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DEPT PASS TO S/SRAP, S/CT, EEB, and SCA/A  
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TAGS EINV,EFIN, KTFN, PGOV, AF  
SUBJECT: AFGHANISTAN: CAPITAL FLIGHT AND ITS IMPACT ON FUTURE STABILITY  
REF: A. KABUL 2791 B. KABUL 3326  
Classified By: CDDEA Ambassador E. Anthony Wayne for reasons 1.4 (b) and (d).

Summary

1. The US ambassador describes the flight of capital out of the country, including one incident in which the then vice-president flew into Dubai with \$52m in cash. According to confidential reports, more than \$190 million left Kabul airport for Dubai during July, August, and September 2009. Actual amounts could be much larger. Key passages highlighted in yellow.

2. Read related article

1.(S) SUMMARY: Afghanistan is a cash-based economy, relying on historic trade linkages with neighboring and regional partners. Given Afghanistan's strategic location, ongoing conflict, and deep involvement in illicit trade (e.g., narcotics), as well as some neighboring country currency exchange policies, vast amounts of cash come and go from the country on a weekly, monthly, and annual basis. Before the August 20 election, \$600 million in banking system withdrawals were reported; however, in recent months, some \$200 million has flowed back into the country. In terms of total money leaving the country, analysts are uncertain whether it is generated within Afghanistan or is moving through Afghanistan from other countries such as Pakistan (Pakistan's strict currency controls makes smuggling through Kabul International Airport (KIA) an attractive option). Experts also do not know the ratio of licit and illicit monies leaving the country. Given Afghanistan's general political uncertainty, lack of credible and safe investment opportunities, and unsettled election, it appears that individuals moved more money than normal out of the Afghan banking sector and country as a hedge before the elections. While some of the money appears to be returning, Mission -- with support from Washington agencies and other posts in the region -- will work to closely monitor the cash movements, both as a sign of public confidence in GIRoA and for possible illicit financial activities. End summary.

Recent Trends

2. (S) While reports vary widely, records obtained from Kabul International Airport (KIA) support suspicions large amounts of physical cash transit from Kabul to Dubai on a weekly, monthly, and annual basis. According to confidential reports, more than \$190 million left Kabul for Dubai through KIA during July, August, and September. Actual amounts, however, could be much larger. An official claiming first-hand knowledge recently told the Treasury Attache some

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EMBASSY CABLES

# The State Department's Take on Drug Money Leaving Afghanistan

The WikiLeaks cache of State Department cables contains quite a few about our war in Afghanistan, but none more revealing than what our diplomats really know about the country's president, Hamid Karzai. One secret cable talks about how he'd released 150 of the 629 detainees that the coalition had transferred to Afghan custody since 2007—and pardoned five border police who were caught with 273 pounds of heroin in their vehicle and already been sentenced to prison. Karzai's brother is portrayed as a corrupt drug baron.

It's time we faced facts: fighting the Taliban over there is at the same time propping up the biggest drug-based regime in the world. The cable I'm reprinting here is all about how the money gets smuggled out of Afghanistan to countries like Dubai. And be sure to catch point number 6, about how our Drug Enforcement folks got a bit suspicious of the Afghan vice president entering the country with \$52 million early in 2009.