

BY ROBERT LOONEY

**As everyone** who pays attention to the news already knows, the war in Afghanistan is not going well. Long overshadowed by the conflict in Iraq, Afghanistan's trials drew little attention in the years after the deceptively easy overthrow of the Taliban in 2001. Afghans are paying the price: violence has been escalating since 2006, and insurgents operate freely in much of the country.

Today, eight years after the American-induced regime change, the Taliban has re-emerged as a major player in a country in which regional militia commanders and warlords remain largely autonomous, and the authority of the central government barely extends beyond Kabul.

Yet, while the seriousness of the Taliban challenge is now widely acknowledged, there is no consensus about the cause of this reversal of fortune. Most analysts point to the initial decision to send inadequate numbers of troops to establish security in rural areas, once the Taliban had been driven into Pakistan. Some note the United States coalition's limited financial commitment to reconstruction of the war-battered economy. Still others cite the mistake of imposing a highly centralized government structure on this ethnically divided nation – a model that repeatedly failed in the past.

One important factor, however, has received far too little attention. Afghanistan's booming opium business is a large and grow-

ing impediment to the authority of the coalition-supported government in Kabul. Over the last eight years, the lack of government in the countryside has created an ideal breeding ground for illicit narcotics trade. Indeed, Afghanistan now produces well over 90 percent of the world's heroin, with a sizable chunk of the proceeds from illicit exports going to finance the Taliban.

Paradoxically, in its final years the Taliban regime reversed course and instituted a strict policy against the opium trade, which it justified on religious grounds. As a result, Afghanistan was producing very little opium at the time of the United States invasion. But the vacuum of authority in rural areas created by the Taliban's defeat was quickly filled by various groups bent on restoring the lucrative business. Regional warlords, many of whom had fought the Russian occupation with American arms and money, became major players. Some even moved their drug operations to government ministries after being elected to public office.

The Taliban has since changed its mind about narcotics, forming alliances with warlords and criminal gangs involved in opium

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smuggling. A Taliban commission collects taxes from opium farmers, and, in return, the Taliban protects the farmers against the government's feeble eradication efforts.

The funds involved are very large, especially by the standards of this bitterly impoverished country. According to estimates by the United Nations, warlords and the Taliban extracted close to half a billion dollars from the illicit trade in 2008 – almost twice the country's earnings from all legal exports.

As a result, Afghanistan is trapped in a vicious circle of narcotics-led corruption, violence and economic stagnation. Opium money both finances the insurgency and enables the warlords to bribe central government officials, thereby preventing the sorts of reforms that might give Kabul the political legitimacy and military muscle needed to pacify the countryside. Clearly, success in combating the reconstituted Taliban will require breaking the symbiosis between opium and insurgency. But that is easier said than done.

### GROWTH OF THE POPPY INDUSTRY

At the time of Afghanistan's pro-communist coup in 1978, Afghan farmers produced a modest 300 metric tons of opium annually – enough to satisfy regional demand with a bit left over for heroin production aimed at Western Europe. But since the 1980s, poppy cultivation and opium production has trended upward during successive periods of insurgency, civil war, fundamentalist government and, most recently, the regime of Hamid Karzai.

Commercial poppy farming emerged as rural Afghanistan's premier industry in the early 1990s, after war and anarchy had pushed farmers into deep poverty. Poppy cultivation became a necessary and highly profitable alternative to conventional crops like wheat

and fruits, which couldn't be brought to market. The centralization of authority under the Taliban during the mid-to-late 1990s further fueled Afghan opium production, as Taliban officials co-opted their military opponents with promises of permissive poppy cultivation policies and mirrored the practices of their warlord predecessors by collecting taxes on the expanding volume of production.

In 1999, Afghan production peaked at more than 4,500 tons, leading to growing pressure for its curtailment from countries with major heroin addiction problems. The Taliban responded in late 2000 by banning opium poppy cultivation, though it did allow commerce in opiates to continue. Under the ban, poppy cultivation was reduced by more than 90 percent; it continued to flourish only in areas controlled by the anti-Taliban Northern Alliance forces.

Though the West initially applauded the Taliban's about-face as a sign of a new willingness to join the international community, the enthusiasm was probably premature. Analysts now believe that the Taliban had a large stockpile of opium and heroin on hand from previous years of bountiful production, and that the ban was simply an attempt to use Afghanistan's monopoly power to raise prices in a weak market.

After September 11, Afghan farmers anticipated the fall of the Taliban and resumed poppy cultivation, even as United States-led military operations began in October 2001. International efforts to rebuild Afghanistan's devastated society began with the organization of an interim administration at the Bonn Conference in December 2001. There, the new Afghan government committed to combating the resurgence of the poppy economy and requested assistance from the United States, Britain and others.

The Afghan government nominally deliv-



ered on its promise, banning poppy growing and beginning a halting effort to eradicate the crop in the fields. Nonetheless, poppy farming blossomed, and Afghanistan re-established its position as the world's leading opium producer, with a yield in 2002 exceeding 3,400 tons. Since then, government interdiction and eradication efforts have yielded dismal results.

According to the United Nations, the value at the proverbial farm gate of opium cultivated in 2007 was one of the largest ever, at about \$1 billion, while the value of the processed opium reaching the export dock was many times that amount. In 2008, farmers' income from opium did drop by a quarter. But the most likely cause was the Taliban's de-

cision to tighten world supplies again in order to raise export prices – not success in eradication efforts.

The pervasiveness of the opium industry complicates counter-narcotics policies in Afghanistan. The United Nations estimates that 7 percent of the Afghan population profits directly from the drug trade. And this number does not include the families of the itinerant laborers hired during harvest times, or the multiplier effect as drug profits are spent on a thousand goods and services in a thousand hamlets. U.S. officials point to the real estate boom and business activity visible in many Afghan cities as signs of economic progress. But the reality is that the economic machinery heavily depends on opium for fuel.

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Vicious circles abound. Some 80 to 90 percent of the economy is informal and often illicit – meaning entrepreneurs cannot become sizable registered businesses and the government cannot collect taxes. In turn, a weak government with insufficient funds and limited technical expertise cannot provide the economy with the support it needs to grow. Nor can it provide the security from violence or the infrastructure – everything from health care to education – that Afghanistan needs to create a civil society.

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The opium economy is the linchpin of this vicious cycle – a formidable force with a vested interest in preventing nation-building. And the longer opium dominates the economy and polity, the harder it will be to move ahead.

### TOWARD A SOLUTION?

While NATO alliance members agree on the magnitude of the opium threat, there is little accord on what to do about it. That's not surprising in light of the alliance's problematic experiences in attacking the business in the past.

### Crop Substitution

In its initial opium eradication effort, Britain (the NATO-designated leader in the opium war) offered cash payments to farmers who agreed not to grow poppies. In 2002, when the offer was first made, Afghan farmers produced 3,400 metric tons of opium. Alas, production rose to 3,600 metric tons in 2003, and 4,200 metric tons in 2004.

The most obvious explanation for the pro-

gram's failure was that growing poppies remained more lucrative than going on the dole. In 2003, gross poppy income per hectare (2½ acres) was \$12,700. And even in 2004, when bad weather created relatively poor growing conditions, gross income per hectare was \$4,600. In contrast, the British offered farmers only \$1,235 per hectare not to grow poppies, to which another \$390 per hectare could be earned by growing wheat.

Britain spent \$70 million, to little effect. Indeed, the policy actually proved to be counterproductive: some farmers planted poppies

for the first time so that they, too, would be paid not to grow them in the future.

Even when farmers decided to switch crops, they were apt to be disappointed. Since there was no banking system to deliver the crop-substitution money, the British were forced to disperse the funds through local warlords, who diverted much of the money to their own purposes – in particular, to buying arms. So the scheme was doubly ineffective, losing the hearts and minds of the rural population even as it bankrolled the anti-coalition warlords.

Still, new substitution programs continue to be proposed. One suggestion is to encourage production of high-value crops, like apricots, for which Afghanistan was once famous. Unfortunately, it takes seven years for an apricot tree to bear fruit after it is planted, and most of the mature trees not devastated during the Soviet occupation have been chopped down to make room for poppies.

Kandahar, some 300 miles southwest of the capital, produces perhaps the world's best

pomegranates, a fruit currently in demand for its antioxidant content and possible healing properties. And last November, the Afghan agriculture ministry and the U.S. Agency for International Development held a World Pomegranate Fair at a model farm on the edge of Kabul. The organizers pointed out that pomegranate prices had quadrupled in

may be its own success. Opium prices have dropped over the past four years, almost certainly because the supply from Afghanistan consistently outstripped global demand. Meanwhile, grain prices were rising. Hence, the net-revenue gap between opium and wheat has narrowed from 10:1 to around 3:1. But any market-induced switch to grain culti-



five years, making the fruit a potential rival in profitability to the poppy.

But pomegranate cultivation requires both capital and infrastructure, which are hardly found in abundance in Afghanistan. The creation of viable pomegranate farms is hindered by a lack of fertilizer and pesticides, a poor road network, and shortages of electricity, cold-storage depots and modern packing facilities. Add to this depressing picture the reality that the only way to get crops out of Afghanistan is to fly them out, and it is hard not to conclude that the as-yet-unborn pomegranate industry – for that matter, licit Afghan agriculture in general – is hopelessly uncompetitive in export markets.

The opium poppy's most potent adversary

is probably self-limiting. While rising food prices and falling opium prices may induce some voluntary crop substitution, the incentive to grow a lot of poppies is likely to remain strong because Afghanistan remains the best place in the world to grow an illicit crop in great volume.

### **Eradication**

Many United States authorities champion the technological fix – aggressive eradication using aerial fumigation. But this approach has some distinct drawbacks. While it is certainly possible to destroy a lot of poppies with fungus or herbicides, these treatments put licit crops grown nearby at risk. The collateral damage problem is especially worrisome because

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United States forces must spray from altitudes high enough to avoid anti-aircraft fire. And, judging by the experience with high-altitude coca-plant eradication in Colombia, such spraying is sure to be inaccurate.

The problem is not hypothetical: back in 2004, farmers from the eastern Nangarhar province complained that the United States

tion in one area more often than not merely pushes production to another – from north to south in the case of Afghanistan.

Note, moreover, that a partly successful poppy eradication effort in Afghanistan – probably the best that could be expected – might well increase the revenues generated by the remaining crop. It is a safe assumption that the demand for raw opium is not very

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had sprayed their fields. The Afghan Transitional Government sent a delegation to investigate, and the minister of health confirmed that aerial spraying of an unknown chemical had occurred. It reportedly caused serious damage to other crops, as well as skin ailments and breathing problems for local residents. Both the United States and Britain have denied any involvement.

Even if it were possible to avoid collateral damage in spraying, suppressing opium production would face serious obstacles. The poppy is such a valuable crop that farmers would almost certainly go to great lengths to conceal their acreage from prying eyes. Accordingly, a major forced reduction in poppy cultivation could be achieved only if the poppy police used draconian means. Under the Taliban's successful (but brief) suppression of opium farming, enforcers employed terror as inducement – punishment for growing poppies ranging from summary execution to starvation. In addition, as the history of drug eradication programs in Latin America and Asia shows, shutting down produc-

sensitive to price changes. So the loss of volume would be more than made up for by an increased price per unit. The likely result: even more money available to corrupt the governance of Afghanistan and to support the Taliban fighters.

### The UNODC Approach

The United Nations Office on Drugs and Crime contends that drugs and poverty must be fought simultaneously if there is to be any success in breaking the hold of the drug economy. It's hard to argue with the agency's logic: if alternative crops cannot generate sufficient income, poppy eradication alone would simply compound poverty, further alienating the rural population and depopulating vast stretches of Afghanistan.

UNODC offers a laundry list of supplementary measures ranging from the removal of corrupt provincial governors to disarming private militias to conditioning future development assistance for farming communities on their success in eradicating poppies. But that's a bit like prescribing the renunciation

of violence as the remedy for war.

Who is in a position to remove the offending governors? Who could plausibly argue that the new governors would not be as corrupt as their predecessors? Who would disarm the militias? What reason would the warlords have to change their savage ways?

### **Cultivation for Licit Use**

If you can't lick 'em, how about joining 'em? Economists, including Deepak Lal of UCLA, and think tanks, including the International Council on Security and Development (previously known as the Senlis Council), argue that it would make sense to buy the whole Afghan opium poppy crop, then process it for medical use. And at least some policymakers are inclined to give this approach a try: a proposed pilot program has received the backing of the European parliament.

ICOS reasons that the transition would kill two proverbial birds with one stone. Their analysts argue that "there is significant global shortage of opium-based medicines like morphine and codeine" and that the resulting "high prices and stringent and inappropriate market regulation mean that too many people are dying in pain, particularly in the developing world."

The international council suggests that facilities be built in Afghanistan to process the poppy crops into morphine. Such a plan, it claims, would help build an Afghani infrastructure for producing medicines, while helping to stabilize regions where insurgency is rife. ICOS points to the success of similar initiatives in Turkey and India, both of which managed to co-opt illicit opium producers by purchasing the crop for medical use.

The numbers, however, may not add up. Tasmania, Turkey and India currently have considerable acreage devoted to poppies. There simply may not be sufficient demand

for medical opiates to absorb the supply now available illegally in Afghanistan. Consider, too, that conversion of existing poppy acreage to legal uses wouldn't necessarily eliminate the incentive to produce opium for the illegal market as well. On the contrary: if paying farmers not to grow opium has failed to curb poppy cultivation, then paying them to grow it will most likely increase production.

Indeed, given the strong demand for illicit opiates, poppy cultivation would most likely move to more remote locations in Afghanistan – thereby preserving the incomes of warlords who have a strong interest in destabilizing the Kabul government and, of course, the income of the Taliban fighters.

### **MUDDLING THROUGH**

There is no silver bullet, no good (let alone, perfect) way to wean the Afghan economy from its dependence on opium in the immediate future. The World Bank, for its part, has counseled a pragmatic approach – what it calls an "alternative livelihoods" program. That seems to be another name for doing the best we can to chip away at Afghanistan's sobering economic problems by creating jobs and business opportunities in familiar ways: investing in job-creating industry and the infrastructure (ranging from decent roads to education to a functional banking system) required to support them. To have any chance of success, the bank adds, the development effort would have to be accompanied by a sustained commitment to suppressing opium production and denying the Taliban control of the countryside.

Such a program would take time to make a decisive difference – if it ever made one at all. It took 30 years to eliminate poppy cultivation in Thailand. Are Afghanistan's foreign patrons prepared to stay the course? There is little reason to be optimistic. **M**