

Militant economy of Karachi

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Karachi is Pakistan's financial hub and its most populous city with an estimated population of 23.5 million as of April 2013 (Khan, 2012a). While Islamabad is the political capital, Karachi is the country's foremost commercial and financial centre. It accounts for the lion's share in Pakistan's gross domestic product and generates at least 60 percent of national revenue. The city is also home to the central bank or State Bank of Pakistan, the Karachi Stock Exchange and head offices of national and multinational companies including financial institutions and real estate companies.

Karachi is a key port city strategically located on the shores of the Indian Ocean and serves as a major port and shipping and maritime hub of the country. It offers the primary entry point for supplies to US and NATO troops in neighboring Afghanistan. Three quarters of NATO's supplies – everything from weapons to spare-parts and fuel – land at the Karachi port and are trucked via two routes through Pakistan into Afghanistan.¹

Ethno-political and sectarian violence has bedeviled Karachi for the last three decades. Unabated targeted killings on ethnic, political and sectarian basis, turf wars between militant wings of political parties and criminal groups, activities of land grabbing, extortion, kidnappings for ransom, robberies and other criminal acts are legion. The arrival of Taliban militants in Karachi from the tribal areas has further aggravated the law and order situation, which is not only taking a punishing economic toll on the city but also has a substantial social, psychological and political impact. The situation has assumed such an alarming proportion that industrialists are relocating their units to other countries, such as Bangladesh, Malaysia, Indonesia and the United Arab Emirates.² Businesses in Karachi are facing a surge in extortion demands from criminal gangs, forcing many entrepreneurs to delay new

¹ Niazi, Dil Khan, a leader of Karachi's trucking association. Interview by the author, May 10th 2013.

² Mir, Ateeq, head of Karachi traders' alliance. Interview by the author, January 26th, 2014.

investment or to relocate their families to escape the sense of insecurity gripping the urban heart of the country's economy.

Karachi and the militants' economy

Karachi, with its moneyed residents and big business, has proved fertile ground for financing activities of Taliban groups, both Pakistani and Afghan. Police officials say that Pakistani Taliban are generating funds through extortion, bank robberies and protection rackets because they are facing severe shortages of funds after the government's moves to cut off foreign sources of their funding. Similarly, kidnapping high-profile figures and businessmen for ransom is a regular source of funding for Taliban groups.

Tehrik-e-Taliban Pakistan

Karachi provides Pakistani Taliban groups, especially the Tehrik-e-Taliban Pakistan (TTP), a vital financial lifeline, says a February 14 Wall Street Journal report citing officials (Shah & Hasan, 2014). As TTP militants moved into Karachi, they organized into factions according to where they had come from. In Karachi, three factions of TTP—from the Mehsud tribe of South Waziristan, and from Swat and Mohmand—are active and running their network in various Pashtun neighborhoods of the city (Rehman, 2013a).

In the beginning, the militants from the tribal areas did not get involved in subversive activities in Karachi. This was in line with the TTP policy to use Karachi only for fundraising and rest and recuperation but in June 2012 they changed their strategy. With an adept team of militants, the TTP became active and started extortion and charging protection money from Karachi-based Pashtun traders and transporters. A cleric in South Waziristan had reportedly issued a *fatwa*, or religious edict, declaring it legal to engage in criminal activities to fund the fighting (Khan, 2009a).

Extortion

All three TTP factions have been involved in extorting money from Pashtun traders and transporters, private school and hospital owners and even madrassa organizers for the last two years in Karachi. A number of Pashtun traders interviewed for this report revealed that increasing incidents of

extortion remained unreported because of immense TTP pressure. Hurling of hand grenades at business establishments and killings over failure to meet extortion demands are now common in Pashtun areas. "They have a very precise idea about the wealth of everyone belonging to their own tribe," said a transporter from the Mehsud tribesman about the militants.

Analysts are of view that the militant groups operating in Pakistan's tribal areas have been facing a severe financial crisis and a shortage of funds following the measures by Pakistani authorities to cut off their main sources of income, especially from abroad. Now Taliban leadership based in the tribal areas has directed their Karachi members to raise resources through extortion, bank heists and kidnapping for ransom, especially targeting the businessmen and transporters belonging to the tribal areas and Khyber Pakhtunkhwa, to prop up their diminishing resources for equipment, weapons and the expenses associated with the militancy.

Dozens of transporters based in Karachi, who belong to South Waziristan, Mohmand and Khyber tribal agencies of FATA, have paid billion of rupees to secure the release of their relatives from the captivity of Taliban militants during the last one year. Ransom demands range from about \$10,000 and to \$50,000 (Walsh and Rehman, 2013). Also, Pashtun businessmen associated with the trucking industry carrying NATO supplies to Afghanistan regularly pay millions of rupees to the Taliban leadership based in Karachi. The TTP had been demanding billions of rupees in extortion money from certain big businesses, especially cellular phone companies (Khan, 2012b).

The TTP Mehsud faction has systematically occupied the representative bodies of heavy-duty vehicles, and local truck and mini-bus associations of Sohrab Goth and imposed fixed 'taxes' on traders and transporters associated with the bodies. Mehsud tribesmen are largely engaged in these businesses.³ The TTP has also set up private jails in Sohrab Goth, Manghopir and Ittehad Town areas of the city where they keep the people kidnapped for ransom as well as local criminals in order to force them to join the TTP. Getting these criminals on board has helped the Taliban procure trained people who know how the law enforcers in Karachi work (Rehman, 2013b).

³ Author's interviews with Mehsud transporters in Karachi.

The TTP Mohmand faction has been collecting extortion money from Mohmand tribesmen based in Karachi, who are well-off and mainly deal in timber and construction material; the militants have fixed forced donations for Mohmand businessmen and traders.⁴ For instance, the TTP takes a levy of 1,000 rupees on a monthly income of 40,000 rupees. Concentrate blocks made for use in construction—a major business in the Pashtun areas—are sold for 18 rupees apiece, of which three rupees go to the Taliban (Shah & Hasan, 2014).

The TTP leadership closely monitors the fund-raising and embezzlement is not tolerated. A year ago, the Mehsud TTP militants, on orders from then TTP chief Hakimullah Mehsud, killed their former Karachi leader Sher Zaman Mehsud for stealing the money raised through extortion and bank robberies (*Express*, 2013). According to a local Urdu daily, the TTP had hired chartered accountants to manage the money raised in Karachi, who oversaw the financial affairs of the TTP, monitored the flow of extortion money as well as transparency and allocation of funds to different 'projects'. Reports suggested that the TTP had engaged six chartered accountants for Sindh, including Karachi (Malik, 2013).

Kidnapping for ransom

There has been an alarming increase in kidnapping for ransom in Karachi over the last few years. Organized crime syndicates and terrorist organizations both engage in kidnapping and often work in tandem across provincial borders. Coordination among law enforcement authorities, on the other hand, remains lacking and complaints of 'bottlenecks' in the system are widespread.

The Taliban factor is believed to have a growing role in kidnappings for ransom in the city. **At least five out of over a hundred kidnappings in 2011 were known to have been committed by Taliban-linked jihadi groups, according to the Citizen-Police Liaison Committee (CPLC), from just one or two the previous year (Mirza, 2012).** The CPLC chief, Ahmed Chinoy, said it was hard to establish which groups were responsible, adding that the militant groups carried out reconnaissance of their targets but did not necessarily

⁴ Author's interviews with Mohmand traders in Karachi.

target members of certain communities. The rise in kidnappings had been quite sudden and these groups were commonly referred to as the “Punjabi Taliban”, according to security experts and police officers (Ibid).

Three militants belonging to Punjabi Taliban including its Karachi head Qari Shahid were killed on December 5, 2011 when police raided a house during the successful rescue of kidnapped local industrialist Riaz Chinoy. The militants had demanded Rs 70 million in ransom, but agreed to release him in exchange for Rs 20 million after negotiations, according to media reports (Rehman, 2012). Police officials said that the main function of Al-Mukhtar group, which was a cell of TTP’s Badar Mansoor group deployed especially in Karachi, was to collect extortion money, and carry out bank heists and abductions for ransom (Ibid).

Irrespective of the extent of “jihadi” groups’ involvement in kidnapping for ransom, an issue of concern is the growing involvement of militant groups in such cases and a large number of instances not being reported. This is mainly because relatives of the kidnapped persons usually do not inform the police and pay the ransom for fear of repercussions from Taliban militants.

Prominent Pakistani filmmaker Satish Anand, who was kidnapped from Karachi in October 2008, was released in March 2009 in Miranshah area of North Waziristan from the captivity of Taliban militants. He was released after his family paid Rs 16 million following negotiations with the kidnappers, who had initially demanded Rs 50 million for his release (Khan, 2009b).

Bank heists

There has been a new tendency among militants groups for bank robberies and dozens of incidents have been reported in the past three years. Not only have all those involved managed to escape with the loot, but in most cases they have also taken away the CCTV recording and weapons of bank guards.

Police officials say that three types of criminals are robbing banks in Karachi: Taliban groups, organized gangs and professional criminals. The TTP-linked militants rob banks to raise money for the outlawed group’s terrorist activities. Police claim that TTP militants robbed Karachi banks of US \$18m

from 2009 until May 2012 in a bid to generate funds for terrorism (Mehmood, 2012).

A police officer said that the militants were feared as skilled fighters, and their modus operandi included giving guards or police little time to react. According to Raja Omar Khattab, a senior police officer, Taliban militant outfits had been robbing banks for a generation, but the trend had spiked since 2009. "This is an alarming situation that the earnings of the Pakistani people are being used to accomplish terrorist activities," he said. Police found during interrogation of some arrested robbers that those targeting bank were associated with the TTP and the banned Lashkar-e-Jhangvi group in many cases. Police officers believed that the militants' involvement in organized crime had grown recently, following the government ban on jihadi groups and the seizure of their bank accounts.

Afghan Taliban

Karachi is also very important for Afghan Taliban for fund-raising and other financial affairs. In January 2013, English daily The News published a report describing the shifts in Taliban funding over time, stating that prior to 9/11, the Afghan and Pakistani Taliban militants relied heavily on funding from the Middle Eastern states and private donors. Taliban militants allegedly acquired around US\$6 billion through the end of the 1990s from these sources (Hasan, 2013). After 9/11, funding from states and private donations were dispersed as Western countries took measures to repress Afghan and Pakistani militant groups. In response, the Taliban greatly diversified their funding to generate resources. They allegedly established businesses in Pakistan, especially in Karachi, and the United Arab Emirates, including construction and transportation firms, which were used to launder money and to generate funds for the insurgency. After the US invasion of Afghanistan, Afghan Taliban leader Mustaqim Agha Jan fled to Karachi and was made in-charge of dealing with the biggest donors in the Gulf region and Pakistan.

The UN Security Council and the US Treasury listed two Afghan brothers—Haji Faizullah Noorzai and Haji Malik Noorzai—living in Karachi as Taliban financiers. Faizullah collected more than \$100,000 for the Taliban from donors in the Gulf and in 2009 gave a portion of his own money to the Taliban. He

also financially supported a Taliban commander in the Kandahar province of Afghanistan and provided funding for training Taliban and Al Qaeda fighters. In Late 2008, Taliban representatives approached Malik to invest Taliban funds. According to reports, Malik collected money from donors in the Gulf region and Pakistan and opened a *hawala* account in Pakistan that received tens of thousands of dollars from the Gulf every few months to support the Afghan Taliban (US Department of Treasury. 2011).

Karachi's trucking industry, dominated by Pashtun businessmen, carries almost all supplies that the NATO forces use in Afghanistan – weapons, vehicles, fuel, food and water. A large amount of money involved in that transportation goes to Afghan Taliban (Perlez & Shah, 2010). Truck drivers who transport NATO supplies from Karachi to Afghanistan regularly pay protection money to the Afghan Taliban to prevent attacks on their convoys. Moreover, the Afghan militants are also directly engaged in trucking, carry drugs from Kandahar to Karachi, and return with weapons (Ibid).

Several militant charities based in Karachi, such as Al-Akhtar Trust and Al-Rasheed Trust, have also played a key role in financing the militancy in Afghanistan. Sources in religious circles in the city say the Taliban fighters are still getting financial support from the banned Al-Rasheed Trust and Al-Akhtar Trust, which worked in Afghanistan during the Taliban regime, and other similar organizations, besides raising huge amounts in donations from the rich and influential traders in Karachi. Many of these traders donate to the Taliban on a monthly basis (Balouf & Tohid, 2003). Following the ban on these charities by the Pakistani government, the militant groups quickly created fictitious foundations to solicit funds. Prominent among them are the Maymar Trust, a front for the banned Al-Rasheed Trust; Al-Rehmat Trust, a front for Jaish-e-Muhammad, and Pakistan Relief Foundation, a front for the banned Al-Akhtar Trust (Rehman, 2011).

Conclusion

Karachi is considered a key area in terms of terrorism in the country because it has become the main location for Taliban militants' fundraising and alliances. As Karachi continues to be a victim of extortion, kidnapping for ransom and bank heists, neither the government nor the police have come up with effective policies to curb endemic crime that plagues the city.

Although law enforcement agencies, and especially the Rangers, claim to have arrested several suspects belonging to banned militant outfits in an operation started in September 2013, leaders of political parties, especially the ANP and the MQM, and Pashtun residents say that law enforcement agencies have not focused on the TTP in the entire operation.

Experts suggest that the strengthening of TTP in Karachi could paralyze economic activity, undermining the national economy and, by extension, national stability. Therefore, it is necessary that law enforcement agencies launch selective and surgical operations in Karachi against the militants who have migrated to this port city to not only shatter the network of the militant outfits, especially the TTP, but also stop the funding that is supporting the militancy in the tribal areas and Afghanistan.

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