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SHOOTING UP:

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P R O C E E D I N G S

MR. INDYK: Good afternoon, ladies and gentlemen. Welcome to the Foreign Policy Program at Brookings. We're very glad today to have the opportunity to launch Vanda Felbab-Brown's new book, "Shooting Up: Counterinsurgency and the War on Drugs." You can get your copy at the Brookings bookstore as you leave this afternoon, and Vanda will even sign it for you.

MS. FELBAB-BROWN: If you ask me a nice question.

MR. INDYK: Only nice questions. Vanda is a Fellow in the 21st Century Defense Initiative in the Foreign Policy Program at Brookings. She's an expert on international and internal conflict issues and their management, especially counterinsurgency issues, and as you will hear in a moment as we talk about her book, the nexus between narcotics and insurgency and therefore the need to develop an effective counternarcotics policy in order to have an effective counterinsurgency policy.

The wonderful thing about Vanda's work and what's reflected in this book is that Vanda does a great deal of field research, in many cases in dangerous circumstances wherever you see the phenomenon of narcotics and insurgency intersect. Whether it be in Latin America or Afghanistan, Vanda is there talking to the criminals and the drug dealers and the insurgents to try to get a real feel from ground zero on these issues. I think that as a result her work is quite unique and represents a real feel that she has from interviewing these people, from riding with them and in some cases living with them, that she has a real sense of what drives them, what motivates them, how they operate. Therefore, as a result, she has come up with, I think, some very interesting and even counterintuitive policy recommendations for how to deal with this phenomenon.

The phenomenon manifests itself most clearly for U.S. policy today in Afghanistan and Pakistan, and so I'm very grateful that Wendy Chamberlin has joined us

as the correspondent to Vanda's presentation. Wendy was Ambassador in Pakistan before she became the Deputy High Commissioner for the U.N. Commission for Refugees. She was also just before that the Assistant Administrator of the Asia and Near East Division of USAID and has had a number of other assignments in the State Department and the National Security Council, including Director General of Global Affairs and Counterterrorism at the NSC. Wendy also has had her own real-time experience dealing with these issues from the U.S. government perspective and I think it's a very good match and will make for an interesting discussion today.

Without further ado, Vanda, please tell us about your book.

MS. FELBAB-BROWN: Thank you, Martin. Thank you for moderating today's session. It's a great honor to have you here at the podium along with Wendy. And thank you for the extended introduction. Frequently people just say this is Vanda, she does drugs.

"Shooting Up" explores how belligerents, be they terrorists, insurgents, paramilitaries or local warlords interact with a variety of illicit economies, how they have penetrated the drug trade but other illicit economies as well. Indeed, realizing that very many belligerent groups over the past 60 years have exploited illicit economies, many governments have increasingly turned to suppression of illicit economies, to suppression of the drug trade, as not simply a means toward suppressing the criminal activity toward suppressing drugs, but as a means to defeating the terrorists, as a means to defeating the counterinsurgents.

Much of U.S. counternarcotics policies abroad have been built over the past 20 to 30 years on the premise that by wiping out the coca crops or the poppy fields, not only the goal of suppressing the drug consumption in the U.S. will be accomplished, but critically that this will enhance efforts to mitigate conflict and shore up vulnerable

states. I argue in my book that this message is not correct, that counternarcotics policies such as eradication are ineffective in the goal of suppressing military conflict or weakening belligerent groups, but in fact are frequently counterproductive, that they actually enhance the staying power and the capacities of the belligerents. Instead, I propose a different conceptualization of the nexus of illegal economies in conflict, what I call the political capital of illegal economies.

As I mentioned, drugs are the dominant focus of the book, but they are not the sole illegal economy I look at. The book has a theoretical component in which I develop the standard view, the narcoterrorism view and my critique of it, and then a chapter that talks about the political capital and really spells out the intellectual framework of the phenomena in the book. Then I have a series of case studies that include Colombia, Peru, Afghanistan, and in less detail also Burma and Northern Ireland. I also bring in illustrations from Mexico and Turkey to highlight specific points that I speak about in the conclusions. In each of the big cases I look at 30 to 40 years of conflict and the variety of illegal economies, drugs, but also illegal logging in the case of Peru, smuggling with legal goods in the case of Afghanistan and other illegal economies in the cases of Burma, Northern Ireland and Colombia.

In order to do the book apart from developing the intellectual apparatus, as Martin mentioned, I ended up doing a lot of field work in each of the first main case studies as well as some field work in some of the additional smaller cases where I had the opportunity to interview government officials, military officers involved with the counterinsurgencies, counternarcotics officials, other officials tasked with specific policies toward crime, but also belligerents and drug traffickers as well as the populations, the cocaleros, the poppy farmers and the broader population that lives in the context of marginalization, insecurity and conflict. Some of the drug traffickers and insurgents were

captured, others were at large, and the demand that field work frequently required traveling by various means such as ox carts and canoes deep into marginalized regions, being ready to down a large amount of liquid with locals at 4:00 a.m. to toast to friends and break the bad mood, as well as having to finish a last will in case something goes wrong. In many ways, the reason I was able to conduct these interviews, or the method was very simple, it involved getting to know a person who knew a person who new a person who finally was the person.

In the conclusions chapter I provide three sets of recommendations. I talk about how to optimize policies toward illegal economies such as counternarcotics policies with conflict mitigation processes, with counterinsurgency. But I also talk about how to make counternarcotics policies or policies toward illegal economies more broadly more effective. Under what circumstances does eradication work? How can the results of eradication be made sustainable? Under what circumstances will rural development work? And what should be the proper sequencing and combination of these policies?

Finally I talk about in the recommendations second and third degree effects of public policies that are frequently not discussed in the public domain that are not very much part of policy considerations and yet that have critical repercussions for U.S. policy objectives and for the security of particular regions, as well as for the populations that exist in this highly complex nexus of illegal economies and conflict.

The overriding conclusion is the one that I already started with, that is that policies toward suppressing labor-intensive illegal economies in poor countries are deeply counterproductive from the perspective of counterinsurgency. It does not accomplish the goal of reducing financial flows to the belligerents. Why is that? That's a surprising conclusion. Right? In fact, much of writing and much of public policy has been driven by this idea that you need to destroy the illegal economy to turn off the money and

millions or billions of dollars have been devoted to do so, yet it has not happened in one single case over the past 40 years. There has not yet been one policy toward an illegal economy that substantially weakened a belligerent group to the point of really weakening and making a difference on the battlefield. One of the cases I look at is Colombia and I can talk in the Q and A about why I don't think that it has happened in Colombia and why the Colombia story is frequently misunderstood.

Yet the definite effect of suppression of labor-intensive illicit economies that employ frequently hundreds of thousands if not millions of people in a particular locale is to increase the political capital, the legitimacy and popular support that accrues to belligerent groups that sponsor the illicit economy. One of the effects of that is that the population is not willing to provide intelligence on the insurgents and on the terrorist groups to governments. As those of you who deal with counterinsurgencies know, actionable, reliable intelligence is the most important element or one of the key elements in defeating belligerent groups.

One of the recommendations I make is that during conflict, a better policy is either focusing on interdiction which will not wipe out the illegal economy most likely but will at least not have the harmful effect of reducing the political capital of belligerents, or to adopt laissez-faire policies toward the illicit economy as easily imaged in the case of many illicit economies such as illegal logging and has been adopted also in the case of drugs. In fact, not destroying the crops has been the critical reason why countries like Thailand, Peru and Burma have succeeded in defeating very strong insurgencies. Yet military forces have a very critical role to play in helping to suppress illegal economies, and that is by providing security. Without security, no policies toward illicit economies, whether it's suppression such as eradication or whether it's rural development, will be effective in a lasting way.

But if belligerents have not yet penetrated an illicit economy, the government should make everything possible to prevent them from doing so, such as by establishing a security cordon around the territory of the illicit economy. And frequently belligerents themselves are tempted at least in the first instance to destroy the illicit economy because they find it anticommunist, via the FARC in the late-1970s, or because they find it anti-Islamic, being the Taliban early in the 1990s. Yet they find that it's unsustainable because it antagonizes the population on which they depend ultimately for their survival, but in this initial instance there is a great opportunity for the government to come in and exploit the vulnerability that the belligerents cause themselves when they try to suppress the illicit economy.

Whenever possible governments should think about licensing a particular illegal economy. Again, that might not be appropriate for many drug situations. I don't think it's appropriate for Afghanistan today, but it certainly can be imagined in the case of gems and diamonds, and in fact has been implemented in many African countries and can be imagined in the case of illegal logging, such as in Cambodia.

Interdiction efforts are very important, but they should be directed toward reducing the coercive and corruptive power of crime groups, not being dominantly focused on suppressing the illicit flows because that's a rather elusive goal. And critically, governments and international partners, be they NGOs or multilateral organizations, need to address the demand for illegal commodities. Frequently that is absolutely critical. It is certainly critical in the case of drugs and should be the focal point of U.S. counternarcotics policies not only at home but also abroad. It might not be equally applicable for all illegal economies, for example, suppressing smuggling of nuclear weapons to terrorist groups and nuclear components might not be at all susceptible to the policy because the groups that are interested in such economies will

be highly motivated and interdiction strategies are not going to work, but it is frequently in the majority of illicit economies the critical element.

When designing policies, governments, however, need to consider some of the second and third degree effects. They need to consider what will happen when suppression of an illicit economy actually works. Where will the illicit economy move? So we are all very concerned with the poppy cultivation in Afghanistan. But will it be better from a U.S. policy perspective and, in fact, the security of the global community if poppy cultivation is unmasked and shifted to the federally administered tribal area of Pakistan, which in my view is a very likely chance? Similarly, governments need to think what illicit economy will replace the one that they have eliminated. A good example here is FARC. As a result of some of the early coca suppression in the 2000s in Colombia under Plan Colombia, FARC has diversified its portfolio and we hear stories that they have attempted to trade with enriched uranium to make up for some of the financial losses that they have suffered. Surely that's much worse both on the security of Colombia and certainly from a U.S. perspective on the security of the global community than if FARC continued to peddle in drugs.

Finally, more broadly than thinking about regulation of any sort-prohibitions. But even for issues like sanctions on a country, for example on Iran, governments need to consider what kind of illegal economy the sanctions, the prohibitions or the regulations will give rise to and whether the illegal economy will be easily susceptible to capture by political elites that the sanctions are meant to target.

In conclusion, I would like to mention a little bit more about the intellectual apparatus of the book. I have stressed that the policies of destroying the illicit economy in the context of counterinsurgencies or any military conflict particularly punishes if the economy is labor intensive and the country is poor. Indeed, I talk about

that there are four factors that determine how much political capital belligerents can reap from suppressing the illegal economy. The first one is the state of the country. Very simplistically, is it rich or poor? So there are very different dynamics in the cases of Colombia or Afghanistan, very poor countries, than in the case of Northern Ireland where both the IRA and the unionist groups not only did not reap any political capital from trafficking in drugs, the rejection of the community was so strong that militant groups on both sides gave up dealing in drugs and switched to other illegal economies such as loan sharking and illegal taxation of pubs that the community didn't find so undesirable.

The second factor is the character of the illicit economy. Is it labor intensive or not? The more labor intensive the illicit economy the more counterproductive suppression efforts during conflict are, the more political capital belligerents make. So there is a great difference between simply trafficking in drugs and policies such as interdiction to mitigate that and efforts to destroy labor-intensive illicit economies.

The third factor is the presence or absence of thuggish traffickers that are separate from the belligerents. If they are present, belligerents' political capital is greater and they are frequently tempted to eliminate the traffickers to get greater control over the population, to make more money, but in doing so they hurt themselves politically because they can no longer put themselves in the position of being the good agent bargaining on behalf of the population against the brutal traffickers.

Finally, it is of course government policy toward the illicit economy which can range from suppression, such as eradication and interdiction to laissez-faire to licensing of legal purposes or outright legalization. I want to stress that the message of the book is not that legalization is not the optimal policy. There are very many good reasons why many illegal economies are illegal and they should remain so. Nor is it necessarily true that if you legalize an economy that means that the financial income of

the belligerents will dry up. You can very well have scenarios where a legal economy robustly exists alongside an illegal economy or vice versa. Think of the market of cigarettes and cars. Both are legal commodities and yet you have very robust illegal markets in cigarettes and illegal markets in cars from which belligerent make a large amount of money.

So at this point we might be quite discouraged, but don't despair. One of the key messages of the book is that governments can prevail against militants despite the nexus of illegal economies and the immense power, multifaceted power that belligerents derive from them. And they can do so if they adopt a proper policy toward the illicit economy, if they abstain from hurting large amounts of the population, if they adopt policies that enable the population to transition via security and the development of a legal economy, to transition from marginalization into being a legal and respected citizen of the state. And ultimately, the best way to make sure that the nexus does not threaten states is to make sure that illegal economies and conflict never meet. Thank you.

MR. INDYK: Thank you, Vanda very much, and very clearly put. Wendy?

MS. CHAMBERLIN: Thank you, and I think she's explained her premise far better than I can, but let me just offer a few comments as a reader of her book, which I found to be an enormously valuable contribution, a valuable contribution primarily because it debunks conventional wisdom, and as an old revolutionary I always like that. I know Vanda is a revolutionary too. It debunks the conventional wisdom that insurgents survive off of the illegal drug industry and that you can drain the swamp simply by cutting off and attacking the source of their funding. It's a simple solution and it is simply wrong, and she spends the rest of her book, I think in a very data-rich book, proving it. But what

I really liked about the book and really found valuable was the intelligent recommendations that she makes at the end for how to go forward, because after all, that is really the most important value that we can take from research like this as we face some very difficult challenges, particularly in Afghanistan.

To back up, she places an emphasis on people. Sometimes in bureaucracies and government we can get all tangled up in all kinds of policy complications, but at the essence it's what is good for people that is going to provide you the most sound way forward. She takes aim very clearly, strongly, directly at eradication of crops in her three cases that she lays out in great detail. Eradication, of all the counterproductive policies the most counterproductive that you could use. Eradication actually drives people into the embrace of the insurgents because people who are having their livelihoods destroyed by governments that are eradicating need protection and who is left if the government is eradicating but the insurgents? The people need protection, and the insurgents provide it from predatory traffickers. Traffickers and insurgents don't necessarily share the same aims, as she points out very well in her book. And finally, people need another kind of security, and that's food security. Many of the cultivators around the world live on the margins of subsistence agriculture and eradication affects that as well. So it's all about people and it's all about their security and it's all about who, at the end, is going to provide that kind of protection for the people, the insurgents or their governments.

It's fact based and provides for some very entertaining reading. But there are some very valuable lessons for policymakers from this. Frankly, we Americans shouldn't have a problem with building a case for counterinsurgency and counternarcotics policy based on people. We see ourselves as moral people, as having foreign policies based on principles and morality, and she certainly provides that in her

policy prescriptions. But don't get me wrong, morality is slippery and domestic politics can sometimes frankly be thick-headed. I would like to hear more in the question-and-answer period from Vanda on the moral obligations of our government, of Western governments, for protecting our citizens who are vulnerable to addiction from these crops. Vanda talks about the laissez-faire approach to crop cultivation where governments, rather than the extreme of eradicating crops, allow certain cultivation to continue as one of the escape valves for the people, and I certainly do appreciate her argument for that. But I can also appreciate that governments like our own and in Europe and Russia that are suffering from some enormous addiction rates have domestic pressures that don't understand and put pressures on the governments when we don't pursue an all-out, aggressive antinarcotics policy from cultivation right through trafficking when it reaches the streets of our cities. We suffer some withering criticism, and that has influenced our policy. The demand side might be beyond the scope of her book, but perhaps we could talk about that in the question and answers.

A second observation is to point out the enormous value of "Shooting Up" in that it does build a database, data-rich case on the history and the drivers of the opium trade in Afghanistan, which is an area of great concern to all of us because we have to understand it. We have to understand the history, the drivers, the people involved if we're going to be successful in effecting what happens in Afghanistan today. Who are the winners? Who are the losers? Who controls the taxing of the poppy cultivation, the trucking, the trading, the refining, the financing? These connections matter, and Vanda's book provides fascinating reading on the complexities of these issues, the relationship between the warlords, the tribal leaders, the Taliban, foreign actors, and it does so over recent history. So I really, really very much recommend it.

She describes the importance of the illicit opium trade to the rural economies, and quite simply, the opium trade in Afghanistan today provides jobs and these jobs go far beyond just cultivation, and this is something that we must understand. Therefore, how it's controlled and who's involved in the poppy industry in Afghanistan provides, as she calls it, the political legitimacy for not only the insurgents but also aspiring leaders in Afghanistan, and we have to understand that as well.

The undeniable conclusion is that any effort to deny legitimacy to the Taliban in curtailing the opium trade must depend on creating jobs that will be displaced. It must depend on agricultural crop diversification, market access, credit and rural infrastructure, and for too many years the U.S. has underinvested in these areas. So she illustrates the consequences, and she does it vividly when we're discussing recent U.S. policy over the last few years, in the last administration, of pushing aggressive eradication. It's what Vice President Cheney called the jihad against the poppy and how counterproductive that poppy jihad was to our own counterinsurgency efforts. It alienated the people by pushing them further into the arms of the Taliban.

The good news, and she gets into this and builds a very strong case in her book too, is that we have introduced or are introducing a new policy, and the Obama Administration has stepped up to the plate and has crafted a plan that is a bit more balanced than a poppy jihad and makes the case that we're on the right track. Many of you have noticed, I think perhaps most of you have, that midweek last week Holbrooke's office issued a 30-page paper called "Afghanistan-Pakistan Regional Stabilization Strategy" and it spells out the new approach in Afghanistan. It's also worth reading. It's worth reading in tandem with "Shooting Up" because many of the principles and ideas that are well documented in Vanda's book are implemented in this strategy that we are about to implement.

The new strategy promises a more balanced approach than just relying too heavily on eradication, and it's based foremostly and primarily on people, on creating jobs in agricultural sector as it states the most urgent of the tasks. This AfPak policy emphasizes interdiction of drug traffickers and in disrupting their networks, but it avoids targeting the agricultural poor. The Obama approach talks about an agricultural policy in terms of CIVMIL. This is somewhat new because in the olden days, anyway, agricultural policies were run by USAID and civilian agencies and it wasn't a military job. In fact, when I was a Foreign Service officer the military wouldn't touch these kinds of things. It wasn't in their rules of engagement or their scope, but it clearly is now. And the strategy that is laid out, not so much in this paper but by our military, is to look at where the insurgents are most dense on the map, and that happens to coincide where you have some of the most heavy production of poppies around Helmand and Kandahar. The troops that have been made available in the surge that President Obama recently approved will be deployed primarily in Kandahar and Helmand, and the theory is that they will be providing security for the local population there. Security from what? From the abuses of the traffickers who force them into debt, from the brutality of the Taliban who prey on them there. But it also provides security for foreign agricultural workers from USAID and the U.S. Department of Agriculture to go in and provide some of the services to help the local agriculture build the kinds of infrastructure and crop diversification, et cetera, that have been so neglected in the past, and it is a tied civilian-military strategy. Security has a double-edge to it. Finally, the AfPak strategy seeks to revive cross-border trade so that there's a market for what's being produced in licit crops in Afghanistan. All of these approaches, as I said, are fully consistent with what Vanda recommends.

But regrettably, and I'll make my last point here, sometimes right policies don't always assure the correct results. A third observation and a final observation of the book

is that it is rich with examples of how government programs can produce unintended consequences, and unintended consequences are rife, particularly in economic development, where it's really hard to get it right. One striking example that she relates in the book, and I'll just mention one example, is from 1990 when the U.S. government negotiated with Mullah Nasim in the Helmand area to curtail opium production in exchange for about $2 million in USAID development projects. Mullah Nasim agreed. He kept his end of the bargain. The poppy crop in his area was reduced. But the U.S. government reneged. We reneged when the lawyers in Washington looked at it and said we don't make deals with narcotics traffickers. As a consequence, the local population got restive, Nasim's rival Hekmatyar got enormously annoyed that he didn't have the opium poppy for the refineries that he owned, and he had them taken out, and Nasim was murdered by local people and poppy returned to the area- unintended consequences. There's a great deal of lessons learned that you'll be able to pick out of "Shooting Up," and it's important to do that as we're about to launch this new program in Afghanistan.

So in conclusion, the ultimate success of what we're doing there now is going to require not just the right strategies, which I think we're about to have, but it requires flexibility, adaptability and continuously doing the ground turfing with the local populations so that we can adjust our approach as we proceed and don't end up with yet another tragic example of the unintended consequence.

MR. INDYK: Wendy, thank you. I realize that I neglected to, in giving your former government position, neglected to say that you are now the President of the greatly distinguished Middle East Institute.

MS. CHAMBERLIN: Thank you for that.

MR. INDYK: But thank you for that. And let me come back to you, Vanda, on this question. What is your view of current American policy when it comes to the poppy problem in Afghanistan?

MS. FELBAB-BROWN: Well, as Wendy mentioned, I am encouraged by the changes that the Obama Administration has undertaken. In my view, it's not only the right policy for Afghanistan, it also would present an enormous intellectual and policy break for Washington from our counternarcotics policies that for too long have been stuck on eradication, eradication first at a time when it was premature.

And let me make clear that I don't believe that eradication is all that's wrong. I also do not believe that forced eradication is all that's wrong. In fact, it might be very good in some circumstances, be it our national parks in California or at the times when legal economic options are available. But eradication is the response that will capitalize populations to switch from illegal behavior.

The problem that I have in eradication is that it is undertaken all too often prematurely, at a time when there are simply no legal alternatives available and when there is no security that is absolutely critical for development. And now the administration has realized that. And that also brings me to Wendy's point about eradication that I argue sometimes is the appropriate policy during times of conflict. And it's not because I believe there should always be a policy of eradication, but because rural development, economic development is simply impossible to indicate off of insecurity.

Apart from the lack of resources that the previous administration has devoted to development in Afghanistan and economic development in Afghanistan in general, security has deteriorated. And so our aid workers have not been able to leave the gates of the compounds in Bagram. They have not been able to go out into the field and do the kind of on the ground basic gathering that is absolutely critical for the success

of development programs, to understand the drivers, to understand that these drivers are not simply security, but it is the lack of access to jobs, that it is the lack of infrastructure that can be threats.

And as these structural drivers are addressed, rural development will not work. But to get information, to be able to address the structural drivers has to come first. And the same actually applies to eradication. When eradication has been successfully implemented, it was done after conflict ended, after security has been achieved, be it in China in the 1950's or Burma in 2000, to other instances. So I am encouraged by the broad census in the Obama Administration policy to Afghanistan. I am concerned about some of its operationalizations and implementations. I am concerned about the predominant focus on wheat, which I don't believe is appropriate for Afghanistan. I am concerned about some of the ways to fight against groups and strategies being talked about that can easily set focus on the military effort and can also have at least local effects at approximate eradication. So the new policy is right, and hopefully the operationalization and implementation will also be, in fact, done correctly.

But I am more broadly concerned about something that Wendy also mentioned, the domestic politics and the optics of that. The fact is that counternarcotic policies take just a tremendous amount of time. Eradication can be viewed with overnight satisfaction.

You can come to your constituencies and say we have destroyed 90,000 hectares of whatever illegal crop. It might not be sustainable, it'll come back the next year, it might result in the weakening of the government and the strengthening of the insurgents, but it provides great satisfaction and great gratification. Rural development, as well as counternarcotics policy, take a tremendous amount of time. And it is especially the case

in Afghanistan, the second or third poorest country in the world with an absolutely decimated human physical and social capital.

And so I'm worried that even though the administration is undertaking the right policy, it has not sufficiently informed Congress and the public that at the end of the next harvesting season there will be the same amount if not more poppy in Afghanistan than there is today. And that doesn't mean the policy is wrong, it simply will take time to demonstrate results. And ultimately the effectiveness will depend on the effectiveness of the counterinsurgency effort.

MR. INDYK: Just one question here. What's a better crop to grow than wheat in Afghanistan?

MR. FELBAB-BROWN: There is not a simple answer. But essentially there needs to be a high value, high labor intensive crop, which wheat is not. So the rural development should focus on a diversified portfolio that includes some agricultural growth- almonds, grapes, possibly saffron, which is not, of course, a fruit- and that also includes a mixture of very simple vegetables like okra, even cabbage, all of which can actually fetch more money under certain circumstances than oatmeal. So the key is that the structure of the program needs to be the local food sector immediately, to also generate some immediate cash, and to eventually move towards increased profits. But the focus should not be just on the crops, it should not be about increasing crops. It will never work regardless of what the crop is as long as microfinancing is not brought to the people, as long as land rent is tied to opium. The only way today you can rent land in much of Afghanistan is to promise the land owner that you'll grow opium. Unless you address some of these issues it will not work. If you don't address problems in developed markets and value problems, it won't work.

It's great if the farmers grow other crops, but if the price is so low that they cannot get it to grow for the cost of the 20 kilometers it will take to bring it to market, they will not be able to subscribe to that. So the key is focusing on high value, high labor intensive crops in the context of addressing all the structural drivers of the problem to induce cooperation.

MS. CHAMBERLIN: Can I just add to that? Because sometimes it's wrong to think that a crop substitution for an elicit drug has to be another agricultural crop at all. From my experience as ambassador, Laos is the third largest producer of opium in the world. Frankly, the best crop substitution in Laos is a road because the hill tribes people who are producing would come down to the road, would get involved in trade and commerce and tracking, et cetera, but had nothing to do with agriculture, but did get them out of the production of poppy. So, again, I think that this highlights other strategies.

MR. INDYK: So shops, transportation, jobs?

MS. CHAMBERLIN: Yeah – jobs within an economy, and that it is – it's really a livelihood question more than it is an agricultural question.

MR. INDYK: Yeah, let me just ask you a question. Based on your experience in the government, I know you had a lot of experience with the bureaucratic warfare in this regard, is the U.S. government now set up effectively to implement this policy which you think is the right one or should there be changes in the way we're structured internally?

MS. CHAMBERLIN: I don't know the answer to that. Intuitively, I think there's always room for improvement. I think, and intuitively I think, that the way we are structured to deliver assistance overseas is wrong and ought to be rethought. I think that we have a great imbalance right now in government between – it's called the three D's. Both Obama and Secretary Clinton campaigned on the platform of balancing the three

D's- diplomacy, defense and development. Looking at the way it had developed, where so many resources were going over to the Department of Defense - all the people, all the logistics - so that when you came to a diplomacy and a development issue, that was the only institution in town that could do it, and I think that this is wrong.

I firmly believe that we ought to be rebuilding our development pillar, and let's face it, let's be clear, our development pillar is USAID, that has been allowed to wither, not just over the last eight years, but over the last 15 to 20 years, and that this hurts us when we have a crisis, and this hurts us when we have a situation where the answer is better development.

And I personally think that it is three D's and not the two D's and that we ought to take a very hard look at what kind of intellectual firewalls we have between development and diplomatic policy, because policies can distort the way we approach development. Policies can be short term and development has to be long term, as Vanda points out. But I do know now, there are a couple of big studies going on right now that are looking at this and that's why I'm not clear as to how to answer the question because I don't know what's going to emerge from them. But you have the QDDR going on at the Department of State and Aid, and you have at the NFC a study on the way. We're organized in this way, and I trust that they'll come out right.

MR. INDYK: Do you have a comment on that, the bureaucratic organization structure?

MS. FELBAB-BROWN: I agree with Wendy that there is, I think, far greater recognition that the structure needs to be better. There is recognition on the part of many, including the Pentagon, that aid in our development policy needs to be strengthened, and just remember the remarkable moment when Secretary Gates said in Congress that more money should be given to the State Department and USAID.

I think there is also greater recognition on the part of the military that they are not simply security providers, but that they are also involved in broader development in state building work.

Nonetheless, harmonizing this realization and synchronizing policies to achieve the optimal moment, and it's always a challenge, especially in the implementation phase with not simply the bureaucratic apparatus in Washington, but Congress and earmarking and lots of other difficulties.

MR. INDYK: Okay. Thank you both. Let's go to questions. Please wait for the microphone, identify yourself, and make sure there's a question mark at the end of your statement.

MS. LUGEN: There will be a question mark. I'm Nancy Lugen, J&A Associates, and thank you for a great discussion. And I have a question. I wanted to follow up on a few of the comments that were made, more about interdiction than eradication. We work heavily in former Soviet republics in Central Asia, and have done a lot of work looking at our counternarcotics efforts there, and in many cases our international community's vast investment there has only backfired, in many cases making things worse, being an unintended consequence as we talked about earlier.

But I'm curious. You made a comment regarding interdiction that was just focused on the coercive and corrupt aspects of criminal groups or something of that effect. Could you elaborate a little bit on how we can be looking at interdiction in a different light and where you actually see interdiction efforts having been very successful?

MS. FELBAB-BROWN: Well, thank you, Nancy, and I am aware of your writing and your work on the former Soviet states in Central Asia and I learn a great deal from it. The statement that I made is that policy has been dominantly focused on the goal

of interrupting the flows of elicit commodities or the flows of money. And its effectiveness in that respect has been highly limited.

The capture of drugs, that might very well be important, but other economies emerge and the trade continues in a different form. Moreover, the physical resources, the intelligence intensity that's necessary for this is tremendous. And in cases like these, intervention policy and eradication gives greater incentive for the people who are charged with that task to become the trafficker themselves.

There is no better job one can have if one contemplates a future as a drug trafficker than being in charge of eradication or intervention. And so it's very important that the authorities exert great oversight to police forces that we build around the world, so we don't create more of the Zetas, the very highly violent armed group curtail in Mexico that train as the elite counternarcotics unit also with our assistance.

However, we should have brought what we frequently do at home, where we have very intense and successful operations that focus on suppressing the commodity, but could go separate on the goal of not allowing big crime groups to develop a lot of power to intimidate communities, to developing a force to become state competing entities and to corrupt political spaces.

And that might require a different strategy in what kind of target is being pursued whether we move against criminals or try to bring down entire networks under what circumstances. And here action, in my view, is extremely important, because it's all too easy to let crime groups go on about their business, and along side of that, develop enough fire power and political influence to very severely threaten the ability of the state to provide security and other public goods.

MR. INDYK: Let's focus on Mexico for a moment and its implications here in the United States. It's a hot topic here. How do you deal with counternarcotics in the Mexican situation?

MS. FELBAB-BROWN: Well, I think it's, in fact, an example of what I was talking about. For a long time, the Mexican government has really focused on targeting the big drug outposts. And they just recently had several successes at capturing José Escajeda and capturing other leaders. Nonetheless, this has only generated great instability and great violence in Mexico. And in my view, it's not been effective in reducing the power of the cartels. The Mexican government needs to do much more is focus on reducing crime and on capturing far greater numbers of people from cartels, and at the same time to really undermine the power of the cartel in the same way that we conduct anti-gang operations here. But to do so, it's very intelligence intensive, it's very much resource intensive, it requires a great deal of patience and coordination across the myriad of police forces that Mexico has.

I also believe that legalization simply is not an effective strategy in circumstances like Mexico. But dealing with crime needs to be much more multifaceted than simply focusing on the security front. But it also means protecting the people from crime- the population is vulnerable to becoming the soldiers. The young men in the North who have no economic opportunities and who, for $500, become hit men within the span of a few years.

The very poor in the vulnerable southern states, are forced into cultivating poppy or building smuggling infrastructure. The policy needs to be multifaceted, providing security, yes, the inescapable and critical role of the state, but it means good police forces and it means combating crime, but it also means focusing on the socio-economic conditions that enable crime to mobilize populations on the side. It

also means providing access to justice, to enforcement mechanisms, the whole of the public goods that a state needs to provide.

MS. CHAMBERLIN: Can I just jump in just to underscore the whole solution that Vanda talks about with another example of unintended consequences. Back in the days before Mexico became the problem that it really is, in the very early '90's, it was working on counternarcotics. The problem then were all these little airplanes that were coming out of Columbia. So our response, unbalanced response, was to get Southcom involved with F16's – F15's, really fun, it's a good excuse if you're Southcom and aren't fighting a war to be able to make a justification for the procurement of F15's to follow these little airplanes.

And wherever they were interdicted, like in the Caribbean, the traffickers would go another route. And what we were finding is that their little airplanes would be followed by the F15's, tracked very carefully, tracked very well, very efficiently, and then they'd land in Mexico, where we did not have capability to go after them on the small strips in Mexico. The Mexican government did not have the capability in those days, I'm talking the early '90's, and we had a devil of a time allocating U.S. resources to provide the Mexicans with helicopters. Mexico wasn't nearly as bad in those days. Where did the money come from? Eventually I think now we have plugged that hole, but a long time later.

Again, unintended consequences, it's whack-a-mole with interdiction and that's what makes it very, very difficult, as she's pointed out.

MR. INDYK: Okay. There's a question down here in the middle; yes, please, the blue shirt.

MR. PEREZ: Good afternoon. I'm Dory Perez and I just finished my graduate studies in England. And in the British media, the reports of how the National

Health Service lacks certain opiates shows that there's a shortage on drugs such as morphine. How viable is it politically for pharmaceutical companies or a western government to be a substitute buyer for the poppy productions in Afghanistan?

MS. FELBAB-BROWN: Excellent question, one that comes up very frequently. Indeed, there is a shortage of opiates. These days, there is a need for a far greater amount of medical opiates than is available on the market, but that's not how best to manage the various operational demand which is critical for the international body, the international narcotics control board that allocates licenses to distribute licenses. More broadly, while licensing has worked marvelous in Turkey and has been more or less effective in India with far greater success, I don't think it's a viable solution for Afghanistan today, and the simple reason is that there is simply not enough security to ensure that farmers will sell to a government entity, not to the Taliban or any drug trafficker because the government doesn't get there.

Apart from this overriding problem, there are a whole host of other obstacles like demand, like issues of equity and political instability that are needed to aid us with good licenses. If you give licenses to the north, would it really help trigger ethnic and tribal problems in the country? We certainly cannot give a license to the south.

So unless we resolve the security issue and then address a bulk of other problems having to do with demand, having to do with assuring that the pharmaceutical companies will buy from there and not prefer the morphine-free Australian opium that has been displacing traditional producers across the world, it's not an effective strategy right now.

MR. INDYK: Other questions? Yes, back there.

SPEAKER: Hugh – I'm sitting here listening to this and saying to myself, why do we have a public service announcement saying you do drugs here, you allow the

Taliban to buy an IED there to destroy us, and what effect if we did interdict, it would have on the U.S. economy, the gray market for drugs here?

MS. FELBAB-BROWN: Indeed, the Bush Administration had the campaign, you do drugs, you help terrorists, and unfortunately, that didn't really make any dent in demand in the U.S. They talked about the importance of focusing on the population domestically in the U.S. of drug addictions. In my view, that's a very great concern, and it's one of the reasons why if we ever move toward legalization, we would have to think very hard about it, because the consequences for individuals and for communities with widespread addictions are absolutely devastating.

And we have learned that addressing demand through prevention and through treatment is critical. And so it's important that the Obama administration puts its money where its mouth is and in the budget that the administration is to release in February, I believe, indeed a demand strategy will be very heavily emphasized as they have been very heavily emphasized over the past eight years or so. Especially with dealing with prevention, we have, however, learned that prevention is only effective if it would very much tie with the audience that is the primary user, and that messages to teenagers about debates on terrorists simply do not work.

In fact, one of the most effective demand reducing campaigns has been a Montana campaign, where the community, Montana, went away from saying you do drugs, you help terrorists, because teenagers simply didn't care, and they also went away from saying you do drugs, you harm yourself, because the focus of teenagers has been on much more immediate consequences. And they said you do meth, you will not date, you will be too ugly, you won't get a boyfriend or a girlfriend, and we have seen a huge drop in demand for drugs and a very successful campaign that is now being started carefully.

So the message here is that demand is critical, we don't necessarily know how much to do it. It's really the consequence of not really having experimented with policies, and having been severely underfunded. But one thing that we know is that it needs to carefully target the issue that concerns the user. In the case of teenagers, it's much more immediate to the school, to the home issues, than more obstructions like global politics.

MR. INDYK: Yes, please, back there, the lady, yes.

MS. WIBBLE: Thank you; Julie Wibble from USAID. Thank you very much for tackling this very complex issue. There's certainly a lot of meat here. I'm wondering if you have any hypothesis about not drug producing countries, but drug transiting countries, particularly looking at the connections between Al Qaeda affiliated groups in West Africa with the narcotraffickers that are now changing their roots from north to south, but going across Africa into Europe, which has overtaken the U.S.'s largest cocaine market.

And if you could also comment on local groups and the connection between local African rebel movements and the narco traffickers, I'd be interested to hear if you have any thoughts on that as well.

MS. FELBAB-BROWN: Well, thank you. As you mentioned, West Africa especially has emerged as an area of concern with extremely weak government, very weak police forces, and increasingly very robust trade in especially cocaine, because at the same time, in many of these areas, trade in cocaine and use in South Africa, as well as marijuana cultivated in various parts of Africa and coca cultivated in various parts of Africa have been long standing, but have very much not been on the radar screen.

There is always a possibility that narcotics groups change transit routes and trafficking. However, I think we will find that the relationship is somewhat overstated

in several respects. Frequently there are other competitors for doing the job, and traffickers are highly reluctant to share their profits with belligerent groups. Others only get to share the profits if they really threaten the traffickers with fire power.

So, in my view, the best way of dealing with the problem in Africa is helping the government focus on some of the groups you're seeing in other regions and stop Al Qaeda and the Islamic market from developing the intelligence capacity.

More broadly, while we have very strong – connections between the Taliban and opium and heroine, the connections between Al Qaeda, in my view, has always been far murkier and in many ways very tangent. Early on, Al Qaeda made the decision they will not receive their finances from drugs until they get the finances from states who host the illegal economies. Now, the determination may not last, and certainly Al Qaeda knows people who know people who are deeply involved with the drug traffic in Afghanistan and Pakistan. However, if you think about the cost of 9/11, which economists have estimated at $400,000, the goal of our counternarcotics policy in the transit country is to suppress the resources so a group that's not earned $450,000, the goal is extremely elusive, the money is worth the few kilos of heroine or cocaine sold in Western Europe or in the U.S.

So, in my view, what makes me far more afraid in the context of Al Qaeda is the shift of opium poppy cultivation to Pakistan, specifically to SWAT, and the great political power groups like Al Qaeda and Taliban could derive, and the very severe threat this could pose to the Pakistani government if that happened.

MR. INDYK: Is Pakistani government focused on this?

MS. CHAMBERLIN: No, they're not focused, but there is a happy story in the past where you had a fairly significant poppy production in the north along the border, and some USAID and U.S. State Department INL and DEA projects, very similar

to what's been proposed now, which was agriculture development and a balanced approach that worked and virtually, virtually, but not entirely, eliminated poppy production in Pakistan, along the border, I guess, because everyone believes it just shifted into Afghanistan, so I think the worry is quite real that if you would see the opposite if you started to be successful in Afghanistan, it would just shift back across the border into Pakistan. This is one of the weaknesses.

MS. FELBAB-BROWN: Well, let me pick up on the Pakistan story, because it is an important example of rural development. Unfortunately, it did not result in bringing lasting jobs to Pakistan.

MS. CHAMBERLIN: No.

MS. FELBAB-BROWN: Much of this focused on small scale infrastructure, very popular projects that do really good things and many good, important purposes. Unfortunately, at some point, small scale infrastructure stops generating jobs. And much of the population then simply shifted to smuggling – smuggling with everything.

And so it's important that we focus on this today before we have the emergence of a large poppy cultivation again to have a head start to be able to insulate the country and the region from the susceptibility to wide scale poppy cultivation. But doing so requires the very hard thing of bringing jobs that last, not simply a small scale infrastructure. And I want to say one more thing about Pakistan. Actually, there's a perfect example of some of the dynamics of political capital and how populations identified with either government or non-government entity, in this case, tribes.

You hear a lot about Afghanistan and Pakistan and warlords in Afghanistan. These are deeply troubled society, they have no respect, no love for the state, and hence, nation building or state building cannot be effective.

While the counternarcotics programs that Wendy talked about are actually a good first step, many populations have the local identities, but they crave for a state that is effective, but they lose this focus underneath. When these programs were introduced, for the first time, many of the tribal elders or the majority of the people identified as Pakistanis. They would not say that they are this tribe or that, they say we are Pakistanis as a result of these programs that took place in the 1990's. And that was just as important for shoring up at least temporarily the region, and the great thing to Pakistan is suppressing the poppy or generating jobs.

MR. INDYK: Let's take one last question, please. Wait for the microphone and please identify yourself.

MS. WINESTEIN: I'm Bonnie Weinstein. Do you think there's any role or prospect of doing any aerial eradication efforts maybe in Helmond and Kandahar in particular, just generally there?

MS. FELBAB-BROWN: I hope not. I hope that the Obama Administration has rejected this campaign. But certainly since 2004, we have periodically seen great news in the U.S. government to institute ideas in Afghanistan. And each time it has been the World Bank, because in the highly appropriate sense, it is the only massive institution capable. The Taliban insurgency makes eradication efforts close to impossible, and in my view, would likely result in the loss of the east and the south.

But I would not be surprised every year, year and a half from now when the operation is strong, and the voices that advocate eradication being seduced by the notion that this is necessary to suppress the crops, to suppress the money, although these notions have been shown over the past 30 years not to be correct, but these voices will be stronger than ever for eradication once again. But at least right now we are in a hopeful period.

MR. INDYK: Last one, great. Well, if you want to shoot up with "Shooting Up," you can get your copy at the book store just outside this door there, and Vanda will be happy to sign it for you. Thank you very much for joining us today. Thank you, Wendy, for being on the panel and for your incisive comments, and especially thank you and congratulations to Vanda on a wonderful book launch.

MS. FELBAB-BROWN: Thank you.

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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