Pakistanis. Pakistan has helped us capture key al-Qaeda leaders. And for all its complaints about drones, Pakistan has never taken direct hostile actions against the drone program. Still, Islamabad's inconsistent approach to terrorism is undermining the stability of the state. It is no secret that several thousand Pakistani civilians and security forces have been killed in attacks by the Tehrik-e-Taliban Pakistan, the TTP. So it is simply confounding that Pakistan's military would support the Haqqani network when it cooperates with the TTP.

Let me say a few words about peace talks. One of the most frequent arguments against designating the Haqqani network was that it could upset efforts to engage in peace negotiations. But the Haqqanis have had ample chance to engage in negotiations. And it should be noted that only 1 month after the U.S. met with Jalaluddin Haqqani's brother Hajji Ibrahim Haqqani a year ago, it was only 1 month later that the Haqqani network attacked our Embassy in Afghanistan, clearly signaling their lack of interest in negotiations.

The administration must avoid the temptation to pin false hopes on a political reconciliation process merely to justify a troop withdrawal. Political reconciliation is desirable but only if it contributes to the goal of ensuring that Afghanistan never again serves as a safe haven for terrorists.

Any political solution with the Taliban must, one, preserve the human rights improvements of the past decade; two, maintain the integrity of the democratic political process; three, ensure the Taliban has broken ranks with al-Qaeda; and four, make sure the U.S. maintains the capability to retain a troop presence for counterterrorism and training missions well beyond 2014.

So in conclusion, the onus is on Pakistan to demonstrate it is willing to squeeze insurgents on its territory and to use its leverage with these groups to bring them to compromise. Otherwise the U.S. and NATO must try to isolate Pakistan in the region and limit its ability to influence developments in Afghanistan. It should be clear that unless Pakistan supports the U.S.-led strategy in Afghanistan, it will sacrifice U.S. aid and diplomatic engagement. The U.S. will look toward other like-minded partners in the region and even be prepared to block IMF and World Bank loans which are critical to the health of the Pakistani economy.

The way Pakistan deals with Afghanistan over the next 2 years will have a lasting impact on how it is viewed and treated by the international community. Pakistani brinkmanship in Afghanistan would likely carry high costs for the country over the long term.

Thank you.

Mr. ROYCE. Thank you, Ms. Curtis.

[The prepared statement of Ms. Curtis follows:]



*CONGRESSIONAL TESTIMONY*

---

## **Combating the Haqqani Terrorist Network**

**Testimony before the**

**Committee on Foreign Affairs, Subcommittee  
on Terrorism, Nonproliferation, and Trade,  
United States House of Representatives**

**September 13, 2012**

**Lisa Curtis  
Senior Research Fellow  
The Heritage Foundation**

My name is Lisa Curtis. I am Senior Research Fellow on South Asia at The Heritage Foundation. The views I express in this testimony are my own and should not be construed as representing any official position of The Heritage Foundation.

### **The Case for Designation**

The Obama Administration's designation of the Haqqani network as a foreign terrorist organization (FTO) is an important step that will facilitate U.S. objectives in Afghanistan by building Afghan confidence in the U.S. as a reliable partner; pressuring Pakistan to deal more effectively with the deadly network; and assisting the U.S. in attacking the group's financial network.

Administration officials have expressed frustration with Pakistan's lack of willingness to confront the Haqqani network, which is based in North Waziristan and Kurram Agency in Pakistan's Federally Administered Tribal Areas (FATA). Since the Administration failed in its efforts to cajole Pakistan to either take action against the Haqqanis or use its ties to the group to bring it to a compromise at the negotiating table, U.S. officials had little choice but to corner Islamabad on the issue. Pakistani officials repeatedly questioned why they should take military action against the Haqqanis if the U.S. was seeking a negotiated settlement. With this terrorist designation, the U.S. leaves no doubt on where it stands on the issue and thus removes a Pakistani excuse for failing to take military action.

Designating the Haqqani network an FTO will also help pressure the group financially, particularly regarding its fundraising activities in Saudi Arabia and the United Arab Emirates. The U.S. has already sanctioned nine Haqqani leaders, but designating the entire network could help tighten the noose on the organization. A recent report by the Combating Terrorism Center at West Point details how the Haqqani network has evolved into a "sophisticated, diverse, and transnational crime network." The report notes that the Haqqanis have never faced a sustained campaign against their financial networks.<sup>1</sup>

The designation will help focus the attention of relevant U.S. government agencies and require them to focus more resources on the problem. Designating a group as an FTO brings clarity and precision to the interagency process for implementing policies that weaken the group and shut down its ability to conduct attacks.<sup>2</sup> FTO designations require an interagency process involving the Departments of State, Justice, Homeland Security, and the Treasury. An organization designated an FTO is subject to financial and immigration sanctions. The Secretary of State is authorized to designate an organization an FTO if it is foreign, engages in terrorist activity, and threatens the security of U.S. citizens or the national security of the U.S. Although there are multiple terrorist lists kept

---

<sup>1</sup>Gretchen Peters, "Haqqani Network Financing: The Evolution of an Industry," Combating Terrorism Center at West Point, July 31, 2012, <http://www.ctc.usma.edu/posts/haqqani-network-financing> (accessed September 11, 2012).

<sup>2</sup>Audrey Kurth Cronin, "The 'FTO List' and Congress: Sanctioning Designated Foreign Terrorist Organizations," *Congressional Research Service Report for Congress*, October 21, 2003, <http://www.fas.org/irp/crs/RL32120.pdf> (accessed September 11, 2012).

by the U.S. government, the FTO list is particularly useful. The FTO list not only involves specific legal actions against a designated group, it also publicly stigmatizes the organization, which can assist in garnering cooperation from foreign governments.

### **Who Are the Haqqanis?**

Jalaluddin Haqqani is a powerful independent militant leader whose followers operate mainly in eastern Afghanistan from their base in North Waziristan in Pakistan's tribal border areas. He has been allied with the Afghan Taliban for nearly 16 years, having served as tribal affairs minister in the Taliban regime in the late 1990s. Jalaluddin's son, Sirajuddin, has in recent years taken operational control of the militant network.

The Haqqani network has been a major facilitator of the Taliban insurgency in Afghanistan, and is responsible for some of the fiercest attacks against U.S. and coalition forces, Afghan civilians, and U.S. civilian interests in the country. Haqqani fighters were responsible for the storming of the Serena Hotel in Kabul during a high-level visit by Norwegian officials in January 2008; a suicide attack against the Indian embassy in Kabul in July 2008 that killed two senior Indian officials and over 50 others; a suicide attack on a CIA base in Khost Province in December 2009 that marked the most deadly attack on the CIA in 25 years; an attack on the U.S. Bagram Air Base in mid-May 2010; a multi-hour siege of the U.S. embassy in Kabul in September 2011; and a complex and coordinated attack on U.S. Base Camp Salerno in Khost Province on June 1.

According to official American estimates, Haqqani operations account for about one-tenth of attacks on coalition troops, and about 15 percent of casualties. Former U.S. Ambassador to Afghanistan Ryan Crocker recently called the Haqqani fighters "the worst of the worst...a group of killers, pure and simple."<sup>3</sup>

The source of the Haqqanis' power lies primarily in their ability to forge relations with a variety of different terrorist groups (al-Qaeda, the Afghan Taliban, the Pakistani Taliban, and India-focused groups like the Jaish-e-Muhammed), while also maintaining links to Pakistani intelligence. Pakistani military strategists view the Haqqani network as their most effective tool for blunting Indian influence in Afghanistan. U.S. officials have appealed to Pakistani leaders to crack down on the Haqqani network, but have been rebuffed with declarations that the Pakistani military is over-stretched and incapable of taking on too many militant groups at once.

### **Pakistan's Relationship with the Haqqani Network**

Pakistan is unlikely to take any immediate steps to help the U.S. counter the Haqqani network. However, over time, the designation could help shift thinking within the senior

---

<sup>3</sup>Mark McDonald, "Taliban Rages over U.S. Decision on Terrorist Group," *International Herald Tribune*, September 9, 2012, <http://rendezvous.blogs.nytimes.com/2012/09/09/taliban-rages-over-u-s-decision-on-terrorist-group/> (accessed September 11, 2012).



Pakistani military ranks toward viewing the Haqqani network as more of a liability than an asset when it comes to Pakistan's regional standing. Up to this point, Pakistani military officials appear to have calculated that the U.S. would acquiesce to a strong Haqqani role in any future dispensation in Afghanistan. With the FTO designation, the U.S. is signaling that it will work to prevent the Haqqani network from re-establishing its base in Afghanistan unless the group moderates its behavior and breaks ties to al-Qaeda.

Islamabad's dual policies toward terrorism—assisting the U.S. in some operations against al-Qaeda while supporting the Taliban, the Haqqani network, and terrorist groups fighting India—is jeopardizing the overall U.S. and NATO mission in Afghanistan. Islamabad's inconsistent approach to terrorism also undermines the stability of the state. Several thousand Pakistani civilians and security forces have lost their lives to attacks by the Tehrik-e-Taliban Pakistan (TTP) since its creation in 2007. The Haqqani network has a relationship with the TTP and has likely facilitated its ability to attack the Pakistani state.<sup>4</sup> The violence perpetrated by TTP, the Afghan Taliban, the Haqqani network, and al-Qaeda is mutually reinforcing and helps perpetuate each group's ability to conduct attacks against the targets it chooses.<sup>5</sup> Despite the links of the Haqqanis to al-Qaeda and the TTP, Pakistan's directorate of Inter-Services Intelligence (ISI) continues to cooperate with—rather than confront—them.

Documents found at Osama bin Laden's compound after the May 2, 2011 raid on his compound in Abbottabad, which were released to the public earlier this year, also reveal a close operational relationship between the Taliban and al-Qaeda. Just as the Haqqani leadership has repeatedly pledged its loyalty to Taliban leader Mullah Omar, Ayman al-Zawahiri swore allegiance to Omar via a June 2011 video shortly after he took command of al-Qaeda. This past weekend, Sirajuddin Haqqani announced he would request Mullah Omar's blessing for a "blitzkrieg" against U.S. And NATO forces in coming months.

#### **Peace Talks: Grounds for Skepticism**

One of the most frequent arguments against designating the Haqqani network an FTO has been that it could upset fragile efforts to engage in peace negotiations. The U.S. has been involved in on-again, off-again peace talks with the Taliban for nearly two years. U.S. officials also met with the brother of Jalaluddin Haqqani, Hajji Ibrahim Haqqani, about a year ago in an effort to explore opportunities for engagement. According to credible media reports, Pakistan's intelligence service pushed for and helped broker the meeting.<sup>6</sup> Shortly after that meeting, Haqqani fighters carried out the siege of the U.S. embassy in Kabul, apparently signaling their lack of interest in negotiations.

---

<sup>4</sup>Don Rassler and Vahid Brown, "The Haqqani Nexus and the Evolution of al-Qaida," *Combating Terrorism Center at West Point*, July 14, 2011, p. 17.

<sup>5</sup>*Ibid.*, p. 47.

<sup>6</sup>Eric Schmitt and David E. Sanger, "U.S. Seeks Aid from Pakistan in Peace Effort," *The New York Times*, October 30, 2011, <http://www.nytimes.com/2011/10/31/world/asia/united-states-seeks-pakistan-spy-agencys-help-for-afghan-talks.html?pagewanted=all> (accessed September 11, 2012).

The U.S. must be realistic about the potential for negotiating a peace settlement with the Haqqanis while they still enjoy safe haven in Pakistan's tribal border areas. The Administration must avoid the temptation to pin false hopes on a political reconciliation process merely to justify a troop withdrawal. Political reconciliation is desirable, but only if it contributes to the goal of ensuring that Afghanistan never again serves as a safe haven for global terrorists.

For reconciliation talks to succeed, both the Taliban and Haqqani network would have to come under more pressure inside Pakistan. The Haqqanis have a power base in eastern Afghanistan distinct from that of the Taliban's influence in southern Afghanistan, yet they coordinate closely and there is very little chance of splitting the two groups from one another, as some analysts have suggested.

The Taliban's recent opening of a political office in Qatar—while a potentially positive step—should not be viewed as a major breakthrough for peace talks. A genuine breakthrough would be a Taliban denunciation of al-Qaeda and its international campaign of terrorism. There should also be clear indicators that Taliban leaders are genuinely ready for political compromise.

The U.S. is reportedly considering transferring five top Taliban leaders from Guantanamo Bay prison to Qatar to help foster talks with the Taliban. Given several past examples of Taliban leaders returning to the battlefield as soon as they are released from U.S. custody, the U.S. must demand meaningful reciprocal action from the Taliban before it releases any more prisoners. According to the U.S. Director of National Intelligence, of the 599 prisoners that have been released from the Guantanamo facility since it opened in 2002, 167 (about 28 percent) have either re-engaged, or are suspected of having re-engaged, in insurgent or terrorist activity.<sup>7</sup>

Afghan Taliban military chief Mullah Abdul Qayyum Zakir, aka Abdullah Ghulam Rasoul, who had been captured in Afghanistan in 2001, was sent to Guantanamo in 2006, transferred back to Afghan government custody in 2007, and then eventually released in May 2008.<sup>8</sup> He became Mullah Omar's second-in-command in 2010 after Mullah Beradar was jailed by the Pakistani authorities. Zakir went on to coordinate a major Taliban offensive in spring 2011 code-named Operation Badar and may be responsible for more allied deaths than any other Taliban leader.<sup>9</sup>

---

<sup>7</sup>"Summary of the Reengagement of Detainees Formerly Held at Guantanamo Bay, Cuba," Director of National Intelligence, as of December 29, 2011, [http://www.fas.org/irp/news/2012/03/recid\\_2012.pdf](http://www.fas.org/irp/news/2012/03/recid_2012.pdf) (accessed September 11, 2012).

<sup>8</sup>Scth G. Jones, "Mullah Sprung from Gitmo Jail Now Leads Foe in Afghan Campaign," RAND Corporation, July 5, 2009, at <http://www.rand.org/commentary/2009/07/05/NYP.html> (accessed September 11, 2012).

<sup>9</sup>Ron Morcau, "The Taliban After Bin Laden," *Newsweek*, May 15, 2011, <http://www.thedailybeast.com/newsweek/2011/05/15/the-taliban-s-plan-for-an-epic-afghan-surge.html> (accessed September 11, 2012).

Another Guantanamo prisoner that was transferred from U.S. custody, Yousef Muhammed Yaqoub, returned to Afghanistan in 2004, aided an insurgent jailbreak in Kandahar, and was then killed by U.S. forces.<sup>10</sup> Abdullah Mehsud, who spent nearly two years at Guantanamo before his release in 2004, also returned to the battlefield and was believed to have commanded nearly 5,000 Taliban fighters before he was reportedly killed in 2007 during a raid by Pakistani forces in the Baluchistan Province of Pakistan.

The U.S. misread the intentions of the Taliban and underestimated the strength of its bond with al-Qaeda when the U.S. sought to engage the Taliban before 9/11. U.S. diplomats, acting largely on inaccurate advice from Pakistani leaders, overestimated their own ability to influence decision-making within the Taliban leadership. As Michael Rubin, Middle East expert at the American Enterprise Institute, noted in 2010, U.S. attempts to engage the Taliban from 1995 to 1999 represent “engagement for its own sake—without any consideration given to the behavior or sincerity of an unambiguously hostile interlocutor.” Rubin details how U.S. State Department officials were repeatedly misled by Taliban officials harboring Osama bin Laden even after al-Qaeda attacked two U.S. embassies in Africa in 1998. As Rubin noted, “face-to-face meetings with Americans served only to reinforce the Taliban gang’s pretensions as a government rather than as an umbrella group for terrorists.”<sup>11</sup>

In seeking talks with the Taliban now, the Administration must avoid the same pitfalls U.S. officials fell into during the 1990s that ultimately helped set the stage for the 9/11 attacks. If the Taliban is able to reassert influence in Afghanistan without making the political compromises necessary for peace in the region, the U.S. will not only fail the Afghan people, who have already suffered under Taliban rule, but it will also sacrifice U.S. national security by allowing a violent, anti-Western Islamist ideology to succeed in the region and again play host to a revived al-Qaeda.

There is some fragmentary information that points to potential Taliban willingness to compromise for a political solution in Afghanistan, but it must be dealt with cautiously. Afghan expert and former European Union diplomat Michael Semple asserts that the Taliban would be willing to break with al-Qaeda and take the role of “junior partner” in a future Afghan political dispensation.<sup>12</sup> Semple’s statements must be weighed against other credible assessments of Taliban calculations that indicate the leadership believes it can simply wait out U.S. and NATO forces. In a “secret” NATO report leaked to the British media earlier this year, Taliban insurgents told their interrogators that they are

---

<sup>10</sup>Raw Data: Former Gitmo Detainees Who Returned to Terrorism,” Fox News, December 30, 2009, <http://www.foxnews.com/politics/2009/12/30/raw-data-gitmo-detainees-returned-terrorism/> (accessed September 11, 2012).

<sup>11</sup>Michael Rubin, “Taking Tea with the Taliban,” *Commentary*, February 2010, p. 11.

<sup>12</sup>Emma Alberici, “Michael Semple Discusses Afghan situation,” video, Australian Broadcasting Corporation, September 4, 2012, <http://www.abc.net.au/lateline/content/2012/s3583027.htm> (accessed September 11, 2012).

increasingly confident that the Taliban will retake power once NATO forces depart Afghanistan, and that Pakistan is positioning itself for such an outcome.<sup>13</sup>

#### **Pakistan's Reliance on Militancy and Its Contribution to International Terrorism**

Pakistan has relied on proxy militant fighters to achieve its strategic regional objectives since partition of the subcontinent. In 1947, Pakistan's leadership sent a group of irregular forces (a tribal lashkar) into Indian-controlled Jammu and Kashmir in an effort to encourage the region to secede to Pakistan. In 1965, the Pakistani military carried out Operation Gibraltar, in which Pakistan again infiltrated armed guerillas across the cease-fire line to spark a rebellion against Indian rule. At that time, Pakistani leaders feared that India's effort to integrate Kashmir was working, and they believed that infiltrating militants was the only way to force India to the negotiating table. As in 1947, the 1965 attempt to provoke widespread opposition against Indian rule failed and Pakistan was forced to accept another humiliating military defeat.

Similar to Pakistan's strategy for keeping India off balance in Kashmir, Pakistan also supports the Taliban and the Haqqani network to keep Afghanistan off balance. Pakistan views Jalaluddin Haqqani and his son Sirajuddin as important power brokers in the region who would help protect Pakistani interests in Afghanistan following any departure of U.S. and NATO forces. Pakistan's reluctance to play a helpful role in promoting Afghanistan reconciliation and its defiance of U.S. calls to break ties to groups attacking the U.S. in Afghanistan is pushing the region into deeper conflict. As U.S. national security expert Anthony Cordesman has noted, the U.S. inability to convince Pakistan to give up support for the Taliban, the Haqqani network, and other terrorist groups has been a "critical failure" of U.S. strategy in the region.<sup>14</sup>

Pakistan's support of various violent groups has often backfired domestically. Some of these groups have turned their guns on the Pakistani state and attacked civilians as well as security forces throughout the country. The Pakistan Army's support for militancy as an instrument of foreign policy has also contributed to the erosion of religious tolerance and created links between the Islamist political parties and militant groups that are destabilizing and eating away at the fragile democratic underpinnings of the state.<sup>15</sup> Internationally respected human rights defender Asma Jahangir exhorted her fellow countrymen in an op-ed in April to "fully comprehend, admit, and face up to the challenges thrown at the country by militant non-state networks," noting that the

<sup>13</sup>Laura King, "NATO Report Says Taliban Captives are Confident of Victory," *Los Angeles Times*, February 1, 2012, [http://latimesblogs.latimes.com/world\\_now/2012/02/nato-report-says-taliban-captives-are-confident-of-victory.html](http://latimesblogs.latimes.com/world_now/2012/02/nato-report-says-taliban-captives-are-confident-of-victory.html) (accessed September 11, 2012).

<sup>14</sup>Anthony H. Cordesman, "The Afghanistan-Pakistan War at the End of 2011: Strategic Failure? Talk Without Hope? Tactical Success? Spend Not Build (and then Stop Spending)?" Center for Strategic and International Studies, November 15, 2011, <http://www.humansecuritygateway.com/showRecord.php?RecordId=36405> (accessed September 11, 2012).

<sup>15</sup>Husain Haqqani, "The Ideologies of South Asian Jihadi Groups," *Current Trends in Islamist Ideology*, (April 2005), p. 14.

country's leaders were "conceding territorial and political ground to jihadis of all types and nationalities."<sup>16</sup>

#### **Policy Recommendations**

While the elimination of Osama bin Laden and his top deputies over the past year have significantly degraded the organization, it is wrong to assume that the fight against global terrorism is over and that the U.S. can simply turn its attention elsewhere. The U.S. still faces formidable threats from terrorists associated with and inspired by al-Qaeda that currently find refuge in Pakistan and could easily set up shop again in Afghanistan if the Taliban regains influence. Designating the Haqqani network a terrorist organization is a good step in clarifying U.S. objectives in Afghanistan and increasing pressure on Pakistan to align its Afghanistan policies with those of the rest of the international community. Moving forward with its Afghanistan–Pakistan strategy, the U.S. should:

- **Establish a process of negotiations that is jointly led with the current Afghan government, is transparent, preserves the human-rights improvements of the past decade, and implements measures that ensure that the Taliban must participate in a normal political process.** As part of this process, the U.S. must be able to verify that the Taliban has broken ranks with al-Qaeda and its allies to ensure that negotiations do not allow international terrorists to regain a foothold in the region. The U.S. must also ensure that negotiations with the Taliban do not interfere with the U.S. ability to keep troops stationed in Afghanistan for training and counterterrorism purposes long after 2014.
- **Slow down troop withdrawals and make clear that the U.S. plans to remain closely engaged diplomatically, financially, and militarily with Afghanistan over the long haul.** President Obama's continued focus on troop withdrawals gives the impression that the U.S. is rushing for the exits, which is creating fear and uncertainty among the Afghans and causing President Karzai to become a less reliable partner. The scope and pace of withdrawals over the next two years should be determined by U.S. military commanders on the ground, not by U.S. electoral politics.
- **Pressure Pakistan to support the U.S.-led strategy in Afghanistan and demonstrate that Islamabad's failure to help stabilize Afghanistan will result in decreased U.S. military aid and diplomatic engagement.** Some Administration officials believe that Pakistan will never cooperate with U.S. goals in Afghanistan and thus advocate immediate aid cuts, or even a complete severing of U.S.–Pakistan relations. A better strategy is to convince Pakistani military leaders that pursuing a broad crackdown on violent Islamist groups in the country will strengthen Pakistan's economic and political outlook and overall regional position. Pakistani military leaders have so far resisted cracking down on Taliban and Haqqani network sanctuaries largely because of their failure to envision a new strategy that both protects Pakistan's regional interests and uproots support

---

<sup>16</sup>Asma Jahangir, "The Path of Isolation," *The Dawn*, April 24, 2012, at <http://dawn.com/2012/04/24/the-path-of-isolation-2/> (accessed September 11, 2012).

for terrorist activities and ideology. Islamabad's practice of relying on violent Islamist proxies in Afghanistan (and India) has backfired badly on Pakistan and there is increasing recognition among Pakistanis that a Taliban-dominated Afghanistan would likely have a destabilizing impact on Pakistan. U.S. officials must build on this sentiment by convincing Pakistani leaders that unless they use their resources now to force the Taliban to compromise in Afghanistan, Pakistan will suffer under an emboldened Taliban leadership that will project its power back into Pakistan. Moreover, Pakistan will face increasing regional isolation and lose credibility with the international community for continuing policies that encourage terrorism and endanger the safety of civilized nations.

- **Focus more diplomatic attention on working with NATO partners to develop a coordinated strategy toward Pakistan.** If Pakistan continues to pursue an independent Afghanistan policy that involves support to insurgents, the U.S. and NATO partners must look beyond Pakistan and toward other like-minded partners in the region, such as India and the Central Asian states, to help bring peace to the country. In these circumstances, the U.S. and major international partners, such as the United Kingdom, France, and Germany, should also demonstrate their willingness to sanction Pakistan for its unhelpful policies on Afghanistan, including the blocking of International Monetary Fund and World Bank loans, which are critical to the health of the Pakistani economy. If Pakistan wishes to be part of the international solution in Afghanistan, it must demonstrate a willingness to squeeze insurgents on its territory and use leverage to bring them to compromise with Afghan authorities and coalition partners. Otherwise, the U.S. and NATO must try to isolate Pakistan in the region, and limit to the greatest extent possible its ability to influence developments in the country.

### Conclusion

The Pakistan military leadership seems to believe it can outlast the U.S. and NATO in Afghanistan and simply absorb any negative consequences of its policies over the next two years until U.S. and NATO combat forces are withdrawn from Afghanistan. But they are not taking into account the bad will they are creating by their intransigent policies, or the likelihood that the U.S. will remain substantially engaged in Afghanistan long after 2014. The way that Pakistan deals with Afghanistan over the next two years will have a lasting impact on how Pakistan is viewed and treated by the international community. Pakistani brinkmanship in Afghanistan is likely to have high costs for the country over the long-term.

\*\*\*\*\*

The Heritage Foundation is a public policy, research, and educational organization recognized as exempt under section 501(c)(3) of the Internal Revenue Code. It is privately supported and receives no funds from any government at any level, nor does it perform any government or other contract work.

The Heritage Foundation is the most broadly supported think tank in the United States. During 2010, it had 710,000 individual, foundation, and corporate supporters representing every state in the U.S. Its 2010 income came from the following sources:

|              |     |
|--------------|-----|
| Individuals  | 78% |
| Foundations  | 17% |
| Corporations | 5%  |

The top five corporate givers provided The Heritage Foundation with 2 percent of its 2010 income. The Heritage Foundation's books are audited annually by the national accounting firm of McGladrey & Pullen. A list of major donors is available from The Heritage Foundation upon request.

Members of The Heritage Foundation staff testify as individuals discussing their own independent research. The views expressed are their own and do not reflect an institutional position for The Heritage Foundation or its board of trustees.

Mr. ROYCE. We are going to, due to the votes, take a recess for approximately 25 minutes after which time we will resume. So in the interim, we stand in recess. Thank you.

[Recess.]

Mr. ROYCE. The committee will come to order.

Let me recap, because earlier I mentioned the role that Congress played in getting the Haqqani network designated as an FTO. But also key to that was the information being put out by private researchers. And we are joined today by three of these expert witnesses who have worked on this subject matter. And we are now going to go to Mr. Jeffrey Dressler for his testimony.

**STATEMENT OF MR. JEFFREY DRESSLER, SENIOR RESEARCH ANALYST, INSTITUTE FOR THE STUDY OF WAR**

Mr. DRESSLER. Thank you, Mr. Chairman, Ranking Member Sherman, and committee members, for inviting me to testify about the Haqqani network Foreign Terrorist Organization with historical and enduring ties to al-Qaeda and their affiliates that poses a threat to American national security interests. Accordingly, it is imperative to focus all available instruments of U.S. Military and economic power against the network.

The Haqqani network is responsible for the vast majority of the most heinous attacks against U.S. international organizations, Afghan forces, and innocent Afghan civilians. Some of the most notable attacks include a June 2012 raid of a lakeside hotel in Kabul killing 18 and two September 2011 attacks, one on the U.S. Embassy and ISAF headquarters and another attack consisting of a suicide truck bombing of U.S. Combat outposts in Wardak province, injuring 77 U.S. soldiers.

Sirajuddin Haqqani, leader of the Haqqani network, no longer heads the tribal insurgency limited to remote regions of southeastern Afghanistan. His organization is not simply a Mafia-like criminal network solely focused on maximizing profits. The network's vast licit and illicit financial enterprise enables them to pursue their strategic and operational objectives. They maintain a working partnership with groups like al-Qaeda and its allies and affiliates to include Lashkar-e-Taiba, which conducted the Mumbai attacks, and a litany of other terrorist actors. Haqqani has provided lethal support to those groups as they pursue an international global jihadist agenda. The network maintains a national reach and has national level objectives, which I am happy to elaborate on the in the Q&A period.

Although the Haqqani network's historical area of influence was limited to the southeastern provinces of Khost, Paktia and Paktika, the network has slowly spread into the surrounding provinces surrounding Kabul. The Haqqani network's presence in Wardak, Logar, Nangarhar, Kapisa and Laghman provinces facilitates their attacks in Kabul, and the network generates revenues for those attacks through kidnapping, extortion, and smuggling.

In northern Afghanistan, the Haqqani network is closely partnered with terrorist organizations such as the Islamic Movement of Uzbekistan and local insurgent groups who depend on the Haqqani network's facilitation, command and control, and finances. This relationship affords the Haqqani network a disproportionate



amount of influence in northern Afghanistan relative to its physical presence. In the north, Haqqani network fighters have engaged in destabilizing assassinations of key northern political military figures, such as General Saeed Kili, the former Kunduz police chief, General Daud Daud, the northern zone police commander, and more recently, Ahmed Samangani, a prominent parliamentarian assassinated at his daughter's wedding. Of course the Haqqanis have also attempted unsuccessful assassinations of Bismullah Kahn and Fahim Kahn, key leaders of Afghanistan's Tajik block. If this trend continues, it could provoke Tajik leadership to withdraw from the government in Kabul, which could be the catalyst for a national level civil war reminiscent of the 1990s but perhaps in this case even more brutal. Furthermore, if the Haqqani-led presence in the north continues to expand, it could provide a platform for the spread of terrorist attacks in Central Asia spearheaded by the Islamic Movement of Uzbekistan.

However, the threat from the Haqqani network is not simply an Afghanistan-specific problem. The network also represents a threat to regional stability. In Pakistan's tribal areas, the Haqqanis' relationship and stature amongst myriad terrorist groups with local regional and international agendas continue to expand. Although the Haqqani network has not directly orchestrated an international terrorist plot, they are supportive and committed to an international jihadist ideology and have provided shelter, training, protection, and resources to groups who have attempted to execute international terrorist plots, to include al-Qaeda, the Islamic Movement of Uzbekistan, the German Jihad Mujahedin, and of course Lashkar-e-Taiba, among many others. The Haqqanis are now seen as the most lethal facilitator of terrorist groups in the region and yet at the same time continue to serve as key interlocutors between the Pakistani security services and anti-Pakistan groups, such as the TTP, or the Tehrik-e-Taliban Pakistan. For this reason and because the Haqqanis continue to serve as proxy forces for elements of Pakistan's security establishment, they have been allowed to operate with relative impunity and in some cases have received active facilitation and support.

In closing, designating the Haqqani network as a Foreign Terrorist Organization and as a specially designated global terrorist entity is of both substantive and symbolic importance. The intelligence community must prioritize identifying and analyzing the Haqqani network's global economic enterprise, including second and third party individuals and institutions who conduct business with the network in Pakistan and abroad. Furthermore, as is the case with most specially designated global terrorist entities, the Haqqani network should be added to the United Nations al-Qaeda sanctions list, which would pave the way for flight bans for network members and additional measures aimed at undermining the network's operations.

Last but not least, U.S. policymakers must raise awareness of the Haqqani network financial operations in Gulf states such as the UAE and urge all relevant foreign governments to assist with efforts to target and restrict the Haqqani network's activities.

Thank you, Mr. Chairman, committee members, for the opportunity to appear before you today, and of course I look forward to answering your questions.

Mr. ROYCE. Thank you very much, Mr. Dressler.  
[The prepared statement of Mr. Dressler follows:]

Jeffrey Dressler

*Senior Analyst and Team Lead, Afghanistan/Pakistan project, Institute for the Study of War*

*(Written Testimony)*

*September 13, 2012*

**“Combating the Haqqani Terrorist Network”**

House Committee on Foreign Affairs, Subcommittee on Terrorism,  
Nonproliferation and Trade

Thank you Mr. Chairman, committee members, for inviting me to testify.

The Haqqani Network is the most lethal terrorist network operating in Afghanistan. It has been linked to several of the most high-profile attacks on U.S. and foreign personnel and is responsible for most of the spectacular attacks and high-level assassinations in Kabul and northern Afghanistan. Formerly led by aging patriarch Jalaluddin Haqqani, the Haqqani Network is currently run by his sons, Sirajuddin, Badruddin and Nasiruddin and their uncle, Ibrahim. In late August, news reports surfaced that Badruddin, the day-to-day operational commander of the network, was killed in an explosion in North Waziristan. Badruddin's death will seriously alter the day-to-day efficacy of the network's strategic and operational capabilities. However, his death will not have a serious effect on the network's financial empire, which will ultimately enable the network to regenerate an operational replacement.

The network also includes many family members living abroad, from Pakistan to the Persian Gulf. Under the leadership of Jalaluddin's sons, the network operates out of a support zone in North Waziristan, Pakistan, opposite Afghanistan's eastern border in the provinces of Khost, Paktia and Paktika.<sup>1</sup>

From its sanctuaries in Pakistan's tribal areas, the Haqqani family hosts a variety of high-value terrorists, including senior members of al-Qaeda, Pakistani Taliban, Islamic Movement of Uzbekistan, Lashkar-e-Taiba and smaller terrorist entities linked to attacks in the U.K. It also supports a global jihadist ideology that transcends objectives in Afghanistan. Defeating or dismantling the Haqqani Network is therefore critical not only to the security transition in Afghanistan, but also to the U.S. global counterterrorism mission.

A critical capability of the Haqqani Network is its financial capacity, which distinguishes it from other insurgent groups operating in Afghanistan. The Haqqani Network business enterprise, comprised of licit as well as illicit elements, extends beyond the region and into the Persian Gulf. Moreover, the network is very likely tied to the Pakistani military industrial complex, which is lucrative. Because of its diversified and robust revenue streams, the Haqqani Network brings to bear a powerful and growing fighting force in Afghanistan. With the U.S. and international troop presence in Afghanistan winding down, this is a grave reality. If the Haqqani Network is not defeated or dismantled by 2014, it may overwhelm Afghan National Security Forces and establish a physical and logistical presence in Afghanistan that will serve to advance both its own jihadist agenda and the geostrategic interests of the Pakistani security services.

For this reason, coalition forces in Afghanistan have aggressively targeted the Haqqani network; however, the financial depth of the Haqqani Network allows it to regenerate in the wake of kinetic attacks. While the network does assign permanent roles to key personnel like Badruddin Haqqani, which supports a strategy to defeat the network by reducing key leaders, the financial dimension of the network is what makes the Haqqanis remarkably resilient. This concern also exposes a critical requirement for the network: international business partnerships are vital to sustaining the Haqqani financial base that provides directly for its lethal capability in Afghanistan. This critical requirement must also be targeted. The Haqqani Network clearly qualifies as a Foreign Terrorist Organization (FTO), and the State Department designated it as such. FTO designation effectively prohibits U.S. business

dealings with companies affiliated with the network in question, which cascades into international financial isolation. If aggressively implemented, FTO designation could reduce a critical capability of the Haqqani Network by increasing the cost of doing business, reducing access to capital and constraining the network's financial resources, thereby limiting their freedom to operate in a local, regional and international context.

#### **The International Haqqani Network**

The Haqqani Network has been an effective fighting force and proxy of the Pakistani security services for the better part of 30 years. Pakistan's military relies on Pashtun proxies, such as the Haqqanis, to strike Indian targets in Afghanistan; to pressure the Kabul government to align their regional interests with the Pakistanis; and ultimately to expel foreign military forces. It is also possible that the Pakistani proxy strategy is integrated into an overall strategy to contend with the threat of a large scale conflict with India. Currently, the Haqqanis are not only an effective proxy force to exert Pakistani influence in Afghanistan, but also have demonstrated the capability to rein in anti-Pakistan insurgent groups and even redirect them towards the fight in Afghanistan.

The Haqqanis' international relationships extend far beyond Pakistan. As early as the 1970s, Jalaluddin Haqqani, with the help of Pakistan's security services, began to develop a network of fighters and supporters that extended to the Gulf States, including connections forged with wealthy Saudis and with Saudi intelligence services. They also established fundraising offices in several Persian Gulf countries. The Haqqanis successfully established an assistance program for Gulf-based donors as early as 1980, according to West Point's Combating Terrorism Center, which may have been enabled by one of Jalaluddin Haqqani's two wives, an Arab, who resided in the United Arab Emirates.<sup>2</sup> This financial network laid the groundwork for his close relationship with Arab sponsors, including Osama bin Laden. In fact, a full year before the Soviet invasion of Afghanistan, Jalaluddin sent several of his followers to establish offices throughout the Gulf to raise money and awareness of the threat posed by the recent communist coup in Kabul.<sup>3</sup> Later, the Haqqanis were the first to provide Osama bin Laden and his followers with an operational front to wage jihad against the Soviets.

Throughout its history, the Haqqani Network has coordinated with and influenced other militant groups, such as al-Qaeda, who operate on the local, regional and global levels.<sup>4</sup> The most underappreciated dimension of the Haqqani network is its global character and the central role it played in the evolution of al-Qaeda and the global jihadist movement during the 1980s and 1990s. The relationship between al-Qaeda and the Haqqani Network strengthened significantly during this period, with the latter providing space for al-Qaeda and other militant groups to develop and to initiate a campaign of attacks against the West. As Don Rassler and Vahid Brown discuss in their report, *The Haqqani Nexus and the Evolution of al-Qaeda*, the Haqqani network capitalized on their relationship with jihadists, availing its Waziristan frontier and resources to a variety of militant actors, including those from the Arabian Peninsula, Kashmir, Punjab, North Africa and Indonesia, as well as Pakistani madrasa students and ISI agents. In so doing, the Haqqani Network played a key role in the formation and maturation of al-Qaeda and several other jihadi organizations over time. The arrangement was both transactional, whereby the Haqqanis received infusions of manpower and funding as well as international notoriety, and ideologically aligned.

**The Haqqanis in Afghanistan**

Despite hosting groups with transnational terrorist agendas, the network has to date directed all of its own terrorist attacks exclusively in Afghanistan. The Haqqanis' primary area of control is in southeastern Afghanistan in the provinces of Khost, Paktika and Paktia, informally known as P2K. The Haqqanis maintain in these provinces sophisticated lines of support, including logistical routes, safe houses, mountain encampments and other necessary infrastructure. The enormous logistical depth that the Haqqanis maintain in these regions has compromised efforts to restrict their activities. The Haqqanis achieve this depth in part through murder and intimidation tactics to coerce the local population. Although recent U.S. and Afghan efforts are effectively reducing the network's immediate fighting capability, the network is still able to regenerate. Thus, the Haqqanis retain significant influence over the security environment, the Afghan government and the population in the southeast.

Within Afghanistan, the Haqqanis have expanded their zone of attack outside of P2K.<sup>5</sup> Since at least 2005, the expansion of the network in areas such as Logar, Wardak, Nangarhar, Laghman and Kapisa has enabled the Haqqanis to plan, resource and execute spectacular attacks in Kabul that have become the hallmark of the network. Two of the most memorable attacks attributed to the Haqqanis were the September 2011 and April 2012 attacks on the headquarters of the International Security Assistance Force (ISAF) and the U.S. Embassy, both of which are located in heavily fortified compounds in Kabul. The attacks earned a strong rebuke from U.S. Ambassador to Afghanistan Ryan Crocker, who described the Haqqanis as "a group of killers, pure and simple," and said they may be a faction of the Afghan insurgency that is irreconcilable.

Some terrorism specialists erroneously argue that the Haqqanis are more interested in money than in ideology, despite their long and clear history of close ties to foreign terrorist organizations, such as al-Qaeda, and their demonstrable efforts to undermine the security of the Afghan state. Controlling the security environment in Afghanistan and cultivating the global Jihadist movement are priorities for the network and are not mutually exclusive. Ultimately, the Haqqanis are intent on positioning themselves as the strongest insurgent group in Afghanistan in order to control conditions that advance a regional jihadist agenda. At this time, it does not appear that the Haqqanis wish to govern Afghanistan, though they will likely seek to shape national decisions in Kabul to facilitate objectives shared with the Pakistani security services. Whether or not the Haqqanis will provide for a large scale reconstitution of al-Qaeda and their affiliates remains to be seen, but the network's past activities and current support for and protection of these groups in Pakistan suggest that it is likely.

**The Haqqani Business Enterprise**

The Haqqanis maintain licit and illicit business interests stretching from Afghanistan and Pakistan to the Persian Gulf, and possibly beyond. The network operates or partially owns many licit businesses, such as car dealerships, within some of Pakistan's most populous cities. It also owns money exchanges and construction companies in Afghanistan and Pakistan, in addition to commercial and residential real-estate holdings, import-export operations and transport businesses.<sup>6</sup> There is plenty of evidence to suggest that many of these licit endeavors are inextricably linked with the vast economic empire of the

Pakistani military industrial complex, a phenomenon detailed at length in Ayesha Siddiqa's book, *Military Inc.*<sup>7</sup> The Haqqanis also maintain lucrative smuggling networks to strip timber, minerals and other precious goods from Afghanistan and smuggle them out of the country for sale. Noted authors Ahmed Rashid and Gretchen Peters separately wrote that the Haqqanis also profit significantly from kidnapping, extortion and protection rackets on both sides of the Durand Line.<sup>8</sup>

In addition to their licit and illicit business interests, the Haqqanis also maintain an international fundraising network which serves to resource their tactical and operational activities. According to the United Nations, Haqqani Network operatives maintain links to the Gulf states, South and East Asia and possibly as far as South America.<sup>9</sup> In fact, the Haqqanis' international fundraising efforts have been well-documented for some time. Many of these same connections and relationships have endured. Khalil Haqqani, brother of the network's founder, Jalaluddin, was listed by the United Nations Security Council resolution 1988 for being associated with al-Qaeda and serving as one of the key fundraisers for the Haqqanis outside of Pakistan.

Khalil is just one node of the network's diversified financial network. Jalaluddin's son, Nasiruddin, is a well-known financier for the network. The United Nations Security Council resolution 1989 described Nasiruddin as an emissary for the Haqqani Network who spends much of his time raising money.<sup>10</sup> In 2004, Nasiruddin traveled to Saudi Arabia with a Taliban associate to raise funds for the Taliban. From at least 2005 to 2008, Nasiruddin collected funds for the Haqqani Network through multiple fundraising trips, including regular travel to the United Arab Emirates in 2007 and another to the Gulf in 2008. In late 2009, Nasiruddin Haqqani received several hundred thousand dollars from al-Qaeda-associated individuals in the Arabian Peninsula to use for Haqqani Network activities.

#### **Why Designation Matters**

The State Department's decision to designate the Haqqanis as an FTO will allow for freezing or seizing of assets, preventing second- and third-party institutions from doing business with the network, and working with regional allies to crack down on the network's external operations. The FTO designation will also allow the U.S. government to pursue facilitators of the network, including preventing second- and third-party institutions from doing business with network associates. Not surprisingly, some of the channels that the Haqqani Network uses are the very same ones that al-Qaeda and other international terrorists use to manage and operate their own financial activities. Labeling the Haqqani Network as an FTO also messages Pakistan's military leadership that continued support for and tolerance of Haqqani Network operations is no longer acceptable to the United States.

Targeting financial nodes, actors and organizations that provide the network with its global financial resources will allow the United States to attack the Haqqanis' entire business model, not just the individual businesses it owns and operates. As counter-illicit finance expert Dr. David Asher noted in a seminal report on coercive economic statecraft and U.S. national security, the aim of such measures should be to inflict lasting disruption, not simply interruption. A well-coordinated and aggressive campaign against the Haqqani Network would increase their costs of doing business, reduce access to

capital and squeeze the network's financial resources, thereby limiting their freedom to operate in a local, regional and international context.

#### Conclusion

FTO designation will significantly enhance the disruptive effect that the ongoing military campaign may have upon the Haqqani Network. It can also continue beyond 2014 to apply constraints against this strategic threat; however, the Haqqani Network is so well-established and so extensive at this point that even the introduction of the FTO designation may not be sufficient to render the network incapable of pursuing its jihadist objectives. It will certainly not be sufficient alone after U.S. and international forces transfer responsibility for security in Afghanistan. The approach to 2014 requires a post-2014 strategy to contend with the Haqqani Network. This strategy should include both classical counterterrorism components as well as counter threat finance, which involves aggressive pursuit of network facilitators under the auspices of an FTO designation. If the Haqqani Network is allowed to maintain its international business relationships and international fundraising campaign, it will maintain its lethal presence in Afghanistan, and it will grow from Afghanistan after 2014 as a strategic threat to the region.

*Jeffrey Dressler is senior analyst and team lead of the Afghanistan-Pakistan project at the Institute for the Study of War and author of the recent report, "The Haqqani Network: A Strategic Threat." Dressler recently returned from a research trip to eastern Afghanistan.*

#### NOTES

<sup>1</sup> Jeffrey Dressler, "The Haqqani Network: From Pakistan to Afghanistan," Institute for the Study of War, October 2010.

<sup>2</sup> Don Rassler and Vahid Brown, "The Haqqani Nexus and the Evolution of al-Qaida," CTC West Point, July 13, 2011.

<sup>3</sup> Don Rassler and Vahid Brown, "The Haqqani Nexus and the Evolution of al-Qaida," CTC West Point, July 13, 2011.

<sup>4</sup> Don Rassler and Vahid Brown, "The Haqqani Nexus and the Evolution of al-Qaida," CTC West Point, July 13, 2011.

<sup>5</sup> Jeffrey Dressler, "The Haqqani Network: A Strategic Threat," Institute for the Study of War, March 2012.

<sup>6</sup> Gretchen Peters, "Haqqani Network Financing: the Evolution of an Industry," Combating Terrorism Center- West Point, July 2012.

<sup>7</sup> Ayesha Siddiqi, Military Inc., Pluto Press, London 2007.

<sup>8</sup> Ahmed Rashid, Pakistan on the Brink, Viking, NY 2012; Gretchen Peters, "Haqqani Network Financing: the Evolution of an Industry," Combating Terrorism Center- West Point, July 2012.

<sup>9</sup> Khalil Ahmed Haqqani, Security Council Committee pursuant to resolutions 1267 (1999) and 1989 (2011)

<sup>10</sup> Nasiruddin Haqqani, Security Council Committee established pursuant to resolution 1988 (2011)

<sup>11</sup> Reza Jan, "Designating the Haqqani Network: New constraints moderating Pakistan's relationship with the U.S.," Critical Threats Project, August 8, 2012.

<sup>12</sup> Statement of Admiral Michael Mullen, Senate Armed Services Committee, September 22, 2011.

Mr. ROYCE. We will now go to Ms. Peters.

**STATEMENT OF MS. GRETCHEN PETERS, AUTHOR, HAQQANI NETWORK FINANCING**

Ms. PETERS. Thank you, Mr. Chairman, and to Ranking Member Sherman and to the respected members of the subcommittee.

We have seen this week in Libya why as a country we must remain vigilant about the problem of extremist terrorists around the world. And I strongly believe that the Haqqani network is the type of threat network that the United States needs to remain vigilant against and also take action against.

Since 2005, I have spent a great deal of my time studying the links between organized crime and insurgency in Afghanistan and Pakistan. I have studied among other groups the Quetta Shura branch of the Taliban, Hezb-e-Islami Gulbuddin, Lashkar-e-Taiba, Lashkar-e-Jangvi, al-Qaeda, the Islamic Movement of Uzbekistan. And most recently, I have spent the better part of the last 2 years looking at the Haqqani network's financial infrastructure.

Now it is well known, as both of you have commented previously, that the Haqqanis are the most ruthless and violent faction of the Taliban and also that they have the capacity to launch spectacular attacks against U.S. installations and other important sites in the capital Kabul and around Afghanistan. We all know that they have hosted, facilitated, and networked with all sorts of bad actors around the region, from other extremist groups like al-Qaeda and the Pakistani Taliban whom they continue to work with closely, and also criminal networks like Dawood Ibrahim's D-Company.

What is less known, what even came as a surprise to me, was the extent of their criminal business network. This is not only the most ruthless and violent network in Afghanistan and Pakistan, it is also the most diversified from a business standpoint.

Now most of the groups that I have looked into, that I named before, engage in some sort of protecting smuggling or smuggling themselves, usually narcotics, sometimes other resources like timber or gemstones. The Haqqanis are also involved in that. Many of the groups also engage in kidnapping and extortion. The Haqqanis are involved in all of that. And I would say they systematically extort all business that takes place in their areas of operation. One of the things that we found from interviewing community members and business leaders in the areas that the Haqqanis operate is that business does not get done unless the Haqqanis profit off it and condone it in their areas.

Now on top of that, they also get involved in a lot of other businesses that we don't see other networks involved in. Smuggling of timber, gemstones, mining operations, chromite and marble, electronics import and export, clothing, cooking oil and other food products. They run construction companies. Some of these construction companies have even gotten contracts by the coalition for USAID projects in the region. They raise an enormous amount of money from ideological donors and also run fundraising programs at mosques around the region, not just in Afghanistan and Pakistan but as far away as the Emirates and Saudi Arabia and Kuwait.



They also, as my colleague Mr. Dressler mentioned, engage in what I would call—they act sort of like guns for hire. They will do work for the Pakistan Government, or the Pakistan's ISI. They will assassinate people around Afghanistan. They will work for other branches of the Taliban. They will even carry out killings, targeted killings, to settle scores between business people and the community.

So in other words, they operate very much like a sophisticated transnational Mafia network. They have expanded their area of operations inside of Afghanistan, as Jeff mentioned. They have also expanded across the region and really around the world. We found evidence of operations that extended as far away as South Africa—meaning they do—again, I want to stress the point that this is a transnational operation with bank accounts and entities that they own in areas where the U.S. can access them through the legal authorities that we have. I can't say for sure how much they earn. I think it is a mistake for people like me to try and put estimates on criminal earnings. But what I can say with absolute surety is they earn a lot more money than they spend. And we need to I believe put together a task force to figure out more specifically where that money is and start seizing it, and freezing it.

They continue to collaborate on criminal and terrorist activities with the Pakistani Taliban, the Quetta Shura Taliban, al-Qaeda, and other groups in the region. This is the most clear with their criminal activities, particularly smuggling and kidnapping. I interviewed about a half a dozen people who had been kidnapped by the Haqqanis. They all described seamless cooperation between the Haqqanis and other networks, including the Pakistani Taliban. And I would like to just very briefly make the point that some Pakistani officials will describe the Haqqanis as the “good Taliban,” the Taliban that they can work with. When you start following the money, when you start looking into their criminal activities, they are working very, very closely with the Taliban that the Pakistanis considered the “bad Taliban.” And I think this network is as much a risk to Pakistan as it is to the United States.

I also believe that their relationship with the ISI, although close—and this is a relationship that has lasted since the 1970s, Jalaluddin Haqqani was one of the first Afghan Islamists to emerge and to work very closely with the ISI, even prior to the Soviet arrival in Afghanistan. But today the relations with the ISI are much more fraught than many outsiders imagine. The ISI certainly is able to get the Haqqanis to engage in certain activities for them, but it would be a stretch to say that they control them or that they trust each other.

I think that this is an organization that has a number of vulnerabilities that could be exploited if there is a systematic effort to attack their financial infrastructure. Among other things, this is a very small and centralized network at the top. Last month, an air strike killed Badaruddin Haqqani, the operations chief of the network. Earlier this year, U.S. forces captured Hajji Mali Khan, one of their leading commanders. Last year, a drone strike killed Jan Baz Zadran. I believe that the network will start to really crumble if they suffer many more high level losses like that. However, it is going to be very difficult to get to some of those people

because they are not in Afghanistan. They are not even in the tribal areas. They are hiding deep inside Pakistan.

One of the things I had the opportunity to do with this report I did with CTC was to go through documents that are inside the military's Harmony database. We went through thousands of documents pertaining to the business side of the Haqqanis that had been seized from their safe houses and pocket litter that was found on commanders and fighters that had been captured. One thing that was very striking when we laid out all of those receipts and documents and payroll records and property records that they had, was the extent to which the Haqqanis are really a Pakistani organization. The only receipts we found from Afghanistan were from petrol stations. Their ID cards, their residences, their hospital bills, everything they purchased, the command and the control of this organization is in Pakistan and not in the FATA or not in the tribal areas, deep inside Pakistan, records that extended down into Karachi, into Lahore, Rawalpindi. And I think it is important to recognize the extent to which this network is integrated through the region. We also know of extensive property holdings in the UAE, Shargah, Dubai, and Abu Dhabi. And I think that there is growing awareness in the Emirati states that groups like the Haqqanis, because of their involvement in narcotics and other organized crime, are a threat to stability there too.

So I feel like as we move forward, one challenge is going to be for U.S. diplomats and military attaches to work with our counterparts in Pakistan and the UAE and other parts of the Gulf to raise awareness of the threats that this and other groups like them pose.

A designation, to me, is like an arrest warrant. It can be completely meaningless if there is not action to follow it up. And I hope that Congress and the committee members here today encourages the administration to follow up by creating a task force of financial and fraud investigators, logistical and supply chain experts, intelligence and law enforcement officers, and subject matter experts to spend say 4 or 5 months really mapping out the financial side of this network and figuring out where the vulnerable nodes are and what authorities we have to attack it.

This has been done before in operations against the Cali cartel, the Medellin cartel, more recently, La Familia Michoacana in Mexico. There is an ongoing operation against Hezbollah which has been tremendously successful. We can do this. It is a question of the political will to follow it up and properly resource the investigators and the experts we have here in Washington and in places like Tampa who can do this.

There is an old Robin Williams joke that divorce is like tearing a man's heart out through his wallet. And I always make the comment that I think increasingly when we are facing nonstate adversaries, irregular warfare is going to be like tearing their hearts out through their wallets. They don't have infrastructural facilities that we can go after to try and weaken them. To really degrade their capacity to project force, we are going to have to go after their financial assets. Left in place, I fear that this group is in a strong position to take control of the territory in southeast Afghanistan and down into North Waziristan and parts of the FATA and I believe that they will continue to provide safe haven and to facilitate

the activities of other militant and terrorist actors who seek to do the United States harm.

Thank you very much.

[The prepared statement of Ms. Peters follows:]

## **How to Launch a Sustained Attack on the Haqqanis' Financial Infrastructure**

*A strategy for understanding and attacking the network's logistical setup and financial assets*

---

### **A Report to the House Committee on Foreign Affairs Subcommittee on Terrorism Nonproliferation and Trade**

Prepared by Gretchen Peters, Booz Allen Hamilton

11 September 2012, Washington DC

**Introduction:** The U.S. government should follow up its designation of the Haqqani network (hereafter “the network” or “the Haqqanis”) with a swift and thorough course of action. An ongoing military campaign to disrupt militant operations and target its leaders has had some success in pinning down the network and eliminating key commanders. However, it has failed to significantly degrade the network’s capacity to project force and to launch lethal attacks in Afghanistan. A systematic effort to map out and then disrupt and/or seize Haqqani financial holdings, criminal business activities and logistical supply lines, modeled on other successful campaigns against other transnational criminal and terror networks could significantly raise the pressure on this criminalized network. Worked in concert with the ongoing tactical campaign, it could even cause the Haqqani network to collapse. Eventually, the strategy should seek to:

- Separate the leadership from their financial holdings
- Disrupt Haqqani criminal and fund-raising activities
- Kill or capture senior leadership in the network
- Drive a wedge between the Haqqanis and the community
- Make it difficult, if not impossible, for the network to recover from disruptions.

While the Afghan Threat Finance Cell in Kabul has made notable strides in understanding the network’s broad financial activities, gaps in information remain. The U.S. government should form an interagency task force of experienced financial and fraud investigators, coupled with military intelligence analysts and collectors, law enforcement agents, logistical analysis experts and subject matter experts to fill existing gaps in information and to piece together a more complete picture of how the network operates from a business standpoint. It will be necessary to map out a complete picture of this criminalized network ahead of devising an appropriate attack strategy. Given that there is considerable data in the system, a fully resourced team could likely map the network within four months.

**The Haqqanis:** A semi-autonomous component of the Taliban, the Haqqani network is widely recognized as the deadliest, most globally focused faction of the Afghan insurgency. What gets far less attention is the fact that the Haqqanis are also the most sophisticated and diversified from a financial standpoint. The Haqqani business portfolio mirrors a mafia operation, prompting the *New York Times* to dub the clan-run Haqqanis “the Sopranos of the Afghanistan war.”<sup>1</sup> In addition to raising funds from ideologically like-minded donors, an activity the clan has engaged in since the 1980s, the network has penetrated key business sectors, including import-export, transport, real estate and construction in Afghanistan, Pakistan, the Arab Gulf and beyond. The Haqqanis employ violence and intimidation to extort legal firms and prominent community members, and engage in kidnap for ransom schemes. According to DEA

<sup>1</sup> Mark Mazzetti, Scott Shane and Alissa J. Rubin, “Brutal Haqqani Crime Clan Bedevils U.S. in Afghanistan,” *New York Times*, September 24, 2011. <http://www.nytimes.com/2011/09/25/world/asia/brutal-haqqani-clan-bedevils-united-states-in-afghanistan.html?pagewanted=all>

investigators, they protect and engage in the trafficking of narcotics and the precursor chemicals used to process heroin (although to a lesser degree than the Kandahari Taliban). The Haqqanis also operate their own front companies, some of which appear to be directed at laundering illicit proceeds and flipping currency that gets trucked into Afghanistan from neighboring Iran.

Over three decades of war, the Haqqanis have evolved into an efficient, transnational *jihadi* industry, one which supports their war effort, and which is supported by it. A conventional analysis would suggest the Haqqanis engage in organized crime in order to fund their war effort. However, the reverse is also true: A continued war benefits the Haqqanis' financial and business portfolio. The Haqqanis' capacity to raise funds from ideological supporters requires ongoing struggle, and their capacity to profit off key business activities, in particular extortion, kidnapping and smuggling, depends on a sustained state of insecurity and limited state influence. This suggests that network leaders have a financial disincentive to ending the conflict through reconciliation, and that a campaign to reconcile with this criminalized network would be futile.

**Past Experience:** American law enforcement and inter-agency operations have had significant success in attacking and dismantling violent, transnational illicit networks in other parts of the world, and could build on past and current operations. Sustained, interagency attacks have brought down Colombia's Cali and Medellín cartels, México's Arellano-Félix Organization and, more recently, La Familia Michoacana and key North American mafia syndicates. There is also an ongoing interagency operation to dismantle Hezbollah that has made tremendous progress, and at far less cost to the U.S. government than a military operation.<sup>2</sup>

What these operations have in common is that they have focused on the overall business structure of the target network, using wiretaps, informants, undercover operations, and financial investigations into value transfers. Operation Dinero, an undercover operation that targeted the Cali cartel, traced a global value transfer chain of cocaine money.<sup>3</sup> Operation Cornerstone has applied a similar methodology to a range of illicit actors.<sup>4</sup> Operation Scorpion, meanwhile, traced the supply chain of precursors from their market origin in the United States to the jungles of Colombia.<sup>5</sup>

More recently "Project Coronado," which focused on the La Familia Michoacana, led to the arrest of more than 1,186 people, the confiscation of 2.5 tons of drugs and the seizure of approximately \$33 million. Such operations have targeted domestic networks as well: In 2011,

<sup>2</sup> [http://www.nytimes.com/2011/12/14/world/middleeast/beirut-bank-seen-as-a-hub-of-hezbollahs-financing.html?\\_r=3&ref=jobecker](http://www.nytimes.com/2011/12/14/world/middleeast/beirut-bank-seen-as-a-hub-of-hezbollahs-financing.html?_r=3&ref=jobecker)

<sup>3</sup> <http://community.seattletimes.nwsource.com/archive/?date=19941217&slug=1947747>

<sup>4</sup> [www.bankersonline.com/topstory/financialcrimespresskit.pdf](http://www.bankersonline.com/topstory/financialcrimespresskit.pdf)

<sup>5</sup> <http://www.justice.gov/dea/pubs/history/1980-1985.html>

the FBI announced that it had simultaneously arrested 127 mafia members and their business associates in simultaneous strikes aimed at crippling their operations.<sup>6</sup>

**The Way Forward:** It would be beneficial to take a page out of these earlier operations as the U.S. government forms a strategy to defeat the Haqqani network by attacking its illicit financial architecture. It is important to recognize that the U.S. dollar is used in more than 70% of international payments and that the U.S. government has the capacity to track international bank transfers. In order to have teeth, any strategy to track Haqqani financial transfers would have to have buy-in from the law enforcement community. The intelligence community can help build out the picture of the network as well, tracing connections between entities connected to the Haqqani network. This is a challenging process, since entities often change names once designated. However, investigators who are experienced with these tactics can follow the thread using powerful search engines.

**Filling Information Gaps:** Current and former intelligence analysts who have closely tracked the network should be interviewed in order to develop new leads and to collect what information already exists, but which may not have been recorded, about the network's business activities at the local level. A request for information should be sent to field operators in Haqqani zones of operation to gather information more thoroughly about front companies, business partners (both willing and unwilling), money transfer networks, the financial and logistical bureaucracy of the network, and any information that can be gleaned about their banking habits. Just as important, there should also be a collection effort among Haqqani detainees, in particular high-ranking individuals such as Haji Mali Khan. Financial investigators with experience building out information on transnational narcotics and organized crime groups should be tasked to support military interrogators to develop pointed and financially pertinent lines of questioning. The information detainees provide could then be used to follow Haqqani business operations and fund transfers out of Afghanistan, and to build out a map of network operations through Pakistan and into the United Arab Emirates. If time, there should be efforts to check what is gathered across existing intelligence, to determine if old information collected takes on new meaning.

Another priority would be tracking money and commodities that flow in and out of Afghanistan under Haqqani protection. This will be complex, since the Haqqani network partners with small shopkeepers and Hawaladars in bazaars to move needed funds and equipment to their operators. Moreover, business relationships maintained by the Haqqanis can range from simple, one-time market transactions to enduring strategic alliances. It will be necessary to parse out the strategic relationships, and determine how both sides benefit. It's known that

---

<sup>6</sup> [http://www.msnbc.msn.com/id/41170643/ns/us\\_news-crime\\_and\\_courts/t/more-alleged-mobsters-arrested-east-coast/](http://www.msnbc.msn.com/id/41170643/ns/us_news-crime_and_courts/t/more-alleged-mobsters-arrested-east-coast/)

business partners in the bazaars, including hawaladars, have bank accounts both inside Afghanistan and out, and the Haqqani network leverages the legal transactions taking place in order to shift their money and materiel. The Haqqanis understand that the best way to move illicit funds and goods is through a licit company. Taken alone, each small shopkeeper seems trifling and unimportant. Observed as a group, these strategic partnerships form the Haqqani's logistical backbone, providing the network cover and capacity to move money and materiel in and out of Afghanistan. The business network also serves an intelligence function, helping the network pass on messages and gather information about the community and the coalition. To date, there has been no systematic effort to collect on and analyze how this system operates. A comprehensive effort would need to literally follow out truck convoys and trace where they deliver their contents. There would need to be efforts to gather shipping documents, bills of lading and other transport documents showing the names of firms that do business with the network. One would then build out the study, by developing information on the people involved at each step in the logistical chain. Once data starts coming in about the network, there will be a need to build out a model of the group's financial and logistical operations, examining how network members interact across the social, financial and logistical layers of operation.

There needs to be more investigation by experienced fraud investigators to determine the actual ownership structure of Haqqani front companies, and to trace their banking records in and outside Afghanistan. Reports that the U.S. government and coalition have unwittingly contracted construction firms connected to the network should be more thoroughly investigated, both to ensure it does not happen again, and to determine if the U.S. contractors who subcontracted Haqqani-owned firms can provide relevant information on the construction companies in question. At the top of the financial chain, there are information gaps concerning Nasiruddin Haqqani. More information is needed about his day-to-day activities, the way in which he (or his assistants) collects payments from ideological donors, and how he negotiates business partnerships.

There is also a need for greater fidelity on how the network functions from the logistical standpoint. Again, questions should be put to existing detainees, in particular Haji Mali Khan, to determine who precisely keeps the logistical side of the network running, and how. It is apparent that a robust logistical bureaucracy existed in the past, which included transport managers and accountants who kept detailed records of how network funds were spent on guns, food and medicine. A broad picture will identify vulnerable nodes across the system, and identifying them could support more precise tactical operations that will kneecap network operations.

**Drill Down on Acetic Anhydride:** The DOD should partner with DEA and HSI to build out a more complete picture of the Haqqani network's involvement in smuggling Acetic Anhydride (AA) to narcotics processors. Solid evidence of the network's involvement in the narcotics trade would bring about a new rash of designations, while following the flow of AA could help identify Haqqani bank accounts and front operations. The investigation should be focused on health clinics associated with the network, which appear to be importing precursor chemicals under the guise of using them to clean hospital equipment.

**Halt All US-Funded Development Projects in Haqqani Areas:** There are a limited number of ways in which the U.S. government can have an immediate, limiting effect on how much money enters Haqqani coffers. One is to put a complete halt on all U.S. funded development work and CERP spending in areas the Haqqanis are operating. Amid widespread evidence that the Haqqanis appear to extort between 10 and 25 percent of the value of each construction project in their control zones, the potential sums the network earns off extortion alone are in the tens of millions of dollars. This cycle raises serious questions about the U.S. government's capacity to provide appropriate oversight for the development projects it funds. It also creates a moral hazard for U.S. efforts in Afghanistan. The United States is not only funding the very insurgents it means to defeat, but well-intended development projects are also reducing insurgent transport costs by building better roadways, and indirectly providing the insurgency with cash to buy weapons and explosives that kill and maim U.S. soldiers and Afghan civilians. Local communities that want to continue existing development projects should be encouraged to provide information about how payments were made to the Haqqanis. They should be asked to organize community-led security teams at no cost, and to provide a detailed accounting for all spending, under the direct oversight of qualified, Pashto-speaking USAid accountants. Such a strategy would reduce costs, force community buy-in for programs they deem vital, and help investigators identify how the extortion racket worked previously.

**Launch a targeted IO campaign:** Insurgent involvement in criminal activity may bring needed funds, however it is a double edged sword that can drive a wedge between the populace and the insurgency. My research has found that communities affected by the Haqqanis are frustrated, frightened and fed up with high levels of violence and organized crime perpetuated by the militants.<sup>7</sup> This could be exploited in a public relations campaign that spreads information about the Haqqani network's organized crime activities, in particular, its ties to kidnapping members of the local community in Pakistan, and their close criminal collaboration with the widely loathed Hakimullah Meshud. The fact that Onyx Construction Company, an entity that has been linked to the network, appears in the Afghan media over an alleged land-grab means that firm could be targeted in a naming and shaming campaign. Haqqani detainees

<sup>7</sup> <http://www.ctc.usma.edu/posts/crime-and-insurgency-in-the-tribal-areas-of-afghanistan-and-pakistan>



have complained that they do not like being branded as criminals, and the network has responded angrily to suggestions that it is involved in drug trafficking and other criminal activities that are reviled and forbidden by the Islamic faith. The Haqqanis involvement in smuggling, extortion and kidnapping (not to mention their runaway violence and indiscriminate killing of civilians) represent an untapped public relations opportunity that the coalition should exploit. There is no need for a complex publicity campaign run by ISAF. Rather, judging from past successes, the coalition would be best served by pressing this case in personal encounters with local counterparts, and also by empowering local communities, through the distribution of camera phones and web technology, to publicize the Taliban's bad behavior themselves.<sup>8</sup> This supports the fundamental COIN principle that letting host nation actors do something tolerably well is better than having foreigners do it, and that's particularly true in this case since U.S. IO campaigns have routinely faltered.

**Protect the Public:** A public relations campaign that exposes the Haqqanis criminal activities will work best when supported by a committed coalition and GIRA effort to protect the local populace from the network. The challenge for coalition forces will be to "get in their faces," by disrupting street level criminal activities, such as demanding bribes and tolls, while not alienating or endangering the public. This might involve targeting Haqqani activities that would otherwise not be perceived as a threat to the coalition, such as the local kidnap gangs, or the Haqqani field commander who is extorting tolls on the highway. "Combat policing" techniques that have been implemented by the Marines in southern Afghanistan could be applied to the battle space in Haqqani areas of operation in order to build trust between the coalition and local communities. There is a question of how such programs would be sustained with the U.S. withdrawal just two years away, however recent uprisings against the Taliban in southeast Afghanistan suggest that the public is ready to put down the insurgency.

**Conclusion:** The Haqqani network gains protection and resiliency from its transnational financial architecture, but it is not invulnerable. A dedicated effort to take down this dangerous network could have success within the timeframe set by the White House for a drawdown of U.S. troops in Afghanistan. What matters now is that the White House demonstrates the political will to finish off this highly-criminalized network, by properly resourcing an interagency task force to do just that.

---

<sup>8</sup> See: "Assessing Military Information Operations in Afghanistan, 2001–2010," Rand Research Brief, and <http://www.ndu.edu/press/countering-taliban-information-operations.html>

Mr. ROYCE. And I thank you for that testimony. But I would assume you would add to that that it would be impossible to negotiate any kind of an arrangement for Afghanistan with the Haqqanis that wouldn't end up being an embarrassment and a threat frankly to the United States long term.

Ms. PETERS. As a former journalist, I covered efforts to negotiate with a variety of branches of the Taliban since 1996, back to the days when they blew up the Bamiyan Buddhas, about 28 efforts by the U.S. State Department to get the Taliban to hand over Osama bin Laden, and a number of peace deals that the Pakistan Government made with the Pakistani Taliban and the Haqqanis and others. They always fail. I don't believe that reconciliation is possible with these organizations. And there are clear indications that, as in the past, they hope to get what they can out of reconciliation efforts, to get us to release prisoners back to them and then not hold up their end of the bargain.

Mr. ROYCE. So instead, cut off the resources is your point. And I believe you stated it very, very well.

One of the other observations is that this particular organization manages to run a lot of these Deobandi schools or particular madrasas, which are Deobandi madrasas. And out of these schools, as I think you note, the graduates manage to replace the losses if they lose about 150 fighters a month. That comes right out of the graduates of the school system.

Ms. PETERS. Absolutely.

Mr. ROYCE. One of the questions I would ask you, because I have been in Pakistan three times petitioning the government to try to get them to close these particular Deobandi schools. First, why won't they close them? And second, is it true that some of the resources to maintain these schools come from the Gulf states? Or do you think that the revenue is now generated for the Deobandi schools internally through the graft and corruption and kidnapping and so forth?

Ms. PETERS. I haven't specifically looked into funding of the Deobandi madrasas but I do believe—and I know that historically, a lot of the funding for them came from the Gulf states and that funding Islamic education was a popular place for wealthy Arabs to send their money in Pakistan.

Some of these schools—I have been to the Haqqania mosque in Akora Khattak on a number of occasions. This is where Jalaluddin Haqqani trained and where he took his name from. It has at any given time about 10,000 to 15,000 students. It is an enormous compound. And there are I believe about 10,000 madrasas across Pakistan. Not all of them bad.

Mr. ROYCE. But we are talking now about these particular Deobandi schools, which is what I want to focus on because we have a list of the ones that purportedly churn out the fighters. We know from some of the messaging that goes on in these schools which ones are doing it. So does the government in Pakistan.

So my question to the witnesses here is what happened to the political will to shut down these particular schools? We have been up to see schools that have been set up—public schools to compete. And the Haqqanis come in and blow those schools up. And yet there is no effort to close down the very schools that frankly rep-

resent a threat to the state, to the Pakistani Government itself. Why not? What is the intimidation or whatever it is that prevents that from happening? And I will ask each of the witnesses their view.

Mr. DRESSLER. Sir, I think from the Haqqani perspective and from the view of elements of Pakistan security services, the recruits and the fighters that these schools are churning out are going to work for the Haqqani network, are going to work for the Quetta Shura Taliban. And as long as those organizations continue to be supported by elements of the security services, both current and retired, in pursuit of their strategic objectives in Afghanistan, then it would be counterproductive for them to go after these madrasas.

And of course your point that some of these fighters are being turned against the Pakistani state is exactly the point and is exactly the danger of sponsoring proxy groups for the exportation of terror. And I think Gretchen mentioned this during her oral testimony, that ultimately this can go bad for the state. And it is a reason why I think yourself and others have highlighted this as a problematic policy. So that is what I would say.

Mr. ROYCE. Ms. Curtis.

Ms. CURTIS. Yes. Pakistan's policy of relying on violent militants for strategic objectives goes all the way back to the partition of the subcontinent. So this is a problem with the thinking within the military establishment in particular. There is a perception that these motivated Islamist fighters serve a purpose for Pakistan. So that is why they are not shutting down these groups.

Now there may be some thinking that is starting to evolve, some concern that a Taliban-dominated Afghanistan would actually not be good for Pakistan. A lot of the Pakistani soldiers who are fighting in the tribal areas and dying, some of those commanders may be waking up to the fact that these groups are a threat to the Pakistani state. But we have not seen that overall shift that we have been looking for within the senior Pakistan military leadership. And that is why in my testimony, I have indicated that we have to be willing to step up the pressure to help them understand that they need to do what is in their own interest because they simply have not been able to overcome the fear that they will be subsumed by India, and so I think it is really a problem with the thinking within the military establishment.

Mr. ROYCE. Let me conclude my questions with one point relating back to a point that Ms. Peters made in her written testimony, which was that the degree of extortion that occurs here impacts also contractors that are working in this geographic area. And on that subject, if that extortion is netting tens of millions of dollars for the Haqqani network, what types of requirements on U.S. contractors should be deployed in your opinion in this circumstance in order to be part of the solution in terms of cutting off the valve or the resources that goes into the Haqqani network?

When you could put a halt immediately on U.S. aid into those areas, that would be the most direct and swift way to put an end to the possibility of getting resources towards—for that type of extortion on U.S. contractors. But go ahead.

Ms. PETERS. And that is what I wrote in my testimony. I am often asked what the U.S. Government could do to affect the amount of money reaching the Haqqanis. And I always say that there is something we could do that would affect it tomorrow and that is stop the development and CERD aid that is pouring into those areas. It is well intentioned but it is not well monitored. We are putting too much money out there. And I think there is a very big risk that we are doing more harm than good, that we are fueling instability and funding the very adversaries that we seek to defeat.

The trucking issue that you appropriately zero in on is trickier because we still need to supply our troops who are there. I would suggest that there is a far too complex a system of contracting and subcontracting and subcontracting of trucking companies, and we should find trusted entities that we work with who carry goods from Karachi to their end state sealed, where the payments get made into—where there is a capacity to follow the money instead of what we have now: Where we pay Pakistan's National Logistic Cell a lump sum every year and it is very hard to follow.

There was an investigation, in fact, done by Pakistan's own Federal Board of Revenue into the container scandal that included—it was thousands of containers that went missing. So this is also a concern to certain parts of the Pakistani state, that they are not collecting revenue on a lot of the stuff that is moving across.

Mr. ROYCE. Let me just make one observation. I have been up to the Northwest Frontier and in these areas around Peshawar and so forth. Our USAID employees do not go out because it is too dangerous for them. So the thesis that we are going to have effective monitoring is unrealistic. And that is why I think you get back to the other broader assumption that programs in these areas are going to be subject to extortion. And so the tougher decision is coming face to face with reality that this is providing tens of millions of dollars. The cause is a good cause, but it is not having the desired results, and therefore, we have to develop a different approach.

I think the focus should be on the recommendations and the type of recommendations, Ms. Peters, that you made here today and that your colleagues here have made.

I am going to go to Mr. Sherman, the ranking member, for his questions.

Mr. SHERMAN. Thank you. A couple of comments. One is that we ought to be doing as much as we can to aid education in Pakistan and particularly to make sure that parents don't have to pay for the textbooks. If we pay for the textbooks, they may not be politically correct by U.S. standards but they won't have, you know, chapters in favor of extremist jihad.

The second thing I will point out is that by having 85,000 or more troops in Afghanistan, we require ourselves to have this huge logistical effort which means the enemy will live off our logistical effort. If we have fewer troops, we would have less logistics and hopefully much of that could be supplied through the northern route. We can't just look at what is the cheapest way to bring supplies into Afghanistan. If it costs 150 percent as much to move them through Russia but we know that none of the money is going

to the Haqqani network, every dollar that goes to the Haqqani network probably does us as much harm as \$5 or \$10 or \$15.

Ms. Peters, do you have any kind of rough pie graph as to where the Haqqani network gets its money? That is to say, they have got donations. They have got money coming in from the ISI and other elements of the Pakistani Government. They have got drugs. They have got a protection racket. Then they have got kidnappings for hire, and then they have things approaching legitimate businesses, where they are competing against those. Any idea what are the big elements there?

Ms. PETERS. My feeling is that the big sources of income are extortion, the construction and real estate operations that they run, and kidnapping. But that is my feeling. It is very, very hard to—

Mr. SHERMAN. So it is not so much drugs or aid from the ISI?

Ms. PETERS. I think the Taliban in the southwest earn a lot more money from narcotics than the Haqqanis do, although what is interesting about the Haqqani network is they appear to have gotten more involved in the business of importing precursor chemicals, specifically acetic anhydride, which I thought was very interesting and innovative of them because there is now such a glut of opium in parts of the south that per kilo the value of acetic anhydride is actually higher. So they actually earn more money—

Mr. SHERMAN. What is that chemical used for?

Ms. PETERS. Acetic anhydride is the critical ingredient along with lime and hydrochloric acid and a few other ingredients to process raw opium into—lime and hydrochloric acid to take it up to a morphine base, more or less. I am simplifying a little bit. Acetic anhydride is critical—

Mr. SHERMAN. So they got into the drug dealer's supplier?

Ms. PETERS. That is correct. Acetic anhydride is the critical element that turns it into crystal heroin, the most addictive and most valuable—

Mr. SHERMAN. So what we are finding is being done in Pakistan and Afghanistan, not—

Ms. PETERS. The refineries are mostly in southern and southwest Afghanistan. Some of them are in eastern Afghanistan in the border areas. And we hear sporadic reports of refineries opening in the tribal areas. And some are up on the border between Iran and Turkey.

Mr. SHERMAN. I got you. Now one thing that I think we were inadequately sensitive to throughout our involvement in Afghanistan is how it is absolutely unacceptable to Pakistan—and naturally so—that Afghanistan would become a strategic enemy or a base for the Indian military. To what extent is Pakistan justifiably afraid that Karzai could be a strategic ally of India and a strategic enemy of Pakistan? And to what extent is there justifiable fear looking at the entire Kabul government as a whole?

Does anybody have a comment? Mr. Dressler.

Mr. DRESSLER. Congressman, I think it is overstated the extent that there is Indian influence in Afghanistan. I mean certainly they have diplomatic influence and—

Mr. SHERMAN. Whatever influence they have will be multiplied by 10 in the minds of Pakistani generals. So we have to make sure it is a pretty low number.

Mr. DRESSLER. Yeah. I mean, I don't expect that they will be mounting an invasion from Afghanistan into Pakistan. I think that is very far from reality. So that concern is unfounded. Certainly there is activity. And President Karzai, one of his strategies is to leverage all elements of regional competitors against each other. And that is simply what he is doing when it comes to——

Mr. SHERMAN. So instead of assuring Pakistan that he is not an ally of India, he threatens Pakistan that maybe he will be?

Mr. DRESSLER. [Nods yes.]

Ms. CURTIS. I don't think we should look at Afghanistan as a zero sum equation between Pakistan and India. We need to be looking at Afghanistan as becoming a stable country that will not serve as a safe haven for terrorists. And if you look at the kind of assistance that India is providing, there is a lot of humanitarian assistance. They have helped build the Parliament building. They are supporting democracy. These are all——

Mr. SHERMAN. I think we need to see this through the eyes of those concerned with Pakistani national security.

Ms. CURTIS. Okay. We can do that. But I don't think we have seen any evidence of efforts by India to directly undermine Pakistani national security. This is something that the Pakistanis fear. But I don't think that we should let U.S. policy be driven by Pakistani fear. I think we should point out that if Pakistan is worried about Afghanistan getting too close to India, then it needs to take steps to build its own relationship with Afghanistan because what Pakistan is doing, by supporting militants, it is not currying favor with the Afghan people. So if it wants to have a better relationship with Afghanistan, it needs to engage in normal state activities that allow that.

Mr. SHERMAN. I think you are assuming that the average Afghani is on our side and not the Haqqani side. And I would very much like to believe that, and I am sure it is true of a large number of Afghans. But to say that they are not currying favor with the Afghan people ignores just how powerful the support network of the wrong side is in Afghanistan. Of course the Afghans we meet in our daily lives are all more reasonable than what you see on the ground.

I think my time has expired.

Mr. ROYCE. Thank you. Mr. Connolly from Virginia.

Mr. CONNOLLY. Mr. Chairman, I thank you. But let me just, if it is all right with the chair, I would be happy to yield to our colleague, Ms. Jackson Lee, if she has some questions at this point.

Mr. ROYCE. Ms. Jackson Lee, go ahead.

Ms. JACKSON LEE. Mr. Connolly, thank you so very much for your courtesies. And let me thank the ranking member and the chairman for their courtesies as well. I think this is an important hearing. I apologize for being delayed somewhat in another hearing that we are addressing.

Many of us are familiar with the Haqqani network, and certainly through the passage of legislation out of this committee, the criteria was set in place for the State Department to ultimately make a determination. But I want to pose several questions regarding the extension between the Pakistani people, the military brass, and

the Haqqani network which I think is tied mostly to the intelligence agency.

So my first question would be, do you not see any divide or any light between the network and some of the military brass in the Pakistani military service? Second, are you suggesting that the Haqqani network is representative of the people of Pakistan and that there are not some viable routes of collaboration with the United States and opportunities for mutual cooperation? And third, are you aware that in spite of the obstacles that the present Pakistani Government has to overcome—and that is living in a very dangerous neighborhood and a very challenging climate—are you aware of the recent engagement that Pakistan has had with India opening up new trade routes, opening up cooperation, India becoming one of the major trading partners for Pakistan and actually evidencing some real desire for that country to tend to the business of normalization so that—is there not some divide or light between the Haqqani network and Pakistan? What happens is that they are interpreted as the same. When you take a broad brush, I think it is unfair. As Americans, we never are reminded of the fact that Pakistan stood alongside of us in the 20-year war, as I understand, against Russia's presence in Afghanistan. So I would like to save Pakistan. And I don't argue with the designation. But I do think we should be clear that there is some distinctions.

So those who are on the panel can respond to the questions. Thank you for your testimony.

Ms. PETERS. Ma'am, I thank you for your comments. I have spent a lot of my adult life living in Pakistan among the Pakistani people. And I have a great deal of affection for that country and for the communities there, particularly in the border areas. There is a huge divide between the communities and these very violent and thuggish and criminalized forces that are wreaking havoc on the people. I met with a group of businessmen in fact from North Waziristan last year in Dubai who were asking me about the reconciliation strategy and said, why are you speaking to the Haqqanis? Why is your government trying to talk to them? Why don't you come and speak to us? We are the doctors and the lawyers and the educated people from the border areas. We would like to reconcile with you and be partners with you. And that is a strong feeling I have from across Pakistan, that the people are by and large moderate, that they want to be friends with us and other countries around the world. I would even go so far as to say that that is true of a lot of people within Pakistan's bureaucracy and even their military and intelligence services. Like our military and intelligence services and bureaucracies, there are a lot of different groups and they don't always get along.

Increasingly, public polling has showed that public support for militancy has plummeted in recent years because of the widespread terrorist violence, the kidnapping that is going on, the criminal activities that these organizations engage in. I am not saying that the United States has become wildly popular. However, there is certainly no love lost for the militants in that part of the world. I also think that public polling and surveys show that people on both sides of the Line of Control—people in India and Pakistan—would like to see more economic cooperation, like the trade agreement

that you speak of. They would like to see their region become sort of like a South Asian ASEAN, if I could put it that way.

This is one of the most populous regions in the world with a lot of cultural affinity because it used to be, of course, one country. And I think that there is a way forward. And I personally hope that we can go down that road in the next decade.

Ms. JACKSON LEE. Anyone else? Thank you very much.

And would you include in your answer whether or not our actions should be punitive against the people in the government in light of your comments, Ms. Peters?

Ms. PETERS. My feeling is—

Ms. JACKSON LEE. No. Let me get a response from Mr. Dressler and Ms. Curtis. If we have time, Ms. Peters, I would love to hear you because you have lived among them.

Mr. DRESSLER. I think it is a fair point. It absolutely should not be punitive against the Pakistani people. I think the problem is that there are a select few who are not allowing the Pakistani people to rise up against these groups to voice their opinions and to basically say, look, we don't agree with this policy of having a terrorist safe haven in North Waziristan for a variety of groups.

And your point about the Pakistan-India relationship potentially getting better is a great one but it is one that is directly undermined by elements of the security services' support for groups like Lashkar-e-Taiba and others.

So I would just echo Ms. Peters' comments about the Pakistani populace. It is really not about punishing them. It is about encouraging or compelling elements of the security services to cease their support and facilitation for these groups.

Ms. JACKSON LEE. Ms. Curtis.

Ms. CURTIS. Yes. I agree wholeheartedly with what Mr. Dressler just said. And I would just add that I bet if you talk to most Pakistanis, they would actually support this designation of the Haqqani network as a terrorist organization because they realize the threat that this network poses to their country.

And here I would like to quote Asma Jahangir. She is a well known human rights defender in Pakistan. And just about a month ago, she exhorted her fellow countrymen in an article to fully—and I am quoting here—“fully comprehend, admit and face up to the challenges thrown at the country by militant non-state networks,” noting that the country's leaders were conceding territorial and political ground to jihadis of all types and nationalities. So clearly there are many Pakistani people who do not support these militant networks, who would like to see their country more stable in confronting these networks.

So I think you are absolutely right. We should not be penalizing the Pakistani people. We should be engaging, trying to build a relationship but at the same time trying to make sure that those linkages between some elements of the Pakistani state and militant nonstate networks are broken.

Ms. JACKSON LEE. Mr. Chairman, may I just conclude, I didn't know whether you would indulge Ms. Peters. I don't know if she has something different to say from these two. I cut you off, and I didn't know if you had something different to say.

Ms. PETERS. No. I agree broadly with what they have said.



Ms. JACKSON LEE. Mr. Chairman, if I might just conclude. And thank you for your courtesies.

I co-chair the Pakistan Caucus. And the only thing I would like to say to this committee, I agree with the designation of the Haqqani network and do believe there are elements in the ISI and others. But it would be wrong for us to disengage with Pakistan. People are more than desirous of a legitimate democratic country but, more importantly, a relationship I believe with the United States. We have got to find a way to be collaborative on this war on terror.

I thank the chairman very much and I yield back.

Mr. ROYCE. Thank you.

Ms. JACKSON LEE. And I thank the gentleman from Virginia.

Mr. ROYCE. Thank you, Congresswoman Jackson Lee. We now to Congressman Connolly from Virginia.

Mr. CONNOLLY. Thank you, Mr. Chairman. And again thank you to our panelists for being here.

A real quick question, Ms. Peters, and a follow-up to your answer to Mr. Sherman on the heroin question. That is obviously a major source of the financing for the Haqqani network—by the way, ironically, some of it—a lot of it coming from Iran which has, I guess, the largest number of heroin addicts in the world.

Ms. PETERS. Opium addicts.

Mr. CONNOLLY. Opium. Excuse me. And the United States and Iran actually might have something in common there, the desire to fight the traffic.

Ms. PETERS. Yes. That is correct.

Mr. CONNOLLY. What other sources of financing does the Haqqani network have externally?

Ms. PETERS. External sources?

Mr. CONNOLLY. Externally.

Ms. PETERS. Well, they partner with a number of import-export operations that extend as far away as South Africa and that are sort of located throughout the Gulf. They have fundraising operations throughout the Gulf states and the Emirates.

Mr. CONNOLLY. Are they receiving direct funding from states? For example—

Ms. PETERS. I believe they continue to receive direct funding and certain types of logistical support from parts of the ISI. I also believe that the Haqqanis are helping to—

Mr. CONNOLLY. What about Iran?

Ms. PETERS. Well, I was just going to say, I believe that—it is known that there is a growing operation to bring Iranian dinars and other regional currency, Saudi rials, Emirati dinars into southeastern Afghanistan to flip them on the hawala markets, flip them in the money exchange markets into U.S. dollars because there is a wealth of dollars. And I have received multiple reports during the course of my research that Haqqani operatives act as gunmen protecting those convoys with cash that are coming through.

Mr. CONNOLLY. Thank you. Mr. Chairman, I think as a follow-up to this hearing, one of the things we are going to have to be in touch with the State Department about is, now that it has been accorded an FTO, we need to be looking at sources of financing, especially if they involve other sovereign states directly or indirectly.

Mr. Dressler—and maybe Ms. Curtis—what should we understand about the relationship between the ISI and the Haqqani network? And to what extent should we hold the Pakistani Government qua-government responsible for that relationship of protection?

Mr. DRESSLER. Sir that is an excellent question. I think just to piggyback on Ms. Peters' answer about the financing, you are coming up into the Hajj year toward the end of October and you can bet that there will be Haqqani network representatives there fundraising and collecting money. So this is really a time-sensitive issue as well.

Mr. CONNOLLY. When you say "there," you mean Mecca, correct?

Mr. DRESSLER. Correct. In terms of holding the Pakistani Government responsible, you really have to look at the relationship between the Pakistani Government, the PPP government and the military and who controls what and who has influence over whom. When you peel back that relationship, I think it becomes pretty clear that the PPP government is probably fairly limited in terms of what they can do against the Haqqani network. When it comes to the relationship between elements of the ISI and the Haqqani network, it really runs the gamut. I think there is current and retired is typically the way that you hear it phrased in the media. And in a classified hearing, you could probably get you know perhaps a little bit better fidelity on that relationship. But sufficient to say that there is an element of support there that has endured over the past 30 years, as Gretchen mentioned in her testimony. This is a longstanding relationship. And as long as the Haqqanis are roughly pursuing the same objectives in Afghanistan as the Pakistani security services then that relationship will continue unless somebody forces it to be broken.

Mr. CONNOLLY. Ms. Curtis.

Ms. CURTIS. So as Ms. Peters pointed out, the ISI doesn't have complete control over the network but at the same time the network could simply not survive if the Pakistanis were to crack down. And if there is any organization in the world that can influence the Haqqani network, it is the Pakistan intelligence service. So I think that even if they don't have complete control—

Mr. CONNOLLY. You will forgive me, Ms. Curtis. But I think that is being overly generous. The fact of the matter is, the Haqqani network operates with impunity in certain parts of Pakistan with the absolute knowledge of the ISI, in fact arguably with their protection. They are not under house arrest, right?

Ms. CURTIS. That is right.

Mr. CONNOLLY. So it is an open secret what is going on. And the real proposition—I guess the question I am asking—and I understand that it is difficult—but presumably, there is one government. And if we want to accept the proposition that while in the case of Pakistan, it is a multiheaded hydra and what can we do, then we are going to have to accept the proposition, which I find unacceptable, that the Haqqani network is going to continue to operate with impunity in Pakistan and across the border with the protection of an arm of the Pakistani Government. It seems to me we have to wrestle that issue to the ground if this relationship with the Government of Pakistan is to proceed in any kind of healthy normal

fashion. It is an unacceptable proposition to our Government and ought to be. And I think we have just made it even less acceptable with this long desired designation.

And that is really what I am asking you to respond to. You can certainly disagree with my proposition if you wish. But from my point of view, there are some serious truths here that have to be dealt with.

Does anyone on our panel take issue with my characterization that the Haqqani network operates with impunity inside Pakistan and across the border and with the protection of the ISI?

Ms. CURTIS. No, sir. I agree with you.

Mr. DRESSLER. I don't take issue with that either, sir.

Ms. PETERS. I don't take issue with that either. I think the relationship is not always smooth but—

Mr. CONNOLLY. I have been married 36 years. My relationship isn't always smooth.

Ms. PETERS. Exactly. It is like a marriage.

Mr. CONNOLLY. I appreciate the point. But yeah. But one final question, if I may, Mr. Chairman. What is your understanding—given the fact that we are drawing down from Afghanistan and the fact that we had the attack in Kabul, active participation by Haqqani, what does it mean once we are gone in Afghanistan in terms of the broad playing field for Haqqani and what we might expect from them in the Afghan theater?

Mr. DRESSLER. Just briefly, sir, I think the concern is that the Haqqani network, the threat from the network inside of Afghanistan is not sufficiently addressed either by us or that the Afghan security forces are not capable of addressing the threat and that it grows and it spreads as it currently is and that at that point these relationships that persist in North Waziristan will eventually make its way even in greater strength than it currently is in Afghanistan so you will have safe havens in Afghanistan with al-Qaeda. So basically replicating what you see in North Waziristan throughout areas of Afghanistan.

So it is a fair point, and I think a counterterrorism footprint after 2014 certainly is a start. But whether or not it is going to be sufficient is a difficult question. There is ISR, a lot of other things that need to be there. And it is very difficult to retake a district center with a fighter plane or something like that. So I mean it is a concern for sure.

Mr. CONNOLLY. Mr. Chairman, thank you.

Mr. ROYCE. Thank you, Mr. Connolly. We want to thank our witnesses for coming down and giving their testimony today. We are going to be following up with you on some of the suggestions that you made today at this hearing.

Our hearing stands adjourned.

[Whereupon, at 4 o'clock p.m., the subcommittee was adjourned.]



# A P P E N D I X



MATERIAL SUBMITTED FOR THE HEARING RECORD

**SUBCOMMITTEE HEARING NOTICE  
COMMITTEE ON FOREIGN AFFAIRS**

*U.S. HOUSE OF REPRESENTATIVES  
WASHINGTON, D.C. 20515-0128*

**Subcommittee on Terrorism, Nonproliferation, and Trade  
Edward R. Royce (R-CA), Chairman**

September 13, 2012

You are respectfully requested to attend an OPEN hearing of the Subcommittee on Terrorism, Nonproliferation, and Trade, to be held in room **2172 of the Rayburn House Office Building (and available live via the Committee website at <http://www.hcfa.house.gov>)**:

**DATE:** Thursday, September 13, 2012

**TIME:** 2:00 p.m.

**SUBJECT:** Combating the Haqqani Terrorist Network

**WITNESSES:** Ms. Lisa Curtis  
Senior Research Fellow  
Asian Studies Center  
The Heritage Foundation

Mr. Jeffrey Dressler  
Senior Research Analyst  
Institute for the Study of War

Ms. Gretchen Peters  
Author, Haqqani Network Financing

**By Direction of the Chairman**

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

**COMMITTEE ON FOREIGN AFFAIRS**  
*Terrorism, Nonproliferation, and Trade*

MINUTES OF SUBCOMMITTEE ON \_\_\_\_\_ HEARING

Day Thursday Date September 13, 2012 Room 2172

Starting Time 2:07 PM Ending Time 4:00 PM

Recesses 1 2:27 3:09  
( \_\_\_\_\_ to \_\_\_\_\_ ) ( \_\_\_\_\_ to \_\_\_\_\_ ) ( \_\_\_\_\_ to \_\_\_\_\_ ) ( \_\_\_\_\_ to \_\_\_\_\_ ) ( \_\_\_\_\_ to \_\_\_\_\_ ) ( \_\_\_\_\_ to \_\_\_\_\_ )

Presiding Member(s)  
*Rep. Ed Royce*

Check all of the following that apply:

Open Session       Electronically Recorded (taped)   
Executive (closed) Session       Stenographic Record   
Televised

TITLE OF HEARING:  
**"Combating the Haqqani Network"**

SUBCOMMITTEE MEMBERS PRESENT:  
*Reps. Royce, Sherman, Connolly*

NON-SUBCOMMITTEE MEMBERS PRESENT: (Mark with an \* if they are not members of full committee.)  
*Reps. Chabot, \*Jackson Lee*

HEARING WITNESSES: Same as meeting notice attached? Yes  No   
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: (List any statements submitted for the record.)  
*Rep. Connolly*

TIME SCHEDULED TO RECONVENE \_\_\_\_\_  
or  
TIME ADJOURNED \_\_\_\_\_

  
Subcommittee Staff Director

**Terrorism, Nonproliferation, and Trade Subcommittee**  
Member Attendance

**Republicans**

- Rep. Edward Royce (Chair)
- Rep. Ted Poe
- Rep. Jeff Duncan
- Rep. Bill Johnson
- Rep. Tim Griffin
- Rep. Ann Marie Buerkle
- Rep. Renee Ellmers

**Democrats**

- Rep. Brad Sherman (Ranking Member)
- Rep. David Cicilline
- Rep. Gerry Connolly
- Rep. Allyson Schwartz





The Honorable Gerald E. Connolly (VA-11)

**TNT Subcommittee Hearing: Combating the Haqqani Terrorist Network**  
Thursday, September 13, 2012  
2pm

When the State Department announced the Haqqani Network's designation as a Foreign Terrorist Organization (FTO) last week, senior officials said that the designation "strengthen[s] our whole-of-government effort against the Haqqanis and demonstrates the seriousness with which we take the task of protecting our personnel in Afghanistan."<sup>1</sup> The officials called Pakistan an "extremely valuable ally in countering extremism and terrorism"<sup>2</sup> and repeatedly emphasized that an FTO designation is not the same as a state sponsor of terror designation. Despite these qualifiers, there is robust skepticism of Pakistan's denials about its support for the Haqqani Network.

According to *The New York Times*:

The Haqqanis are Afghan members of the Zadran tribe, but it is in the town of Miram Shah in Pakistan's tribal areas where they have set up a minstate with courts, tax offices and radical madrasa schools producing a ready supply of fighters. They secretly run a network of front companies throughout Pakistan selling cars and real estate, and have been tied to at least two factories churning out the ammonium nitrate used to build roadside bombs in Afghanistan.<sup>3</sup>

If the Haqqanis can operate robustly and without abandon with a U.S. troop presence across the border, they are likely counting down the days to the U.S. troop withdrawal from Afghanistan. It is a question in need of an answer how the United States plans to leave Afghanistan with the Haqqani Network intact next door in Pakistan, given the initial objectives of Operation Enduring Freedom. Even more troubling are the widespread reports that the Haqqanis operate freely with the approval, tacit or otherwise, of the Inter-Services Intelligence directorate (ISI). The fact that the ISI sees the Haqqani Network as a hedge against any instability in Waziristan and Afghanistan is widely discussed in foreign policy circles. Pakistan watchers contend that the Haqqanis are seen as a tool to maintain influence in the region after 2014. Such a notion is not far-fetched, as Pakistan's history with groups such as Lakshar-e-Tayibba(LeT) has shown us.

The FTO designation is an important step in committing to the dismantling of the Haqqani network. Another key piece of the puzzle is the cooperation of Pakistan. As our purported ally in the fight against extremist violence in South Asia, it is reasonable to demand that Pakistan undertake definitive steps to confront the Haqqani Network threat. Pakistan also ought to be forthcoming about the true nature of the relationship between the Haqqanis and well placed individuals in Pakistan's state apparatus. As we have seen in the past [such as with A.Q. Khan], rogue individuals in Pakistan have the ability to do great damage to the national security of multiple countries. Though the bilateral relationship has seen peaks and valleys, it behooves the United States and its allies to fully dismantle the Haqqani Network.

---

<sup>1</sup> Special briefing by Senior Administration Officials on the Terrorist Designation of the Haqqani network (via teleconference), September 7, 2012.

<sup>2</sup> Ibid.

<sup>3</sup> Haqqani Network, Times Topics, *New York Times*.