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EXECUTIVE SUMMARY

The licensing of opium for medical purposes in Afghanistan, most prominently advocated by the Senlis Council,¹ would reduce some of the negative effects of unmitigated illicit drug production. It would also eliminate several important negative side-effects of standard counternarcotics policies. However, serious legal, political, economic, efficiency, and security obstacles to launching such a licensing scheme persist in Afghanistan under current circumstances. These obstacles would have to be overcome for the licens-

ing policy to become viable. Even if instituted, the licensing scheme would not be a panacea, and some serious problems posed by large-scale opium cultivation would persist. Because licensing absorbing only a part of the illicit economy could easily generate new problems, including ethnic and tribal tension, licensing should only be undertaken once the Taliban insurgency has been defeated, other obstacles to licensing have been overcome, and licensing could be implemented on a country-wide scale.

¹ See, for example, The Senlis Council, *Feasibility of Opium Licensing in Afghanistan* (London: MF Publishing, 2005).

PROBLEMS OF UNMITIGATED PRODUCTION OF OPIUM IN AFGHANISTAN

The current vast illegal production of illicit opiates in Afghanistan generates significant social, security, political, and economic problems.

Social Problems

- Afghanistan supplies more than 90% of the world's illicit opiates, feeding the drug habits of opiate addicts around the world.²
- Large-scale unmitigated illegal production of any kind, including of narcotics, undermines the rule of law and weakens the authority of the state with the population.

Security Problems

- The vast profits from the drug trade supply a part of the Taliban's income (20%-50%)³ and of other anti-government and anti-ISAF forces, thus strengthening the physical resources (weapons, logistics provision, and manpower) of the insurgents.
- The drug trade also generates a large income for numerous ex-warlords (many of whom are now officials at various levels of the government). Although their militias may be currently demobilized, access to the drug trade allows such powerbrokers to maintain the necessary resources to remobilize militias should their political calculus change. The drug trade thus increases their potential (and real) relative power vis-à-vis the state.

- The drug trade corrupts the police and other law enforcement agencies of the state, undermining their effectiveness against criminals and insurgents and reducing their legitimacy with the population. It needs to be mentioned, however, that the Afghan police behave in a predatory manner toward the population even outside of the criminal context of the drug trade, extorting rents even from legal economic activities of the population.⁴

Political Problems

- Political entrepreneurs at all levels of the political hierarchy who (at least tacitly and covertly) sponsor the drug trade obtain not only vast financial resources but also large political support from the population. With their financial resources such political entrepreneurs can buy votes. (There are numerous examples of many prominent warlords-cum-drug traffickers occupying prominent posts in the Afghan parliament and other political and government institutions.) Politicians who refrain from at least tacitly supporting the opium economy tend to obtain much smaller influence and perform less well in elections. The political process becomes delegitimized, and corruption becomes endemic.

² United Nations Office on Drugs and Crime, *Afghanistan Opium Survey 2006*, September 2006, <http://www.unodc.org/unodc/index.html>.

³ Author's interviews with U.S., U.K., and Afghan government officials.

⁴ Barnett Rubin, "Saving Afghanistan," *Foreign Affairs*, 86(1) January-February 2007: 57-78.

Given the dependence of the rural population on opium cultivation, politicians who support counternarcotics supply-side control measures, such as eradication, lose domestic legitimacy and support.⁵

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politicians who support counternarcotics supply-side control measures, such as eradication, lose domestic legitimacy and support.⁶

- Unmitigated illegal production of narcotics also generates political problems for the Afghan government abroad with influential countries, international organizations, and important donors who demand suppression.

Economic Problems

- Although opium cultivation provides the basic livelihood of much of Afghanistan's rural population and underlies much of other economic activity, including in construction and consumption of durables, it also generates serious economic problems, such as inflation, the rise in exchange rates, real estate speculation, displacement of legitimate economic activity, and the so-called Dutch disease where a boom in an isolated sector of the economy causes or is accompanied by stagnation in other core sectors by driving up land and labor costs.⁷

⁵ Author's interviews in Kabul, Fall 2005. See, Anne Barnard and Farah Stockman, "U.S. Weighs Role in Heroin War in Afghanistan," *Boston Globe*, October 20, 2004. Andrew Wilder, *A House Divided? Analyzing the 2005 Afghan Elections*, AREU Research Paper, December 2005, <http://www.areas.org.af/publications/A%20House%20Divided.pdf>; and Ockenden International, *Parliamentary and Provincial Council Results in Afghanistan: An Analysis*, <http://www.ockenden.org.uk/index.asp?id=1648>.

⁶ Author's interviews in Kabul, Fall 2005. See, Anne Barnard and Farah Stockman, "U.S. Weighs Role in Heroin War in Afghanistan," *Boston Globe*, October 20, 2004. Andrew Wilder, *A House Divided? Analyzing the 2005 Afghan Elections*, AREU Research Paper, December 2005, <http://www.areas.org.af/publications/A%20House%20Divided.pdf>; and Ockenden International, *Parliamentary and Provincial Council Results in Afghanistan: An Analysis*, <http://www.ockenden.org.uk/index.asp?id=1648>.

⁷ For details on the economic effects of illicit economies, see, for example, Francisco E. Thoumi, *Illegal Drugs, Economy, and Society in the Andes* (Baltimore: John Hopkins University Press, 2004); Pranab Bardhan, "Corruption and Development: A Review of the Issues," *Journal of Economic Literature* 35 (3), 1997: 1320-65; Peter Reuter, "The Mismeasurement of Illegal Drug Markets: The Implications of Its Irrelevance," in Susan Pozo, ed. *Exploring the Underground Economy* (Kalamazoo: W.E. Upjohn Institute, 1996): 63-80; and Mauricio Reina, "Drug Trafficking and the National Economy," in Charles Berquist, Ricardo Peñaranda, and Gonzalo Sánchez G., eds., *Violence in Colombia 1990-2000: Waging War and Negotiating Peace* (Wilmington: A Scholarly Resources Inc. Imprint, 2001).

PROBLEMS WITH STANDARD COUNTERNARCOTICS POLICIES IN AFGHANISTAN

Standard counternarcotics policies are frequently of limited effectiveness in suppressing production. Moreover, they often carry a host of negative security and political side-effects, which are especially dangerous in the fragile Afghan context of a historically weak state.

Eradication

- By targeting the most vulnerable and most easily identifiable segment of the drug trade –the farmers – eradication promises to radically reduce the illegal production and the supply of drugs for the international drug trade. However, eradication even in its intense form, such as aerial spraying, rarely succeeds in dramatically reducing cultivation since the farmers and traffickers have a variety of adaptation methods at their disposal, such as replanting after eradication and shifting production to areas that are not being eradicated. Eradication also boosts opium prices, thus making it more economically attractive for the farmers to grow opium. In addition to rarely being able to radically suppress cultivation, eradication so far has not reduced worldwide consumption.
- Eradication is also advertised as the way to eliminate the financial resources of belligerent groups, such as the Taliban, thus making them easy to defeat. So far, this scenario has not materialized in Afghanistan or elsewhere. Eradication boosts the opium prices of new production as well as stocks, thus increasing profits for those who have access to the new production or who hold stocks. Moreover, like other belligerent groups, the Taliban has a variety of adaptation methods at its disposal, including the ability to exploit other illicit economies, such as the lucrative illicit traffic with legal goods that takes place between Afghanistan and Pakistan, and fundraising in Pakistan and the Middle East like the Taliban did when it was pushed out of the drug trade between 2002 and 2004.⁸
- In fact, eradication strengthens the Taliban in several ways. Since eradication alienates the rural population critically dependent on opium cultivation for basic income, access to land, and access to credit from the state and tribal elites who support it, it creates an opening for the Taliban. The population becomes unmotivated to provide intelligence to the government on the Taliban. As the Taliban now protects opium fields, it directly obtains political support and on occasion even intelligence on the government from the local population. Moreover, economic displacement due to eradication (such as in Nangarhar in 2005) generates refugees, many of whom end up in the radical *madrastas* of the Deobandi move-

⁸ Elizabeth Rubin, “In the Land of the Taliban,” *New York Times Magazine*, October 22, 2006; and Seth G. Jones, “Pakistan’s Dangerous Game,” *Survival* 49(1), Spring 2007: 15-32.

ment in Pakistan and are replenishing the ranks of the Taliban.⁹

- Even short of feeding the Taliban insurgency, eradication generates other social instability, such as strikes, protests, and outright provincial revolts (viz., Kandahar in 2004), thus undermining the fragile state presence in many areas of Afghanistan and compromising efforts at state-building.¹⁰
- Eradication can only bring a lasting and sustainable reduction in illicit crop cultivation if the state has achieved firm control over the entire territory and is thus able to detect and counteract replanting (i.e., after the insurgency has been defeated) and only after alternative livelihoods programs are actually generating a sustainable income and other economic necessities (access to land and microcredit) for the population and are not simply promised to take place in the future.¹¹

Interdiction

- Although interdiction does not target the wider population directly, focusing instead on traffickers, and thus carrying fewer problematic side-effects in terms of strengthening support for the insurgency, it has rarely been effective in substantially suppressing cultivation. Given the difficult terrain, the weakness of the state in patrolling large swaths of the territory as well as the border, and the persisting structural economic drivers of opium cultivation, interdiction remains unlikely to increase efficacy of cultiva-

tion suppression. At best, interdiction can hope to reduce the political power of traffickers.

- However, interdiction efforts so far have targeted especially small traders while large traffickers with large political power have been left unaffected. This has resulted in vertical integration of the opium economy, further enhancing the political and market power of large traffickers. Moreover, interdiction has been manipulated by the officials at all levels of the government to eliminate drug competition and weaken political opposition.¹²
- Like eradication, interdiction also led to the reintegration of the Taliban into the Afghan drug trade. The targeted traffickers were in need of protection and forged an alliance of convenience with the Taliban. Interdiction and eradication thus resulted in the reintegration of the Taliban into Afghanistan's opium economy. Paradoxically, interdiction has also increased the power of criminal groups.
- Targeting key traffickers would reduce the level of corruption at the national level and the corresponding sense of impunity that currently prevails, thus sending a strong signal to key elites. However, there is a real danger that the targeted top traffickers could either start supporting the Taliban (many currently do not, and instead occupy positions of power in the government) or unleash other levels of violence through their reconstituted militias or crime gangs. Their attack against the state and its police and judicial representatives at

⁹ Vanda Felbab-Brown, "Afghanistan: When Counternarcotics Undermine Counterterrorism," *Washington Quarterly*, 28 (4), Fall 2005: 55-72; David Mansfield, "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, September 2005, <http://www.gtz.de/de/dokumente/en-FinalCopingReportStudyPAL20.7.pdf>; Vanda Felbab-Brown, "Hasty Eradication Can Sow More Problems," *Christian Science Monitor*, March 23, 2006.

¹⁰ "After Victory, Defeat," *Economist*, 376 (8435), July 16, 2005.

¹¹ David Mansfield, "What Is Driving Opium Poppy Cultivation? Decision Making Amongst Opium Poppy Cultivators in Afghanistan in the 2003/4 Growing Season," Paper for the UNODC/ONDCP Second Technical Conference on Drug Control Research, July 19-21, 2004; and Vanda Felbab-Brown, "Kicking the Opium Habit? Afghanistan's Drug Economy and Politics Since the 1980s," *Conflict, Security, and Development*, 6 (2), Summer 2006: 127-149.

¹² Adam Pain, "Opium Trading Systems in Helmand and Ghor," in Doris Buddenberg and William A. Byrd, eds., *Afghanistan's Drug Industry*, United Nations Office on Drugs and Crime and World Bank, November 2006, http://www.unodc.org/pdf/Afgh_drugindustry_Nov06.pdf; and Mark Shaw, "Drug Trafficking and the Development of Organized Crime in Post-Taliban Afghanistan," in Doris Buddenberg and William A. Byrd, eds., *Afghanistan's Drug Industry*, United Nations Office on Drugs and Crime and World Bank, November 2006, http://www.unodc.org/pdf/Afgh_drugindustry_Nov06.pdf

both the national and local level would further weaken the already minimal capacity of the Afghan government.¹³ Given the political power and tribal following of these top traffickers-cum-government officials, their removal could also undermine the fragile tribal balance and generate strong tribal tensions if not outright tribal violence.

Alternative Livelihoods Programs

- Although essential for any sustainable reduction in narcotics production and for minimizing the political gains of the Taliban, and although nominally part of counternarcotics efforts in Afghanistan, alternative development has been critically slow to reach large areas of the country. Violence in the south completely halted many projects; and even in the stable north, key structural drivers remain unaddressed. Highly-advertised projects, such as increasing electricity generation at the Kajaki dam in Helmand and building more roads, will no doubt be welcomed by the population and provide a start for rebuilding the legal economy, but they are far from sufficient to wean the population off dependence on opium cultivation. Years of well-designed, well-funded, and sustained development efforts

are needed for the necessary rural development to take place and the population's dependence on opium cultivation to lessen. However, in the Pashtun belt threatened by the insurgency, such development measures will not be able to take off unless violence can be reduced and both the population and development workers are protected in a sustained and consistent way, including at the village level.¹⁴

Holistic Approach

- The so-called holistic approach to counternarcotics – namely, combining eradication, interdiction, alternative livelihoods, and the building of police and judiciary – offers, in theory, a logically-compelling method. In practice, however, as alternative livelihoods programs lag far behind eradication, the holistic approach collapses essentially into eradication. As such, it does not sufficiently redress the dominant effect of eradication of destroying peoples' livelihoods without providing alternatives and its consequent negative political and security side-effects. These economic and political problems are augmented by instability and insurgency, which only further increase the lag between eradication and alternative livelihoods.

¹³ Colombia during the 1980s and early 1990s and Mexico in the 2000s provide vivid examples.

¹⁴ See, for example, Holly Barnes Higgins, "The Road To Helmand," *Washington Post*, February 4, 2007.

THE PROMISE OF LICENSING

The licensing of opium cultivation for the purpose of medical analgesics promises to reduce the intensity of the primary negative effects of unmitigated cultivation as well as the dangerous negative side-effects of many standard counternarcotics policies.

Addressing Social Problems

- The licensing of opium cultivation could reduce the amount of Afghan opium supplying the illicit drug trade. The opium bought by the state for medical opiates would not enter the Afghan drug trade. However, how much opium would actually be prevented from reaching the illegal trade would be highly contingent on the extent of the area licensed and the operational demand for Afghan medical opiates.
- Substantially reducing the area of illicit cultivation and the number of people participating in the illegal opium economy as a result of licensing would decrease the threats to rule of law and enhance a culture of legality, thus strengthening the authority of the state.

Addressing Security Problems

- A substantial reduction in the opium economy in Afghanistan would eliminate a portion of the Taliban's income. The actual extent of financial losses would, however, be highly contingent on the Taliban's access to stocks for the illicit drug trade and other fundraising adaptability. Between 2002-04, the group already demonstrated that it can generate income necessary for operations even without access to the drug trade.

- Since the state would no longer have to eliminate the population's livelihood in the licensed areas (as the current government-sanctioned eradication programs do), the alienation of the population from the government would be reduced and the legitimacy of the state would be enhanced. Conversely, the political support of current rogue politicians, government officials, and tribal elites who derive political capital from (tacitly) sponsoring the illicit economy would be reduced, once again enhancing the relative power and authority of the state.
- Afghanistan's state capacity would also be enhanced as the state would derive income from taxing licensed cultivation and the processing of opium into medical analgesics.
- Corruption pressure on the police and other law enforcement agencies would be somewhat reduced as they would no longer have to suppress production in the licensed areas. The actual decrease in corruption pressures would, however, be highly contingent on the actual size of the area licensed and the persistence of an illegal economy. But perhaps most importantly, the population in the licensed areas would be given a chance to see the police not as an antagonistic enemy, but as a necessary and positive representative of the state.

Addressing Political Problems

- The political relations between the Afghan government and many other countries and international organizations would improve, all the more as illicit activity diminished.

- However, if licensing in Afghanistan encroached on the existing legal markets for opiates of Australia, Turkey, and India (the largest producers)¹⁵ by redistributing the existing licit market instead of developing a large new market, substantial tensions could develop between Afghanistan and these countries and between the international sponsors of licensing in Afghanistan and these countries. (Tensions between India and Afghanistan would be welcome in Pakistan, but Pakistan may also be resentful of its being deprived of a license for medical opiates in the 1970s). For details on the global licit market for medical opiates, see Section V.
- New domestic political problems could easily emerge – see Section V.

Addressing Economic Problems

- The state would be able to provide employment to the population in the licensed areas and obtain potential large income from the highly profitable business of producing pharmaceuticals, especially if Afghanistan developed the capacity not simply to cultivate opium but to transform it into actual prescription drugs.
- The consumption of durables, the construction boom, and other small and large-business multiplier effects would continue.
- The state would be better able to absorb money generated by the opium economy.

Addressing Problems of Eradication

- Crucially, the political capital of the Taliban would be greatly reduced, if not altogether eliminated, as a result of a large-scale licensing scheme. The Taliban derives much of its political capital (support from the population and willingness of the population to deny in-

telligence on the belligerents to Afghan government and NATO units) from protecting the opium poppy fields against eradication.¹⁶ Outside of its protection of opium cultivation, the Taliban's appeal to the population is minimal. If opium were licensed, the larger population would not need the Taliban's protection services for the preservation of their livelihoods, and the political support for the belligerents would decrease substantially. Given sufficient ability to protect the population against reprisals, intelligence flows to the government and NATO would significantly increase. The link between the Taliban and the population would be severed.

The extent of such crucial benefits of licensing for both security improvements and counterdrug effort, however, would be highly contingent on the extent of the licensed production (see Section IV).

- Licensing (especially if implemented on a large scale) would also eliminate other social instability related to eradication, such as strikes and uprisings.

Addressing Problems of Interdiction

- Although the power of crime organizations and traffickers may well continue (especially if an illicit opium economy continues alongside a legal opium economy), overall interdiction could become more manageable if licensing substantially reduced the area of illegal cultivation. A smaller level of trade would mean a greater intensity of interdiction resources available per trafficker, and potentially a greater efficacy of interdiction.
- The targeting of key traffickers operating in licensed areas would also become less politically problematic as their political capital and tribal following be diminished.

¹⁵ David Mansfield, "An Analysis of Licit Opium Poppy Cultivation: India and Turkey," http://www.davidmansfield.org/data/Policy_Advice/UK/India-Turkeycultivation.doc.

¹⁶ Felbab-Brown (2005).

PROBLEMS PERSISTING AFTER THE ADOPTION OF A LICENSING SCHEME

Although a licensing scheme would bring a host of positive benefits, it is far from a panacea. Crucially, the extent of benefits and problems resulting from licensing would be dependent on the size of the area licensed and the ability to absorb the illicit economy for licit purposes. Although a licensing scheme has worked well in Turkey since the 1970s and somewhat less well in India,¹⁷ in the Afghan context, the following problems would likely persist:

Efficiency and Social Problems

- Illicit cultivation of opium for the drug trade may well exist alongside licensed cultivation of opium for medical purposes. The persistence of an illicit opium economy feeding the drug trade alongside a licensed economy for medical opiates would be especially likely to take place if the licensing scheme were not large enough to provide livelihood to a significant portion of the population currently involved in opium cultivation. Moreover, since the current area of cultivation represents only 3% of Afghanistan's arable land, it would be theoretically possible to license the entire area and still see the persistence of an equally large area of illicit cultivation. Licensing of any area short of the total area of cultivation would only compound the problem of the existence of an illegal economy alongside the legal opium economy, creating a large *efficiency* problem. Moreover, if licensing suppressed the amount of opium entering the illegal drug trade, illicit opium prices would

be boosted, thus potentially attracting new growers. Given that profits from the illegal economy would be substantially higher than profits from the legal economy, as traffickers could always outbid prices paid by the government for licensed opium, eradication of illicit cultivation would be necessary as a deterrent against participating in the illegal economy instead of the legal one.

- Overall drug consumption would be highly unlikely to fall. Given persisting demand, opium production would simply relocate to another area, whether in Afghanistan or elsewhere.

Security Problems

- The Taliban (and other militant anti-government actors) would likely replace at least a portion of their income loss from the suppressed illegal drug trade with income from other activities, such as other illicit economies or donations. The group has already demonstrated its capacity to do so during 2002-2004. Although licensing may somewhat weaken the Taliban and other militant anti-government actors financially, it would be unlikely to bankrupt them.
- If only a small portion of the current area under opium cultivation were licensed, or if the area licensed were not located in the region where the Taliban operated and that region was still subjected to eradication, the link between the population and the Taliban would

¹⁷ Mansfield (2001).

- not be severed. In fact, the local population's dependence on Taliban's protection would deepen and its resentment against the state and the international community for being denied a license and facing eradication would be substantial. The Taliban would then be in position to augment its effectiveness in weakening the central government and increasing its support by fomenting tribal and ethnic tensions. The resulting situation -- with eradication selectively targeting areas plagued by the Taliban insurgency and licensing taking place only in secure areas -- could then be even worse from the counterinsurgency perspective than blanket eradication. (Arguably, the population could be enticed to provide intelligence on the Taliban by the government's temporarily cessation of eradication in that region and by a promise of extending the license once the Taliban were defeated.)
- Even if a large area were licensed for medical opium cultivation, renegade elites could main-

tain some physical resources by participating in other illicit economic activities.

- Corruption pressures related to the drug economy would still exist if illicit cultivation existed alongside licit cultivation, with illicit cultivators having a great interest in bribing law enforcement officials not to eradicate their fields. The need to prevent the leakage of opium from licensed areas into the illegal drug trade would generate similar pressures toward corruption. Moreover, corruption unrelated to narcotics would persist.

Economic Problems

- Without diversification, inflation, appreciation of Afghan currency, the displacement of other economic activity, and the Dutch disease problems would likely persist. Nonetheless, given the level of poverty in Afghanistan, these considerations are of secondary importance compared to the need to build up the legal economy.¹⁸

¹⁸ See, for example, Edouard Martin and Steven Symansky, "Marcoeconomic Impact of the Drug Economy and Counternarcotics Efforts," in Doris Buddenberg and William A. Byrd, eds., *Afghanistan's Drug Industry*, United Nations Office on Drugs and Crime and World Bank, November 2006, http://www.unodc.org/pdf/Afgh_drugindustry_Nov06.pdf.

OBSTACLES TO IMPLEMENTING A LICENSING SCHEME AND NEW PROBLEMS RESULTING FROM LICENSING

While the benefits of large-scale licensing of opium cultivation in Afghanistan for medical opiates would likely outweigh the associated problems, implementing such a licensing scheme in Afghanistan under current conditions faces a host of legal, political, economic, and efficiency obstacles. Lack of security looms paramount in the Pashtun belt, a source of much of Afghanistan's opium and the locus of the critical nexus between insurgency, terrorism, and drugs. Improving security in the area is a *sine qua non* for addressing many other obstacles and launching a successful licensing scheme.

Legal and Security Obstacles

For a licensing scheme to take place legally within the current counternarcotics regime (underpinned by the 1961 Single Convention on Narcotic Drugs) and without the need to negotiate an exception to the counternarcotics protocol for Afghanistan, two particularly difficult issues would have to be addressed – the ability to *prevent diversion of licensed opium into the illegal drug trade* and the ability to *assure sufficient legal demand* for Afghan opium.

- Never easy, preventing the diversion of licensed opium into the illegal drug trade would currently be extremely difficult in Afghanistan given the lack of security and the lack of state presence in large parts of the country. Adopting particular techniques of generating opium would simplify to some extent the difficulties of ensuring that diversion was prevented. Such techniques include:

- 1) “The concentrate of poppy straw” method that avoid the collection of opium gum. Its adoption in Turkey successfully prevented the leakage of licensed opium into the illegal trade there. On the other hand, the failure to adopt this method in India contributes to a rather substantial, and apparently increasing, level of diversion of licensed opium into the illegal trade, with the level of diversion frequently estimated at 25%.¹⁹ Paradoxically, however, the adoption of “the concentrate of poppy straw” method would also reduce the labor-intensiveness of harvesting opium, thus reducing the number of farmers who could be employed in the legal licensed production as compared with the number of farmers who make a living from illicit cultivation.
- 2) Color-coding poppy plants and utilizing satellite-mapping. These methods could facilitate distinguishing licensed opium poppy from illicit poppy, but they would not eliminate the need for the state to have sufficient presence to be able to destroy the unlicensed poppy.
- 3) Distributing specifically altered poppy seeds that contain a high amount of the alkaloid thebaine (which cannot be converted into heroin and is the most desirable alkaloid for cutting-edge pharmaceutical products) and which lack the alkaloid morphine (from which heroin is produced). If such seeds

¹⁹ U.S. Department of State, *International Narcotics Strategy Control Report*, March 2007.

were distributed to licensed farmers, diversion of the such altered opium into the illegal drug trade would be impossible.

However, given the intensity of the Taliban insurgency in the Pashtun belt, such as in Kandahar and Helmand, and the absence of the state there, it is not clear how even basic monitoring of cultivation and diversion could take place there under current security conditions. Constant and rather thick monitoring and law enforcement presence would be necessary to detect and destroy unlicensed fields, the sales of licensed opium to drug traffickers, and/or the cultivation of morphine-producing plants. The insurgency in the Pashtun belt does not permit such monitoring and prevents the necessary state presence in those regions.

- Assuring a large-enough demand for the Afghan licensed opium would be equally difficult. Guaranteeing a sufficient demand would be necessary not only from a legal standpoint where Afghanistan could only be issued a license from the International Narcotics Board (INCB) on the condition that it did not contribute to overproduction of medical opiates, but also from efficiency and related security standpoints. If the entire production could not be absorbed in the licensed scheme, the security and efficiency difficulties discussed above would emerge.

It is unclear whether there is currently a sufficient demand for any potential Afghan opium for medical purposes. INCB maintains that the current demand is satiated. INCB estimates this demand based on the level of requests for opium and medical opiates it receives. Many countries do not apply since they cannot afford medical opiates. The official estimated demand may thus not reflect the extant latent need for medical opiates around the world.

Assuming that the current official demand is satiated, the only way Afghanistan could sell opium to current

customers would be if other suppliers diminished their output. The current large suppliers include Turkey and India for whom the United States guarantees a substantial market under the so-called 80-20 rule (which guarantees that the US buy 80% of opium containing morphine from these two countries), as well as several other countries, including prominently Australia. Turkey and India would of course object to any reduction in demand for their opium. Moreover, if opium licenses were redistributed away from India and Turkey, diversion into the illegal drug trade there may increase. The difficulties of the political renegotiation of current arrangements and deals would be substantial.

Furthermore, India and Turkey are already losing the international market to Australia who is the main producer of the highly desirable morphine-free/high-thebaine opium. Not only is this form of opium pharmaceutically superior to standard opium with high morphine and low thebaine content, it is arguably also not subject to the 80-20 rule, thus allowing Australia to increasingly penetrate the US market. Without obtaining the altered poppy from Australia (or through independent development processes), it is not clear how competitive Afghan opium would be.

Apart from addressing the issue of the current official demand, it is also necessary to explore the potential for new demand. In fact, there is a substantial need and a large underprovision of painkillers in much of the developing world, such as Africa, China, and other parts of Asia, including Afghanistan itself. Moreover, in addition to analgesics, thebaine could also be used for the production of non-scheduled, non-habit-forming medications of drug and alcohol addictions, such as naltrexone.²⁰ Like analgesics, such treatment medications are seriously underprovided in Russia, China, Asia, the Middle East, and arguably even in the developed West.

Once again, however, the existence of need and latent demand does not easily translate into the existence of actual operational demand and ready customers for Af-

²⁰ Percy Menzies, "A Radical Solution to the Afghan Opium Problem," unpublished manuscript, author's copy.

ghanistan's opium. The distribution of analgesics is frequently heavily regulated, and the INCB may require such stringent distribution controls that many developing countries may not be able to implement them or their development would take years. Even if satisfactory distribution mechanisms could be built in those countries, it is not clear that many would prioritize spending money on analgesics and addiction treatment drugs instead of spending money on other diseases, such as tuberculosis, malaria, and HIV/AIDS. A creative design of international aid, however, could include buying Afghan opium for producing medical opiates and distributing them in other countries in need.

Political Obstacles and Threats

- The inability to extend the licensing scheme to incorporate all current producers and the entire area of cultivation and selectively licensing only in some areas, because the level of demand for Afghan medical opiates were insufficient or because the security situation in some areas did not permit licensing, would generate serious new political problems. The strengthening of the Taliban insurgency related to licensing production in stable areas without the presence of Taliban insurgency while eradicating in the areas of Taliban activity were described above in Section IV.

But licensing selectivity even for reasons other than insurgency, such as economic and demand reasons, would likely generate resentment by those who were not given a license. The possibilities of social and tribal tensions would be high. In considering who would be given a license, great care would need to be given to avoiding fueling perceptions of ethnic and tribal favoritism. Selectivity in implementing counternarcotics policies already exists in the way eradication and interdiction are undertaken, with stable areas, such as in the north of Afghanistan, for example, frequently bearing the brunt of eradication.²¹ These areas, however, are also areas where economic development projects have been more successful more

than in the insurgency-plagued south. It is not clear how long the more stable areas will be willing to put up with eradication. Nonetheless, without mitigating the threat of social and tribal tensions as a result of selective licensing, new instability, strikes, uprisings, and even outright military conflict could well ensue.

Economic Obstacles

- In addition to addressing issues of demand (discussed above), other economic obstacles would have to be overcome for licensing to work successfully. Just as alternative livelihoods programs need to address economic drivers of opium cultivation that go beyond price profitability, a licensing scheme for medical purposes would have to address these drivers as well. It would be insufficient for the licensed opium to generate a decent financial income for the farmers without addressing structural drivers, such as access to microcredit and land rent. Large transaction costs related to the need to expensively transport opium into government-licensed storage and processing facilities would also have to be addressed, with government officials ideally buying licensed opium close to the farm. If the licensing scheme focused only on generating the necessary income for farmers' subsistence without addressing the multiple roles illicit opium plays in the economic and social life in the rural areas of Afghanistan,²² it would likely fail to curb illicit cultivation.

Efficiency Obstacles

- Concerns over efficiency problems (related to the existence of illegal cultivation alongside the legal one and discussed in the previous section) would likely weaken international political support for the licensing scheme. These would be compounded by the inability to guarantee effective suppression of the unlicensed areas, given the current security situation and the weakness of the central government in Afghanistan.

²¹ UNODC (September 2006).

²² David Mansfield, "Responding to the Challenge of Diversity in Opium Poppy Cultivation," in Doris Buddenberg and William A. Byrd, eds., *Afghanistan's Drug Industry*, United Nations Office on Drugs and Crime and World Bank, November 2006, Bank, http://www.unodc.org/pdf/Afgh_drugindustry_Nov06.pdf.

THE BASIC CONCLUSION

If a large-scale cultivation of opium poppy could be licensed in Afghanistan for legal medical purposes, the benefits of such a licensing scheme would likely outweigh the difficulties associated with it. Such a policy also would be superior to both the current unmitigated production of illicit opium for the drug trade as well as to many standard counternarcotics policies, though not necessarily to alternative livelihoods programs. In fact, major rural and broader economic development should be coupled with the launching of any opium licensing scheme in Afghanistan.

However, the current conditions in Afghanistan, including the lack of state presence and the lack of security and stability in major areas of the country, as well as other legal, political, and economic obstacles in both Afghanistan and the international arena do not easily permit the current implementation of such a large-scale licensing scheme. Many of the obstacles detailed above are not inevitably permanent and could possibly be overcome with systematic and

dedicated effort that may well take several years. But under the current conditions, these obstacles seriously compromise the viability of any licensing scheme other than very limited pilot projects. Such projects may be valuable in generating information about the overall desirability and feasibility of a larger licensing scheme in the future, the unforeseen difficulties to such a scheme, and ways of overcoming them. But such pilot projects would not reduce the level of illicit cultivation.

Implementing a licensing scheme on a scale that went beyond very limited pilot projects in the more stable northern part of Afghanistan, while denying license to the Pashtun belt areas plagued by insurgency and eradicating there, would not be desirable. Such selective licensing would thicken the bond between the affected Pashtun population and the Taliban, increasing the insurgency, delegitimizing the central government and NATO, and exacerbating tribal and ethnic tensions.



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