Chapter 11

Counterinsurgency, Counternarcotics, and Illicit Economies in Afghanistan: Lessons for State-Building

Vanda Felbab-Brown

Since 2001, Afghanistan has become synonymous with the narco-state and the spread of crime and illegality. In 2007 and 2008, the Afghan drug economy reached levels unprecedented since at least World War II. Although the drug economy has declined since, the decrease has largely been driven by the saturation of the global drug market and by poppy crop disease rather than the policies of the international community and the Afghan government. Although several other illicit economies thrive in Afghanistan including the smuggling of legal goods, narcotics receive by far the most attention because they generate the largest profits and the greatest international opprobrium.

Narcotics production and counternarcotics policies in Afghanistan are of critical importance not only for drug control there and worldwide, but also for security, reconstruction, and rule-of-law efforts in Afghanistan. Unfortunately, many of the counternarcotics policies adopted after 9/11 not only failed to reduce the size and scope of the illicit economy in Afghanistan but also had serious counterproductive effects on peace, state-building, and economic reconstruction.

In 2009, the Obama administration wisely decided to scale back eradication efforts in Afghanistan, courageously breaking with 30 years of counternarcotics policies that focused on ineffective forced eradication of illicit crops as a way to reduce the supply of drugs and to bankrupt belligerents. But the effectiveness of its counternarcotics policies there—interdiction focused on Taliban-linked traffickers and alternative livelihoods efforts—has been challenged by implementation difficulties and is ultimately dependent on major progress in improving the security situation and governance in Afghanistan. As of fall 2011, governance in Afghanistan had been steadily deteriorating, with corruption and ethnic tensions rising and political patronage networks becoming more exclusionary, while any security improvements following
the 2010 U.S. military surge remain extremely fragile. A civil war post-2014 remains a very likely outcome, with the corollary thriving of the drug trade.

This chapter first details the evolution of U.S. counternarcotics policy in Afghanistan since 2001, situating the changes in the policy within two conceptual frameworks. Next, it describes how the Obama administration broke with the dominant counternarcotics framework in an attempt to synchronize counternarcotics policies with its counterinsurgency efforts. That section also analyzes the implementation challenges President Barack Obama’s counternarcotics strategy encountered—from the side effects of its interdiction focus, to poor governance and the inability to decide whether and how to combat broader corruption in Afghanistan, to defining alternative livelihoods efforts as narrow buying support programs rather than long-term sustainable development. Next, the chapter considers the likely security and political conditions in Afghanistan after a reduction in U.S. combat forces there in 2014. Subsequently, it explores two oft-ignored but potentially problematic side effects of any future counternarcotics success in Afghanistan: what illegal economy may replace the opium poppy economy if it is reduced, and where the opium poppy economy is likely to shift. In conclusion, the chapter offers broader lessons for dealing with illicit economies in the context of counterinsurgency and state-building.

Evolution of Counternarcotics Policy in Afghanistan Since 2001

The initial objective of U.S. intervention in 2001 was to degrade al Qaeda capabilities and institute regime change in Afghanistan. Dealing with the illicit economy was not considered integral to those military objectives. Thus, until 2003, U.S. counternarcotics policy in Afghanistan was essentially laissez-faire. The military understood that it would not be able to obtain intelligence on the Taliban and al Qaeda if it tried to eradicate poppy production. Meanwhile, to provide intelligence on the Taliban and to carry out direct military operations against the Taliban and al Qaeda, it relied on key warlords who had often been deeply involved in the drug economy since the 1980s.1

Under the concept of “lead nations” for the international assistance mission in Afghanistan, with specific countries assigned responsibility for specific sectors, the United Kingdom (UK) was tasked in 2002 with managing the international counternarcotics effort. Sensitive to the political problems of eliminating the rural population’s livelihood, the UK at first deployed a “compensated eradication” program. Thus, during the 2002–2003 poppy growing season, the UK promised to pay farmers $350 for each jerib (unit of area) of poppies they themselves eradicated, with $71.75 million committed for the program.2 From the outset, the policy was plagued by problems including corruption and moral hazards, and the policy was aborted in less than a year.3

By 2004, increased interdiction was undertaken instead. Its goal was to target large traffickers and processing laboratories. Immediately, however, the effort was manipulated by local Afghan strongmen to eliminate drug competition and ethnic/tribal rivals. Instead of targeting top echelons of the drug economy, many of which had considerable political clout, interdiction operations were largely conducted against small, vulnerable traders who could neither suffi-
ciently bribe nor adequately intimidate the interdiction teams and their supervisors within the Afghan government. The result was a significant vertical integration of the drug industry.\(^4\)

The other—again undesirable—effect of the interdiction effort was that it allowed the Taliban to integrate itself back into the Afghan drug trade. Having recouped in Pakistan, the Taliban was once again needed to provide protection to traffickers targeted by interdiction.\(^5\)

Alarmed by the spread of opium poppy cultivation, some public officials in the United States in 2004 and 2005 also started calling for a strong poppy eradication campaign including aerial spraying.\(^6\) From 2004 to 2009, manual eradication was carried out by central Afghan units trained by DynCorp International as well as by regional governors and their forces. That immediately ignited violent strikes and social protests. Another wave of eradication took place in 2005 and achieved a reduction in poppy cultivation. Most of the reduction was due to cultivation suppression in Nangarhar Province, traditionally one of the largest producing areas, which in 2004 produced approximately a quarter of all Afghan opium. Through promises of alternative development and threats of imprisonment, production there was slashed by 90 percent.\(^7\)

Alternative livelihoods never materialized for many. The cash-for-work programs reached only a small percentage of the population in Nangarhar, mainly those living close to cities. The overall pauperization of the population there was devastating.\(^8\) Unable to repay debts, many farmers were forced to sell daughters as young as 3 years old as brides or abscond to Pakistan, where refugees have frequently ended up in the radical Deobandi madrasas, refilling the ranks of the Taliban.

Apart from incorporating the displaced farmers into their ranks, the Taliban also began to protect the opium fields in addition to protecting traffickers. In fact, the antagonized poppy farmers came to constitute a strong and key base of support for the Taliban, denying intelligence to the International Security Assistance Force (ISAF) while providing it to the Taliban.\(^9\)

One of the standard myths about Afghanistan’s drug economy is that the Taliban forces farmers to grow poppies. That is almost never the case. Rather, the Taliban presence both enables and necessitates poppy cultivation as insecurity may interfere with farmers’ ability to get legal crops to markets. However, such interference also often comes from the Afghan National Police (ANP), which often extorts farmers along illegal checkpoints until the “taxes and tolls” exceed the possible profits to be made in a legal market.\(^10\) Farmers can avoid such extortion regarding opium because traders often pick up opium at the farm gate. Rather than being forced by the Taliban to grow poppies (to the extent that farmers are “forced” at all), pressure comes more from the economic, security, and political constraints they face. For example, access to loans, which many Afghan households need to cope during the winter months and to buy both consumer goods and durables, is linked to opium. Similarly, many sharecroppers are only able to rent land if they dedicate a portion of their acreage to opium poppy cultivation so they can pay landowners in opium and have valued collateral; legal crops such as wheat are not considered to be collateral of any value.

Like interdiction, eradication has been plagued by massive corruption problems, with powerful elites able to bribe or coerce their way out of having their opium poppy fields destroyed. The elites can also direct eradication against their political opponents, with the
poorest farmers, who are most vulnerable to the Taliban’s mobilization, bearing the brunt of eradication.\textsuperscript{11}

Moreover, the reductions in opium poppy cultivation due to eradication have not been sustained. By 2007, cultivation in Nangarhar reached nearly the same level as before the 2005 eradication campaign.\textsuperscript{12} Since then, Governor Gul Agha Sherzai has managed to keep cultivation negligible by a combination of buy-offs of influential maliks (tribal elders), promises of alternative livelihoods, and threats of eradication of the poppy crops and imprisonment. While farmers close to the provincial capital of Jalalabad have often managed to cope by switching to vegetable crops, increased dairy production, and working in cash-for-work construction programs, those distant from the provincial center, such as in the districts of Achin, Khogyani, and Shinwar, have suffered great economic deprivation. As their income has crashed by as much as 80 percent, and no alternative livelihoods programs have been available to them, their political restlessness has steadily grown.\textsuperscript{13} Those areas have seen great levels of instability; intensified tribal conflict over land, water, and access to resource handouts from the international community; rebellions of young men against the local maliks supporting eradication; physical attacks on eradication teams; intense Taliban mobilization; and increased flows of militants into and through the province from Pakistan.

By 2009, eradication had the following effects: It did not bankrupt the Taliban. In fact, the Taliban reconstituted itself in Pakistan between 2002 and 2004 without access to large profits from drugs, rebuilding its material base largely from donations from Pakistan and the Middle East and from profits from another illicit economy—the illegal traffic of licit goods between Pakistan and Afghanistan. Rather, eradication strengthened the Taliban physically by driving economic refugees into its hands. Eradication also alienated the local population from the national government as well as from local tribal elites who agreed to eradication efforts, thus creating a key opening for Taliban mobilization.\textsuperscript{14} Crucially, eradication critically undermined the motivation of the local population to provide intelligence on the Taliban to the counterinsurgents; instead, it motivated the population to provide intelligence to the Taliban. Moreover, the local eradicators themselves were in a position to best profit from counternarcotics policies, being able to eliminate competition—commercial and political alike—and alter market concentration and prices, at least in the short term, within their region of operations.

Although alternative livelihoods programs were part of the counternarcotics package, they were clearly a secondary and inconsistent mechanism designed to partially alleviate the pain that eradication brought to many rural households. Alternative livelihoods programs were slow to reach most of the population. To the extent they were extended, it was primarily in areas that had experienced eradication, but many areas subject to bans on cultivation or eradication did not receive any livelihood assistance programs. Where alternative livelihoods programs were extended, they did not sufficiently relieve the immediate economic losses, nor did they address the structural drivers of opium poppy cultivation. A legal microcredit system, for example, was absent in most of Afghanistan. The lack of security, along with increasing insurgency in southern Afghanistan, halted many of the alternative livelihoods projects. Although some areas, such as Helmand, had been showered with aid, much of it failed to reach ordinary farmers.\textsuperscript{15} Projects such as the Kajaki Dam, the centerpiece of the U.S. Agency for International Development (USAID) efforts in the south for much of the 2000s, while
important in the long or even medium run, frequently made little difference in the immediate economic conditions of the farmers at the village level and failed to be completed because of insecurity. At the same time, economic development programs even in the more permissive environments, such as northern Afghanistan, often simply did not materialize, although bans on poppy cultivation were secured through promises of alternative livelihoods.16

**U.S. Counternarcotics Policy in Afghanistan**

Recognizing the counterproductive effects of eradication, the Obama administration broke with decades of U.S. counternarcotics policies and defunded centrally led eradication in Afghanistan.17 Although the U.S. Government continues to provide limited funding and technical assistance to Afghan governors who decide to proceed with eradication, the two core components of the administration's counternarcotics policy have been 1) interdiction of Taliban-linked drug traffickers and 2) rural development. Scaling back eradication strongly enhanced the new counterinsurgency policy focus on providing security to the rural population. However, success in reducing instability and the size of the drug economy also depends on the actual operationalizing of the strategy.

The interdiction element has been geared primarily toward Taliban-linked traffickers. ISAF units from countries that want to participate in the interdiction program—mainly U.S. and UK forces—have concentrated on reducing flows of weapons, money, drugs, precursor agents, and improvised explosive device (IED) components, with the goal of degrading the Taliban's finances and physical resources. Although hundreds of interdiction raids have now been conducted, especially in the south, and large quantities of opium and IEDs have been seized, it is questionable whether the impact on the Taliban's resource flows has been more than local. Large-scale military operations to clear the Taliban from particular areas, such as in Marja, Helmand, have also affected the insurgents' funding capacity and resource flows in those areas. But so far, the cumulative effects of the narcotics interdiction effort to suppress financial flows—including both generalized anti-Taliban interdiction and raids solely dedicated to counternarcotics—do not appear to be affecting the Taliban at the strategic level. Taliban fund-raising policy has long been to tax any economic activity in areas where the insurgents operate—for example, sheep herding in the north, illegal logging in the east, or National Solidarity Program projects in the center. The strongest effect of focusing interdiction on Taliban-linked traffickers appears to be, at least temporarily, to disrupt Taliban logistical chains because many of its logistical operatives handle both IED materials and drugs and because most raids are dual-use. In combination with ISAF's targeting focus on mid-level commanders, prioritization of the counternarcotics-interdiction focus is probably palpably complicating the Taliban's operational capacity in the south, where both the military surge and counternarcotics efforts have been prioritized.

Whatever its benefits regarding disrupting Taliban logistical chains, the interdiction policy has had two negative side effects. First, under the dual-use interdiction policy—which combines searching for mid-level Taliban commanders and “mere” supporters with searching for drugs—opium seizures have become too prevalent. The great frequency of night raids18 and the tendency to seize or destroy any opium found in any searched household has blurred
the strategic distinction between traffickers and farmers. Since most rural Afghans do not have access to and do not trust a banking system, these families hold their life savings and assets in opium. ISAF interdiction searches that destroy any found opium, perhaps under the belief that they are destroying Taliban stockpiles, are in fact often wiping out the entire savings of an Afghan household. Thus, in areas that have been subject to intense interdiction raids such as Marja and Nad Ali, the effects of supposedly “selective” and politically sensitive interdiction have come to resemble the effects of blanket eradication. The consequences have been the same: intense alienation of the local population from ISAF forces and the central government.19

Second, the interdiction policy signals to Afghan power brokers that the best way to conduct the drug business is to be a member of the Karzai government, further undermining the domestic legitimacy of the Kabul government and compromising the rule of law. But tackling corruption in Afghanistan is no easy task because of the international community’s continuing dependence on problematic but “useful” interlocutors, competing priorities, and the domestic political sensitivities and debts of the Karzai government.

Beyond the matter of the drug trade, ISAF’s reliance on corrupt and abusive warlords for intelligence, logistics, and direct counterterrorism operations often comes at the price of ignoring governance issues. Some of the most notorious power brokers, such as Ahmed Wali Karzai (before his assassination in July 2011), Matullah Khan, and Gul Agha Shirzai, know how to get things done to facilitate international operations in Afghanistan. The internationals are often too isolated behind the Hesco gravel bags at their compounds to be aware how rapacious and discriminatory some of their key Afghan interlocutors have been, or they just choose to ignore their problematic aspects.

Especially early on, the Obama administration accorded great importance to fighting corruption by building up various civilian structures, such as the Major Crime Task Force, and ultimately similar equivalent units within ISAF, such as its anticorruption task force, Shafafiyat. But it often demanded reform with an intensity that ignored the realities and political complexities of a system in which the highest to the lowest government officials, line ministries, banking centers, and most international contracts are pervaded by corruption.20 The Obama administration’s anticorruption campaign thus secured dramatic promises from President Hamid Karzai to tackle corruption with little actual follow-up. Moreover, the lack of prioritization as to which corruption needs to be addressed first and cannot be compromised often ignores the political debts President Karzai owes and his internal entanglements and dependencies. Karzai thus often seeks to reverse such anticorruption efforts as indictments of powerful corrupt officials and the development of the anticorruption and anticrime institutions the international community is trying to stand up.21 His efforts often succeed.

But as the Obama administration began to scale down its military presence in Afghanistan, U.S. officials started vacillating once again in their determination to take on corruption. Many in the U.S. Government have begun to argue that tackling corruption is a luxury the United States can no longer afford; instead it needs to prioritize stability. This school of thought holds that limiting the military mission mostly to remotely-delivered airborne counterterrorist strikes could permit working through the local warlords and power brokers instead of being obsessed with their criminal entanglements and discriminatory practices and the means they used to acquire their power.22
Meanwhile, absent a coherent policy on corruption, the Obama administration and ISAF have failed to develop mechanisms and structures to work around and marginalize the problematic power brokers and often continue to be dependent on their services. As a high-ranking ISAF official in Kandahar told me in the fall of 2010, “In the current struggle for Kandahar, our nightmare is having to take on the Taliban and Wali [the then-alive Ahmed Wali Karzai] at the same time. But we understand that he has alienated some people in Kandahar.” He went on to enthusiastically describe how then-Colonel Abdul Razziq—a notorious power broker and smuggler from Spin Boldak—recently cleared Mahlajat, a troubled subdistrict of Kandahar City, of the Taliban, “something even the Soviets couldn’t do.” ISAF has since brought Razziq to Arghandab and other areas of Kandahar to conduct military operations and he has been named police chief in the city. A former high official of the U.S. Provincial Reconstruction Teams (PRTs) in Kandahar explained the difficulties the international community has faced when trying to impose redlines on power brokers such as Razziq. There was to be no undermining of provincial and district officials and no interference with the Peace Jirga (a body established by President Karzai to set up the broad framework for reconciliation with the Taliban) or with parliamentary elections. “But very quickly they violated all of the redlines we gave them. But they are effective in getting things done. We can’t go after them at the same time as we are fighting the Taliban. When the Taliban is defeated, the Afghans will take care of the power brokers themselves.”

The infusion of tens of billions of dollars of foreign aid has also generated corruption. Large amounts of aid money appear to have been siphoned off by clever power brokers. At other times, these financial flows have strengthened existing power brokers, who can get their hands on the money and who have developed vested interests in preventing others and the population at large from accessing these financial flows. Some of the contract wars in places like Kandahar have been actual wars with rival businessmen linked to prominent tribes and power brokers, such as the Popolzais and Ahmed Wali Karzai on the one hand and the Barakzais and Gul Agha Shirzai on the other, physically shooting each other to get access to the contract money and setting up coercive monopolies under the guise of business associations to control the rents. At other times, the aid flows have given rise to new “khans,” further undermining both traditional institutions and the official government the international community has struggled to stand up. Many have financially profited from the insecurity that generates demands for private security companies and militias and that prevent effective monitoring.

The international community’s strategy has thus oscillated between tolerating corruption for the sake of other goals—with the justification that Afghans are used to corruption anyway—or confronting it head on, but with little effectiveness. Ignoring corruption is often justified as prioritizing stability, but since corruption and the lack of rule of law are key mobilizing mechanisms for the Taliban and a source of Afghans’ anger with their government, it is doubtful that stability can be achieved without addressing at least the most egregious abuse.

Yet the system is so pervasively corrupt and so deeply and intricately linked to key structures of power and networks of influence that some prioritization of anticorruption focus is required. Such prioritization could include a focus on systematic tribal discrimination, corruption and ethnic discrimination in Afghan National Security Forces, corruption that undermines fragile legal markets such as illegal road tolls, and massive fraud in the banking...
system. Intolerable to most Afghans is not that they are required to pay bribes but that the bribes exceed tolerable norms, such as high and unpredictable extortion along illegal ANP checkpoints that take away all the profit from legal crops the farmers want to transport to markets.

Much of the corruption that is deeply grating to local populations and is thus politically explosive derives from the fact that dominant power brokers privilege their networks and tribes while marginalizing others and preventing them from getting access to international contracts and other economic opportunities. In Kandahar, for example, most legal and illegal economic activity is divided between the Karzai and Shirzai families, with few others being able to cut in. In Uruzgan, Matullah Khan has systematically discriminated against the Ghilzai Pashtuns, blocking their access to markets, imposing higher toll taxes on them, and denying them access to national government resources. Anticorruption efforts need to focus on limiting such narrow patronage networks and on making sure that entire tribes and subtribes are not isolated. The political crisis surrounding the massive theft at the Kabul Bank once again drove home to ordinary Afghans that the privileged few, such as a narrow network around Vice President Mohammad Fahim, key northern leaders, and President Karzai’s family, could steal hundreds of millions of dollars from public funds as well as money belonging to poor Afghans with almost complete impunity.

The corruption in the Afghan National Security Forces (ANSF) is similarly linked to narrow patronage networks. Not only do anticorruption efforts need to ensure that commanders do not steal the wages of ordinary soldiers, but they also need to target commanders who systematically discriminate against soldiers from rival ethnic groups, for example by disproportionately placing them in the most dangerous areas. A failure to mitigate the ethnic factionalizing of the Afghanistan National Army could be a crucial contributor to a post-2014 civil war in Afghanistan. Finally, influential power brokers whose economic and political power is threatened by better governance must not be permitted to undermine effective local officials, such as committed district police chiefs and district governors.

Buying Love versus Sustainable Development

Economic development efforts by the international community, including alternative livelihood efforts, have been plagued by vacillation between two competing understandings of the purpose of economic development projects. Is the purpose to buy off the population and wean it away from insurgents or to produce long-term sustainable development?

The buy-off concept has included quick-impact projects carried out by the U.S. military with money from the Commander’s Emergency Response Program (CERP) or through the PRTs as well as so-called “economic stabilization projects,” also known as the District Delivery Program or District Stabilization Framework, carried out by USAID. The latter were designed as short-term cash-for-work programs lasting weeks or, at most, months. Their goals have been to keep Afghan males employed so economic necessities do not drive them to join the Taliban and to secure the allegiance of the population, which ideally will provide intelligence on the insurgents. Under this concept, U.S. economic development efforts have prioritized the most violent areas. Accordingly, the vast majority of the $250 million 2010 USAID budget
for Afghanistan went to only two provinces, Kandahar and Helmand. In Helmand’s Nawa district, for example, USAID spent upward of $30 million within 9 months in what some dubbed “[the] carpet bombing of Nawa with cash.” With Nawa’s 75,000 people, such aid amounts to $400 per person, while Afghanistan’s per capita income is only $300 a year.

Although U.S. Government officials emphasize that these stabilization programs have generated tens of thousands of jobs in the south, many of the efforts have been short-lived, such as canal cleaning, grain storage, road building, and small grants to buy seeds and fertilizers. Characteristically, they collapse as soon as the money runs out, often in the span of several weeks. Nor has adequate consideration been given to the development of assured markets. Consequently, much of the produce cultivated under the USAID-contracted programs could rot before it was sold.

There is also little evidence that these programs have secured the allegiance of the population to either the Afghan government or to ISAF forces, or that they resulted in increased intelligence about the Taliban. As many of these programs were budgeted to run only through October or December 2010, their closure sometimes antagonized the population by disappointing raised expectations. Another half billion dollars of U.S. aid was allocated for southern Afghanistan in 2011.

Because of the complexity and opacity of Afghanistan’s political, economic, and contracting scene, many of these international programs have continued to flow to problematic, discriminatory, and corrupt power brokers, generating further resentment within the population and intensifying Afghanistan’s rampant corruption and lack of accountability. At other times, they have spurred new tribal rivalries and community tensions.

Nor have these programs yet addressed the structural deficiencies of the rural economy including the drivers of poppy cultivation. A microcredit system, for example, continues to be lacking throughout much of the country. In fact, many of the stabilization efforts, such as wheat distribution and grant programs, directly undermine some of the long-term imperatives for addressing the structural market deficiencies, such as the development of microcredit or the establishment of local seed banks and seed markets and rural enterprise and value-added chains. Shortcuts such as the Food Zone in Helmand and similar wheat distribution schemes elsewhere are symptomatic of the minimal short-term economic and security payoffs (but substantial medium-term costs) mode with which the international community has operated. The result has been persistent deep market deficiencies and compromised rule of law.

There is a delicate three-way balance among long-term development, the need to generate support within the population and alleviate short-term economic deprivation, and state-building. A counternarcotics “alternative livelihoods” program provides a telling example. Aware of the deeply destabilizing effects of poppy suppression in the absence of alternative livelihoods and yet under pressure to reduce poppy cultivation, Helmand Governor Mohammad Gulab Mangal, widely acclaimed as a competent and committed governor, launched a wheat-seed distribution project during the 2008–2009 growing season. Farmers were handed free wheat seeds to discourage them from growing poppies. This program proved popular with the segments of the Helmand population who received the free wheat, and the program was emulated throughout Afghanistan and continued in 2010.
Poppy cultivation did decrease in Helmand in 2009, and many enthusiastically attributed it to the wheat distribution program rather than low opium prices. Yet there are good reasons to doubt the effectiveness of the program, at least concerning development and even governance. Because of land density issues, the lack of sustainability of the favorable wheat-to-opium price ratios under which the program took effect, and the limited ability of wheat cultivation to generate employment, wheat turned out to be a singularly inappropriate replacement crop.\textsuperscript{39} Indeed, much of the wheat seed ended up being sold in markets rather than sown.

Due to the insecurity prevailing in Helmand at the time, the program was undertaken without any field assessment of what drives poppy cultivation in particular areas of the province and in Afghanistan more broadly.\textsuperscript{40} Although this was a deficient process in which policy was developed without understanding the causes of the problem it was trying to address, the program was popular because most people welcome free handouts. It also became politically manipulated by local administrators and tribal elders who sought to strengthen their power. Although the program was deficient from a development perspective, it brought immediate political benefits to those who sponsored it including the political machinery of President Hamid Karzai, who was seeking reelection. Good governance was thus equated with immediate handouts and their political payoffs without regard for long-term economic development, best practices, and optimal decisionmaking processes.

At the same time, the wheat program and other economic stabilization programs often heightened expectations of free handouts from the central government and the international community without being economically viable and sustainable and without requiring commitments from the local community. Thus, many of the CERP and stabilization programs have encouraged the Afghans to expect payoffs for any activity consistent with the interests of the international community even if the activity is also in their own interest.

The Centers for Disease Control and Prevention, on the other hand, have required strong community participation and commitments to the development projects. Modeled similarly, the approach of the Dutch PRT in Uruzgan (at least until its forces withdrew in 2010) was particularly effective in limiting both the locals’ expectations of free handouts and communal and intertribal tensions over the distribution of external assistance. The Dutch insisted that the entire community sanction any economic project and that the PRT only contribute the resources or technical knowledge that the community lacked. Thus the community had to identify and carry out all that it could execute in the project on its own, and the Dutch PRT and partner nongovernmental organizations (NGOs) would supply only the rest.\textsuperscript{41}

Despite such examples, political pressures from the bottom up continue to reinforce ISAF’s predilection for short-term, quick-impact projects. Sustainable development requires a lot of time, but the Afghan population has been highly impatient to see some minimal improvements and has often demanded handout programs without regard for long-term sustainability and desirability.\textsuperscript{42} At least some Afghan government officials, however, have become dissatisfied with the short-term cash-for-work programs and are demanding that foreign aid be instead structured as capacity-building and long-term development projects.

Persistent though reduced insecurity even in high-profile focus areas such as Marja and Arghandab can threaten even the limited short-term “stabilization” programs. The Taliban has strongly intensified its campaign to assassinate government officials, international contractors,
Lessons for State-Building

and NGO representatives and their Afghan counterparts who are cooperating with ISAF or the Kabul government; and both the implementers and the Afghan beneficiaries of these programs have been killed. This intimidation campaign has scared some Afghans away from participating in the programs and may result in local Afghan officials and internationals once more locking themselves up in their compounds as they did before the surge. U.S. and ISAF officials emphasize that in cleared areas in the south, shops have reopened on the streets and bazaars seem livelier. Yet shopkeepers often say they are trying to make as much money as possible in a short window of opportunity because they expect security to deteriorate again. Thus, even for these stabilization programs, security is a critical prerequisite.

Post-2014 Political and Poppy Dispensation

How sustainable and effective the current counternarcotics and anticorruption efforts will be overwhelmingly depends on the stability of the country and its political dispensation post-2014. Although major security improvements have been achieved in the south where the surge forces were concentrated, the east of the country has become at best a strategic stalemate. A major withdrawal of U.S. forces from the south to insert them into the troubled east can jeopardize all the fragile and costly improvements already made. Among other issues, any increased insecurity in the south will undermine counternarcotics efforts. Meanwhile, security in the north has been steadily deteriorating over the past 3 years with the Taliban insurgency, insecurity linked to official and unofficial militias such as the Afghan Local Police, and accelerating crime. All three sources of insecurity reinforce conditions for the return of large-scale illicit economies, be it poppy cultivation as in the early 2000s, marijuana cultivation, or other forms of smuggling and extortion. How much and where security deteriorates following U.S. troop withdrawal will in turn depend on the effectiveness of the Afghan National Security Forces the United States has been trying to build up. Their strength and ability to withstand ethnic fragmentation have yet to be seen.

Overall, 2014 will bring about a triple shock. Not only will ISAF forces be substantially reduced, but U.S. funding will inevitably decline due to the drawdown of the military presence as well as economic conditions at home. For a country that is still overwhelmingly dependent on foreign aid and illegal economies for its revenues, the outcome will be a massive economic shrinkage. One likely result is intensification of Afghanistan’s multiple illegal economies and a greater dependence on them for jobs. Although various initiatives are now under way to cushion the shock, such as efforts to build a new Silk Road through Afghanistan and exploit the country’s vast mineral riches, there are no easy ways to generate revenues and employment over the next 3 years. Moreover, 2014 is also the year of another presidential election and hence will see major power infighting whether or not Karzai seeks to retain power. The fight over the remaining rents of the ending political dispensation and the need to consolidate support camps in anticipation of the shaky future—and hence to deliver spoils to them to assure their allegiance—will not be conducive to good governance. Even with the new U.S. emphasis on negotiations with the Taliban, the most likely scenario under current conditions is a civil war. Even short of such a disastrous outcome, any deterioration of security and shrinking of the current legal economies in Afghanistan will undermine counternarcotics efforts.
Should a civil war be avoided and should counternarcotics efforts suddenly and miraculously destroy the poppy economy in Afghanistan—whether through fungicide-based eradication or speedily effective rural development—two critical “what-then” questions need to be built into policy analysis. First, what illicit economy would replace the existing opium economy in Afghanistan? And second, to what country would opium production shift?

What Replacement Illicit Economy Would Emerge?
Illicit economies rarely simply disappear. The presence of a large illicit economy not only satisfies the socioeconomic needs of the population, it also generates widespread smuggling knowhow, extensive criminal networks, and numerous powerful actors with vested interests in the preservation of the illicit economy. These actors include criminal and belligerent groups, corrupt government officials, and political power brokers. 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 cigarettes, household goods, marijuana, and emeralds. Many of the original smugglers emerged as prominent Colombian drug capos.47 In Myanmar, the eradication of opium poppies 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 in wildlife. In Thailand, where the most effective alternative livelihoods programs in the world to date eliminated poppy cultivation, heroin smuggling and meth production have been thriving. In Afghanistan itself, the illegal drug economy was built on decades of smuggling including extensive smuggling of legal goods and gems, illegal logging, and illegal trade in wildlife.

Apart from cannabis, which has already replaced opium cultivation in areas subject to bans, such as Balkh,48 the least dangerous and potentially most easily suppressible illicit replacement economy would be just such an increase in the illicit trade of licit goods. This traffic exists as a result of the Afghan Transit Trade Agreement, under which goods can be imported into Pakistan duty-free for reexport into Afghanistan. Goods are then smuggled with profit back into Pakistan, and smugglers avoid Pakistani tariffs.49 Although profits from the illicit traffic (at times $1 billion per year)50 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, smuggling generates extensive revenues for the Taliban and others.

A more ominous illicit replacement economy would be the production of synthetic drugs such as methamphetamines. Afghanistan would face stiff competition from Myanmar, Thailand, and Mexico, but the global market for synthetic drugs is rapidly growing, and Afghanistan could likely cut in on it. In that case, the country would still suffer from all the same political, economic, and social vices of illegal drug production, as is the case with opium cultivation. But the rural population would be left destitute since the production of synthetic drugs is much 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 the opium economy affords them. Moreover, the production of synthetic drugs would be considerably harder to detect and disrupt. Rather than hoping that the overall criminal
economy in Afghanistan can be eliminated, policymakers need to ask themselves what type of illicit economy is least detrimental to the objective of stabilizing Afghanistan and other key objectives. Correspondingly, efforts to disrupt the other illegal economies—those most disruptive of the key objectives—need to be maximized.

Where Would Poppy Cultivation Move?
The second what-then question of vital importance for the United States is what country opium cultivation would shift to. Given high world demand for illicit opiates, suppression of poppy cultivation in Afghanistan would not leave a highly lucrative market unsatiated but would simply move the industry elsewhere. Unlike coca, the opium poppy is a very adaptable plant that can be grown under a variety of climactic conditions. Theoretically, its cultivation could spread to many areas—Central Asia, back to the Golden Triangle of Southeast Asia, or West Africa.51

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), Khyber-Pakhtunkwa, or even Punjab in Pakistan. For over 20 years, Pakistan has been a major heroin refining and smuggling hub in the region. It has an extensive hawala system that includes moving drug profits. Today, these territories also have extensive and well-organized Salafi insurgency and terrorist groups that seek to limit the reach of the Pakistani state and topple the government. A relocation of extensive poppy cultivation there would be highly detrimental to U.S. interests since it would contribute to a critical undermining of the state and fuel jihadi 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 important local employers sponsoring a labor-intensive economy in areas with minimal employment opportunities.

Nor is Pakistan a newcomer to the drug trade. During the heyday of illicit poppy cultivation in Pakistan in the 1980s, the opium poppy was grown in FATA and the then–Northwest Frontier Province (now renamed Khyber-Pakhtunkwa). Opium poppy cultivation often involved entire tribes and represented the bulk of the local economy in these highly isolated (geographically, politically, and economically) places.52 Pakistan was also the locus of heroin production and smuggling, with prominent and official actors such as Pakistan’s military and the Inter-Services Intelligence directorate deeply involved in the heroin trade.53

U.S.-sponsored eradication during the 1980s generated violent protests and political costs too high even for the military dictatorship of General Zia ul Haq.54 In the 1990s, strong emphasis was thus placed on generating legal economic alternatives to wean Pakistani tribes from 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), the programs linked isolated areas better with the rest of Pakistan and increased local populations’ identification with the Pakistani state.

In 2002, the United Nations Office on Drugs and Crime (UNODC) declared Pakistan cultivation-free. However, the dominant reason for the decline in opium poppy cultivation was not counternarcotics efforts, whether eradication or alternative development, but rather the wholesale shift of cultivation to Afghanistan during the 1990s.
Moreover, the positive political and economic effects of alternative development efforts in Pakistan frequently proved ephemeral and failed to generate sustainable employment. Many participants have continued to be consigned to subsistence agriculture, trucking, and smuggling and to migration to other parts of Pakistan such as Karachi, or to Dubai.\textsuperscript{55}

This extensive drug-trade network, the history of poppy cultivation, and poor central-government control over the border regions with Afghanistan make Pakistan a likely candidate for vastly increased poppy cultivation if Afghan production is disrupted. Some opium cultivation has already 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 2,000 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 8,000 hectares.\textsuperscript{56}

There is little evidence today that either the Afghan Taliban or the Pakistani Taliban (including Tehrik-i-Taliban-Pakistan and Tehrik-e-Nafaz-e-Sharia-Mohammadi) has systematically penetrated the slightly resurgent opium poppy cultivation in FATA and Khyber-Pakhtunkhwa, 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 in which they operate—some being highly profitable, such as marble mining, theft and resale of North Atlantic Treaty Organization supplies heading to Afghanistan via Pakistan, illicit logging, and fundraising in Pakistan and the Middle East.\textsuperscript{57} While profits from such a diverse portfolio can equal or even surpass profits from drugs, the main downside from the perspective of belligerent actors is that these economic activities are not labor-intensive. Consequently, unlike when belligerent groups sponsor the highly labor-intensive cultivation of opium poppies, the jihadi groups in Pakistan cannot present themselves as large-scale providers of employment to the local population.

If extensive poppy cultivation shifted to Pakistan, the consequences for U.S. national security would be extremely serious. FATA and parts of Khyber-Pakhtunkhwa, as the jihadi takeover of Swat and Malakand in spring 2009 revealed, are already the hub for anti-American jihadists. Salafi insurgency and global terrorism networks have been leaking into and taking root in southern Punjab and go beyond the Lashkar-i-Taiba or Jaish-i-Mohammad presence.

Not only could al Qaeda and affiliated terrorist groups there 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 an economically superior livelihood to vastly undeveloped regions in Pakistan and thus obtain significant political capital within the population. Their calls to jihad against the Pakistani state would gain greater resonance with the tribal population. What these groups now can provide to the population are ideological succor and promises of martyrdom.

If production shifted to Pakistan, the sponsorship of cultivation would allow these groups to distribute significant real-time economic benefits to the population, a key source of legitimacy. Just as happened in Afghanistan in the 1980s, the jihadists would be able to outperform traditional tribal elites in providing for the population’s needs. The sponsorship of relocated
Lessons for State-Building

opium cultivation would allow the jihadists to offset the potential losses of support resulting from these attacks on the tribal elite.

Government efforts at eradication would generate protests and uprisings, cementing the bond between the jihadists and the population and weakening the already tenuous legitimacy of Islamabad. Weak central government presence there (military and otherwise) would compromise counternarcotics efforts, but eradication would greatly undermine even modest counterterrorism and stabilization efforts by the government. Given the existence of militancy in the likely poppy 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 there will be highly challenging under the best of circumstances.

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 most jihadi-susceptible areas in Pakistan. Such a large-scale shift of cultivation would also likely leak into Baluchistan, where heroin processing facilities and trafficking networks are already extensive. It would thus enable Baluchi nationalists to tap into the drug economy and strengthen the Baluchi insurgency in a multifaceted way, further threatening the territorial integrity of Pakistan and diverting the state’s attention from the jihadi threat. Assisting the government of Pakistan today in both rural development in the critical regions and overall in enhancing the effectiveness of its interdiction and law enforcement capacity has the potential of reducing the security and political threats that could result from such a relocation.

Critically, in devising counternarcotics policy in any particular locale, policymakers also need to consider where the drug economy is likely to shift and whether that would be even more detrimental to their objectives than the current location of the illicit economy with all the problems it generates there.

Conclusions and Broader Policy Lessons

The Obama administration is finally in sync with the counterinsurgency effort. But persisting insecurity and often problematic operationalizing of the overarching counternarcotics strategy on the ground have limited its effectiveness in reducing Afghanistan’s drug economy. Much of the strategy, such as rural development, ultimately depends on substantial and lasting improvements in security. Even then, substantial reduction in the size and significance of the drug economy will take several decades.

What lessons can be drawn from the case of Afghanistan for the involvement of international peacekeeping forces in tackling illicit economies? And how do efforts against illicit economies, such as the drug trade, interact with state-building efforts?
During conflict situations, peacekeeping and counterinsurgency forces should resist calls for their involvement in the eradication of illicit crops. Such involvement will antagonize the rural population, which is the center of gravity of counterinsurgency, and inhibit intelligence gathering. Although counternarcotics policy is not the sole determinant of the population’s allegiance, and other factors, such as avoiding civilian casualties and providing consistent and robust security against the insurgents’ reprisals, are also critical, counternarcotics policies are crucial since they strike at the economic survival of the population. Ultimately, the ability to feed one’s family is as important from the perspective of survival as the threat of physical violence.

For success against illicit economies, it is essential to address corruption and poor governance. Indeed, strengthening good governance is a requisite for counterinsurgency and stabilization as well as economic reconstruction and counternarcotics efforts themselves. At the core of most of these efforts lies a process of building positive linkages between the population and the state.

Thus, for example, efforts against illicit economies such as the drug trade should be left only to specialized, constantly-vetted, and closely-monitored law enforcement units. To avoid the temptations of corruption, attacks on police by organized crime and militants, and alienation of the broader population from the police, regular police should be removed from counternarcotics efforts, including interdiction. Instead, broad police reform should be geared toward building trust so the population can see official law enforcement as a legitimate state representative delivering essential security, order, and justice.58

It is critical that policies against illicit economies be cognizant of the complex political dynamics that illicit economies generate. Embracing policies against illicit economies without paying close attention to their complex and multiple political effects can lead to counterproductive entanglement in local disputes, especially in places where the complexity and intensity of tribal, ethnic, and regional tensions and other local cleavages overlay the illicit economy. Illicit economies are deeply embedded in local social and political arrangements, especially where legal economies, official political arrangements, law enforcement capacity, and overall state presence are weak. Without recognizing this social embeddedness, policies to tackle illicit economies easily turn counterproductive and generate negative externalities and unanticipated second and third order effects that can negatively reverberate in other domains and within other networks.

Nonetheless, peacekeeping and counterinsurgency forces do have a large and, indeed, fundamental role in reducing illicit economies—delivering security. No matter what counternarcotics efforts will be undertaken, be they iron-fisted eradication or alternative livelihood, they will not be effective in reducing the illicit economy unless firm security throughout the entire territory has been established. The state needs to be strengthened and conflict must be ended before efforts against illicit economies, such as large-scale eradication of illicit crops, can be achieved.

International peacekeeping forces need to understand that the more the legal economy in the theater of intervention is destroyed, the more robust and deeply ensconced the illicit economy will be. Prominent military and political actors in the region—possible allies or proxies of the intervention forces—will also very likely be deeply involved in the illicit economy, and their power will be inextricably linked to their ability to use the illicit economy to provide for
the population’s elemental needs. Conversely, however, the engagement of intervention forces with such actors will have profound effects on the shape of and power distribution within the illicit economy, and thus within the country itself.

Expanding the mission of international peacekeeping forces beyond the provision of security to direct efforts to reduce illicit economies and corruption demands that the international peacekeeping forces have a very detailed understanding of the intricacies of the local illicit networks and economy and their nexus to violent conflict, to the political and socioeconomic structures in the country, and to peace. Accordingly, enlargement of the traditional, more limited role of peacekeeping forces requires that the mission has a continual and robust information-gathering component that constantly monitors the effects of the policies against illicit economies on the political and economic distribution of power and on stability and development. It is therefore important to provide the peacekeeping forces with a robust analytical support component that would include economic, agricultural, and anthropology experts. But it is also important to recognize that the staying power of the international peacekeeping forces will always be inherently limited and that efforts to suppress illicit economies will only be sustainable if the population and its political representatives have the economic and political incentives to support such policies.

Regarding nonmilitary operations, such as economic reconstruction, it is vital that the international community scale down its expectations of how rapidly legal economies can replace illicit ones. Even when the basic economic infrastructure is present and intact, the growth of the legal economies may well coincide with the continuing flourishing of the illegal enterprises. But certainly in areas where the basic structural requirements for a legal economy are absent, as is true in the majority of the world’s large-scale drug cultivation areas, efforts to boost alternative livelihoods are likely to take decades.

Moreover, a seeming success in suppressing an illicit economy in a particular region can easily lead to its transformation into a differently-organized illicit economy, which could be no less dangerous to the state and possibly the larger international community than the original economy. Nonetheless, efforts to boost licit livelihoods represent the only available source-country option to reduce illicit economies without resorting to substantial, lasting, and costly repression.

Counternarcotics efforts are indeed a key component of stabilization and reconstruction in Afghanistan and in any country where licit livelihoods have been decimated and an illicit narcotics economy thrives and intermingles with violent conflict. However, premature and inappropriate efforts against such an illicit economy, be it drugs or other commodities, greatly complicate counterterrorism, counterinsurgency, and stabilization objectives. Hence, they ultimately also jeopardize economic reconstruction and political consolidation.

Notes

1 See, for example, Anne Barnard and Farah Stockman, “U.S. Weighs Role in Heroin War in Afghanistan,” Boston Globe, October 20, 2004; and Michael E. O’Hanlon, “A Flawed Masterpiece,” Foreign Affairs 81, no. 3 (May/June 2002), 47–63.


Pain.


Author interviews in Uruzgan and Kandahar, Spring 2009.


See, for example, Adam Pain, “Let Them Eat Promises: Closing the Opium Poppy Fields in Balkh and Its Consequences,” AREU Case Study Series (Kabul: AREU, December 2008).

Provincial governors in Afghanistan can choose to engage in their own eradication efforts. During 2010, 2,316 hectares were eradicated in Afghanistan under this governor-led program; UNODC, Afghanistan Opium Survey 2010, 1.

Night raids have been extremely controversial. Many Afghans believe the raids violate both key cultural norms as well as human rights. The North Atlantic Treaty Organization, on the other hand, has considered the raids one of its most important counterinsurgency tactics. The controversy escalated until, on January 2012, President Hamid Karzai delayed signing a strategic partnership agreement with the United States because of his refusal to tolerate further night raids. For a human rights perspective on the night raids, see Open Society Foundations and the Liaison Office, The Cost of Kill/Capture: Impact of the Night Raid Surge on Afghan Civilians (New York: Open Society Foundations, September 19, 2011), available at <www.opensocietyfoundations.org/>.


Lessons for State-Building

21 Miller and Londono.


23 Author’s interview with an International Security Assistance Force official, Kandahar, September 2010.


25 Matthew Rosenberg.


27 Following congressional inquiries into the corruption associated with the international contracts, the Shafafiyat anticorruption task force is also supposed to tackle this type of corruption. See Carlotta Gall, “Kandahar, a Battlefield Even Before U.S. Offensive,” The New York Times, March 26, 2010.


29 Author’s interviews in Kandahar, Urugzan, and Kabul, Spring 2009 and Fall 2010.


32 Provincial Reconstruction Team (PRT) leaders have the authority to disburse up to $25,000 for individual projects and up to $100,000 per month.


34 Ibid.

35 Author’s interviews with U.S. Agency for International Development (USAID) contractors and implementing contractor, nongovernmental organization (NGO) representatives, and Afghan government officials, maliks, and businessmen in Kandahar and Kabul, September 2010.


37 Chandrasekaran; USAID also envisions spending about $140 million to help settle property disputes. That would be an immense and highly strategic accomplishment, yet it is a very difficult undertaking, as is building a land cadastre in Afghanistan.


207

40 Author’s interviews with counternarcotics officials in southern Afghanistan and Washington, DC, Spring 2009.

41 Author’s interviews with Dutch PRT members and Uruzgan government officials and NGOs, Uruzgan, Spring 2009.

42 For the difficult choices in balancing a number of objectives and considerations in deciding between “quick-impact” but unsustainable projects or long-term development, see, for example, the complex decisionmaking regarding whether to bring power generators to Kandahar to satisfy the population, complicate the Taliban movements in the city, and reduce crime, even though the generators will be dependent on an outside fuel supply—or wait without electricity while the Kajaki Dam and power lines are completed. The latter approach is sustainable, but insecurity prevents the completion of the project. For details, see Rajiv Chandrasekaran, “U.S. Military, Diplomats at Odds Over How to Resolve Kandahar’s Electricity Woes,” The Washington Post, April 23, 2010; and Blackledge, Lardner, and Reichmann.


44 Author’s interviews with Afghan shopkeepers, September 2010.


46 For details on the various political and security trends as well as negotiations with the Taliban, see Vanda Felbab-Brown, “Afghanistan Ten Years after 9/11: Counterterrorism Accomplishments while a Civil War Is Lurking” (Washington, DC: The Brookings Institution, September 6, 2011).


48 Cannabis production has also spread to areas of poppy cultivation since under current prices its profits can surpass opium poppies and since it is subject to far less law enforcement suppression than the opium poppy economy. For details, see UNODC, Afghanistan Cannabis Survey 2010, June 2010.

49 For details on how such smuggling generates profits, see Felbab-Brown, Shooting Up, 122–124.


55 Author’s interviews with former civilian and military officials in North-West Frontier Province, Fall 2008 and Spring 2009.

56 Author’s interviews with UNODC, Indian, and Pakistani officials, in New York, Kashmir, India, and Washington, DC (Spring, Summer, and Fall 2008).
Lessons for State-Building

