

6

The Drug-Conflict Nexus in South Asia: Beyond Taliban Profits and Afghanistan

by Vanda Felbab-Brown

Perhaps nowhere in the world does the presence of a large-scale drug economy threaten U.S. primary security interests as much as in Afghanistan. There, the anti-American Taliban strengthens its insurgency campaign by deriving both vast financial profits and great political capital from sponsoring the illicit economy. The strengthened insurgency in turn threatens the vital U.S. objectives of counterterrorism and Afghan stability, as well as the lives of U.S. soldiers and civilians deployed there to promote these objectives. The opium poppy economy also undermines these goals by fueling widespread corruption in Afghanistan's government and law enforcement, especially the police forces.

A failure to prevail against the insurgency will result in the likely collapse of the national government and Taliban domination of Afghanistan's south, possibly coupled with civil war. A failure to stabilize Afghanistan will in turn further destabilize Pakistan, emboldening jihadists and weakening the resolve of Pakistan's military and intelligence services to take on Islamic militancy. Pakistan may once again calculate that it needs to cultivate its jihadi assets to counter India's influence in Afghanistan—perceived or actual.

But the seriousness of the threat, and strategic importance of the stakes, should not lead one to conclude that implementing aggressive counternarcotics

suppression measures today will enhance U.S. objectives and global stability. Just the opposite is true: Premature and inappropriate counternarcotics efforts greatly complicate counterterrorism and counterinsurgency objectives, and hence also jeopardize economic reconstruction and state-building efforts. They are also unsustainable in the long term, and indeed counterproductive even for the narrow goal of narcotics suppression.

At least until the new counternarcotics policy that the Obama administration indicated it would undertake in summer 2009—defunding and deemphasizing eradication and focusing on interdiction and rural development—counternarcotics efforts in Afghanistan unfortunately had these undesirable effects.¹ The new policy, if implemented well, promises to redress many of the deficiencies of previous efforts and synergistically enhance counterinsurgency and counterterrorism objectives.

But counternarcotics policies in Afghanistan are also of critical importance for the wider regions of Central and South Asia. The need for a regional approach, especially one that seeks to stabilize Pakistan and prevent the displacement of the narcotics economy into Pakistan, is of urgent and paramount importance. A policy that solely focuses on poppy reduction in Afghanistan without also emphasizing a prevention of poppy reemergence in Pakistan will have serious negative effects on U.S. vital security and geostrategic objectives.

AFGHANISTAN'S POPPY PAINS

Since 2001, Afghanistan has become synonymous with “narco-state,” and the spread of crime and illegality. During 2007 and 2008, the Afghan drug economy reached levels unprecedented in the history of the modern drug trade at least since World War II, and so far efforts of the international community and the Afghan government have failed to contain and reduce it. Despite forced eradication efforts, opium production in Afghanistan climbed to a staggering 8,200 metric tons in 2007. Afghanistan supplies 93% of the global illicit market for opiates, and more than 95% of the European market.²

The latest United Nations Office on Drugs and Crime (UNODC) survey of Afghanistan’s opium poppy economy indicates that cultivation of poppy during the 2008-2009 growing season stood at 123,000 hectares (ha), and opium production at 6,900 metric tons (mt).³ While both numbers represent a decline from the 2007-2008 growing season of 22% and 10% respectively,⁴ both numbers remain very high. Indeed, at 6,900 mt, Afghanistan’s

total production of opium significantly surpasses the total global estimated demand for illicit opium.⁵

Opium constitutes about one third of the overall economy in Afghanistan.⁶ Poppy cultivation thus inevitably underlies much of Afghanistan's economic and political life. The Taliban profits from the drug trade, as do officials in the Afghan police, members of tribal elites, and many ex-warlords-cum-government officials. And of course, poppy feeds much of the rural population and also underpins much of the economic activity in the cities. Corruption is endemic; but so are the micro and macro-economic spillover effects from the poppy economy.

Reinvigorated by a number of factors, including access to safe havens in Pakistan, the Taliban insurgency greatly ratcheted up its attacks in 2007; security has deteriorated to critical levels,⁷ not simply in the south and east, but increasingly also in the north. Although the Taliban does not necessarily permanently control territory in these areas, it can generate enough instability to prevent government and international access and paralyze normal everyday life, thus severing the link between the population and the government.

Paradoxically, counternarcotics efforts contributed to the Taliban's reintegration into the drug trade, and are strengthening it politically. In 2001 and 2002, Operation Enduring Freedom not only deposed the Taliban from power, but also pushed it out of the Afghan opium economy that it had sponsored and taxed for many years. On the run and hiding in Pakistan, the Taliban was not able to perform the security and regulatory functions for the opium economy that it used to. Poppy cultivation rebounded to pre-2000 levels of about 3,000 mt a year.

After the failure of a compensated eradication scheme in 2003, counternarcotics efforts shifted to beefed-up interdiction and uncompensated eradication. Conducted by local Afghan officials, interdiction efforts frequently targeted vulnerable small traders as well as competition, while increasing the profits of those who carried out interdiction. The result has been the vertical integration of the industry, and the rise of prominent drug dealers with political power.⁸ At the same time, interdiction has created the need for new kind of protection, and the targeted traffickers frequently hire the Taliban to shield them against the state and drug competition.

Whereas interdiction created an opening for the Taliban with the traffickers, forced eradication gave the Taliban new access to the population. Endorsed in the August 2007 *U.S. Counternarcotics Strategy Report for*

*Afghanistan*⁹ as the essential mechanism to suppress poppy cultivation, eradication counterproductively strengthens the Taliban politically in multiple ways. The impoverished population continues to be critically dependent on the opium economy for its basic livelihood, and eradication thus alienates them from the state, and from the local officials and tribal elites who implement it. Eradication allows the Taliban to provide security and regulatory services to the population by protecting their poppy fields.¹⁰ Eradication thus cements the bond between the population and the Taliban, motivating the population not to provide intelligence on the Taliban to NATO and government units. Finally, by driving them further into debt and eliminating their livelihood, eradication also displaces the population, and physically drives them into the hands of the Taliban.

Hailed as a major success, the 2005 eradication campaign in Nangarhar is a case in point. Through promises of alternative developments and threats of imprisonment, cultivation in Nangarhar was dramatically decreased, a crucial contribution to a 21% reduction in the area of cultivation country-wide. But the promises of alternative livelihoods never materialized for many. Cash-for-work programs reached only a small percentage of the rural population, and the pauperization of the population in Nangarhar was devastating.¹¹ Unable to repay debts, farmers were forced to sell their daughters as young as three or abscond to Pakistan, where many refilled the ranks of the Taliban. Also, alternative livelihoods programs at the national level so far have failed to address the structural drivers of opium cultivation, including failing to provide access to legal microcredit and to facilitate land rent without the need to cultivate opium poppy. Much of the rural population still depends on the cultivation of opium for microcredit and to rent land.¹² The Nangarhar “success” was neither sustained (production skyrocketed in 2009) nor sustainable.¹³ Moreover, Nangarhar became another critical epicenter of insurgency, in addition to Helmand, Kandahar, and Uruzgan.

There is an inherent time lag between eradication and creating alternative livelihoods. Eradication in a particular locale can be carried out almost overnight, but establishing a legal sustainable economy that provides sufficient employment takes years. Without prior well-funded and extensive efforts at building a legal economy, eradication thus results in disillusionment, unrest, and failure.

Indeed, the 2008 and 2009 poppy suppression campaigns in Nangarhar further show both the unsustainable and counterproductive nature of

premature measures. After poppy shot up to pre-eradication levels in Nangarhar in 2007, new governor Gul Agha Shirzai—a presidential hopeful and a prominent tribal leader from Kandahar province—was determined to suppress cultivation to score political points with the international community, and with Kabul for his presidential candidacy. As a result of his suppression efforts—including bans on cultivation, forced eradication, imprisonment of violators, and claims that NATO would bomb the houses of those who cultivate poppy or keep opium—cultivation went down to almost zero. This has been hailed as a major success to be emulated throughout Afghanistan.

In fact, like the 2005 ban, the 2008-09 ban impoverished many, often causing household incomes to fall 90%, and driving much of the population into debt. As before, legal economic activities failed to materialize, especially for those further away from the capital of Jalalabad. Many coped with economic deprivation by resorting to crime, such as kidnapping and robberies; others, by seeking employment in the poppy fields of Helmand; and still others by migrating to Pakistan, where they frequently ended up recruited by the Taliban. The population became deeply alienated from the government, resorting to strikes and attacks on government forces, and districts that were severely economically hit—such as Khogiani, Achin, and Shinwar—have become no-go zones for the Afghan government and NGOs. Although those tribal areas have historically been opposed to the Taliban, Taliban mobilization there has taken off to an unprecedented degree. The populations began allowing the Taliban to cross over from Pakistan, and intelligence provision to Afghan forces and NATO has almost dried up. Tribal elders who supported the ban became discredited, and the collapse of their legitimacy is providing an opportunity for the Taliban to insert itself into the decision-making structures in those areas.¹⁴ Overall, even “successful” poppy suppression did not bankrupt the insurgency or reduce instability and violence. Just the opposite: it fueled both.

After years of such inappropriate focus on eradication of the poppy crop, the new counternarcotics strategy for Afghanistan, announced by U.S. government officials in summer 2009, promises to mesh well with the counterinsurgency and state-building effort. By scaling back eradication and emphasizing interdiction and development, it will help separate the population from the Taliban. If designed well, the interdiction effort can also contribute to establishing rule of law in Afghanistan and reducing the power of criminal groups, Taliban-linked or not. But there should be little expectation that the new interdiction effort can significantly constrain Taliban income, which comes

from many sources other than drugs, including taxation of economic activity, illicit logging, illicit trade in gems and wildlife, and fundraising in Pakistan and the Middle East.¹⁵

On its own, a well-designed counternarcotics policy is not sufficient for success in Afghanistan. But it is indispensable.

IF SUCCESS, THEN WHAT?

Let's imagine that eradication could somehow miraculously and rapidly wipe out opium cultivation in Afghanistan, and the campaign was executed in such a way that made replanting within the country impossible. For example, assume that despite the controversy about resorting to "biological warfare" and its potential negative effects on other crops, animals, and human health, a mycoherbicide was sprayed throughout the country and persisted in the soil for several years, destroying any poppy seeds that farmers attempted to plant. (Currently Kabul opposes any such spraying with any agent.)

Immediately, Afghanistan's GDP would be slashed by at least thirty percent, deepening the economic crisis of the very poor rural population. Without comprehensive economic development that addresses all structural drivers of illicit crop cultivation and licit crop underdevelopment, legal subsistence crops would struggle and potentially experience massive failures due to a lack of irrigation systems and fertilizers. Even wheat—intensively pushed since 2008 as the replacement crop in Afghanistan because of an unusually favorable (and unsustainable) wheat-to-opium price ratio—would fail to offset the individual income losses and the macroeconomic dislocation effects. Not only does the wheat program fail to address the multiple and complex drivers of opium poppy cultivation,¹⁶ but also most farmers do not have access to enough land to generate even necessary subsistence out of wheat. Moreover, as wheat is far less labor-intensive than opium poppy, even a wholesale replacement of the entire area currently cultivated with poppy by wheat would generate a massive rise in unemployment.

Without robust and multifaceted development, forced poppy suppression would mean that farmers would not be able to obtain microcredit, access to land, and productive assets, thus becoming further indebted. Even in cities, much economic activity, such as construction and trade with durables, would greatly decrease, since these economic activities are now massively underwritten by drug money. Social strife and chaos would ensue, as well as massive migration to Pakistan. The Taliban insurgency would be strengthened.

But apart from these economic, political, and military effects, which are magnified consequences of any eradication that targets the rural poor without providing them with immediate and reliable access to legal alternatives, two other critical questions need to be asked regarding the “what then.” First, what illicit economy would replace the existing opium one in Afghanistan? And second, to what country would opium production shift?

Illicit economies rarely simply disappear. A large illicit economy not only satisfies the socioeconomic needs of the population, but also generates widespread smuggling knowhow, extensive criminal networks, and numerous powerful actors with vested interests in the preservation of an illicit economy. These actors include criminal and belligerent groups, corrupt government officials, and political powerbrokers. This infrastructure of crime can easily be transferred from one illicit economy to another. In Colombia, the drug trade built on several decades of smuggling with cigarettes, household goods, marijuana and emeralds. Many of the original smugglers emerged as prominent Colombian drug capos.¹⁷ In Myanmar, the eradication of opium poppy since the late 1990s (crucially helped by overproduction in Afghanistan) gave rise to an extensive production of methamphetamines, rampant illicit logging, and a massive increase in the illegal trade of wildlife.¹⁸ In Afghanistan itself, the illegal drug economy had built on decades of smuggling of various sorts, including a very large illicit traffic of licit goods.

In Afghanistan, the least dangerous and potentially most easily suppressible illicit replacement economy would be just such an increase in this illicit trade of licit goods. This traffic exists as a result of the Afghan Transit Trade Agreement, under which goods can be imported to Pakistan duty-free for re-export into Afghanistan. Goods billed for Afghanistan, arriving, for example, from Dubai, are then smuggled back from Afghanistan into Pakistan where both traders and consumers avoid having to pay customs. Although profits from the illicit traffic (at times over \$1 billion per year)¹⁹ could rival those from drugs, if Pakistan and Afghanistan set their tariffs at the same level, this trade would disappear. Already today, as in the 1990s, the trade generates extensive revenues for the Taliban and others.

A considerably more ominous illicit replacement economy would be the production of synthetic drugs, such as methamphetamines. Afghanistan would of course face stiff competition from Myanmar, Thailand, and Mexico, but the global market for synthetic drugs is rapidly growing; Afghanistan would likely be able to cut in on it. In that case, Afghanistan would still suffer

from the same political, economic, and social vices of illegal drug production. But the rural population would now be left destitute since the production of synthetic drugs is less labor-intensive than the cultivation of opium, and hence could employ only a tiny fraction of the farmers and laborers of the opium economy. At the same time, large traffickers, corrupt government officials, and belligerent groups could easily maintain the level of income they have been obtaining from the opium economy. One effect of the lower labor-intensiveness of synthetic drug production would be a further tightening of control over the economy into the hands of few individuals, with a corresponding rise in their political influence. Moreover, the production of synthetic drugs would be considerably harder to detect and disrupt. Two other illicit economies already in existence in Afghanistan—illicit logging and wildlife smuggling—would be strengthened, further contributing to environmental and economic destruction of the countryside through soil erosion, overgrazing, and changes to water level.

THE GOLDEN TRIANGLE'S UNLIKELY NEW HIGH

The second what-then question of vital importance for the United States is to what country opium cultivation would shift. Given high world demand for illicit opiates, suppression of poppy cultivation in Afghanistan would not leave a highly lucrative market unsatiated, but would shift it elsewhere.

Afghanistan itself first became a significant opium producer as a result of suppression policies and acts of nature elsewhere. Some level of opium poppy cultivation took place in Afghanistan for centuries, and in fact frustrated British counterinsurgency efforts during the 19th century and critically influenced state-building efforts in Afghanistan during the same period.²⁰ But it was only in the mid-1950s, after poppy cultivation was banned in neighboring Iran, that Afghanistan really burst onto the international drug scene and became a place for Western hippies to “turn on, tune in, and drop out” inexpensively. Initially Iran was Afghanistan’s principal market, but in the mid-1970s, when Western demand for heroin greatly expanded and political instability and a prolonged drought disrupted the flow of drugs from Southeast Asia’s Golden Triangle, Afghanistan began to supply large quantities of illicit opiates to the global market.²¹

Just as in the 1950s and 1980s, poppy suppression in Afghanistan in the absence of a reduction in the global demand for opiates would simply shift cultivation to another locale. Unlike coca, whose cultivation is more

geographically limited by climate requirements, poppy can be cultivated in most of the world. Nonetheless, there are three likely candidates for a large-scale poppy cultivation relocation from Afghanistan.

From a U.S. strategic perspective, the most optimistic scenario would be an increase in opium cultivation in the Golden Triangle, specifically Burma. Recent production suppression there has left the ethnic populations in the hill periphery regions, such as the Wa, destitute.²² Although the ethnic elites—former rebels and now leaders of their semiautonomous regions—are cooking Ecstasy, large segments of their populations have food security for only eight months a year, relying on UN food aid for the remaining four. Critical poverty, disease, addiction, and outmigration are widespread—as are coping mechanisms such as illicit logging, trade in wildlife, and foraging in forests.²³ The immiseration of the ethnic groups at the hands of both the regime in Naypyidaw and their local leadership has antagonized the population. Although they have no love for the abusive and discriminatory central government, after decades of war and now over ten years of economic deprivation as a result of poppy suppression in the absence of legal alternatives, they also have little commitment to their ethnic leaders and local representatives. One manifestation of this weakening of the bond between the ethnic populations and the ethnic-insurgent leaders who control the territories has been the resounding defeat of the ethnic groups by the junta's forces during the flare-up of the country's ethnic conflict in the summer and fall of 2009. The rebels' defeats have many sources, including the strengthening of the junta's military forces over the past fifteen years even as the rebel armies have become weakened and demobilized to some extent, the fractious nature of the anti-central-government alliances, and the high levels of internal infighting.²⁴ But the failure of the groups' leaders to mobilize the population even as the junta pushes for elections and referenda in 2010 threatens to further constrict the autonomy of the ethnic groups.

If opium production returned to Burma, the immediate economic crisis would be somewhat lessened, even though the illegal narcotics economy creates its own trap of poverty and abuse. Both the central junta and the various now largely-disarmed rebel groups would again tap into the re-emergent opium economy,²⁵ and would increase their physical resources and domestic political capital since they could provide livelihood for their populations. Thus violent conflict between the central junta and ethnic insurgencies may intensify.

The strengthening of the junta and of the demobilized rebel groups would be adverse to U.S. interests in democracy and human rights—all the more painful after the junta's brutalization of protesting Buddhist monks in fall 2007.²⁶ It would not however pose a direct threat to U.S. security. Although they would be further weakened in effectiveness, U.S. sanctions on Myanmar for human rights violations are already critically undermined by China's, India's, and Thailand's trade with the country. An increase in cultivation may further complicate the new U.S. effort to couple sanctions against the junta with a cautious engagement with the regime that the Obama administration began cautiously trying out in the fall of 2009;²⁷ but poppy suppression undertaken by the junta during the Clinton and Bush administrations did not ease the U.S.-Myanmar relationship or domestic oppression in the country.

China would be unhappy with the rise in Burma's production of opiates. As in the 1990s, it would likely pressure the junta and the various ethnic groups to eradicate the poppy fields, both to arrest the increasing rate of addiction in China and to limit the power of Chinese crime organizations, many of which are closely linked to Burmese illicit economies. These crime organizations are undermining the centrality of power of the Chinese Communist Party in the periphery.

Despite having the least negative impact on U.S. strategic interests, this scenario where the bulk of opiate production shifts to Burma is not likely to materialize. Although some increase in production in Burma would take place, a wholesale transfer of Afghanistan's opium economy is unlikely. First, because of climatic and soil conditions, Burmese opium has smaller yields and is of lesser quality (i.e., has less morphine content) than Afghan/Central Asian opium. Second, important current heroin refining infrastructure and smuggling routes are now located in the territory of Afghanistan's neighbors.

CENTRAL ASIA: GETTING HOOKED

Under a second scenario, opium cultivation and production would shift to Central Asia's former Soviet republics. These countries have already become key smuggling routes for opium and heroin from Afghanistan to Russia and Turkey, and on to the rest of Europe. Many Afghan heroin laboratories have emerged on the border with Tajikistan, Uzbekistan, and Turkmenistan. These countries' border interdiction capabilities remain critically limited, with border patrol officials frequently on the payroll of drug traffickers.²⁸ Government corruption is widespread, and counternarcotics efforts are frequently

manipulated to placate the United States, eliminate drug competition, and crack down against domestic political opposition. All of these countries have experienced a rampant increase in drug addiction rates, driven by both the ready availability of opiates and widespread poverty, including some of the worst living standards within the Commonwealth of Independent States (CIS). Apart from weak and corrupt law enforcement, climatic and soil conditions for cultivation in the Central Asia region are ideal for the production of the illicit crops. During the 1990s, illicit cultivation of both opium poppy and cannabis gradually emerged in many CIS countries.²⁹ Already during the 1990s civil war in Tajikistan, the drug trade was almost the sole economic activity of the Gorno Badakshan region, and spread to other parts of the country as well.³⁰

Large-scale cultivation in the region poses at least three dangers for the United States. The first is the emergence in CIS countries of a jihadist hub with access to drug profits. Since the demise of Afghanistan as a safe haven, many jihadists from Central Asia and the Middle East have been looking for a new base. Although the tribal territories of Pakistan are already pulling in jihadist terrorists, the shift of poppy cultivation to CIS countries would serve as a great magnet, with vast money to be obtained for jihad.

During the 1990s, the Islamic Movement of Uzbekistan (IMU) already profited from the Afghan drug trade, emerging as a major courier organization in the region. Motivated by religious extremism, it carried out military operations in Tajikistan, Uzbekistan, and Kyrgyzstan.³¹ Although the group never posed a serious threat to regional governments, it developed networks interlocking with those of other militant Islamic groups, including the Taliban and al-Qaeda, and in fact absorbed extremist Arabs, Chechens, Dagestanis, Uighurs, and ex-Iraqi jihadists in Pakistan. It has since developed networks in Europe.³² Since 2004, it has been present and active in Pakistan, especially in South Waziristan, fueling the Salafi insurgency there.

With opium production shifting to CIS countries, both law enforcement against the drug trade and efforts against the jihadists would become more difficult for the U.S. to conduct since it would not have the same military and intelligence assets there that it now has in Afghanistan. Apart from sensitive clandestine operations and strikes from air and other remote platforms, it would have to rely on regional governments for action against terrorists and against drugs. The U.S. would thus exercise much less control over policy against the drug-terror nexus in the region than it can in Afghanistan.

The second danger would be official crackdowns on Islam and Islamists in Central Asia disguised as counternarcotics policy. Local governments' heavy-handed measures against Islamists and other domestic opponents, while billed as crackdowns against the drug trade, would increase instability in the region and further radicalize the poor population grappling with its post-Soviet Communist and repressed Islamic identity. Already it has become common practice in the region to accuse political enemies of being drug dealers. Counternarcotics measures would also alienate the population from their governments and from the U.S. Unlike in Latin America, the balloon effect in Central Asia would involve not only a shift of drug production to a new area, but also the spread of antagonism against the United States among populations on the brink of falling into the hands of anti-U.S. Islamists.

Finally, a shift of opium poppy cultivation to Central Asia may jeopardize U.S. oil interests in the region. With around 50 billion barrels of oil at stake,³³ the U.S., Russia, China, and Iran have become involved in intense competition over the region's potential resources. Large-scale opium cultivation in the CIS countries would be destabilizing—further increasing crime and terrorist presence, and thus jeopardizing potential economic investment and trade. China has an additional interest in preventing the spread of opium cultivation to the Xinjiang province, which would provide the rebellious Uighurs with access to drug profits and political capital. Instability would also increase as a result of repressive counterdrug policies, again complicating oil exploitation. Politically-sensitive counternarcotics operations would increase mutual blame among the Caspian countries for the drug problem, further weakening their already minimal cooperation.

PAKISTAN: DRUGS, TRIBES, AND SALAFISTS

By far the worst scenario from the U.S. strategic perspective would be the shift of poppy cultivation to the Federally Administered Tribal Areas (FATA), the North-West Frontier Province (NWFP), or even Pakistan's Punjab province. For over twenty years, Pakistan has been a major heroin refining and smuggling hub. It has an extensive *hawala* system that has been used for moving drug profits. Today, these territories also have extensive and well-organized Salafi insurgent and terrorist groups that seek to limit the reach of the Pakistani state and topple Pakistan's government. A relocation of poppy cultivation there would be highly detrimental to U.S. interests, since it would contribute to a critical undermining of the Pakistani state and fuel jihadist

insurgency. Such a shift would not only increase profit possibilities for Pakistani belligerents, but also provide them with significant political capital by allowing them to become significant local employers: FATA, NWFP, Baluchistan, and Punjab are all areas with minimal employment opportunities.

Nor is Pakistan a newcomer to the drug trade. Pakistan's history of opium production dates back to the British Raj, when opium was produced legally and sold to opium dens first in Britain and later in China. Unlike post-colonial India, Pakistan was not able to maintain the International Narcotics Control Board (INCB) license for legal production of medical opiates, such as morphine, because it was unable to comply with such INCB rules as preventing diversion to the illicit trade. As a result, opium poppy cultivation became illegal in Pakistan in the 1970s.

During the heyday of illicit poppy cultivation in Pakistan in the 1980s, opium poppy was grown in the FATA and NWFP, with agencies such as Bannu, Khyber, and Dir being significant loci of cultivation. In many of these highly isolated areas, opium poppy cultivation involved entire tribes and represented the bulk of the local economy.³⁴ Pakistan was also the locus of heroin production and smuggling, with prominent official actors such as Pakistan's military and Inter-Services Intelligence agency (ISI) deeply involved in the heroin trade. During the Zia ul-Haq era, drug-related corruption in Pakistan reached the highest levels of government, including close Zia associates such as NWFP governor General Fazle Haq.³⁵

Throughout the 1980s, Pakistan's opiate production surpassed Afghanistan's, and for at least brief periods Pakistan was the world's number one producer of illicit opiates.³⁶ In retrospect, Pakistan's peak production of 800 metric tons is paltry compared to Afghanistan's 8,000. But U.S.-sponsored eradication in the area during the 1980s generated violent protests and political difficulties.³⁷ Eradication efforts proved unsustainable even for Zia's military dictatorship.

In the 1990s, emphasis was thus placed on generating legal alternatives to wean Pakistani tribes from economic reliance on drugs. Consisting mainly of small rural infrastructure projects and special economic opportunity zones (similar to those for textiles promoted by the current U.S. administration in Pakistan), alternative development efforts in Pakistan's drug producing areas in the 1990s brought many benefits to both the local economy and the Pakistani state.³⁸ They better linked isolated areas with the rest of Pakistan, and increased local populations' identification with Pakistan. Until

these development efforts in the 1990s, many in FATA never identified themselves as Pakistani: their identification was often tribe-based, frequently in direct opposition to the Pakistani state. The 1990s' alternative development efforts also beefed up the weakening legitimacy of local political elites and pro-Islamabad political agents, although these powerbrokers frequently engaged in counternarcotics efforts and rural development with the purpose of manipulating these efforts to shore up their political capital with various and varied local groups; they did not necessarily see full and lasting suppression of poppy in their areas as in their interest. Anticipating that if poppy altogether disappeared from their areas, so would economic aid and rural development efforts, political agents and tribal khans frequently sought to perpetuate some level of cultivation to both appease their constituencies and to assure a continuing stream of aid.

In 2002, UNODC declared Pakistan cultivation-free. However, the dominant reason for the decline in opium poppy cultivation in Pakistan was not counternarcotics efforts—whether eradication or alternative development—but rather the wholesale shift of cultivation to Afghanistan during the 1990s. Pakistani trafficking networks frequently remained undiminished by the shift, and higher-value sectors of the drug industry have continue to be located in Peshawar and elsewhere in Pakistan.

Moreover, the positive political and economic effects of alternative development efforts in Pakistan in the 1990s frequently proved ephemeral as these alternative livelihood efforts failed to generate sustainable employment. Many have continued to be consigned to subsistence agriculture, trucking and smuggling, or to migration, including to other parts of Pakistan or to Dubai.³⁹ Despite their limited effectiveness, the alternative development efforts were still far less politically destabilizing than previous poppy eradication drives in Pakistan in the late 1980s and early 1990s.

The extensive drug-trade network, the history of poppy cultivation, and the poor central-government control over the border regions with Afghanistan make Pakistan a likely candidate for vastly increased poppy cultivation if Afghan production were disrupted. Already, some opium cultivation has emerged in Baluchistan, Khyber, Kohistan, and Kala Dhaka. Given the lack of systematic drug surveys in those and other areas of Pakistan, the extent of cultivation there is difficult to gauge, but some assessments report a resurgence of cultivation up to 2000 hectares in recent years. (It may well be more, given the lack of economic alternatives in the area, the history of opium poppy

cultivation there, and the fact that the level of poppy cultivation in Kashmir on both sides of the Line of Control is estimated at 8000 hectares.)⁴⁰

The fluid cross-border movement of the population, whether Afghan or Pakistani Taliban or others, would facilitate such a relocation of production. Afghan refugees and mujahidin in Pakistan during the 1980s were a conduit for the spread of cultivation to Afghanistan.⁴¹ Today, another out-migration from Afghanistan, whether caused by the Taliban insurgency or economic displacement due to massive eradication, would facilitate the shift of cultivation to Pakistan.

There is little evidence that today either the Afghan Taliban or the Pakistani Taliban (including Tehrik-i-Taliban and Tehrik-e-Nifaz-e-Sharia-e-Mohammadi) has systematically penetrated the slightly resurgent opium poppy cultivation in FATA and NWFP, even though they may have penetrated trafficking in drugs and precursor agents in Pakistan. Instead, it appears that the main sources of the Pakistani Taliban's income include smuggling in legal goods; charging tolls and protection fees; taxation of all economic activity in the areas they operate (some being highly profitable, such as marble mining); theft and resale of NATO supplies heading to Afghanistan via Pakistan; illicit logging; and fundraising in Pakistan the broader Middle East.⁴² While profits from such a diverse portfolio of activities can equal or even surpass profits from drugs, their main downside—from the perspective of belligerent actors—is that these economic activities are not labor-intensive. Jihadi groups undertaking these activities in Pakistan cannot present themselves as large-scale providers of employment to the local population, unlike when they sponsor the highly labor-intensive cultivation of opium poppy.

If extensive poppy cultivation shifted to Pakistan, the consequences for U.S. national security would be serious. FATA and even parts of NWFP are already hubs for anti-American jihadists, as the jihadi takeover of Swat and Malakand in spring 2009 revealed. Salafi insurgent and global terrorist networks have been taking root in southern Punjab, and go beyond Lashkar-e-Taiba's presence there.

Not only could al-Qaeda and affiliated terrorist groups profit financially from drug trafficking and money laundering, but ready access to cultivation (which these groups, unlike the Taliban, do not have as long as cultivation is centered in Afghanistan) would allow them to provide a superior livelihood to vastly undeveloped regions in Pakistan, and thus obtain significant political capital.

If production shifted to Pakistan, the sponsorship of cultivation would allow these groups to distribute significant economic benefits to the population, a key source of legitimacy. Just like in Afghanistan in the 1980s, the jihadists would thus be able to outperform traditional tribal elites in providing for the population's needs. One of the greatest threats to al-Qaeda and affiliate jihadi groups in Pakistan paradoxically comes from their aggressive attacks against the tribal leadership in Waziristan. The sponsorship of relocated opium cultivation would allow the jihadists to offset the potential losses of support resulting from attacks on the tribal elite. In short, a shift of cultivation to Pakistan would greatly enhance the ability of al-Qaeda and other jihadist terrorist groups to consolidate their presence in Pakistan's tribal areas.

If opium poppy cultivation again shifted to Pakistan on a large scale, Pakistan would find it far more difficult to mount effective counternarcotics measures. Given the hollowing out of the Pakistani state, the multifaceted collapse of its administrative capacity in FATA and NWFP, and the overall macroeconomic crisis of the country (which is acutely felt in FATA and NWFP), the state would find it difficult to develop sufficient legal employment opportunities. The area could easily become not only fully alienated from the central government, but also economically independent from it.

Government efforts at eradication would generate protests and uprisings, cementing the bond between the jihadists and the population, and weakening Islamabad's already tenuous legitimacy. Weak central government presence there (military and otherwise) would compromise counternarcotics efforts, but eradication would greatly undermine even modest counterterrorism and stabilization efforts by Islamabad. The depletion of the political capital of both Pakistan's civilian elites and its military over the 1990s and 2000s would further make any forced eradication far more politically costly and difficult to sustain. Given the existence of belligerency in the likely poppy-growing regions, forced eradication would greatly fuel militancy and generate far greater negative security externalities than it did in the 1980s and early 1990s—when social protest had not congealed into a highly organized form, social networks were not premobilized, and pernicious political entrepreneurs were not at the ready to capitalize on social discontent.

Because of the continuing geographic, political, and social isolation of these areas, the lack of rule of law and the paucity of productive assets—both physical resources and human capital—generating employment opportunities in those areas will be highly challenging under the best of circumstances.

Current development efforts in FATA and NWFP sponsored by the United States, including those provided by the Kerry-Lugar Bill of 2009, thus need to take advantage of the fact that they do not face competition from an entrenched labor-intensive illicit economy: the existing illicit economies in those areas, primarily smuggling, are not labor intensive. At the same time, it is imperative to advance and intensify current development efforts as much as possible and direct them toward sustainable job creation (not simply temporary employment in short-term small-scale rural infrastructure building) to prepare for having to mitigate the social, economic, and political effects of any extensive relocation of opium poppy cultivation to the area in the future.

A large-scale shift of opium poppy cultivation to Pakistan in the near and medium-term would thus contribute to a further critical weakening of the state and undermine its control of and even reach to some of the areas in Pakistan most susceptible to jihadism. Such a large-scale shift of cultivation would also likely leak into Baluchistan, where heroin processing facilities and trafficking networks are already extensively present. It would thus enable Baluchi nationalists to tap into the drug economy and strengthen the Baluchi insurgency in a multiple way, thus further threatening the territorial integrity of Pakistan and diverting the state's attention from the jihadi threat. Assisting the government of Pakistan today to the extent possible in both rural development efforts and in enhancing the effectiveness of its interdiction and law enforcement capacity has the potential to reduce possible security and political threats should such a relocation take place.

WHAT CAN BE DONE IN AFGHANISTAN AND THE BROADER REGION

A counternarcotics policy in Afghanistan (as elsewhere) must be cognizant not only of the economic, political, and security effects within the country itself, but also of its broader ramifications. The policy must take into the account the economic roles opium plays in Afghanistan, as well as the way counternarcotics policies have become a political weapon for the Taliban.

Eradication can be a part of broad counternarcotics packages that integrate security, rural development, governance, and state-building. But it should be limited to areas where the Taliban does not have a reach, and only against those who have assured legal livelihood alternatives. At the same time, care needs to be taken that such "smart eradication" is not misconstrued as tribal and ethnic discrimination.

At the same time, NATO and Kabul cannot rely on counternarcotics measures to degrade the Taliban's physical resources. The Taliban can only be weakened physically if the coalition and Afghan forces increase their own military assets devoted to counterinsurgency. The Taliban's safe havens in Pakistan also need to be addressed.

Economic development must be brought to locales where the Taliban is active. No progress against narcotics can be lasting and without negative repercussions unless integrated with prior rural development. In the Pashtun belt, this cannot be achieved until the Taliban is defeated. Without consistent security against Taliban attacks, economic projects will fall apart, the population will not be able to take advantage of them, and investments will not be viable.

But the need for security as a precursor to sustainable development should not be used as an excuse to postpone all economic projects. Unless at least some immediate economic improvements are brought rapidly to the population in contested areas, counterinsurgency efforts cannot win hearts and minds. In the short term, the population must receive security improvements combined with a fast injection of visible economic aid, followed in the longer term by comprehensive, sustained, and well-funded economic development throughout the country.

Rural development needs to address all structural drivers of poppy cultivation. It needs to focus not only on the farm, but also on value-added chains and assured markets. It needs to emphasize diversified high-value, labor intensive crops, and not center on wheat.

Top drug traffickers in important positions of power should gradually be removed, to limit their political power if not to cripple the drug industry. But actions against them need to be ethnically balanced, and should be undertaken only once beefed-up police forces are in place to deal with the high potential of wars among the remaining traffickers over control of the industry—and also against the state. (Colombia during the 1980s and 1990s and Mexico today provide vivid examples of the debilitating effects of such drugs wars, and the state's inability to cope with them.)

Interdiction needs to focus on reducing the coercive and corrupting power of crime groups. Before interdiction measures are undertaken, an analysis of second- and third-order effects needs to be conducted. It needs to be carefully calibrated with the strength of law enforcement in Afghanistan to avoid provoking dangerous turf wars, ethnic violence, and cementing the relationship between the Taliban and the traffickers. It also needs to target top traffickers

linked to the Afghan government. Interdiction needs to encompass building the justice and corrections system in Afghanistan and broad rule of law efforts.

Reforming Afghanistan's law enforcement is vital. The key metrics, though, should not be the number of interdiction raids and hectares eradicated, but rather the extent of security the police bring to the area and the growing confidence of the population that, overall, the police represent an impartial, honest, and competent organ of the state—and not predatory warlords dressed in state uniforms. Although such metrics are considerably more difficult to measure than the current simplistic ones, obtaining such information is possible if intelligence officers and development workers focus on collecting it. Such metrics will result in considerably more accurate and useful assessments of policy effectiveness.⁴³

At the regional level, the United States should build cooperation among Afghanistan's neighbors, and help them develop economically. This will hinge on the geopolitical situation in Central Asia unrelated to narcotics, but the U.S. should nonetheless nudge regional governments to move beyond declarative cooperation in counternarcotics to action, at least on border security and intelligence sharing. The U.S., China, and Russia have much to gain from cooperating in combating narcotics in Central Asia, which if done wisely could lead to state-building and economic development of the region.

Moving Pakistan to serious cooperation on counternarcotics should production shift there will be a tall task as long as Islamabad continues to exercise only weak control over the regions where cultivation would likely take place. Accusations of sovereignty violations, similar to those that arose with respect to Kerry-Lugar, are easily exploitable by the political opposition to the government; the fact that a ready audience exists among the alienated population will make any such visible cooperation difficult and possibly counterproductive for other U.S. other interests. Thus, the best counternarcotics policy with respect to Pakistan is to foster state-building and help Islamabad to extend security and economic development to disaffected border areas. This includes quiet and below-the-radar counterinsurgency assistance, but also assistance in developing holding forces and police and law enforcement capacity, and advancing the rule of law.

Making a major push on economic development of Pakistan's many marginalized areas is no easy task, and needs to have local Pakistani ownership. But however difficult and complex, it needs to be intensified as much

as possible and as much as the security situation permits before large-scale poppy cultivation shifts there.

In both Afghanistan and Pakistan, priority needs to be given to efforts to improve governance at the national and local levels. But the international community cannot define governance simply as reducing the numbers of hectares of poppy eradicated. Good governance must be understood as the ability of local governing authorities to improve the lives of the people, as well as doing so within the context of law. Thus prematurely banning or eradicating poppy will only cause the immiseration of the population the governing authorities are supposed to be helping—and hence will create profound doubts about their accountability to, and usefulness for, the people.

Such an undertaking in Pakistan and Central Asia will take many years, despite the recent injection of U.S. funds for the project. A rapid shift of widespread opium cultivation to these countries would leave them unprepared to cope with the associated problems, and jeopardize U.S. strategic interests in the area.

At the global level, demand-reduction efforts need to be elevated from a political afterthought to the core pillar of U.S. counternarcotics policies. The Obama administration must put the money where its mouth is. Demand-reduction measures must contain both treatment and prevention components. Moreover, demand-reduction efforts must be worldwide, not simply directed at U.S. or Western consumption. The non-Western world has become a major consumer of illicit drugs, with Brazil, Pakistan, Iran, Russia, and China constituting strong secondary markets. Instead of simply exporting drug suppression policies, the United States should also help governments in these countries reduce addiction rates. Moreover, demand-reduction efforts should focus on multiple drugs, including synthetics. With significantly weaker global demand, suppression efforts would be not only more manageable, but their negative political and geostrategic repercussions would also be reduced.

ENDNOTES

¹ Special envoy for Afghanistan and Pakistan Richard Holbrooke announced the new policy in various international forums in the spring and summer of 2009. See Rachel Donadio, “New Course of Antidrug Efforts in Afghanistan,” *New York Times*, June 27, 2009.

² United Nations Office on Drugs and Crime (UNODC), *Afghanistan Opium Survey 2007*, Aug. 2007, p. iv; author’s interview with UNODC officials specializing in the Afghan and European market, Geneva, Nov. 2007.

³ UNODC, *Afghanistan Opium Survey 2009*, Sept. 2009.

⁴ Ibid.

⁵ For years, this demand was believed to be at approximately 3,000 mt a year. After several years of opium production in Afghanistan doubly or triply surpassing the estimated total global demand, UNODC this year increased the total global demand estimate to 5,000 mt. Whether the actual level is 3,000 mt, 5,000 mt, or some other figure, it is quite likely that the multi-year overproduction in Afghanistan has resulted in significant stockpiles of either opium or heroin.

⁶ Since 2002, the percentage of drugs to licit GDP has oscillated between 60 and 30 percent, not because the illicit economy has been reduced, but due to the expansion of some sectors of the legal economy, such as telecommunications. The latest estimate was reported to the author by a World Bank official. Confusion about exact percentages partially stems from whether estimates use licit GDP or overall GDP as a baseline, and partially from the extraordinary difficulties in estimating the size of an illegal economy; in the case of Afghanistan, even the size of the legal economy is difficult to estimate, since much of it is informal. Thus, even UNODC does not consistently report this percentage every year. For a previous high estimate, see, for example, United Nations Office on Drugs and Crime, "Opium Amounts to Half of Afghanistan's GDP in 2007, Reports UNODC," Nov. 16, 2007.

⁷ Gen. Stanley McChrystal, *COMISAF's Initial Assessment*, Aug. 30, 2009.

⁸ See Adam Pain, "Opium Trading Systems in Helmand and Ghor Provinces," in *Afghanistan's Drug Industry* (Vienna and Washington, DC: UNODC and World Bank, Doris Buddenberg & William Byrd, eds., 2006), pp. 77-115; Mark Shaw, "Drug Trafficking and the Development of Organized Crime in Post-Taliban Afghanistan," *Afghanistan's Drug Industry* (Vienna and Washington, DC: UNODC and World Bank, Doris Buddenberg & William Byrd, eds., 2006), pp. 189-214.

⁹ Thomas A. Schweich, *U.S. Counternarcotics Strategy for Afghanistan*, Aug. 2007.

¹⁰ For a history of such Taliban protection, see Vanda Felbab-Brown, "Afghanistan: When Counternarcotics Undermine Counterterrorism," *Washington Quarterly*, Fall 2005, pp. 55-72

¹¹ David Manfield, "Pariah or Poverty?: The Opium Ban in the Province Nangarhar in 2004/05 Growing Season and Its Impact on Rural Livelihood Strategies," GTZ Policy Brief No. 1, Sept. 2005.

¹² For the slow progress of alternative livelihoods and the hampering effect of insecurity, see Joel Hafvenstein, *Opium Season* (Lyons Press, 2007).

¹³ UNODC, *Afghanistan Opium Survey 2007*.

¹⁴ Author's interviews with U.S. and NATO intelligence officers deployed to Nangarhar, and with alternative development consultants working in Nangarhar, Washington, DC, spring and summer 2009.

¹⁵ For details on the new counternarcotics policy and its promise as well as potential pitfalls and false expectations, see Vanda Felbab-Brown, "The Obama Administration's New Counternarcotics Policy in Afghanistan: Its Promises and Potential Pitfalls," *Brookings Policy Brief Series*, No. 171, Sept. 2009.

¹⁶ David Mansfield, "The Economic Superiority of Illicit Drug Production: Myth and Reality—Opium Poppy Cultivation in Afghanistan," paper prepared for the

International Conference on Alternative Development in Drug Control and Cooperation, Feldafing, Germany, Aug. 2001.

¹⁷ Francisco Thoumi, *Illegal Drugs, Economy, and Society in the Andes* (Baltimore: John Hopkins University Press, 2003).

¹⁸ For the evolution of Myanmar's illicit economies, including the drug trade, see Jake Sherman, "Burma: Lessons from Cease-Fires," in *The Political Economy of Armed Conflict: Beyond Greed and Grievance* (Boulder: Lynne Rienner Publishers, Karen Ballentine & Jake Sherman eds., 2003), pp. 225-258; see also chapter 6 of Vanda Felbab-Brown, *Shooting Up: Counterinsurgency and the War on Drugs* (Washington, DC: Brookings Institution Press, 2009).

¹⁹ See Frederik Balfour, "Dark Days for a Black Market: Afghanistan and Pakistan Rely Heavily on Smuggling," *Business Week*, Oct. 15, 2001.

²⁰ See, for example, C. Colin Davis, *The Problem of the North-West Frontier, 1890-1908* (London: Curzon Press, 1932), pp. 26-28; *Report on the Administration of the Punjab and Its Dependencies for the Year 1870-1871* (Lahore: Government Civil Secretariat Press, 1871), p. cxxxiii; *Imperial Gazetteer of India: Provincial Series, North-West Frontier Province* (Calcutta: Superintendent of Government Printing, 1908), pp. 25, 65-66.

²¹ See, for example, Scott B. MacDonald, "Afghanistan," in *International Handbook on Drug Control* (Westport, CT: Greenwood Press, Scott B. MacDonald & Bruce Zagaris eds., 1992), p. 317; Linette Albert, "Afghanistan: A Perspective," in *Afghanistan in the 1970s* (New York: Praeger, Louis Dupree & Linette Albert eds., 1974), p. 257.

²² Transnational Institute, *Downward Spiral: Banning Opium in Afghanistan and Burma*, TNI Briefing Paper Series, No. 12, June 2005.

²³ Vanda Felbab-Brown, "Asia's Role in the Illicit Trade of Wildlife," *Boston Globe*, Mar. 20, 2006.

²⁴ See Thomas Fuller, "Ethnic Groups in Myanmar Hope for Peace, but Gird for Fight," *New York Times*, May 11, 2009.

²⁵ For a history of the involvement of the junta, insurgent groups, and counterinsurgent forces in the opium trade, see Bertil Lintner, *Burma in Revolt* (Chiang Mai, Thailand: Silkworm Books, 1999).

²⁶ For details of the monks' peaceful protests, the junta crackdown, and subsequent political developments in Myanmar, see International Crisis Group, "Burma/Myanmar: After the Crackdown," *Asia Report No. 144*, Jan. 31, 2008.

²⁷ Mark McDonald, "Burmese Dissident Meets with Party," *New York Times*, Dec. 16, 2009.

²⁸ Nancy Lubin et al., *Narcotics Interdiction in Afghanistan and Central Asia: Challenges for International Assistance*, Report to the Open Society Institute's Central Eurasia Project and Network Women's Project, 2002.

²⁹ Kairat Osmonaliev, "Developing Counter-Narcotics Policy In Central Asia," Silk Road Paper, Central Asia-Caucasus Institute, Jan. 2005.

³⁰ Letizia Paoli et al., *The World Heroin Market: Can Supply be Cut?* (Oxford, UK: Oxford University Press, 2009), pp. 181-200.

³¹ Joshua Sinai, "Islamist Terrorism and Narcotrafficking in Uzbekistan," *Defense*

and Foreign Affairs Strategic Policy, May 2000, pp. 7-8.

³² Souad Mekhennet & Michael Moss, "Europeans Get Terror Training Inside Pakistan," *New York Times*, Sept. 10, 2007.

³³ *BP Statistical Review of World Energy*, June 2009, p. 6.

³⁴ Amir Zada Asad & Robert Harris, *The Politics and Economics of Drug Production on the Pakistan-Afghanistan Border* (Burlington, VT: Ashgate, 2003); Nigel J. R. Allan, "Opium Production in Afghanistan and Pakistan," in *Dangerous Harvest: Drug Plants and the Transformation of Indigenous Landscapes* (Oxford, UK: Oxford University Press, Michael K. Steinberg et al. eds., 2004), pp. 133-52.

³⁵ Alfred W. McCoy, *The Politics of Heroin: CIA Complicity in the Global Drug Trade* (New York: Lawrence Hill Books, revised ed. 2003), pp. 484-85; Ikramul Haq, "Pak-Afghan Drug Trade in Historical Perspective," *Asian Survey*, Oct. 1996, pp. 945-63.

³⁶ See Lawrence Lifschultz, "Bush, Drugs and Pakistan: Inside the Kingdom of Heroin," *The Nation*, Nov. 14, 1988.

³⁷ *Ibid.*

³⁸ Asad & Harris, *The Politics and Economics of Drug Production on the Pakistan-Afghanistan Border*.

³⁹ Author's interviews with former civilian and military officials in NWFP, fall 2008 and spring 2009.

⁴⁰ Author's interviews with UNODC, Indian, and Pakistani officials, New York, Kashmir, India, and Washington, DC, spring through fall 2008.

⁴¹ Ahmed Rashid, *Taliban: Militant Islam, Oil and Fundamentalism in Central Asia* (New Haven: Yale University Press, 2001).

⁴² See, for example, Syed Irfan Ashraf, "Militancy and the Black Economy," *Dawn*, Mar. 22, 2009; Sabrina Taversine, "Organized Crime in Pakistan Feeds Taliban," *New York Times*, Aug. 29, 2009; Pir Zubair Shah & Jane Perlez, "Pakistan Marble Helps Taliban Stay in Business," *New York Times*, July 14, 2008.

⁴³ General Stanley McChrystal, the top U.S. and NATO commander in Afghanistan, has indicated that he in fact intends NATO to shift to such more complex metrics. See Karen DeYoung, "U.S. Sets Metrics to Assess War Success," *Washington Post*, Aug. 30, 2009. For discussion of how such metrics should look for counternarcotics policy, see Vanda Felbab-Brown et al., "Assessment of the Implementation of the United States Government's Support for Plan Colombia's Illicit Crops Reduction Components," *USAID*, Apr. 2009.