



ROAD TO RUIN:

AFGHANISTAN'S BOOMING OPIUM INDUSTRY

October 7, 2004

Barnett R. Rubin

Director of Studies and Senior Fellow

Center on International Cooperation

New York University



EXECUTIVE SUMMARY

President George W. Bush declared recently that “the people of Afghanistan are now free.”¹ While the president boasts, Afghanistan’s opium industry, which fosters terrorism, violence, debt bondage, and organized crime, has expanded to the point that it could undermine the entire U.S. and international effort. As President Bush’s own special envoy and ambassador, Zalmay Khalilzad, recently admitted, “[r]ather than getting better, it's gotten worse. There is a potential for drugs overwhelming the institutions – a sort of a narco-state.”²

The booming opium industry jeopardizes not only Afghanistan, but also the United States, Europe, and the entire volatile region of Central Asia. Al Qaeda and the Taliban use drug money to finance their operations. Afghan warlords and militias fattening off of the drug sector create insecurity and block efforts by the national government to extend its authority. As the chairman of the House International Relations Committee, Rep. Henry Hyde (R-Ill.), stated, “The drug lords are getting stronger faster than the Afghan authorities are being built up.”³

The opium economy enriches only a few. It provides livelihoods to many of Afghanistan’s poor, but an economy based on the production of illicit drugs can never foster real development. By enriching traffickers who cannot be taxed, an illicit economy starves the public sector, which alone can provide the security, education, healthcare, and rule of law that will make possible a growing legal private economy. Moreover, there are disturbing signs that the opium industry is beginning to move toward greater vertical integration, with increased involvement by international organized crime.

The growing drug problem in Afghanistan is far more difficult to address than U.S. officials have acknowledged, as the opium economy is entrenched and pervasive in much of the country. International efforts at drug control have been insufficient thus far. U.S. cooperation with warlords and militia commanders tied to trafficking has sent the wrong signal about the U.S. commitment to combating narcotics. The international community has not provided adequate security and reconstruction assistance. And counter-narcotics efforts have focused too much on crop eradication.

It is essential that the United States, the international community and the Afghan people implement an effective strategy to decrease and eventually eliminate Afghanistan’s dependence on illegal opium production and trafficking.

This paper examines the historical context of Afghanistan’s opium industry, its current nature, and the past missteps of the United States and the rest of the international community in addressing the narcotics threat. It also offers recommendations for a more effective counter-narcotics strategy based on three principles: counter-narcotics policy must be integrated with broader international efforts; increased security and reconstruction assistance to Afghanistan remain essential; and countering the drug threat

in Afghanistan will require a full and long-term commitment. To this end, the United States and the international community should:

- Implement a policy of sanctions against warlords and militia commanders involved in drug trafficking and incentives for those who renounce trafficking;
- Provide greater security and reconstruction assistance;
- Provide military backup and monitoring to Afghan authorities in certain counter-narcotics operations;
- Help Afghans establish or strengthen institutions of the rule of law;
- Curtail the use of crop eradication;
- Focus counter-narcotics law enforcement efforts on trafficking, including both processing and trading;
- Integrate a comprehensive program of alternative livelihoods for rural communities into a state building and development strategy for Afghanistan. This strategy should also include measures to end the trafficking of women and girls in settlement of debts contracted by opium-producing farmers;
- Include transitional assistance for Afghanistan's macroeconomic balance in counter-narcotics efforts.

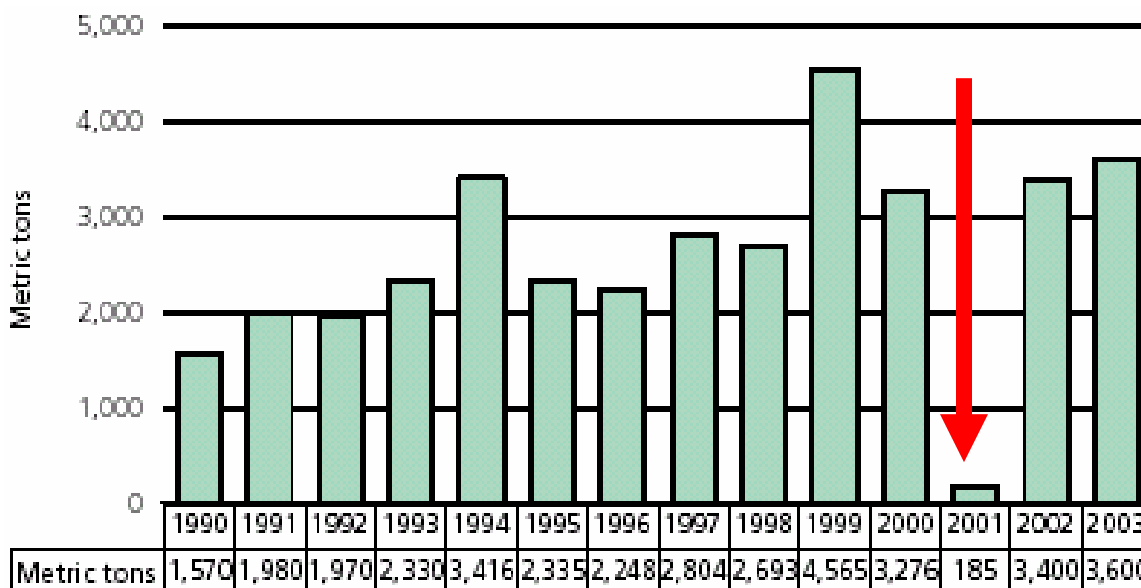
ORIGINS AND STRUCTURE OF THE DRUG ECONOMY IN AFGHANISTAN

An effective program to eliminate or reduce the opium economy in Afghanistan must be based on an understanding of both the harm that it has done and the function it has played in enabling people to survive and rebuild.⁴ The production, refining, and trafficking of opium has funded conflict and insecurity in Afghanistan and the surrounding region for much of the past two decades and continues to do so today. Taxes on the opium trade helped fund anti-Soviet resistance fighters in the 1980s; warlord rule during 1992-1996; the Taliban regime; and some commanders who have regained power as partners in the U.S.-led war against al Qaeda and the Taliban.⁵ Moreover, drug profits now help fund al Qaeda terrorism and the insurgency efforts of the Taliban.⁶

Opium cultivation also enabled many poor people to survive in this chaotic and violent environment. Before 1978, Afghanistan was self-sufficient in food production. Agriculture produce also accounted for 30 percent of exports, earning the country US\$100 million annually in much needed foreign exchange.⁷ The Soviet counter-insurgency strategy and the war of resistance shattered this fragile capacity through the mining of farmland and pastures, bombing of irrigation channels, killing of livestock, destruction of roads and pastoral migration routes, and reduction of farm labor. As a result, cereal production per capita fell 45 percent from 1978 to 2000.⁸ Only imports

could make up the food shortage, but they required foreign exchange. Opium production supplied this much needed currency and also served as collateral for loans necessary for food and life cycle obligations.

Figure 1
Afghanistan Opium Production 1990-2003



Source: Provided to Center on International Cooperation by Antonio Maria Costa, executive director of the U.N. Office on Drugs and Crime, Vienna.

Following the Soviet withdrawal from Afghanistan in February 1989, the country's territorial administration was increasingly captured by or subcontracted to autonomous commanders, some affiliated with the government, some with the mujahidin, and some with both. The reduction in U.S. subsidies to the mujahidin, and the curtailing of U.S. supplies to some leaders judged too extremist (Gulbuddin Hikmatyar and Abd al-Rabb al-Rasul Sayyaf), impelled a search for other means to finance the ongoing power struggle. Meanwhile, efforts by Turkey, Iran, and Pakistan to reduce illicit production raised the price of opium and drove traffickers to seek new sources of raw material. Opium elimination efforts in the neighboring countries helped shift production into Afghanistan.⁹

During the rule of the Taliban regime (1996-2001), the opium economy continued to expand, but in a different political context.¹⁰ With their centrally controlled military and police, the Taliban reasserted control over what remained of Afghanistan's weak capacity for administration and revenue collection, including the taxation of opium.¹¹ For unclear reasons, possibly to bargain for international assistance and recognition, the Taliban suppressed the production of opium in 2001. Figure 1 shows the dramatic effects of their cultivation ban, which reduced opium production by an estimated 3,091 metric tons between 2000 and 2001. Much of the opium left was produced in areas (especially Badakhshan) under the control of the Northern Alliance.¹²



That the Taliban defeated warlord forces in the areas they controlled and used centrally managed revenue to finance a single army and administration helps account for their success in enforcing the ban. Even so, they had to negotiate with and provide hefty subsidies to major tribes, and it is unlikely that they could have continued the ban without significant international development assistance, which they would not have received.¹³ Moreover, while the Taliban banned cultivation, they did not attempt the more difficult task of banning processing or trafficking of existing stocks, taxation of which was a more important source of revenue for them and the traders who supported them. As a result, production in 2000-2001 decreased by 94 percent, but cross-border seizures of trafficked opiates decreased by only 40 percent, indicating continued trafficking of accumulated stocks (Figure 2).

The economic effect of the ban was a significant rise in the price of raw opium gum and its derivatives. While this assured profits for the traffickers and revenue for the regime that taxed them, it put peasants in deep debt. Most poor peasants who cultivate opium agree to traditional credit *salam* contracts with wholesalers or money lenders before planting. The farmer agrees to provide the lender with a set quantity of opium gum after harvest, in return for which the lender pays the cultivator half the value of the future crop in cash at the market price at the time of the loan. This cash enables many poor families to buy food over the winter. The many landless tenants who cultivate crops under these arrangements must also pay for or provide the intensive labor during harvest and pay up to four-fifths of the crop to landlords in return for land, water, seeds, and energy (livestock or tractors).

Due to the Taliban ban, peasants who had made *salam* contracts for the 2001 opium harvest were unable to pay their debts, which the Taliban did not cancel. Since the traffickers could not collect on their loans in opium, they monetized the debt at the new high

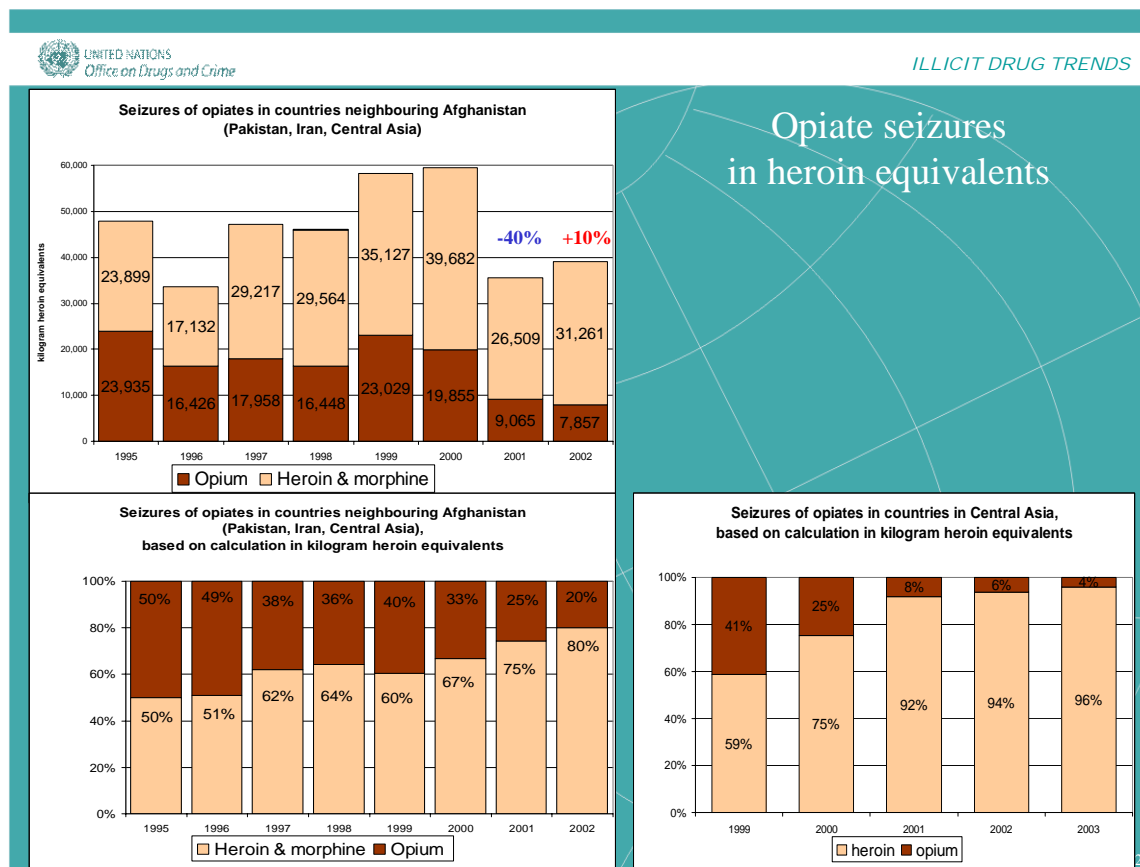
plunging
growing
into a deep
A farmer
been
\$300 in the
2000 to

"The heavy debt of the peasantry was one of the principal factors that led to the resurgence of opium cultivation after the start of the U.S.-led war in Afghanistan, which coincided with the poppy planting season."

prices,
opium-
families
debt trap.
who had
advanced
fall of
deliver 10

kilograms of opium in the spring of 2001 at the prevailing average price of \$60/kg before the ban, owed his creditor as much as \$6,750 at the peak average price of \$675/kg that prevailed after the ban.¹⁴ At these interest rates, it is clear that poppy cultivation does not provide a handsome profit. For many cultivators, poppy cultivation digs them ever deeper into a debt trap from which they cannot escape.

Figure 2
Evidence of Increased Opium Processing in Afghanistan



Source: Provided to Center on International Cooperation by Antonio Maria Costa, executive director of the U.N. Office on Drugs and Crime, Vienna.

The heavy debt of the peasantry was one of the principal factors that led to the resurgence of opium cultivation after the start of the U.S.-led war in Afghanistan, which coincided with the poppy planting season. The influx of U.S. dollars to finance the war increased the value of the Afghan currency by 245 percent in four months, making the money lenders flush with cash for new loans.¹⁵ They immediately extended new *salam* contracts to the desperately indebted peasants, for whom opium cultivation provided the only hope of discharging even a part of their debts other than “giving” their daughters as “wives” to traffickers or otherwise trafficking their children.¹⁶ The empowerment and enrichment of the warlords who allied with the United States in the anti-Taliban effort, and whose weapons and authority now enabled them to tax and protect opium traffickers, provided the trade with powerful new protectors. Opium production immediately resumed the growth path it was on before the Taliban ban, as shown in Figure 1. It has been growing steadily since.

AFGHANISTAN'S OPIUM INDUSTRY TODAY

Few if any national economies have ever been as dependent on illegal drugs as Afghanistan is today. The contemporary comparisons in Figure 3 and Table 1 show that the order of magnitude of Afghanistan's drug dependence is in a class by itself, more than twice as great as Myanmar's and far greater than Colombia's. Since opiates are Afghanistan's single most valuable product and its only significant export other than labor, they constitute the backbone of the country's economy in its current condition.

The total income from production, processing, and trafficking of opium in 2003, approximately \$2.3 billion, is estimated to equal 52 percent of the country's 2002 legal gross domestic product, or more than one-third of the total economy (Figure 4).¹⁷ This high proportion reflects not only the growth of the opium economy, but also the pervasive poverty of Afghanistan, where basic indicators of human development such as infant mortality and literacy are tied for last place in the world with the war-torn countries of Sierra Leone and Burundi.¹⁸

During 2002 and 2003, the income to Afghans from opium (estimated at \$4.8 billion) was more than 70 percent greater than the international aid disbursed for projects that had started in Afghanistan (\$2.8 billion) during those same two calendar years (see Figure 5).¹⁹

much of the
 assistance
 up offices and
 salaries for
 international
 and NGOs,
 of the drug

*"The total income from production,
 processing and trafficking of opium in 2003,
 approximately \$2.3 billion, is estimated to
 equal 52 percent of the country's 2002 legal
 gross domestic product."*

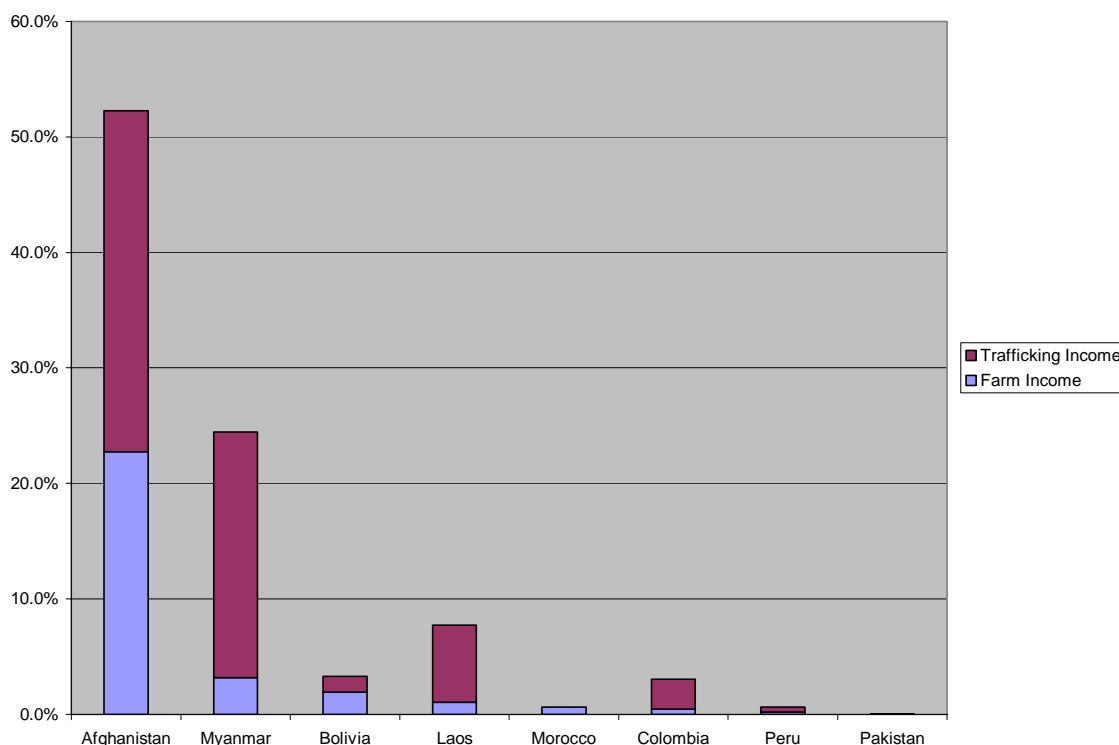
Moreover,
 foreign
 goes to set
 pay
 agencies
 while all
 income

goes directly to individuals on the ground. Preliminary estimates show that production, processing, and trafficking of narcotics have all grown in 2004, meaning that their economic importance has only increased. The CIA estimates that the amount of land planted in opium poppy has increased by 60 percent this year, that cultivation has spread to new areas of the country, and that production will reach a record high.²⁰

At this massive size, the opium sector does not fund only warlordism and terrorism. It also funds the real estate speculation behind the construction boom and rise of business activity visible in cities and towns throughout the country, which Secretary of Defense Donald Rumsfeld has boasted about as a sign of progress.²¹ In addition, the foreign exchange earned by narcotics exports finances the import of vehicles, durable consumer goods, and fuel, the customs duties on which constitute the main source of government revenue. This foreign exchange is the main support for the stability of the popular new currency that the government of Afghanistan introduced in 2002, and has enabled Afghanistan to finance imports without debt, insuring price stability. The stable value of the new currency has been an important factor in the popularity of the government and a source of national pride.²² Because the opium sector reaches into so many aspects of

financial life in Afghanistan, curbing the drug industry without destroying the country's economy will require a comprehensive development and state building strategy.

Figure 3
Drug Income as Percentage of Legal GDP



Sources: Afghanistan traffickers' income (2003): UNODC, "Afghanistan Opium Survey 2003." Other traffickers income (2001-02): United Nations International Narcotics Control Board, Seventy-fourth session, "Form and Content of the Board's Report for 2002," (Vienna, 6-17 May 2002). Afghanistan GDP: UNODC, "2004 World Drug Report," Vol. 2, http://www.unodc.org/pdf/WDR_2004/volume_2.pdf. All other GDPs: "World in Figures," 2004 Edition, Economist, www.economist.com/countries/.

Note: Drug income is from various years (Afghanistan 2003, and the rest 2001), while GDP is for 2002. Hence, the percentages are indicative of orders of magnitude, rather than exact proportions in specific years.

The opium industry has shown itself to be highly mobile and flexible. Though opium accounts for a large share of Afghanistan's economy, the U.N. Office on Drugs and Crime (UNODC) estimates that in 2003, poppy farming directly involved only 7 percent of the Afghan population, only 1 percent of arable land, and 3 percent of irrigated arable land.²³ With land and labor to spare, production can easily expand or move in response to demand, eradication, or changes in conditions. While the figure of 7 percent may seem small, it accounts only for families growing opium poppies, not for the relatively well-paid labor employed in the harvest, the families living from trafficking, or those whose incomes derive from trade, construction, or other activities financed by opium revenues.

The number of people who benefit economically from the opium trade is thus much larger than 7 percent of the population.

Areas under poppy cultivation have expanded and shifted already. In 2002, opium farmers resumed cultivation not only in the previous three main opium producing regions of the southwest, east, and northeast, but also in new areas.²⁴ In 2003, as shown in Figure 6, cultivation shifted away from the southwest, toward the northeast, and into areas of central and northern Afghanistan where opium had not previously been cultivated. This movement resulted partly from the emigration of farmers from drought-stricken areas looking for irrigated land, but also from efforts by traffickers from both Afghanistan and Pakistan. The latter sent comprehensive extension teams from experienced opium producing areas to new regions, offering financial incentives and technical assistance to farmers if they would grow poppy.²⁵ The combination of credit, extension services, cash income, and security guarantees from local warlords who share in the profit could not be matched by the meager resources offered by the Hamid Karzai government and its foreign backers.

Table 1
Drug Income as Percentage of GDP, Major Producing Countries

Drug-producing countries	2002 GDP (\$M)	GDP per capita US\$	Total production Value \$M (farmgate) 2002	Income from trafficking \$M (2001)	% of GDP from narcotics	% of GDP Farm Income	% of GDP Trafficking
Afghanistan	4,400	196	1,000	1,300*	52.27	22.7	29.5
Myanmar	4,700	142	150	1,000**	24.47	3.2	21.3
Bolivia	8,000	941	153	110**	3.29	1.9	1.4
Laos	1,800	333	19	120**	7.72	1.1	6.7
Morocco	34,200	1,060	214	N/a	0.63	0.6	0.0
Colombia	80,900	1,850	375	2,100**	3.06	0.5	2.6
Peru	56,000	2,126	112	250**	0.65	0.2	0.4
Pakistan	61,000	415	16	N/a	0.03	0.0	0.0

Sources: Afghanistan GDP: UNODC, "2004 World Drug Report," Vol. 2, http://www.unodc.org/pdf/WDR_2004/volume_2.pdf. All other GDPs: "World in Figures," 2004 Edition, Economist, www.economist.com/countries/. GDP/Capita: Derived from GDP and Population figures using "World in Figures," Economist, www.economist.com/countries/. Myanmar's GDP/capita is for 2001 (Source: Association Of Southeast Asian Nations – Japan Center Web site, <http://www.asean.or.jp/eng/general/guide/index.html>) Drug income is from various years (Afghanistan 2003 and the rest 2001), while GDP is for 2002. Hence the percentages are indicative of orders of magnitude, rather than exact proportions in specific years.

* 2003 income figure, Source: UNODC, "Afghanistan Opium Survey 2003."

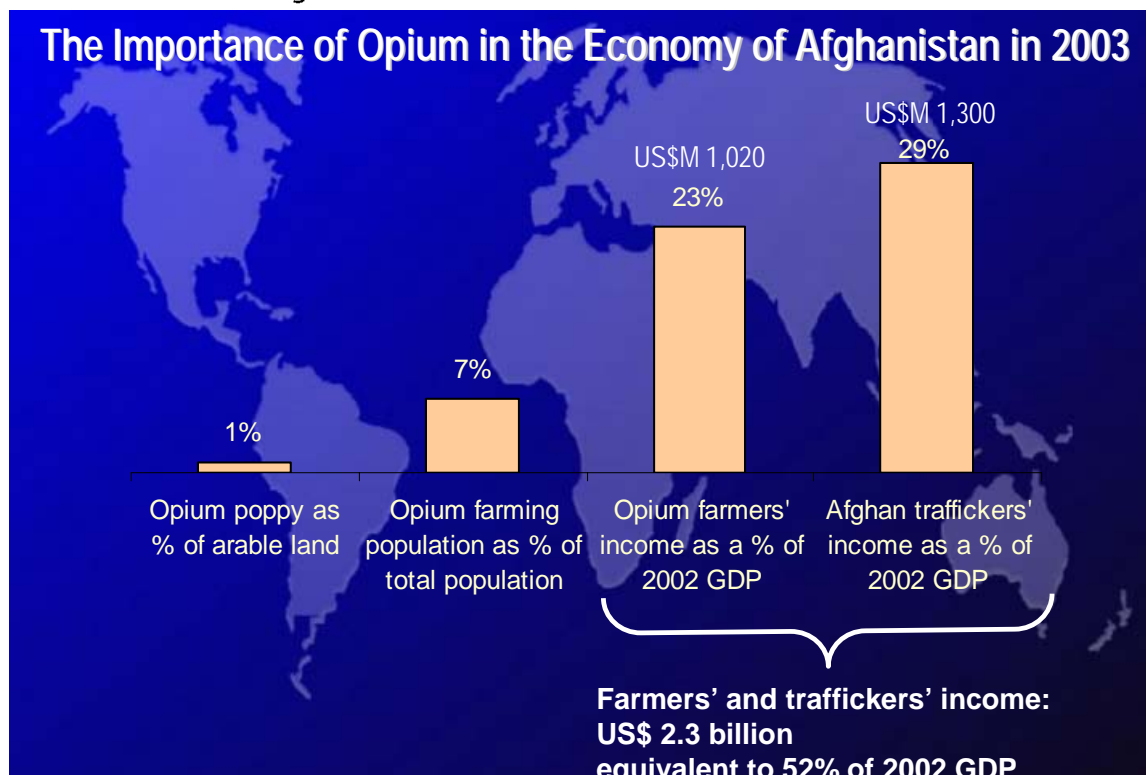
** Source: United Nations International Narcotics Control Board, Seventy-fourth session, , "Form and Content of the Board's Report for 2002," (Vienna, 6-17 May 2002).



Figure 4
The Importance of Opium in the Economy of Afghanistan in 2003



UNITED NATIONS
Office on Drugs and Crime



Source: Provided to Center on International Cooperation by Antonio Maria Costa, executive director of the U.N. Office on Drugs and Crime, Vienna.

Afghanistan's opium industry has thus far behaved largely as a competitive industry rather than a cartelized oligopoly like the Colombia-based cocaine industry.²⁶ Opium production has risen with increased demand even at the cost of a fall in prices, as there is no OPEC-like cartel to limit production to maintain a higher price. This may change, however, as the industry is starting to show new signs of vertical integration with a rise in the domestic processing of opium. One indicator of this rise is the composition of reported seizures of opiates just outside the borders of Afghanistan.²⁷ Figure 2 shows that seizures of opiates in Pakistan, Iran, and Central Asia have changed in composition. Processed products as a percentage of overall seizures grew from 50 percent in 1995 to 80 percent in 2002. The change was even more striking in seizures along the northern border. In 2003, fully 96 percent of the drugs seized in Central Asia consisted of processed products, up from 59 percent only four years before. These changes appear to be due to the rapid increase in opium production and the establishment of processing



laboratories in northeast Afghanistan, the home base of the dominant group in the Northern Alliance.²⁸

As the World Bank observes, “[i]ncreasing refining of opium into heroin within Afghanistan, to the extent that it is occurring, may be accompanied by drug industry consolidation and possibly increased penetration of international organized crime.”²⁹ Indeed, as Afghan traffickers and the armed leaders who profit from them— both warlords within the government and anti-government forces – capture a higher proportion of the value added of the opiate trade, the opium industry in Afghanistan may become increasingly powerful and institutionalized. What is more, increased processing requires the massive import of precursor chemicals, none of which is produced in Afghanistan. Such imports indicate the growing reach of international organized crime into Afghanistan itself, including the Russian (more precisely, former Soviet) mafia, Pakistani traffickers, and others.³⁰ These international criminal groups provide traffickers and their protectors access to global markets as well as arms, should the need arise.³¹

The increasing vertical integration of the opiate industry could therefore translate into traffickers’ being more capable of organized political and military action. Under such conditions, the drug industry is in danger of becoming further militarized and integrated with the political system.

THE FAILURE OF INTERNATIONAL COUNTER-NARCOTICS EFFORTS

The inability of the international community to counter the opium sector effectively in Afghanistan has stemmed from three main problems: the United States’ continued alliance with warlords and militia commanders involved in trafficking; the inadequate overall level of international security and reconstruction aid; and flaws in analysis, strategy, and counter-narcotics policies.³²

Ties to Traffickers

The Center on International Cooperation (CIC) has received consistent reports that major U.S. allies in the war on terror are involved in trafficking. None of the reports below is conclusive, but these are samples of reports widely believed by Afghans:

- A senior Afghan military commander from eastern Afghanistan told the author that U.S. forces had arrested one of the Afghan Ministry of Defense’s top generals in eastern Afghanistan with a truckload of heroin. According to this commander, the general, who was one of the leaders of the battle at Tora Bora, was released to resume his duties after being held in Bagram Air Base for a few days.³³
- CIC’s research on local government authorities in Qandahar shows that it is commonly believed there that major leaders of the province who provide militias to help the United States fight the Taliban split the proceeds from taxing the opium trade.

- Northeastern Afghanistan, under the control of commanders allied with Minister of Defense Muhammad Qasim Fahim, remains a free zone for the unmolested cultivation, refining, and export of opiates. It is the area of the country where both production and processing of opium are increasing most rapidly. Cultivation has registered a 58 percent increase since 2002 in Badakhshan.³⁴
- On July 12, after a “large drug seizure” by the local police, the Kabul-appointed police chief of Balkh province in northern Afghanistan publicly accused the northern garrison commander, a Fahim ally named General Atta Muhammad, of being involved in drug trafficking. General Atta surrounded the police chief's home with troops and demanded his removal.³⁵ Subsequently, General Atta was removed from his military position – and named the governor of Balkh province.³⁶
- A CIC researcher who visited northwestern Afghanistan last May reported that the fighting between the troops of General Abdul Rashid Dostum, one of the most powerful commanders in northern Afghanistan and a candidate for president, and a security commander in Faryab resulted in part from a dispute over the division of proceeds from the narcotics trade.

Most of the commanders involved in the above events have worked closely with the United States; several of them have appeared on television with Secretary Rumsfeld. When members of the U.S. cabinet meet publicly with commanders tied to traffickers while the United States orders the destruction of the poppy crops of poor farmers, Afghans can only conclude that the U.S. commitment to counter narcotics is not genuine.

Inadequate Security and Reconstruction Aid

Little if anything can be achieved in counter-narcotics policy while the United States signals high-level support for militia and political leaders with ties to trafficking. But even without this policy of appeasement, no counter-narcotics policy could eliminate half of the economy of one of the world's poorest but best armed countries without the advancement of security and reconstruction.

The Afghan government's published counter-narcotics strategy emphasizes that significant improvements in overall security, governance, and the provision of alternative livelihoods are prerequisites for success. To this end, the United States has supported the establishment of a special Counter Narcotics Police of Afghanistan and dedicated teams of prosecutors and judges organized into special “judicial task forces” for counter-narcotics. While these efforts are important, it is not enough to create a segregated “drugs-only” justice system. Overall security reform and institution building are necessary as well, but action in this area has not been adequate. Aspects of both internal security reform and external security assistance were characterized as “insufficient” to “mostly missing” in a June 2004 paper

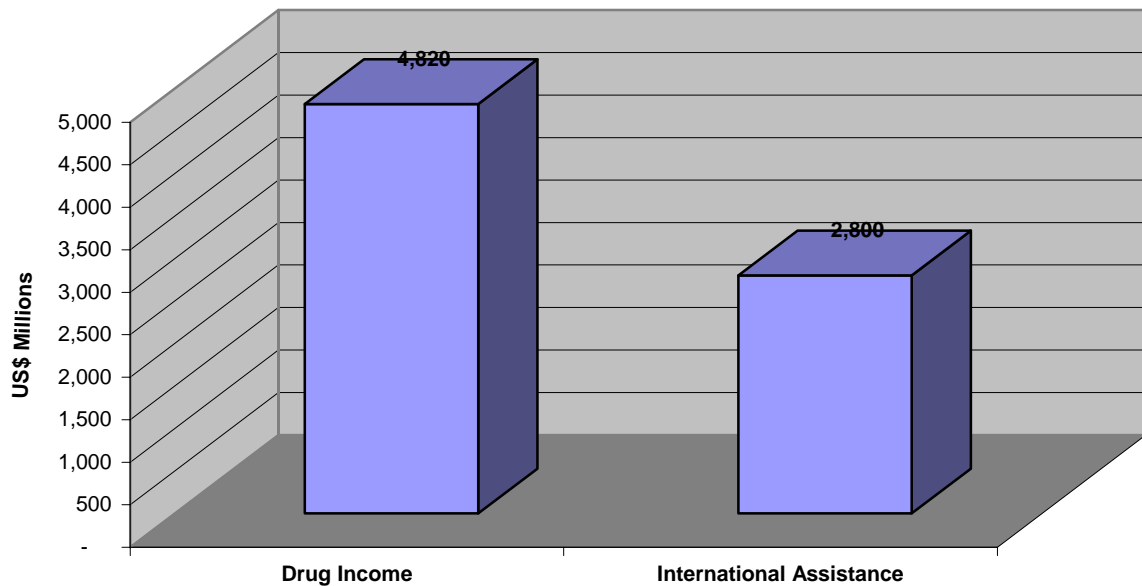
“Afghans can only conclude that the U.S. commitment to counter narcotics is not genuine.”



entitled “Minimal Investments, Minimal Results: The Failure of Security Policy in Afghanistan.”³⁷ The authors, including a U.S. Army Reserve officer who served with the coalition in Kabul and a retired British special services commander, conclude that security in Afghanistan is “fragile and deteriorating.”

Figure 5

Income from Opium Compared to International Aid to Afghanistan (2002-2003)



Sources: Drug Income: United Nations Office on Drugs and Crime, “Afghanistan Poppy Survey 2003,” http://www.unodc.org/pdf/afg/afghanistan_opium_survey_2003_exec_summary.pdf; “Afghanistan Opium Survey 2002,” http://www.unodc.org/pdf/afg/afg_opium_survey_2002.pdf; “Farmers’ Intention Survey 2003,” http://www.unodc.org/pdf/afg/afg_fis_report_2003-2004.pdf. International Assistance: Donor Assistance Database (DAD), Government of Afghanistan, <http://www.af/dad/index.html>; Center on International Cooperation Database, “Strategic Recovery Facility,” http://www.cic.nyu.edu/conflict/conflict_project3.html.³⁸

Per capita reconstruction assistance in Afghanistan, meanwhile, has lagged far behind not only Iraq, but even Haiti in the mid-1990s, leading James Dobbins, President George W. Bush’s first special envoy on Afghanistan, to characterize the country as the “most under-resourced US nation building effort ever.”³⁹ Figure 7 and Table 2 compare both troop commitments and reconstruction assistance to Afghanistan with other “nation-building” operations. As the diagram shows, Afghanistan is receiving far fewer troops and less aid per capita than Iraq, East Timor, Haiti or any operation in Europe. It is unrealistic to believe that international actors can

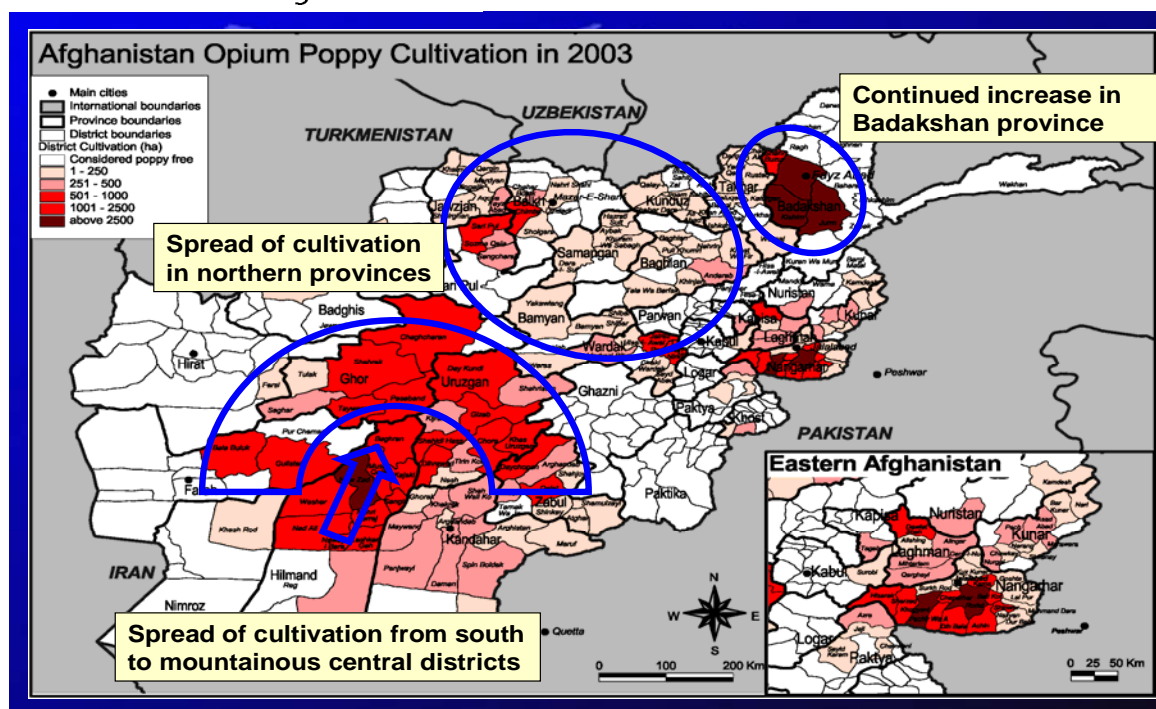


eliminate half of Afghanistan's economy – the half that supports armed groups – while making such a small effort.

Figure 6
Afghanistan Opium Poppy Cultivation in 2003



UNITED NATIONS
Office on Drugs and Crime



Source: Provided to Center on International Cooperation by Antonio Maria Costa, executive director of the U.N. Office on Drugs and Crime, Vienna.

Moreover, security and reconstruction have not been coordinated adequately with counter-narcotics efforts, and the same is true of other elements of the international strategy in Afghanistan. A meeting of the G8 at the January 2002 Tokyo pledging conference for the reconstruction of Afghanistan designated “lead donors” for different security sectors, including creating a national army (United States and France); building up a national police force (Germany); disarming militia fighters (Japan); reforming the judiciary (Italy); and countering narcotics (the United Kingdom). Each effort, however, proceeded on a separate path without inter-coordination or integration with the Bonn process. Such an approach fails to consider, for example, that disarming militias is integrally related to fighting the drug trafficking that funds them; that building a police force must be tied to efforts to prevent drug-driven corruption; and that “free and fair” elections cannot be held in a country still dominated by militias and drug traffickers.

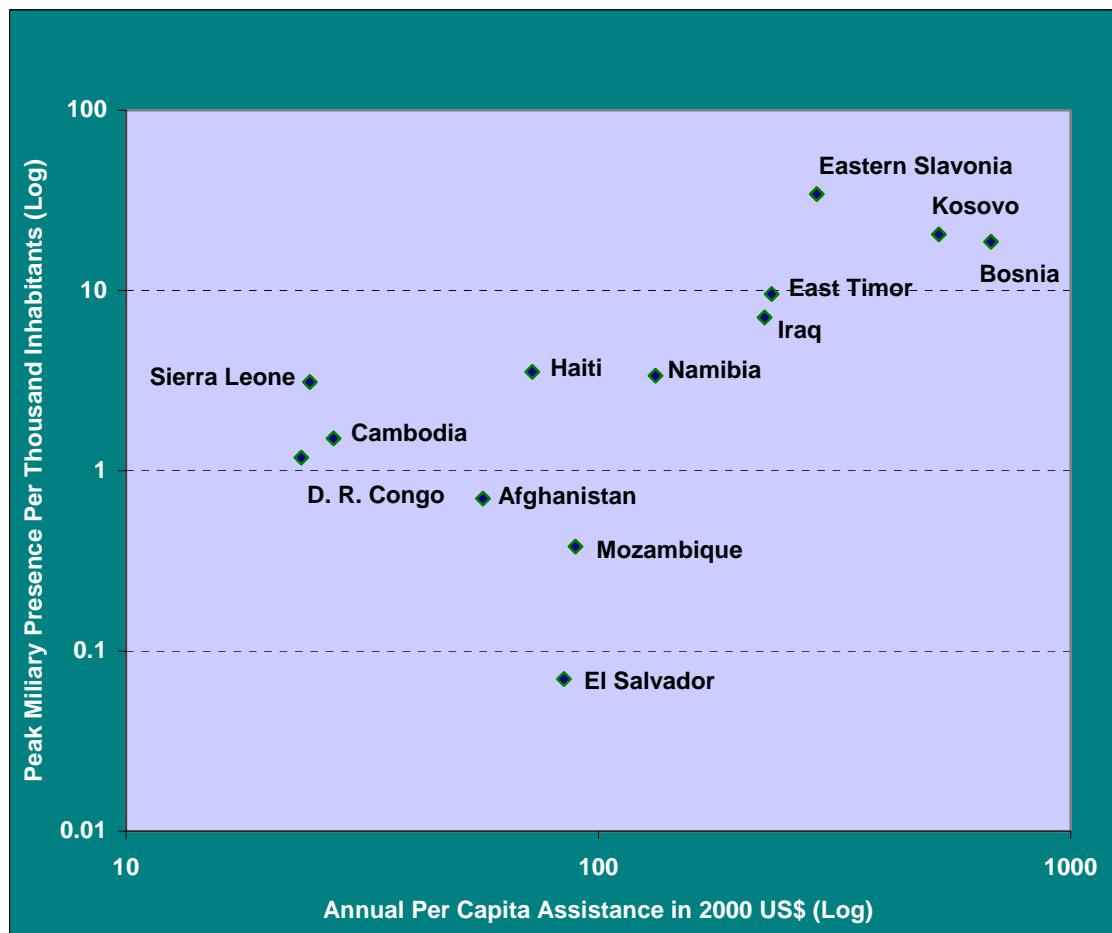


Flawed Approach

Even with a greater overall security and assistance effort and more coordination between initiatives, however, anti-drug efforts will not improve without a change in the current paradigm for counter-narcotics policy. The predominant analysis of the opium economy has been wrong and has led policy makers in the wrong direction. According to this erroneous analysis, the opium economy spreads because opium provides farmers with a profit that no other product can rival. The conclusion drawn is that farmers will therefore stop growing opium only if the government eradicates their crops while providing them with some alternative.

Figure 7

Security and Economic Assistance in Peace Building Operations



Source: James Dobbins, Keith Crane, Seth G. Jones, Andrew Rathmell, Brett Steele, and Richard Teltschik, "The UN's Role in Nation-Building: From the Belgian Congo to Iraq," RAND, (forthcoming).⁴⁰



In fact, this is a gross oversimplification. First, opium provides little more than subsistence for many of the landless and land-poor tenant farmers who cultivate it. Many are pressured to cultivate opium by landlords, money lenders, and others involved in the opium business, whose ties to militias enable them to intimidate farmers. Second, other horticultural crops could compete with opium in profitability to the farmer if farm families had access to markets, credit, and security. Drug super-profits are realized mainly by those higher up in the opium market, and it is they, not the farmers, who should be the principal targets of law enforcement.⁴¹ Unfortunately, international law enforcement efforts within Afghanistan have been focused on crop eradication rather than combating trafficking.

Caught unprepared by the rapid rebound of opium production, in the spring of 2002 the UK and Afghan governments responded with a hasty offer to compensate farmers with the equivalent of US\$250 to \$350 for each acre of poppy eradicated.⁴² The government soon found itself offering up to US\$500 per acre, yet was unable to satisfy the demands of farmers and tribesmen angry at the destruction of their livelihood, who at one point closed the highway in Jalalabad, blocking the return of 14,000 refugees and attacking a government anti-narcotics team in eastern Afghanistan. The assassination of Vice President Abdul Qadir Arsala and attempted murder of Defense Minister Fahim during a visit to Jalalabad were also blamed on opponents of the government's eradication drive.⁴³ The hastily prepared program was dogged by stories about the destruction of already harvested fields; compensation kept by officials rather than delivered to farmers; and the bribing of those hired to eradicate poppy crops. The program also created perverse incentives: the following year, some landowners who had not previously planted opium concluded that doing so was the only way to get money from the government.⁴⁴

Since that time, drug policy has largely been in disarray, as the magnitude of the problem, which has far surpassed anything foreseen in January 2002, has rendered piecemeal solutions meaningless. The United States, which began belatedly to develop a counter-narcotics policy for Afghanistan given the UK designation as "lead donor" for that area, has also focused disproportionately on crop eradication.⁴⁵ The U.S. government has allocated \$100 million for crop eradication by private U.S. contractors in the coming year.⁴⁶ As a recent World Bank report argues, however, crop eradication, if it is at all effective, will temporarily depress supply and raise the price paid to the farmer for raw opium, thus actually increasing incentives to grow opium the following year. Hence, the predictable result of crop eradication is an increase in production as well as a shift of production to less accessible areas.⁴⁷

Moreover, crop eradication attacks the livelihood of the poor without touching the profits of the warlords and traffickers who keep peasants in debt bondage. Research among poppy growers in Afghanistan shows that "the eradication campaign in the 2002/3 growing season [was] generally targeted against the more vulnerable and that the crops of the wealthy and influential were not destroyed."⁴⁸ Such a policy, in the absence of any prosecutions or even stigmatization of warlords and militia commanders allied with the U.S.-led Coalition but known to be involved in narcotics, only reinforces the image of the United States as a bully. Most problematically, by preventing poor farmers from paying



off their *salam* contracts, crop eradication mires them further in debt. Farmers can repay this debt only by cultivating more opium in coming years or by “giving” their daughters to traffickers as “wives.” Substituting the trafficking of women and girls for opium production in this way only compounds Afghanistan’s problems.

Targeting opium traffickers and processing laboratories, though more difficult, lowers the demand for and hence the price of opium gum and weakens the grip of creditors on the farmers. But sound analysis may not be determining counter-narcotics policy. A senior Afghan government official responsible for a portion of the counter-narcotics policy argued to the author in February 2004 that targeting traffickers was far more effective than crop eradication. Commenting on the structure of the industry described above, he argued that “traffickers create cultivators” rather than the reverse. Nonetheless, he said, he was under pressure from the United States to engage in crop eradication, while major traffickers, who were high officials of the government and allies of the U.S.-led Coalition, remained untouchable.

In addition to focusing on trafficking, counter-narcotics strategy must take into account the economic reach of opium. Amazingly, when U.S. Drug Enforcement Agency administrator Karen Tandy testified about “United States Policy Towards Narco-Terrorism in Afghanistan” before the House International Relations Committee in February 2004, her written testimony did not mention a single political, economic, social, or developmental issue, as if this effort would have no impact on the United States’ other goals in the country.⁴⁹ On the positive side, the U.S. Agency for International Development is attempting to develop some programs for alternative livelihoods.

“Alternative livelihood” is a concept that goes beyond the idea of “crop substitution,” which is based on the erroneous notion that opium production is primarily driven by farm profits.⁵⁰ The opium economy provides credit, cash, insurance against drought, employment, finance for Afghanistan’s international trade, and foreign exchange for the Central Bank. The benefits are spread far beyond the 7 percent of the population that actually grows opium. Finding another crop for peasants to grow, therefore, addresses only a portion of the challenge.

To this end, the “alternative livelihood” concept provides for the development of all aspects of the rural economy, including access to credit and both farm and non-farm employment. It does not, however, address the macroeconomic impact of the drug economy on the balance of payments, the exchange rate, and the price level in Afghanistan. Moreover, alternative livelihood efforts have thus far fallen short, according to the technical annex to the Afghan government’s narcotics strategy, which states that the current funding for alternative livelihoods is insufficient “to actually have an impact on the level of opium poppy cultivation” and that there is “no coherent management or monitoring of . . . programs.”⁵¹

The U.S. military, for its part, has long resisted any involvement in counter-narcotics policy, in Afghanistan and elsewhere. Though the U.S. military in Afghanistan can play a

limited role in counter narcotics, the armed services are right to resist the militarization of drug policy, which is primarily a development, governance, and law enforcement issue. But that does not mean that combating the opium economy is only a side issue to the United States' main strategic interest in Afghanistan. On the contrary, the extent of the opium economy is one of the main obstacles to even the minimum U.S. goal of helping Afghans build a state capable of supporting effective security forces and a reasonably accountable administration. This necessitates a realistic – and sobering – look at what reducing the impact of narcotics on Afghanistan will require.

Table 2
Security and Economic Assistance in Peace Building

Country	Annual Per Capita Assistance in constant (2000) US\$	Peak Military Presence Per Thousand Inhabitants
Afghanistan	57.0	0.70
Bosnia	678.5	18.62
Cambodia	27.5	1.51
D.R. Congo	23.5	1.18
East Timor	232.5	9.55
Eastern Slovenia	290.0	34.22
El Salvador	84.5	0.07
Haiti	72.5	3.54
Iraq	225.0	7.09
Kosovo	526.0	20.45
Mozambique	89.5	0.38
Namibia	132.0	3.36
Sierra Leone	24.5	3.10

Source: James Dobbins, Keith Crane, Seth G. Jones, Andrew Rathmell, Brett Steele, and Richard Teltschik, "The UN's Role in Nation-Building: From the Belgian Congo to Iraq," RAND, Santa Monica, Calif., forthcoming.⁵²



A BETTER STRATEGY AGAINST NARCOTICS

The recommendations that follow are based on three principles. First, there can be no separate “counter-narcotics” policy in Afghanistan; significantly reducing the illegal narcotics sector requires a comprehensive, long-term transformation of the economy and political institutions. Second, the transformation necessary to reduce the country’s dependence on narcotics requires increased international provision of security until Afghanistan’s government can provide for its own security. Third, while effective counter-narcotics efforts must begin immediately, results may take many years to achieve, and the international community must be prepared to remain committed over the long run.

- **The United States should enunciate a policy of sanctions against and incentives for warlords and militia commanders.** The United States should impose sanctions against Afghan warlords and militia commanders who continue to profit from narcotics, and provide incentives for those who avoid or renounce such activities; it should devote the intelligence resources needed to determine who belongs in which group.
- **The United States and its international partners must provide greater security and reconstruction assistance in Afghanistan.** As numerous analyses have argued, little can be accomplished in Afghanistan without more robust international security provision, including the more rapid expansion of the NATO-led International Security Assistance Force and a shift in the mandate of the U.S.-led coalition toward providing greater security for state building. In addition, international donors should commit themselves to multi-year contributions to fully fund the long-term reconstruction plan of the Afghan government, which has been costed out at \$27.6 billion over the next seven years.⁵³
- **While U.S.-led Coalition forces and the NATO-led International Security Assistance Force (ISAF) cannot substitute for Afghan law enforcement, they should provide backup and monitoring to Afghan authorities in certain counter-narcotics operations.** In several recent operations, coalition forces, including U.S. aircraft and British Special Forces, have appropriately supported the Afghan National Army and the Counter Narcotics Police in the destruction of heroin laboratories. In specific cases, at the request of the Afghan authorities, U.S. forces should undertake aerial destruction of heroin laboratories evacuated of civilian personnel. They should also be authorized to take appropriate action in coordination with Afghan authorities against trafficking targets of opportunity such as labs, convoys, or commanders seized with contraband. Moreover, the United States, other Coalition forces, and ISAF should devote more resources to intelligence that can help Afghan authorities locate labs and identify powerful officials and leaders involved in trafficking.



- **The United States and the international community should help Afghans establish or strengthen institutions of the rule of law.** Arresting and punishing narcotics offenders requires effective legislation, attorneys general, police, courts, jails, and a penal system. The newly established Counter Narcotics Police of Afghanistan and the counter-narcotics “judicial task forces” being assembled by the United States might help with some limited actions in the short run, but success in counter narcotics also requires improvements in general domestic security and justice capacity. Donor and troop-contributing countries, working with the United Nations, should train and equip the highway police to protect Afghans bringing commodities to market from militia forces. Similarly, they should train the border police to combat trafficking. Moreover, they must bring in dedicated police monitors to mentor and monitor these police forces, which will be vulnerable to the bribery and reprisals associated with narcotics. While nearly all international reconstruction programs include police monitors, Afghanistan has none.
- **The United States and the international community should curtail the use of crop eradication.** Crop eradication before implementation of a comprehensive program of alternative livelihood, development, security, justice sector reform, and debt relief will only entrench the debt trap that leads to poppy cultivation and needlessly turn the United States into the enemy of the Afghan peasantry. The Bush administration is currently planning to expand eradication carried out by Afghans who are employed by private U.S. companies under contract to the State Department’s Bureau of International Narcotics and Law Enforcement. This counter-productive and harmful program should be ended. Private contractors’ lawlessness and abusive practices are creating increased resentment of the U.S. presence among Afghans, who compare these contractors unfavorably to Soviet troops.⁵⁴
- **The United States and the international community should focus counter-narcotics law enforcement efforts on trafficking, including both processing and trading.** As part of this effort, major political figures who profit from and provide protection to drug trafficking should be dismissed and prosecuted. While the pervasiveness of the opium industry would make it impossible and counter-productive to prosecute all of those involved, the next government of Afghanistan, along with the U.S. government and military, should communicate firmly and consistently that association with trafficking will no longer be tolerated. Another part of this effort should include the destruction of processing laboratories, which constitute fixed targets where value is added and which increase the demand for raw opium.
- **The United States and the international community should integrate a comprehensive program of alternative livelihoods for rural communities into a state building and development strategy for Afghanistan.** Simple crop substitution efforts misinterpret the economic role of narcotics. Instead, a program



of alternative livelihoods for rural communities, implemented as part of a comprehensive state building and development strategy, is needed. Alternative livelihoods require access to credit that is affordable, reliable, and consistent with Islamic regulations; a banking system to make reliable and economical payments with an accounting record; a trustworthy system of forgiveness for opium-denominated debts and mortgages; a security system to protect former debtors from reprisals; and agricultural extension services.⁵⁵ The revival of traditional Afghan cash crops and the development of new cash crops will require all of these inputs. In addition, a state building and development strategy should include measures to end the trafficking of women and girls in settlement of debts.

- **International counter-narcotics efforts must include transitional assistance for Afghanistan's macroeconomic balance.** The enormous size of the opium economy affects Afghanistan's macroeconomic balance. Opiates both finance the imports that constitute the government's main tax base and sustain the value of the currency and price stability. Any plan to curb opium exports will therefore have to include transitional support to the balance of payments and a plan for public finance to make up shortfalls if import capacity, and hence taxable revenue, suffers.

ACKNOWLEDGEMENTS

This paper was prepared with the generous support of the Center for American Progress. The paper was improved by comments made by Pierre-Arnaud Chouvy, Bernard Frahi, Thomas Pietschmann, and a reviewer who does not wish to be identified. Humayun Hamidzada of CIC provided general research support. Laura Sitea of CIC prepared Figure 7, and Abby Stoddard of CIC provided figures on reconstruction disbursements. CIC's work on Afghanistan is supported by the government of Norway, the government of the United Kingdom, and the Open Society Institute. We thank all of the above for their contributions, while noting that the responsibility for all views expressed belongs to the author alone.

ENDNOTES

- ¹ George W. Bush, President of the United States, remarks on education, Springfield, Ohio, 27 September 2004.
- ² Victoria Burnett, "Crackdown On Afghanistan's Cash Crop Looms: In war on drugs, authorities seek to uproot poppies," *Boston Globe*, 18 September 2004.
- ³ *Associated Press*, "Report: More Afghan Land Used for Drugs," 24 September 2004. See <http://www.phillyburbs.com/pb-dyn/news/27-09232004-370892.html>.
- ⁴ Frank Kenefick and Larry Morgan, *Opium in Afghanistan: People and Poppies, The Good Evil* (Washington, DC: Chemonics International, February 2004) (paper written under contract for USAID).
- ⁵ Barnett R. Rubin, "The Political Economy of War and Peace in Afghanistan," *World Development*, 28, no. 10 (2000), 1789-1803 (citing United Nations Drug Control Program reports); Pierre-Arnaud Chouvy, *Les Territoires de l'Opium* (Geneva: Olizane, October 2002).
- ⁶ Tim McGirk, "Terrorism's Harvest: How al-Qaeda is tapping into the opium trade to finance violence and destabilize Afghanistan," *Time Magazine*, 9 August 2004.
- ⁷ William Byrd and Bjorn Gildestad, *The Socio-economic Impact of Mine Action in Afghanistan* (Islamabad: The World Bank and Nordic Consulting Group, December 2001).
- ⁸ Peter Sloan, *Food Security Strategy for Afghanistan* (Islamabad: United Nations Development Program and The World Bank, 2001), 4.
- ⁹ Pierre-Arnaud Chouvy, *Les Territoires de l'Opium* (Geneva: Olizane, October 2002).
- ¹⁰ The Taliban captured Qandahar and Helmand, the southern opium-producing region in the fall of 1994. They took Herat a year later, and in September 1996 they conquered Jalalabad and the eastern opium-producing region just before occupying Kabul. The other major opium-producing region, Badakhshan in the northeast, remained under Northern Alliance control.
- ¹¹ Barnett R. Rubin, "The Political Economy of War and Peace in Afghanistan," *World Development*, 28, no. 10 (2000), 1789-1803 (citing United Nations Drug Control Program reports); Pierre-Arnaud Chouvy, *Les Territoires de l'Opium* (Geneva: Olizane, October 2002). Under Taliban rule in southern Afghanistan, the Islamic tithe, or ushr, levied on all agricultural production, was collected by local mullahs, while in eastern Afghanistan it was collected by local administration.
- ¹² United Nations Office on Drugs and Crime, *Afghanistan Opium Survey 2001* (Islamabad: 2001), 3. The Northern Alliance banned opium production in June 1999, but this "ban" was not implemented on the ground.
- ¹³ David Mansfield, "The Displacement of Opium Poppy Cultivation: A Shift in the Regional Threat?" (Paper for the UK Foreign and Commonwealth Office Department of Drugs and International Crime, September 2001).
- ¹⁴ Afghanistan Counter Narcotics Department and United Nations Office on Drugs and Crime, Afghanistan Opium Price Monitoring (September 2004).
- ¹⁵ The exchange rate of the afghani with the U.S. dollar went from 71,000 afs/dollar in September 2001 to 29,000 afs/dollar in January 2002. See International Monetary Fund, "Islamic State of Afghanistan: Rebuilding a Macroeconomic Framework for Reconstruction and Growth," IMF Country Report No. 03/299 (September 2003), 114.
- ¹⁶ International Organization for Migration, "Trafficking in Persons: An Analysis of Afghanistan." See http://www.iom.int/DOCUMENTS/PUBLICATION/EN/Afghan_trafficking.pdf
- ¹⁷ US\$2.3 billion earned from opium production, processing and trafficking in 2003 against Afghanistan's estimated 2002 GDP of US\$4.4 billion. United Nations Office on Drugs and Crime, *Afghanistan Opium Survey 2003* (Vienna/Kabul: 2003), 3; United Nations Office on Drugs and Crime, *World Drug Report 2004* (Vienna: 2004), 12; *Associated Press*, "Report: More Afghan Land Used for Drugs," 24 September 2004. See <http://www.phillyburbs.com/pb-dyn/news/27-09232004-370892.html>.
- ¹⁸ World Bank Country Economic Report, *Afghanistan: State Building, Sustaining Growth and Reducing Poverty* (Washington, DC: September 2004); United Nations Development Program, *Afghanistan National Human Development Report*, forthcoming.
- ¹⁹ The \$2.8 billion includes aid disbursed on projects that were classified as completed or started by January 1, 2004, by the Afghan government's Donor Assistance Database. Total disbursements were higher, as they



included money deposited in accounts for projects that had not begun. Afghans, however, see only the results of projects that have started. We do not know what proportion of the \$2.8 billion had actually been spent on humanitarian aid and reconstruction projects, rather than sitting in accounts. About half of the amount went for emergency aid, not reconstruction. See Barnett R. Rubin, Abby Stoddard, Humayun Hamidzada and Adib Farhadi, *Building a New Afghanistan: The Value of Success, the Cost of Failure* (New York: New York University Center on International Cooperation, March 2004). Estimates of drug income come from: United Nations Office on Drugs and Crime, *World Drug Report 2004* (Vienna: 2004), 12; World Bank Country Economic Report, *Afghanistan: State Building, Sustaining Growth and Reducing Poverty*, (Washington, DC: September 2004), 25.

²⁰ T. Christian Miller, "Iraq & Afghanistan: Post-Invasion Chaos Blamed for Drug Surge," *Los Angeles Times*, 4 October 2004.

²¹ During his August 11, 2004, visit to Kabul, Secretary Rumsfeld remarked, "Each time I come, I notice the amazing progress that's being made," referring to "the new stores and kiosks, the cars, the activity and the people." United States Department of Defense, transcript of Secretary Rumsfeld's Press Conference with Afghan President Karzai, 11 August 2004. See <http://www.dod.gov/transcripts/2004/tr20040811-secdef1152.html>.

²² World Bank Country Economic Report, *Afghanistan: State Building, Sustaining Growth and Reducing Poverty* (Washington, DC: September 2004). Afghans have expressed pride that the new afghani is worth more than the Pakistani rupee, which is a bit like continental Europeans expressing pride that a meter is longer than a yard, but erosion of the currency's value would undermine public confidence in the government.

²³ United Nations Office on Drugs and Crime, *World Drug Report 2004* (Vienna: 2004), 13; World Bank Country Economic Report, *Afghanistan: State Building, Sustaining Growth and Reducing Poverty*, (Washington, DC: September 2004), 81. In most years, about half of Afghanistan's arable land is actually cultivated, depending on the availability of water.

²⁴ The main opium growing areas were, in the southwest, Helmand and Kandahar provinces; in the east, Nangarhar province; and in the northeast, Badakhshan province. On the shift in opium growing, see United Nations Office on Drugs and Crime, *Farmers' Intention Survey 2003* (Vienna: 2004); and David Mansfield, "What is Driving Opium Poppy Cultivation? Decision Making Amongst Opium Poppy Cultivators in Afghanistan in the 2003/4 Growing Season," (Paper for the UNODC/ONDCP Second Technical Conference on Drug Control Research, 19-21 July 2004).

²⁵ Center on International Cooperation's researchers encountered such reports in the field. A European NGO official resident in Afghanistan reported (e-mail from Kabul, 27 September 2004) having received such reports from several areas of the country.

²⁶ World Bank Country Economic Report, *Afghanistan: State Building, Sustaining Growth and Reducing Poverty* (Washington, DC: September 2004), 81.

²⁷ The opium poppy yields raw opium gum. This gum can then be processed into (in order of concentration) morphine base, brown heroin, or white heroin. For purposes of comparison, opiates of different concentrations are converted into their equivalent in white heroin, the most concentrated product, indicating how much of the overall product (the opiate substance itself) has been exported in which form.

²⁸ During the Taliban ban, some processors moved their laboratories from the south or southwest to the northeast, then under Northern Alliance control, to be closer to the raw product. They have remained, driving up the demand for product in that area. See David Mansfield, "What is Driving Opium Poppy Cultivation? Decision Making Amongst Opium Poppy Cultivators in Afghanistan in the 2003/4 Growing Season" (Paper for the UNODC/ONDCP Second Technical Conference on Drug Control Research, 19-21 July 2004).

²⁹ World Bank Country Economic Report, *Afghanistan: State Building, Sustaining Growth and Reducing Poverty* (Washington, DC: September 2004), 84.

³⁰ Pierre-Arnaud Chouvy, "Opiate Smuggling Routes from Afghanistan to Europe and Asia," *Jane's Intelligence Review*, 1 March 2003. See <http://www.pa-chouvy.org/JIR3.htm>.

³¹ Ahmad Shah Massoud, the late leader of the dominant Northern Alliance faction, said in 1998 that he purchased weapons from the Russian mafia, and there is no reason to believe that these relationships have



ended. See James Risen, "Russians are Back in Afghanistan, Aiding Rebels," *The New York Times*, 27 July 1998.

³² Pierre-Arnaud Chouvy, "Narco-Terrorism in Afghanistan," *Terrorism Monitor*, Vol. 2, Issue 6, 25 March 2004.

³³ Interview in Kabul, July 2003. Other reports provided by this source have proven accurate. He reported the death of an Afghan in U.S. custody in Kunar before this incident became public knowledge. A U.S. private contractor is currently on trial in North Carolina for the killing of this Afghan detainee.

³⁴ United Nations Office on Drugs and Crime, *World Drug Report 2004* (Vienna: 2004), 24.

³⁵ Andrew North, "Warlord Tells Police Chief to Go," *BBC News online*, 12 July 2004. See http://news.bbc.co.uk/2/hi/south_asia/3887229.stm.

³⁶ Andrew North, "Karzai 'shuffles' Afghan warlords," *BBC News online*, 20 July 2004. See http://news.bbc.co.uk/1/hi/world/south_asia/3909503.stm.

³⁷ Michael Bhatia, Kevin Lanigan, and Philip Wilkinson, "Minimal Investments, Minimal Results: The Failure of Security Policy in Afghanistan" (Kabul: Afghanistan Research and Evaluation Unit, June 2004), 4.

³⁸ The figures are cumulative totals over two calendar years. Drug income includes income from opium production, processing, and trafficking. International assistance consists of both humanitarian and reconstruction assistance disbursed for projects listed as started or completed during 2002 and 2003. It excludes disbursement for projects that have not started, as Afghans see no results from such projects. The chart overstates the assistance that Afghans see, as very few projects have been completed, and an unknown amount of the "disbursed" assistance is still sitting unused in accounts.

³⁹ Benjamin Duncan, "The Nation-Building the US Neglects," *Aljazeera English Website*, 1 March 2004. See <http://english.aljazeera.net/NR/exeres/F64904AC-0C00-4AAB-BDE9-B38DC0E206B1.htm>.

⁴⁰ The "peak military presence" numbers are per thousand inhabitants. The "annual economic assistance" numbers take an average over the first two years. In Afghanistan, for example, the numbers compiled for external assistance are in 2002 and 2003. RAND took the average of the first two years and converted them into per capita numbers. RAND then converted the current dollar figures into constant (2000) USD. The averaging over the first two years was due to a concern that there was a huge discrepancy in financial assistance among the cases. In some, there was substantial assistance in the first year, which dropped off quickly. In others, there was little at first, and then more after a year or two. Consequently, RAND adopted the average over the first two years.

⁴¹ David Mansfield, "The Economic Superiority of Illicit Drug Production: Myth and Reality, Opium Poppy Cultivation in Afghanistan" (Paper for the International Conference on The Role of Alternative Development in Drug Control and Development Cooperation, Munich, Germany, January 2002); David Mansfield, "What is Driving Opium Poppy Cultivation? Decision Making Amongst Opium Poppy Cultivators in Afghanistan in the 2003/4 Growing Season" (Paper for the UNODC/ONDCP Second Technical Conference on Drug Control Research, 19-21 July 2004).

⁴² Pierre-Arnaud Chouvy, "The Ironies of Afghan Opium Production," *Asia Times*, September 2003.

⁴³ Institute for War and Peace Reporting, *Farmers Enraged by Poppy Crackdown*, 11 April 2002. See http://www.iwpr.net/index.pl?archive/rca/rca_200204_114_5_eng.txt.

⁴⁴ Author's interview with elders of Momand tribe, from Nangarhar, Kabul, May 2003.

⁴⁵ A significant part of overall counter-narcotics policy has been work on interdiction outside Afghanistan, involving training and equipping specialized forces in several countries in cooperation with UNODC and developing common doctrines. This report focuses on policies aimed at the domestic narcotics economy of Afghanistan, within that country's borders.

⁴⁶ Interview on background with senior official of the U.S. government, Washington, D.C., 10 September 2004.

⁴⁷ World Bank Country Economic Report, *Afghanistan: State Building, Sustaining Growth and Reducing Poverty* (Washington, DC: September 2004).

⁴⁸ David Mansfield, "What is Driving Opium Poppy Cultivation? Decision Making Amongst Opium Poppy Cultivators in Afghanistan in the 2003/4 Growing Season" (Paper for the UNODC/ONDCP Second Technical Conference on Drug Control Research, 19-21 July 2004), 18. Eradicators did not dare to touch



the powerful in some cases. In others, the richer farmers could afford the \$200 bribe necessary to prevent eradication, while the poor could not.

⁴⁹ Karen Tandy, "United States Policy Towards Narco-Terrorism in Afghanistan," Statement before the Committee on International Relations, U.S. House of Representatives, 12 February 2004.

⁵⁰ David Mansfield, "Alternative Development in Afghanistan: The Failure of Quid Pro Quo" (Paper prepared for the International Conference on The Role of Alternative Development in Drug Control and Development Cooperation, Feldafing/Munich, Germany: January 2002).

⁵¹ Government of Afghanistan, "Securing Afghanistan's Future," *Counter Narcotics Technical Annex*. See <http://www.af/resources/mof/recosting/draft%20papers/Pillar%203/Counter-Narcotics%20-%20Annex.pdf>. The Annex was prepared by Rob Hurt of UNODC at the request of the Government of Afghanistan

⁵² For specifics on these numbers, see endnote 40.

⁵³ Government of Afghanistan, "Securing Afghanistan's Future," *Counter Narcotics Technical Annex*. See <http://www.af/resources/mof/recosting/SECURING%20AFGHNAISTANS%20FUTURE.pdf>, 11.

⁵⁴ Hamida Ghafour, "Afghans Are Fed Up with Security Firm," *Los Angeles Times*, 27 September 2004.

⁵⁵ The *salam* system of futures contracts is considered consistent with the Islamic prohibition of *riba*, or interest, because the creditor and debtor share the risk, which depends above all on the yield and price of the product, which neither can foresee when making the contract in advance of the harvest.

ABOUT THE CENTER FOR AMERICAN PROGRESS

The Center for American Progress is a nonpartisan research and educational institute dedicated to promoting a strong, just and free America that ensures opportunity for all. We believe that Americans are bound together by a common commitment to these values and we aspire to ensure that our national policies reflect these values. We work to find progressive and pragmatic solutions to significant domestic and international problems and develop policy proposals that foster a government that is “of the people, by the people, and for the people.”

Center for American Progress
1333 H Street NW, 10th Floor
Washington, D.C. 20005
www.americanprogress.org

ABOUT THE CENTER ON INTERNATIONAL COOPERATION

The Center on International Cooperation at New York University was established in 1996 to conduct a program of policy research and international consultations on the preconditions for successful multilateral cooperation. The Center seeks to inform public debate by clarifying the economic, political, legal, and institutional foundations of effective multilateral action. Our current work examines the challenges of international cooperation in three specific sectors: international justice, humanitarian assistance, and post-conflict peace-building. In addition, we have ongoing initiatives that address three broader themes: multilateralism in U.S. foreign policy; the roles of regional and sub-regional organizations in the provision of international public goods; the transformation of multilateral security arrangements; and the evolution of new forms of international cooperation. Research papers and practical recommendations emanating from these projects are published in a policy paper series, “Paying for Essentials.” Consulting with a wide range of interested parties, the Center hopes to build political consensus on essential multilateral activities and on the means to implement and sustain them.

Center on International Cooperation
New York University
418 Lafayette Street, Suite 543
New York, NY 10003
www.cic.nyu.edu

