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Comment  
FATA: Tribal Economy in the Context of  
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# FATA: Tribal Economy in the Context of Ongoing Militancy

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### Editor's Note

*The writer is an experienced journalist. Despite the extremely difficult security circumstances he journeyed the area and collected invaluable pieces and bits of information and presented in this comment. No doubt, much more is needed to do in order to address the topic appropriately, this comment can be taken as a step forward to achieve the goal.*

In recent years, the semi-autonomous Federally Administered Tribal Areas (FATA) of Pakistan, bordering Afghanistan—and of late, the Swat region—have increasingly been defined by the Taliban militancy that has now spread to large parts of the North West Frontier Province (NWFP) and beyond. The tribesmen are frequently reported to have access to high-tech gadgets, sophisticated weapons, luxury vehicles and links not just across the border in Afghanistan but also internationally.

It is natural to wonder about the drivers of FATA's economy and, to some extent, how international links serve tribesmen's interests. These issues acquire significance not only with regard to the funding of the Taliban militancy in and from FATA, but also when the economic conditions of common residents of the seven tribal agencies of FATA—Khyber, Mohmand, Bajaur, Kurram, Orakzai, North Waziristan and South Waziristan—are considered.

The ongoing militancy may ostensibly be a war by religious extremists, or for control of areas, but money is a major consideration, both as a source for financing the militancy as well as an incentive for control over smuggling routes or trade in or through the region. A plausible explanation for the Taliban movement's convergence on Swat and Dir could be the money factor and the tribal system there. A number of actors in the conflict-hit areas are striving to safeguard existing economic interests and relatively new players are fighting for a stronger position and to wrest control of economic resources.

When, in 1989, Sufi Muhammad, chief of the banned Tehreek-e-Nifaz-e-Shariat-e-Muhammadi (TNSM), launched the *Shariah* movement in Malakand, many people joined it. But economic interests were generally believed to be a major factor for their decision to join the TNSM movement. Sufi Muhammad hails from Dir and his rallying call for prompt and inexpensive justice and *Shariah* implementation overwhelmingly became a movement of Dir traders associated with the transit trade between Pakistan and Afghanistan. Swat is home to a substantial silk cloth industry, for which the raw material was imported by local traders. People expected unprecedented benefits if Sufi's movement was implemented, including cheap raw material, cheap electricity, and tax-free vehicles, etc.

The economy of Pakistan's FATA region is deeply linked with that of Afghanistan due to a number of factors, the main ones being the geographic and ethnic proximity. Being a mountainous region, FATA does not offer vast agricultural land. The tribesmen mainly engage in business or trade—irrespective of the legality of their ventures. Illegal trade of arms and narcotics, transit trade to Afghanistan through

Pakistan, foreign exchange transactions through *hawala*, *hundi*, and goods transport are among the major businesses in the tribal areas. Goods transport business is completely dominated by the tribesmen. Although most people involved in business in FATA are not militants or pro-Taliban, the roads used for the transportation business are in Taliban control and can only be used subject to payments to the militants.

Pakistani tribesmen's control on businesses in FATA has declined somewhat after the Soviet troops' withdrawal from Afghanistan, because of their inability to compete with Afghans who had received massive amounts of funds in the name of anti-Soviet jihad and used the money to start businesses in FATA.

Around the same time, however, thousands of Pakistani tribesmen acquired Afghan passports and left for Europe and the United States. The expatriate tribesmen have since relied mainly on *hawala* transactions to send money home—improving or at least sustaining family income levels on the one hand, and also strengthening *hawala* system in the tribal areas.

Poppy cultivation has increased in Afghanistan after the fall of the Taliban regime in that country in 2001. Pakistani tribesmen are closely involved in the trade of narcotic substances originating in Afghanistan. Though statistics on the volume of narcotics trade through the tribal areas are not available, the FATA areas controlled by Pashtun militants and parts of Balochistan's border with Afghanistan, which are under Baloch militants' control, are known to be major narcotics trafficking routes to Europe and beyond.

Another question of vital importance is where the Taliban fighting in Pakistan and Afghanistan get their weapons from. The volume of earning in the arms trade and the number of people involved in this business are grey as well as crucial areas. Hundreds of thousands of people are associated with the weapons' manufacturing industry. These weapons are traded in huge markets in Darra Adam Khel, a town located between Peshawar and Kohat in the NWFP, Sakhakot (Malakand), Bara (Khyber Agency), Peshawar's Karkhano Market, Miranshah, the main town of North Waziristan Agency, and in Mohmand Agency. Though at smaller scale, weapons manufacturing and trade exists in all of FATA region.

According to Mohammad Tariq, Chief Operating Officer of Pakistan Hunting and Sporting Arms Development Company (PHSADC) set up by the federal government (*see* details *infra*), around 250 small and medium enterprises (SMEs) and 2,200 families are associated with the weapons' manufacturing business in Darra Adam Khel and Bara.<sup>1</sup> In hunting weapons arms, just in the two markets of Darra Adam Khel (Orakzai Agency) and Peshawar, 6,000 30-mm pistols are manufactured every month and 73,000 annually, tells Tariq. Miranshah (North Waziristan), Sakhakot (Malakand Agency) and Mohmand Agency are also well-known arms sale markets. Around 4,500 shotguns of different categories are manufactured here every month.<sup>2</sup>

According to data available with the PHSADC, the sale of pistols and shotguns in Pakistan amounted to US \$16 million in 2006. In 2007, Pakistan exported hunting weapons worth US \$1.2 million.

According to Maulvi Noor Muhammad, a former member of the National Assembly from Wana (South Waziristan Agency), when the Taliban get hold of an American or ISAF soldier in Afghanistan, they take

away all his gear including helmet, bulletproof jacket, goggles, uniform, dagger, watch, gun and night vision gadgets, etc. All these articles are sold for approximately 8,00,000 rupees in the market. He says Afghan soldiers swap weapons for narcotics such as heroine or *charas* (the name given to hand-made hashish in Afghanistan, Pakistan, Nepal and India).<sup>3</sup>

The federal government established the PHSADC in 2006 to facilitate arms manufacturers and traders. The company was aimed at building manufacturers' capacity and providing access to the international market. They were to be provided consultants for designing and metallurgical assistance to help them manufacture high-quality weapons according to international standards. The PHSADC sought assistance from an engineering concern in Punjab's Gujranwala district to improve the arms' manufacturing machinery in order to overcome shortcomings related to weapons' fitting, calibration and vibration. The PHSADC has failed to meet the intended outcomes, in large part because of a lack of cooperation from weapons' manufacturers who have been hesitant to renounce traditional methods.

Chief Operating Officer PHSADC, Muhammad Tariq, says that the international market for hunting weapons was worth US \$37 billion in 2007, with the biggest share, 45 percent, going to the United States. These are figures regarding hunting arms but the traders in FATA say that their major business revolves around assault weapons—whose volume in international trade is not available—and that they cannot earn enough from hunting arms alone.

Recently, increase in prices of weapons has been recorded in Darra Adam Khel's arms market. Explaining the reasons for the hike, a Darra shopkeeper said that Mujahideen used to sell weapons [in Darra Adam Khel] earlier, but were now buying arms and ammunition for themselves. Requesting anonymity, the shopkeeper said the price of a second-hand Kalashnikov had risen from Rs 20,000 to Rs 35,000 and that of a new one from Rs 25,000 to Rs 45,000. The price of bullets made in Egypt has risen 14 percent and those in China 19 percent. Previously, the arms market in Miranshah, in North Waziristan Agency, met militants' weapons needs but the supply has failed to keep pace with the growing demand.

Some income-generation avenues are specific to particular tribal districts in FATA. Proceeds from a well-established marble industry are one of the major sources of income in Mohmand Agency, while trade of timber from forests in North Waziristan Agency contributes substantially to the tribal district's economy. Protection money extorted during transportation of marble and timber through Taliban-controlled areas also fills the militants' coffers.

Smuggled goods are big business in all seven tribal districts, and traders in nearly every FATA agency have defined their niche market—if one agency is known as a trading hub for smuggled tyres, another deals exclusively in smuggled cars, weapons, or chemicals. Whenever the government of Pakistan introduces any changes in the taxation system that push up the prices of any such goods or cracks down more vigorously on the illegal weapons trade, smuggling of these articles into Pakistan through these routes begins.

Bara Market, also known as Karkhano Market, is situated in Peshawar's Hayatabad industrial area. The market was first established some 40 years ago in Landi Kotal, a city near Pak-Afghan border.<sup>4</sup> In 1975, it was shifted to Bara, Khyber Agency, and then in 1985 to its present location in Hayatabad. The market has 4,857 shops where people from across Pakistan come to shop. Estimates suggest that around 40

percent population of Bajaur, Mohmand and Khyber tribal agencies is directly or indirectly associated with this market.<sup>5</sup> Washington Post correspondent Joshua Partlow highlights some interesting facts about Sitara Market, which is part of sprawling Karkhano Market:<sup>6</sup>

Much of the stuff for sale here seems merely odd, but some is worrisome. For US \$650, a correspondent for the GlobalPost Web Site earlier this year was able to buy a US military laptop that appeared to belong to someone from the US Army's 864<sup>th</sup> Engineer Combat Battalion and held e-mail addresses for hundreds of military personnel. There are ancient and modern guns and full sets of camouflage fatigues.

Goods are brought to Karkhano Market from Iran, Central Asia and China through different routes. Karkhano shopkeepers have contacts in the world's biggest markets. One can find electronics, cosmetics, clothes, household items, etc. of any international brand. Some of the distribution agencies' owners supply their merchandise to the whole of Afghanistan or Pakistan. Communication systems used by the Taliban can be purchased from Karkhano Market. One does not even have to go to the weapons' market in Darra Adam Khel to buy walkie-talkies, recorders, signal jammers, binoculars, night-vision goggles and telescopic gun sights—they can all be bought from Karkhano Market. At Karkhano, one can get such articles cheaper than one would even from the manufacturer.

Attacks on container terminals supplying NATO forces have frequently been reported in the media. Within days of such attacks, goods and items, including large amounts of tinned food looted from these containers, are on the shelves in Sitara Market. Militants operating from the tribal areas have been blamed for orchestrating the attacks and there have been scores of incidents of government forces acting against tribesmen for facilitating and sheltering militants. These actions have ranged from collective punishment for a whole locality or tribe, razing of tribesmen's houses and arrests.

With business on such a large scale in or emanating from the tribal areas, the need for channels dealing with monetary transactions is obvious. *Hawala* has filled the vacuum in FATA. Called by different names in different areas, in the tribal areas and Afghanistan, *hawala* dealers are known as *sarrafs* and the paper on which the transaction is made is called *hawala*.<sup>7</sup> Around two dozen *sarrafs* operate in Karkhano Market, catering to large business interests in the tribal areas, with each *sarrafs* sending millions of rupees to foreign countries daily.

The tribes in FATA have a well-established *hawala* system, which is very efficient. Anyone wishing to make a financial transaction with an individual or institution anywhere in the world can do so in the tribal areas irrespective of the amount involved and without any concern over the transaction's reliability. Pakistan's former Prime Minister Shaukat Aziz, a banker himself, says that US \$5 million are taken out of the country through *hawala* or *hundi* annually.<sup>8</sup>

Though, more than 50 percent Karkhano shopkeepers are Afghan nationals, but, on the whole, Pakistani tribal business community still holds sway over the Afghan transit trade.

Taliban share in the tribal economy is higher than understood in general. According to NWFP Governor Owais Ahmed Ghani Taliban collect around four billion rupees annually (approximately US \$50 million).<sup>9</sup>

The militants are also not averse to benefiting from any source of generating money that presents itself. Media reports reveal an example in nearby Swat region in the NWFP where an emerald mine, one of

Asia's biggest, remained in Taliban control for three months. The Taliban sold the mined emerald through bidding. Two-thirds of the proceeds went to the miners, and the rest to the Taliban. According to a media report, Taliban earned US \$50,000 a month from the mine.<sup>10</sup>

According to a recent editorial by a national daily, three natural resources—gemstones, timber and marble—contribute substantially to the finances of militant groups:<sup>11</sup>

The Afghan Taliban have long made their money in the opium trade, and to a small extent they do that in Pakistan.... Marble was their first target, starting in April 2008 when they took over the Ziarat marble quarry in Mohmand Agency. Around a million tons of marble a year are mined in FATA every year.... The emerald mines of Swat were next. By late March of this year reports began to be confirmed that militants had taken control of government-controlled emerald mines located in the mountains of Mingora. The occupation of the Mingora mine apparently took place sometime in February 2009, following the peace deal between the provincial administration and [TNSM chief] Sufi Muhammad. Taliban forces then seized the nearby Shamozaï and Gujjar Killi mines and started mining and trading gems.

Siraj-ud-din, deputy chief of the TNSM, is associated with a vast timber business. He and numerous other individuals joined the TNSM and the Taliban to make money out of their timber business without any government restrictions. Besides profiting from illegal logging in the tribal areas, the Taliban have chopped or facilitated the chopping of forests in Swat on a massive scale.

It is difficult to estimate the extent of money Taliban earn in this manner, but the Pakistan government has estimated that it suffers an annual loss of US \$800 million as a result of deforestation and illegal trade of timber in Malakand Division.<sup>12</sup>

Taliban also raise money through levying 'toll taxes' and fines—for what they declare un-Islamic activities such as shaving of beards for adult Muslim males—Zakat and criminal activities such as kidnapping for ransom. Sometimes they charge ransom amounts as high as ten million rupees. John Solomon estimates that Pakistani Taliban generate between 85 to 90 percent of their revenue through criminal activities and dealing in drugs.<sup>13</sup>

KNOWLEDGE FOR PEACE

## Notes

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<sup>1</sup> Mohammad Tariq, interview with the writer, Peshawar, July 2009.

<sup>2</sup> Ibid.

<sup>3</sup> Maulvi Noor Muhammad, interviewed by Saiful Islam Saifi, Wana, January 8, 2008.

<sup>4</sup> Nisar Mehmood, *The News*, Jul. 9, 2009.

<sup>5</sup> Ibid.

<sup>6</sup> Joshua Partlow, *Washington Post Foreign Service*, Monday, July 13, 2009.

<sup>7</sup> *Hawala* system is an informal funds transfer system. The service providers are known as *hawaladars* or *hawala* dealers.

<sup>8</sup> *Business Recorder*, Jun. 22, 2009.

<sup>9</sup> Eschmall Sardar, "Money from extortion, crime & drugs," *Pak Observer*, Jun. 29, 2009,

<http://pakobserver.net/200906/29/Articles01.asp>.

<sup>10</sup> Charlotte McDonald-Gibson, "Taliban cash in on Pakistan's untapped gem wealth," AFP, official website, Jul. 4, 2009.

<sup>11</sup> "Funding Terror," *The News*, May 11, 2009.

<sup>12</sup> *The News*, May 11, 2009.

<sup>13</sup> Eschmall Sardar, "Money from extortion, crime & drugs," *Pak Observer*, Jun. 29, 2009,

<http://pakobserver.net/200906/29/Articles01.asp>.

## *About Institute*

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