

Sanctions Risks Increase for Afghanistan

With the lightning-fast Taliban takeover of Afghanistan and the immediate departure of US troops, FiveBy judges that the risk of international sanctions has increased not only against the insurgent group, but also against the country, as well as individuals, entities, and states that support or transact with it. The Taliban's leaders, wary of possible additional international sanctions and cuts in development aid to Afghanistan, have launched a public relations campaign to [paint themselves](#) as a more moderate force—even in the face of troubling reports about their recent activities in Afghanistan.

- Afghans in Kabul and other Taliban-controlled areas [claim](#) to have witnessed unprovoked Taliban attacks against civilians and executions of captured troops, as well as sexual assaults of women and girls who refuse forced marriages to insurgent fighters.
- Taliban spokesman Zabihullah Mujahid [said publicly](#) that private media should “remain independent,” but with the caveat that journalists should not “work against national values,” suggesting that any reporting with which the Taliban does not agree would be censored. In addition, some Kabul residents report that armed men have been going door-to-door, looking for individuals who have cooperated with coalition forces and the ousted government, although Mujahid denies these individuals were connected to the Taliban.

The Biden administration is expected to use financial and diplomatic tools to manage the Taliban's rapid takeover of the country. We assess that these options could include designating the group as a foreign terrorist organization (FTO)—a step avoided by previous administrations to maintain diplomatic contacts with the group. The Taliban is already sanctioned by OFAC as a specially designated global terrorist (SDGT) entity, but a State Department FTO designation would also prohibit material support, such as training, and impose broader immigration restrictions in addition to prohibiting financial transactions with the group. The United States already [has frozen](#) billions of dollars in Afghanistan government reserves held in US bank accounts in an effort to block the Taliban from accessing the funds and has [canceled bulk shipments](#) of dollars to Afghanistan as the Taliban was taking control of the country.

- The United States, EU, and UN have all designated the Taliban as a terrorist organization. We assess that since the group has established itself as a de facto government in Afghanistan, those sanctions could also apply to the country's government structures and institutions.
- The UK [has indicated](#) that additional sanctions against the Taliban—based on the group's behavior—are a viable tool. UK Foreign Secretary Dominic Raab also said that official development assistance could be withheld and can be used as an economic lever to put pressure on the group. The EU has also suspended development aid to Afghanistan until the situation in the country becomes clearer.
- Afghan Foreign Minister Haneef Atmar this month [called](#) on additional international sanctions to be imposed on Taliban leaders, asserting that the group's offensive violated the [commitments](#) it made in the 2020 Doha Agreements in which the Taliban pledged to prevent insurgent and terrorist groups from using Afghanistan to



plot attacks against the United States and its allies and to begin discussions on a permanent ceasefire with the Afghan government.

International sanctions in response to the Taliban's forcible takeover in Afghanistan are not the only sanctions risk companies and nations face. One of the Taliban's major revenue generators is narcotics cultivation and production, which increases the risk of designations under the Foreign Narcotics Kingpin Designation Act (Kingpin Act). In addition, countries that have decided to work with the group or transact with it, such as [Russia](#), [China](#), and [Turkey](#), which said it was ready to provide technical and security assistance to the Taliban if the group requested it, could face additional designations.

- The Taliban's [main sources of revenue](#) have been kidnapping-for-ransom operations, tax collection on everything from fuel to food, and the opium trade, and Afghanistan remains the world's largest supplier of illicit opiates. The humanitarian and economic crises resulting from years of war, foreign aid cuts—especially after the Taliban's violent takeover of the country—and economic losses caused by the departure of US troops may prompt many Afghans to increase opium production as an economic substitute, which could result in a boom for the Taliban's opium trade.
- China [would probably engage](#) with the Taliban in an effort to exploit Afghanistan's rare earth minerals that could be worth as much as \$3 trillion and are used in everything from personal electronics to electric vehicles, satellites, and aircraft. Should Beijing establish formal trade with the Taliban, it could become vulnerable to international sanctions for transacting with a designated terrorist entity.
- Russia's collaboration with the Taliban is not new. Evidence [suggests](#) that Russia has been supplying weapons to the Taliban for years, and uncorroborated intelligence reporting last year [indicated](#) that Moscow was paying bounties to Taliban-linked militants for killing members of the coalition forces in Afghanistan, including US troops. Moscow has opted to cooperate with the Taliban, which helps Russia reassert itself in the country after its unsuccessful invasion in late 1979 and message the ineffectiveness of the United States and its NATO partners.
- Many Afghans and others, such as a [former Canadian ambassador](#) to Afghanistan, are demanding that Pakistan be sanctioned in response for its proxy actions in the country and its alleged role in the crisis. The **#sanctionPakistan** hashtag has begun trending on Twitter, and US Congressman Mike Waltz has [written a letter](#) to President Biden urging him to impose sanctions on Islamabad and cut off all aid to the country.

US firms and financial institutions will need to reevaluate their risk appetite and likely update their compliance strategies related to their level of engagement with government entities and institutions in Afghanistan once the Taliban takes complete control of the country. In addition, countries that support or transact with the Taliban as the de facto government of Afghanistan could face additional sanctions, and major US social media platforms are already [evaluating](#) how to address sanctions risks associated with the Taliban's takeover of the country. FiveBy can help firms and financial institutions conduct additional research into the changing regulatory landscape that could result in penalties or reputational damage, as well as evaluate their exposure to corruption, narco-trafficking, and sanctions evasion methodologies traditionally used by malign state actors.

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