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AFGHANISTAN'S NARCO WAR: BREAKING THE LINK BETWEEN DRUG TRAFFICKERS AND INSURGENTS

A REPORT

TO THE

COMMITTEE ON FOREIGN RELATIONS

UNITED STATES SENATE

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LETTER OF TRANSMITTAL

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC, August 10, 2009.

DEAR COLLEAGUE: The administration is several months into its ambitious new strategy in Afghanistan, and we are seeing the first effects of the increases in military and civilian resources. One of the emerging changes is on counter-narcotics policy. In the past, our emphasis was on eradication. Today, we are focused for the first time on breaking the link between the narcotics trade and the Taliban and other militant groups. To accomplish that important goal, the administration and our military commanders have made targeting major drug traffickers who help finance the Taliban a priority for U.S. troops. In addition, a new intelligence center to analyze the flow of drug money to the Taliban and corrupt Afghan officials is beginning operations and plans are under way to create an interagency task force to pursue drug networks. The attached report represents the findings of research conducted by the committee staff in Afghanistan, the United Arab Emirates and the United States. The report describes the implementation of the new counter-narcotics strategy and offers recommendations. We also hope that the report will provide new impetus for a national debate on the risks and rewards associated with our increasing commitment to the war in Afghanistan.

Sincerely,

JOHN F. KERRY,
Chairman.

AFGHANISTAN'S NARCO WAR: BREAKING THE LINK BETWEEN DRUG TRAFFICKERS AND INSURGENTS

EXECUTIVE SUMMARY

At the end of March when President Obama fulfilled his pledge to make the war in Afghanistan a higher priority, he cast the U.S. mission more narrowly than the previous administration: Defeat Al Qaeda and eliminate its safe havens in Afghanistan and Pakistan. To accomplish these twin tasks, however, the President is making a practical commitment to Afghanistan that is far greater than that of his predecessor—more troops, more civilians, and more money. As the American footprint grows, so do the costs. July was the deadliest month yet for American and coalition troops in Afghanistan, and military experts predict more of the same sad trajectory in the coming months.

As part of the military expansion, the administration has assigned U.S. troops a lead role in trying to stop the flow of illicit drug profits that are bankrolling the Taliban and fueling the corruption that undermines the Afghan Government. Tens of millions of drug dollars are helping the Taliban and other insurgent groups buy arms, build deadlier roadside bombs and pay fighters. The emerging consensus among senior military and civilian officials from the United States, Britain, Canada and other countries operating in Afghanistan is that the broad new counter-insurgency mission is tied inextricably with the new counter-narcotics strategy. Simply put, they believe the Taliban cannot be defeated and good government cannot be established without cutting off the money generated by Afghanistan's opium industry, which supplies more than 90 percent of the world's heroin and generates an estimated $3 billion a year in profits.

The change is dramatic for a military that once ignored the drug trade flourishing in front of its eyes. No longer are U.S. commanders arguing that going after the drug lords is not part of their mandate. In a dramatic illustration of the new policy, major drug traffickers who help finance the insurgency are likely to find themselves in the crosshairs of the military. Some 50 of them are now officially on the target list to be killed or captured. Simultaneously, the U.S. has set up an intelligence center to analyze the flow of drug money to the Taliban and corrupt Afghan officials, and a task force combining military, intelligence and law enforcement resources from several countries to pursue drug networks linked to the Taliban in southern Afghanistan awaits formal approval.

An equally fundamental change is under way on the civilian side of the counter-narcotics equation. The administration has declared

that eradication of poppies, the mainstay of the former administration, is a failure and that the emphasis will shift to promoting alternative crops and building a legal agricultural economy in a country without one for 30 years. This marks the first time the United States has had an agriculture strategy for Afghanistan.

The attempt to cut off the drug money represents a central pillar of counter-insurgency strategy—deny financing to the enemy. This shift is an overdue move that recognizes the central role played by drug traffickers and drug money in the deteriorating situation in Afghanistan. While it is too early to judge whether this will be a watershed, it is not too early to raise questions about whether the goals of the counter-narcotics strategy can be achieved. Is it possible to slow the flow of drug money to the insurgency, particularly in a country where most transactions are conducted in cash and hidden behind an ancient and secretive money transfer system? Does the U.S. Government have the capacity and the will to provide the hundreds more civilians required to carry out the second step in the counter-narcotics program and transform a poppy-dominated economy into one where legitimate agriculture can thrive? Can our NATO allies be counted on to step up their contributions on the military and civilian sides at a time when support for the war is waning in most European countries and Canada?

The ability to stop—or at least slow—the money going to the insurgency will play a critical role in determining whether we can carve out the space required to provide the security and economic development necessary to bring a level of stability to Afghanistan that will prevent it from once again being a safe haven for those who plot attacks against the United States and our allies. But counter-narcotics alone will not win the war. The new strategy is one aspect, albeit an important one, of the administration's decision to move troops into Afghan villages and shift more resources to building a functioning and legal economy.

The scope of development needed to create jobs, promote alternatives to growing poppy and train Afghan security forces is enormous. Unlike Iraq, Afghanistan is not a reconstruction project—it is a construction project, starting almost from scratch in a country that will probably remain poverty-stricken no matter how much the U.S. and the international community accomplish in the coming years.

The administration has raised the stakes by transforming the Afghan war from a limited intervention into a more ambitious and potentially risky counter-insurgency. This transformation raises its own set of questions. How much can any amount of effort by the United States and its allies transform the politics and society of Afghanistan? Why is the United States becoming more deeply involved in Afghanistan nearly eight years after the invasion? Does the American public understand and support the sacrifices that will be required to finish the job? Even defining success remains elusive: Is it to build a nation or just to keep the jihadists from using a nation as a sanctuary?

These core questions about commitment and sacrifice can be answered only through a rigorous and informed national debate, sparked by Congress with the support of the administration. The American people need to understand the extent of our country's in-

volvement in Afghanistan and neighboring Pakistan and try to reach a consensus to help guide policymakers and the President and his team.

The Senate Foreign Relations Committee has held a series of public hearings in recent months focusing on the evolving policies toward Afghanistan and Pakistan. In an effort to stimulate a larger debate, the committee plans another round of hearings, beginning soon after Congress returns from the Labor Day recess. As part of that effort, the committee staff prepared this report examining the new counter-narcotics strategy as a way of evaluating the overall policy being put in place by the administration in Afghanistan. The report examines the counter-narcotics policy and addresses these questions in six chapters, followed by a set of recommendations.

1. The Fruits of Neglect—Recent Rise of the Drug Trade
2. Why Eradication Failed—2001 to 2008
3. How the Taliban Exploits the Drug Trade
4. Implementing New Strategies for Afghanistan
5. A Metaphor for War—the Battle of Marjah
6. The Missing Civilian Component
7. Recommendations for Afghanistan

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1. The Fruits of Neglect—Recent Rise of the Drug Trade

Beyond the tragic fact that Afghan opium is flooding Europe, the real problem for U.S. and coalition forces is the amount of drug profits being paid in taxes and protection money to the Taliban and other insurgents.

Stemming this flow requires an understanding of the evolution of the drug trade in Afghanistan over the past three decades. It also requires the overdue acknowledgement that the drug situation has deteriorated sharply under the stewardship of the Government of President Hamid Karzai, the United States and NATO-led International Security Assistance Force (ISAF).

Opium poppies have been grown in Afghanistan throughout its history. Hearty plants that thrive even under harsh conditions, they are cultivated for their gummy sap, which is converted into opium paste. Some paste is processed into heroin at dozens of crude labs in Afghanistan and the rest is smuggled out along with the processed heroin via three principal routes: Pakistan in the west, Iran in the east and Tajikistan in the north.

The United Nations Office on Drugs and Crime (UNODC) estimates that Afghanistan now produces more than 90 percent of the world's opium. While the agency says that acreage under cultivation dropped this year and more provinces are "poppy free," opium yield and the resulting profits in 2009 are expected to remain about the same as in the last two years.

While opium poppies have a long history in Afghanistan, the country was not always the world's biggest opium supplier. At the time of Afghanistan's pro-Communist coup in 1978, Afghan farmers were producing an estimated 300 tons of opium annually. It was enough to satisfy local and regional demand and supply a handful

of heroin production labs that sold their product to Western Europe. Most of the poppies were grown in the less fertile areas of the northern part of the country because the productive land in Helmand and other southern provinces was the country's bread basket, producing enough wheat, fruit and vegetables to make Afghanistan self-sufficient and account for some exports.

In the period that followed the Soviet invasion of 1979, Afghanistan was dragged through a decade of brutal warfare. Livestock was killed, American-built irrigation systems from the 1950s and 1960s were destroyed and roads were ruined. The country's ability to grow food and get it to market plunged. Desperate to earn money to pay for imported food, Afghan farmers turned to the one product that grew with little water and was relatively easy to transport—opium. Like a seesaw, opium production rose as food production dropped.

Poppy remained the crop of choice under the warlords who replaced the Soviets and the Taliban who took power in 1995. Afghanistan produced 4,500 tons of opium in 1999, roughly 15 times the output of 20 years earlier. The huge increase sent heroin cascading across Europe and the former Soviet Union, leading to pressure on the Taliban to reduce production. Eager to end its virtual isolation by the international community and profit from its own stockpiles of opium, the Taliban announced a ban on poppy cultivation in late 2000. The fundamentalists in their black turbans enforced the fragile ban through a complex process of persuasion, negotiation and coercion, resulting in a sharp reduction in output to 185 tons in 2001. The shift was praised by the United States and other countries, but it was soon undone.

Unintended Consequences of the Invasion

Events in the fall of 2001 changed the equation, laying the groundwork for the nexus between the drug trade, the insurgency and government corruption that defines Afghanistan today. The U.S. ouster of the Taliban had the unintended consequence of eliminating the ban on cultivation. Poppy farmers were eager to plant more crops to recoup losses incurred when the Taliban stopped most production. According to the UNODC, production jumped more than 16 fold to 3,400 tons for the harvest in the fall of 2002. Afghanistan was back in the opium business. The dramatic rebound in just a year demonstrated the resilience of poppy farmers who had few other ways to feed their families.

Another factor influenced the escalation of opium production. After the invasion, the Central Intelligence Agency and U.S. Special Forces put regional and local warlords and militia commanders on their payroll to undermine the Taliban regime and go after Al Qaeda operatives. Despite alliances with the opium trade, many of these warlords later traded on their stature as U.S. allies to take senior positions in the new Afghan Government, laying the groundwork for the corrupt nexus between drugs and authority that pervades the power structure today.

Barnett R. Rubin, a scholar of Afghanistan at New York University and now a senior advisor to Ambassador Richard C. Holbrooke, the administration's envoy to Afghanistan and Pakistan, saw this transition as a defining moment in the evolution of the drug trade

and governance in Afghanistan. "The empowerment and enrichment of the warlords who allied with the United States in the anti-Taliban efforts, and whose weapons and authority now enabled them to tax and protect opium traffickers, provided the trade with powerful new protectors," he wrote in a 2004 paper, Road to Ruin: Afghanistan's Booming Opium Industry. "Opium production immediately resumed the growth path it was on before the Taliban ban."

Total income from producing, processing and trafficking in opium in 2003 had soared to $2.3 billion, roughly half of the country's legal and illegal gross domestic product. By the following year, some U.S. leaders recognized that drugs were propelling the country down the wrong path. Zalmay Khalilzad, the previous administration's special envoy and ambassador to Afghanistan, acknowledged at the time that "rather than getting better, it's gotten worse. There is a potential for drugs overwhelming the institutions—a sort of narco-state."

Despite the warning signals, the U.S. military and CIA did not consider counter-narcotics part of their mission and failed to recognize the early signs linking the drug traffickers to the insurgents. Little Afghan heroin makes it to the United States, but Afghan heroin floods British streets, so the British took the lead on developing a counter-narcotics strategy for Afghanistan. But their effort suffered from chronic personnel shortages and contradictory policies among ISAF members. For example, some countries prohibited their troops from carrying out operations against the drug trade.

See No Evil

American troops had the option of destroying drug shipments and supplies encountered in the larger context of patrols and fighting, but there were no direct orders compelling them to do so—and it is clear that many commanders and others saw drugs as a distraction. In the best-selling book *State of War,* author James Risen described an Army Green Beret who said he was "specifically ordered to ignore heroin and opium when he and his unit discovered them on patrol." On a broader level, congressional committees received reports that U.S. forces were refusing to disrupt drug sales and shipments and rebuffing requests from the Drug Enforcement Administration for reinforcements to go after major drug kingpins.

Efforts by officials outside the military to move narcotics up the priority list fell on deaf ears. In late 2004, Assistant Secretary of State Bobby Charles, who ran the department's Bureau for International Narcotics and Law Enforcement, was growing increasingly concerned over the worsening drug crisis in Afghanistan. "We needed to be pro-active," he recalled in an interview with the committee staff. "If we let it go for even one year, I knew we would lose it."

At one point, Charles argued to Secretary of Defense Donald Rumsfeld that stopping the drug trade should be made an explicit part of the military mission in Afghanistan. Charles remembers that Rumsfeld initially seemed to agree, but the Pentagon's senior generals, already suffering from a drain on resources for the Iraq war, resisted strongly. Charles said Rumsfeld turned him down. It was, Charles says, a monumental error that opened the door for the steadily rising opium production and deepening ties between the drug traffickers and the insurgency.

The difficulty of persuading the U.S. military to play a role in counter-narcotics persisted throughout the previous administration. Even after NATO agreed that drug labs could be attacked in late 2008, the Pentagon resisted and no effort was approved until early 2009, according to a former senior U.S. general involved in the discussion. Instead the focus was on eradicating poppy cultivation, a half-step that had little chance of success from the outset in part because of circumstances unique to Afghanistan and in part because of a lack of resources.

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2. WHY ERADICATION FAILED—2001 TO 2008

The resurgence of Afghanistan's poppy culture in the years after the U.S. invasion forced U.S. civilian agencies to get more deeply involved in the counter-narcotics effort even as the military ignored the problem. The effort failed and has been rejected by the new administration.

Eradication in particular was seen as a silver bullet or at least the centerpiece of counter-narcotics efforts by many in the previous administration, including former U.S. Ambassador to Afghanistan William Wood, who largely based his assessment on U.S. success in Colombia where he was ambassador from 2003 to 2007.

The State Department's counter-narcotics strategy for Afghanistan, which was developed in 2004 and retooled in 2007, focused on five pillars: Poppy elimination and eradication; interdiction and law enforcement; justice reform and prosecution; public information; and alternative crop development. Each pillar, however, was not weighted equally in terms of attention and resources, with alternative livelihoods receiving the short end of the stick and eradication becoming the primary focus. Perhaps more important, success was measured primarily on levels of cultivation in a given year and few resources were devoted to incorporating a counter-narcotics strategy into a broader state-building and economic development policy.

Early signs of progress were misunderstood. Eradication's supporters argued that they were winning the war against drugs when the 2005 poppy harvest turned out to be smaller than the previous year. Unfortunately, the reduction was primarily because of poor weather and the harvest was back up the following year. The fact is that U.S. counter-narcotics efforts—with eradication in the driver's seat—were artificially separated from broader efforts to defeat the insurgency and even drove some farmers and landowners into the arms of the Taliban because it failed to provide alternative livelihood options.

Grounding Eradication

The Afghan Government agreed to the concept of eradication, but it insisted that eradication be delivered only by manual or mechanical ground-based means. The effect was to reduce efforts to men dragging metal bars across poppy fields behind all-terrain vehicles to knock down plants. It was inefficient, slow and dangerous. Crews often came under fire from the Taliban and gunmen working directly for the traffickers and growers. In 2007, the latest year for

complete statistics, the UNODC reported that 15 Afghan police officers were killed and 31 were injured during eradication campaigns.

The most effective method for widespread eradication is widely understood to be aerial spraying, the technique used to eliminate huge portions of Colombia's coca crop. Crop dusters can drop herbicides on vast fields in a short time, outside the range of insurgent fire. But the Afghan Government, Britain and other countries opposed aerial spraying for a variety of reasons. Explaining the benefits and safety of spraying would be difficult in a country with a literacy rate of only 28 percent. More significantly, the tactic would give the Taliban a dynamic propaganda victory. "If we began aerial spraying of poppy crops, every birth defect in Afghanistan would be blamed on the United States," said Ronald Neumann, a former U.S. ambassador to Afghanistan. "Afghans also still remember that the Russians dropped small bombs disguised as toys. Every time a child picked one up, death and destruction resulted. The general belief is that bad things come from planes."

Others offer a more sinister interpretation of the refusal of Afghan officials to allow aerial spraying. In 2004 and 2005, Charles and other State Department counter-narcotics officials thought that they had reached an agreement among a large number of influential clerics and tribal leaders in southern Afghanistan to support aerial spraying. President Karzai agreed tentatively to a pilot project. But the Aghan cabinet rejected the idea outright, banning all forms of aerial spraying. "Some of them were protecting the source of their own wealth," said Charles in the recent interview.

Gone Today, Here Tomorrow

Without access to aerial spraying, eradication does not work without the sort of massive show of force and persuasion demonstrated by the Taliban in 2000. Research shows that without alternative crops, farmers invariably return to poppy once the eradication teams are gone. Half the villages where the U.S. eradicated poppy in 2007 simply planted the crop again in the fall of 2008. In some cases, farmers increased the land under poppy cultivation to make up for losses from crops destroyed the previous year. Eradication also has the added disadvantage of imposing the hardship on the people at the bottom of the pyramid—farmers who have to harvest crops to feed their families and pay debts—rather than targeting the traffickers and their protectors.

Conventional wisdom holds that most opium farmers likely would stop opium poppy cultivation if they had access to an alternate livelihood, but few have realistic substitutes available to test the theory. Moreover, the lack of roads, irrigation systems, and storage facilities makes growing wheat, fruits, vegetables and other perishables extremely difficult. Many peasant farmers find themselves trapped by debt and feel they are left with no alternative but to grow opium poppy, which can be stored for long periods and is more easily transported. Others grow poppy simply because it pays well (see Appendix 1).

The Taliban and its associates in the drug trade make the poppy business as easy as possible by offering "one-stop shopping." At the start of planting season in the fall, they provide farmers with loans to buy poppy seeds and feed their families over the winter. When

the growers cultivate and harvest the poppy in the spring, the Taliban provides security and workers to help in the fields. At the end of the harvest, the traffickers return to collect the poppy and pay the farmers the remainder of their money. The Taliban and traffickers conduct all of their business at the farm gate, so the farmers never have to worry about transporting or selling their crop.

There has been some success. The number of poppy-free provinces has dramatically increased from 0 in 2004 to 18 in 2008 to an expected 22 or 23 later this year. But David Mansfield and Adam Pain, counter-narcotics and rural livelihood experts with the Afghanistan Research and Evaluation Unit, argue that measuring success based on the number of poppy-free provinces confuses correlation with causality and "reflects a fundamental failure to understand the different determinants of cultivation and how these vary by location and socioeconomic group."

Officials with the UNODC in Kabul and American experts said the opium yield for 2008 was about the same as the previous year because farmers had been using high-quality fertilizer smuggled in from Pakistan to produce more poppies per acre. They predict a similar high yield this year once the harvest estimate is completed, particularly in the volatile south. In a report issued in June, the UNODC highlighted the link between drug-producing areas and the insurgency, saying: "Opium poppy cultivation continued to be associated with insecurity. Almost the entire opium poppy-cultivating area was located in regions characterized by high levels of insecurity."

A Dramatic Change of Strategy

In late June, Ambassador Holbrooke announced that the administration was abandoning wide-scale eradication at the G-8 conference in Trieste, Italy. He said that the United States would shift from its strategy from destroying poppy fields to interdicting drug supplies, destroying processing labs that turn opium into heroin, and promoting alternative crops. He also said the State Department would phase out funding for eradication, transferring the money to agriculture assistance efforts.

Eradication has proven an expensive failure. DynCorp International, a major U.S. Government contractor, has been paid $35 million to $45 million a year to supervise manual eradication efforts most often carried out by Afghans paid a few dollars a day. In addition, the State Department has been spending around $100 million annually on aircraft used in eradication and counter-narcotics programs.

But complete elimination of eradication programs is regarded by most military commanders and civilian officials as a step too far. They said that Afghan governors should retain the authority to continue to conduct poppy eradication. Ample evidence shows that the credible threat of eradication can persuade farmers to cultivate legal crops in areas where there is good security and at least fair governance.

"Eradication should be part of a comprehensive counter-narcotics strategy," said a senior U.S. military officer who works in Helmand Province, the biggest poppy-producing part of Afghanistan and the

place where the governor has used the threat effectively in his campaign to replace poppies with legitimate crops.

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3. How the Taliban Exploits the Drug Trade

As it reconstituted from a defeated government to an insurgency force, the Taliban developed a sophisticated multipronged scheme for raising money from the opium trade. The money has played a critical role in financing the resurgence of the militants.

The adoption of the new financing strategy coincided roughly with the increase in attacks on U.S. and coalition forces in 2006. Some, like journalist Gretchen Peters, the author of the recent book *Seeds of Terror,* say the Taliban has transformed itself into something closer to the Mafia than a traditional insurgency, particularly in its stronghold of southern Afghanistan. "The Sopranos are the real model for the Taliban," Peters told the committee staff. "They are driven by economic factors. Remember, the Mafia started out as an insurgency in Sicily."

Like the Mafia, the Taliban is not a monolith, but a collection of insurgent groups—"families" in mob parlance—operating with varying degrees of autonomy in Afghanistan and Pakistan. Central figures in the fallen Taliban government like Mullah Omar control the insurgency in Pashtun-dominated southern Afghanistan and pockets in the north and east. Factions like the network of warlord Jalaluddin Haqqani operate in eastern Afghanistan and western Pakistan. These insurgent groups formed alliances with drug traffickers that are opportunistic and tactical, rather than strategic. For the insurgents, the cooperation with the traffickers is chiefly to raise money to finance operations, though there are reports that insurgent leaders have grown rich off the drug trade. For the traffickers, they pay for protection and intimidation if it is required.

To raise money, the Taliban runs a sophisticated protection racket for poppy farmers and drug traffickers, collecting taxes from the farmers and payoffs from the traffickers for transporting the drugs through insurgent-controlled areas. They also demand large payments to the group's exiled leadership. The payment system can be broken down this way:

- Taliban commanders charge poppy farmers a 10 percent tax, called an *ushr,* on the product at the farm gate.
- Taliban fighters augment their pay by working in the poppy fields during harvest.
- Small traders who collect opium paste from the farmers pay the Taliban a tax, and truckers pay them a transit tariff for each kilo of opium paste or heroin smuggled out of the country.
- The Taliban is paid for protecting the labs where the paste is turned into heroin.
- Finally, the biggest source of drug money for the Taliban is the regular payments made by large drug trafficking organizations to the Quetta shura, the governing body of the Taliban whose leaders live in Quetta, the Pakistani border city.

Where Does the Money Go?

No one knows how much money the Taliban collects from the drug trade. The UNODC estimates that the total value of Afghan drugs last year was in the range of $3 billion, which would be the equivalent of 25 percent of the country's current gross domestic product if all the money returned to Afghanistan. But there is no effective mechanism for monitoring how much of that money finds its way back, how much goes to the Taliban and how much is siphoned off by corrupt officials and stashed outside the country. Afghanistan is a still a predominantly cash economy in which most transactions are executed by hawala dealers, who operate an age-old informal money transfer system that moves money around the country and throughout the world cheaply and quickly, leaving little paper trail (see Appendix 2).

The result is that estimates of drug money going to the insurgency vary wildly. U.S. officials in Afghanistan said the CIA and the Pentagon's Defense Intelligence Agency estimate annual Taliban revenue from drugs at about $70 million a year. Outsiders like Peters have put the figure as high as $500 million a year. In 2008, the UNODC estimated that the Taliban and militant offshoots collected $400 million in taxes and protection payments from the drug trade.

But doubts crept in among senior UNODC analysts, so this year they revised the way they calculated the drug proceeds. Later this summer, the agency plans to release a new estimate that will put the amount of drug payments in taxes and protection money to the Taliban at around $125 million. In explaining the sharp disparity, officials at the agency's Kabul office said they had miscalculated by extrapolating figures from the opium-producing, Taliban-controlled provinces of Kandahar and Helmand to cover the entire country.

The insurgency is a relatively cheap war for the Taliban to fight, and $125 million a year buys a lot of rifles, explosives and rocket-propelled grenade launchers and pays a lot of foot soldiers. American commanders dub the fighters "$10 Taliban" because that is what they are paid for a day's fighting—more than most policemen earn. They can collect double or triple pay for planting an improvised explosive device.

Surprisingly, there is no evidence that any significant amount of the drug proceeds go to Al Qaeda. Contrary to conventional wisdom, numerous money laundering and counter-narcotics experts with the United States Government in Afghanistan and Washington said flatly that they have seen no indication of the Taliban or traffickers paying off Al Qaeda forces left inside the country. "A lot of people have been looking for an Al Qaeda role in drug trafficking and it's not really there," said a senior State Department official involved in the region.

Instead, officials in Afghanistan and Washington said the remnants of Osama bin Laden's organization in Afghanistan, like the elements of the terrorist group inside Pakistan, are financed primarily by contributions from wealthy individuals and charities from the Persian Gulf countries and some nongovernmental organizations working inside Afghanistan.

The Scope of Corruption

Just as getting a handle on the amount of drug money flowing to insurgents is proving difficult, so is building cases against major traffickers and corrupt government officials. The United States and the United Kingdom have trained specially vetted Afghans to prosecute and preside over trials in a special drug court. In the year that ended in March, the court convicted 259 people on drug charges, which carry a minimum sentence of 10 years in prison. But those convicted were low-level to medium-level figures; no major traffickers have even been arrested in Afghanistan since 2006. The court itself ran into some trouble recently when the chief judge was dismissed after he failed the polygraph test administered every 90 days to the vetted personnel.

Afghanistan has long had a reputation for low-level corruption, what many people call "functional corruption." Local political leaders required small payments for services, but people tended to benefit because the locals returned something of greater value to them. In recent years, however, corruption has become more systematic and greedy leaders at the district, provincial and national levels have taken payoffs without returning anything to the people.

American officials told committee staff about several Afghan officials suspected of corruption—a governor who is expected to be fired after the August 20 election, two police chiefs on whom the U.S. military has accumulated extensive dossiers outlining collaboration with drug traffickers and a handful of senior officials at ministries in Kabul. A senior State Department official involved in Afghanistan told the committee staff that police chiefs in poppy-dominated districts pay as much as $100,000 to get appointed to a job that pays $150 a month, with the knowledge that they will recoup far more in bribes and kickbacks. Yet efforts to track down illicit assets have gone nowhere, according to U.S. and United Nations officials.

Nowhere is the corruption worse than in the huge payoffs from drug traffickers. In a country where the drug business is so pervasive and laws so difficult to enforce, accusing someone of drug dealing is easy—proving or disproving the charges is tough. A frequent target of such accusations is Ahmed Wali Karzai, the powerful head of the Kandahar Provincial Council and one of the President's brothers. Stories about him are legendary—how Afghan police and military commanders who seize drugs in southern Afghanistan are told by Ahmed Wali to return them to the traffickers, how he arranged the imprisonment of a DEA informant who had tipped the Americans to a drug-laden truck near Kabul, how his accusers often turn up dead. No proof has surfaced, and he and President Karzai have denied the accusations.

Ahmed Wali Karzai's reputation came up not long ago when a senior U.S. diplomat, his British counterpart and the country chiefs of their two intelligence services met with President Karzai. The U.S. diplomat told the committee staff that he suggested to the President that his brother was involved in drugs and that perhaps he should be sent out of the country as an ambassador.

"Is there hard evidence that my brother has drug links?" asked President Karzai, according to the diplomat.

"There is no evidence in a judicial sense," said the diplomat. "There is rumor and circumstantial evidence."

Last year, the Afghan President offered a sweeping denial to the German magazine *Der Spiegel*. "This is really a lot of rubbish," he said. "I have thoroughly investigated all of these allegations and of course none of them are true."

Questions have been raised in the past about whether the United States has the political will to go after influential members of the Government. Officials in Afghanistan said they have adopted a tougher line and expressed a willingness to pursue senior government officials, provided the evidence is available. At a recent interagency meeting to discuss the new initiative, a British official asked at what level the investigators would stop. "We said, if you have evidence, it doesn't matter," a U.S. official told the committee staff. "The new political leadership in the U.S. embassy has told us there is no red line on anybody for corruption."

New Tactics in the Field

The new consensus among U.S. military commanders in Afghanistan that the war cannot be won without severing the links between the drug traffickers, insurgents and corrupt government officials began to get traction as the administration increased resources for the war. When U.S. Marines descended upon the volatile Helmand River Valley in early July, the operation represented the first major test of the new counter-insurgency strategy and counter-narcotics efforts.

The 4,000 troops from the 2nd Marine Expeditionary Brigade, part of the first wave of 21,000 additional troops arriving this year, have pushed into areas where the U.S. and NATO have had little presence in the previous 8 years. Rather than killing Taliban fighters, the Marines are focused on implementing a counter-insurgency strategy by protecting civilians from the Taliban and staying long enough to restore government services and promote alternatives to poppy production. They will be, in effect, sitting amidst the most fertile poppy fields and hoping to hold their ground and force the growers into marginal areas where it is harder to cultivate poppies and riskier to get the opium to market.

In a more dramatic example of the new counter-narcotics strategy in Helmand, the U.S. military bombed an estimated 300 tons of poppy seeds in a dusty field in late July. The aircraft dropped a series of 1,000-pound bombs on the mounds of seeds and followed with strikes from helicopters, according to a CNN reporter who watched the destruction.

The Taliban has retreated and regrouped in response to the increase in U.S. troops, but it is not on the run. By providing a sustained presence in pockets that have been controlled by the Taliban and adopting a tough approach on narcotics, however, the Marines will open the door to civilian workers who can concentrate on developing alternatives to poppy. The new security should also permit the first permanent DEA presence in Helmand Province. Up until now, security conditions have kept the drug agency from maintaining a post within the province that produces half the country's opium. DEA officials say they hope to get four or five agents up and running in Helmand Province as part of a major increase in

resources. By the end of 2009, DEA officials said the number of investigators in Afghanistan will rise to 55 from 5 in addition to rotating DEA paramilitary teams already at work in the country.

If the operation in Helmand Province displaces the Taliban and disconnects the insurgency from one of its prime sources of drugs, it will represent a critical step in implementing the broad counter-insurgency strategy advocated by the administration. But it is only a start. The United States and its allies must develop lasting alternatives to poppy cultivation that will provide an income to farmers, a challenge that requires a big increase in agricultural assistance, road building and water for irrigation—and the people to oversee those projects.

"If we're going to bleed this summer to secure these areas, if soldiers and Marines are going to die, we need a plan to come in behind and build long-term security through development," said Army Brig. Gen. John W. Nicholson Jr., the deputy commander for the six tough provinces that comprise Regional Command South.

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4. Implementing New Strategies for Afghanistan

Fighting the drug traffickers who help finance the Taliban and similar groups is one of the priorities of the new strategy in Afghanistan. Military officers now regard it as part of the mission.

It was not too long ago that American commanders were convinced that the drug problem in Afghanistan was not a military issue. With limited resources, they were understandably worried about what they called "mission creep." Current U.S. Ambassador to Afghanistan Karl Eikenberry, a retired lieutenant general, was wary of engaging troops in counter-narcotics efforts when he was the top military commander in Afghanistan as recently as 2007. Now he says the strategy has evolved, and he embraces the plan to break the links between traffickers and the insurgency. "The narcotics trade is not only a significant source of funding for the insurgency, but also undermines legitimate political and economic development by promoting a culture of corruption and squeezing out licit agricultural growth," Eikenberry said in an email to the committee staff.

Commanders on the ground and the Pentagon now view the war on Afghan drugs as an integral part of the mission, and it is being played out at several locations.

Bagram Air Base lies between mountains and desert 25 miles northeast of Kabul. During the 1980s, it was the main staging area for the Soviets. After the U.S. invasion, Bagram was updated with new buildings, runways and barracks to serve as the bustling U.S. operations center. Tucked away in one of the nondescript buildings is the Afghan Threat Finance Cell (ATFC), a key weapon in the new phase of the war.

The ATFC is modeled after an operation set up in 2005 in Iraq to choke off funds going to Al Qaeda and militias like the Mahdi army of anti-American cleric Moqtada al-Sadr. The Afghan version was established with a skeleton crew earlier this year with the dual mission of disrupting the trafficking networks supporting the

insurgents and collecting information on senior Afghan Government officials suspected of corruption. So far, only about 15 people are in place, but the eventual staff of 60 is expected to reflect an interagency approach—they will come from the Treasury Department, DEA, the FBI and the Defense Intelligence Agency. By the end of 2009, the unit expects to have analysts and investigators poring over evidence gathered by the military, Afghan police and U.S. and international law enforcement and intelligence agencies.

"There is a growing realization that the way to attack the Taliban is to go at the financial network behind the insurgency," one of the financial experts setting up the ATFC told the committee staff. "This is largely a self-financed insurgency, and the number one source of money is drug money."

The unit is part of ramping up to gather intelligence on the nexus between the drug traffickers and insurgents. Another element operates inside an Afghan army compound in Kabul, where the DEA and private contractors have spent months vetting and training Afghan police to join the counter-narcotics police. Training the Afghan army and police is a core goal for the United States and its NATO allies. A key part of the program is developing enough counter-narcotics officers to station the specialized units within police departments in every district across the country. So far 2,000 policemen have passed through the training and been dispatched.

In addition, DEA has worked with the Afghan Ministry of Interior to select and train members of three elite forces—the special investigative unit, which so far has 56 officers who have submitted to polygraphs and trained at the DEA academy in Quantico, Virginia, to investigate drug networks; the national interdiction unit, which is comprised of about 300 paramilitary police officers who mount raids by air and ground on suspected drug centers and traffickers; and the technical investigative unit, whose members are trained to intercept telephone calls involving suspected illicit transactions.

"The top priority is the drug trafficking organizations linked to the insurgency," said Michael Marsac, the DEA country attaché as he guided the committee staff through the training facilities in late June. "There are two types of drug organizations. There are drug traffickers who are supporting the insurgency and there are insurgents who use drugs to fund their operations. We are targeting both."

Gathering hard evidence is difficult in Afghanistan. The police are only beginning to develop the skills for the painstaking investigations required to collect and analyze information. Bribes and intimidation of police, from commanders on down to rank and file cops, are stock in trade for drug traffickers and their protectors. Still, Marsac said he is optimistic and pointed to the new telephone monitoring capability as an important tool.

Last December 18, the switch was flipped to allow the monitoring of cellular phones, the preferred method of communication in a country where landlines are rare. The eavesdropping is sanctioned under Afghan law so long as it is approved by a special court. By mid-summer, 100 Afghan nationals fluent in the many languages and dialects used in the country were monitoring telephone calls involving suspected drug and insurgent activity. The

start has been rocky, with the eavesdropping going fairly well in Kabul but suffering from equipment difficulties and lack of electricity in other major cities like Heart, Kandahar and Jalalabad.

Marsac described one notable success. Last February, Taliban suicide bombers and gunmen attacked government buildings at three sites in Kabul, killing 20 people and wounding nearly 60. The attack was a complex and well-coordinated operation that symbolized the country's deteriorating security situation on the eve of a visit from Ambassador Holbrooke.

A few days later, a special Afghan police unit working with British troops to monitor cell phones in southern Afghanistan picked up chatter about a second attack. The information was relayed to the DEA-trained investigators in Kabul who tracked the phone calls to an apartment in Kabul. Police kicked down the door and arrested six additional suicide bombers.

"Remove Them from the Battlefield"

Soon a new task force targeting drug traffickers, insurgents and corrupt officials is expected to begin formal operations out of Kandahar Air Field in southern Afghanistan. The unit will link the U.S. and British military with the DEA, Britain's Serious Organized Crime Agency (SOCA) and police and intelligence agencies from other countries. While the ATFC at Bagram will primarily gather intelligence and build legal cases, the Joint Interagency Task Force (JIATF) will go after drug networks linked to the insurgency, interdict drug shipments, destroy heroin labs and identify and arrest their protectors in government.

The JIATF is awaiting formal approval in Washington and London, but operations have been coordinated informally through what officers involved call "goodwill" among British, U.S. and Australian personnel. An investigator with SOCA involved in the JIATF described the approach as a critical opportunity to blend military and law enforcement expertise. "In the past, the military would have hit and evidence would not have been collected," he explained. "Now, with law enforcement present, we are seizing the ledgers and other information to develop an intelligence profile of the networks and the drug kingpins."

An American military officer with the project was blunter, telling the committee staff, "Our long-term approach is to identify the regional drug figures and corrupt government officials and persuade them to choose legitimacy or remove them from the battlefield."

The Rules of Engagement, known as ROE, govern the conduct of the U.S. military in Afghanistan, spelling out when and how much force can be used on the battlefield. The precise rules are classified, but two U.S. generals in Afghanistan said that the ROE and the internationally recognized Law of War have been interpreted to allow them to put drug traffickers with proven links to the insurgency on a kill list, called the joint integrated prioritized target list. The military places no restrictions on the use of force with these selected targets, which means they can be killed or captured on the battlefield; it does not, however, authorize targeted assassinations away from the battlefield. The generals said standards for getting on the list require two verifiable human sources and substantial

additional evidence. Currently, there are roughly 50 major traffickers who contribute funds to the insurgency on the target list.

"We have a list of 367 'kill or capture' targets, including 50 nexus targets who link drugs and insurgency," one of the officers explained to the committee staff.

The authorization for using lethal force on traffickers caused a stir at NATO earlier this year when some countries questioned whether the killing traffickers and destroying drug labs complied with international law. Jaap de Hoop Scheffer, secretary general of NATO at the time, said filters had been put in place to make sure the alliance remains within the bounds of the law.

Not every investigation will land someone on the hit list. More often, information will be used to develop cases for prosecution. American officials would like to put Afghanistan's drug kingpins on trial in the United States, where they have more confidence in the judicial system. But those efforts have been largely blocked by the absence of an extradition treaty that would allow Afghans to be transferred to the U.S., a technique employed effectively against Colombian and Mexican cartel bosses. Treaty negotiations have been stalled by Afghanistan's insistence on reciprocity, which would allow Kabul to seek extradition of Americans.

Responding to the Stalemate

The inaction has led to some creative responses by U.S. law enforcement. In October 2008, agents from the DEA and Britain's SOCA tricked Haji Juma Khan, a major kingpin linked to the Taliban who ran his empire out of Quetta, into flying to Indonesia. He was arrested upon arrival in Jakarta and, by prearrangement, deported the next day to New York City, where he is awaiting trial on charges of conspiracy to distribute narcotics and supporting a terrorist organization. American prosecutors say that he moved up to $1 billion worth of opium a year, paying protection to the Taliban and bribes to officials in Afghanistan, Pakistan and Iran. In a similar ruse, Haji Bashi Noorzai, a big-time trafficker with ties to fugitive Taliban leader Mullah Mohammad Omar, was lured to New York and arrested on the pretense of meeting with U.S. officials to discuss curbing poppy cultivation. Noorzai was convicted of heroin smuggling and sentenced to life in prison on April 30.

Had either man been arrested in Afghanistan, they would have wound up in a narcotics court system that is still being developed, under the guidance of prosecutors and other advisers from the U.S. and Britain. So far, the special drug court has convicted low-level and mid-level dealers, but it has not handled any cases against major figures because none has been arrested. In addition to continuing to improve the court's Afghan personnel, officials at the U.S. embassy said they need a team of 10 to 15 experienced prosecutors and investigators to build financial and drug cases against big traffickers.

No one from ATFC or JIATF said disrupting the drug networks and their allies would be fast or easy. Along with the normal difficulties of building a solid case, the investigators and troops face the added obstacles of working in a place where the courts are suspect, witnesses can be killed with impunity and investigators face the threats associated with working in a war zone.

Though the CIA has hundreds of employees in Afghanistan, the new interagency groups are working to fill a gap left by the absence of any concerted effort on the part of the intelligence agency to monitor the money movement between traffickers and insurgents, according to U.S. officials. "I have to ring their neck to get anything out of them," said a senior official at the U.S. embassy in Kabul. "If we don't get a handle on the money, we will lose this war to corruption."

The Regional Spillover—Problems in Pakistan

Afghanistan and Pakistan are separated by a 1,600-mile border known as the Durand Line. The border is isolated, rugged and crisscrossed by thousands of trails; it is well known that militants cross with ease. Less publicized is the freedom of movement enjoyed by drug smugglers, particularly along the 745-mile stretch in the south. Afghanistan's virtually invisible border with the Pakistani province of Baluchistan runs through some of the most desolate and rugged wastelands on the planet, making it ideal for transporting drugs out of Afghanistan and bringing in the precursor chemicals used to process opium paste into heroin. UN officials estimate that about a third of Afghanistan's drug production exits through Pakistan, with most moving from Helmand and Kandahar provinces via land to the Makran Coast on the Arabian Sea for shipment throughout the region by boat.

A recent Defense Department assessment found that the Pakistani Government has a limited capability to conduct counter-narcotics operations on the Makran Coast and in Baluchistan because of the inhospitable terrain, limited resources and lack of political will. The June 18 report was sharply critical of Pakistan's primary Anti-Narcotics Force (ANF), which is under the Ministry of Narcotics Control. "Even though the ANF is the premier counter-narcotics agency in Pakistan, it currently does not have the manpower, nor willing leadership, to effectively counteract the enormity of the narcotics issues throughout the country," said the report. "At this time, Pakistan counter-narcotics capabilities are weak."

A senior U.S. law enforcement official in the region told the committee staff that cooperation between the United States and the ANF is poor. He said major traffickers cross the border from Afghanistan and operate with impunity in Quetta and other Pakistani cities. "They pick up the low-lying fruit," said the official in describing the ANF tactics. "We give them leads on targets. We give them phone numbers of traffickers that they should be interested in. We are constantly doing that. We get smiles, a decent cup of tea, occasional reheated sandwiches and assertions of progress, and we all leave with smiles on our faces."

The lack of cooperation is one reason that the leadership of the exiled Taliban government resides safely in Quetta, the capital of Baluchistan, outside the reach of U.S. forces and flush with cash from the major drug traffickers in Kandahar and Helmand provinces.

Beyond the Pakistan Border

The American focus on the southern border dates back to the mujahedeen connections and it is now reinforced by the arrival of

4,000 new troops. But the border on the north with Tajikistan and Turkmenistan is equally porous and United Nations and American officials estimate that another third of Afghanistan's opium and heroin production goes out through the northern route.

In Tajikistan, the biggest exit point, the United States and the European Union have divided responsibility for working with local authorities to train police and patrol the 835-mile border with Afghanistan. But the mountainous terrain and network of established smuggling trails makes stopping more than a fraction of the drugs impossible, according to U.S. officials in the region.

Poverty also encourages smuggling in Tajikistan, the poorest of the former Soviet states, and it underscores the need for economic development to avoid a failed state on the northern border of Afghanistan. "The current counter-narcotics programs aren't well geared to tackle questions of development, governance and corruption," said a senior U.S. official in Tajikistan.

On Afghanistan's western border lies Iran, which the UNODC says suffers from the highest per capita drug use in the world. The UN agency estimates that another third or so of Afghanistan's drug production is smuggled into Iran on its way to Turkey and on to Europe, despite a lengthy wall extending along part of the 945-mile border and efforts by the Iranian army to stop the smugglers. The drugs enter Iran along trails used by smugglers for centuries, carried by truck, car, motorbikes, on foot and in caravans of camels. Iran has lost an estimated 4,000 soldiers in battles with smugglers in the last decade and its jails are filled with buyers, sellers and users of opium, hashish and heroin.

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5. A Metaphor for War—The Battle of Marjah

A war is neither won nor lost in a single battle. But three days of intense fighting in mid-May can be seen as a demonstration of the new counter-narcotics strategy and a metaphor for the larger war in Afghanistan.

An analysis of the battle of Marjah early this summer crystallizes the dilemma embodied in the administration's new strategy: The operational tactics were extremely effective in disrupting both the Taliban and drug traffickers, but the results demonstrated that the U.S. and ISAF forces face a formidable enemy that will not be defeated without a substantial increase in military and civilian resources.

The village of Marjah in southern Afghanistan has long been an insurgent stronghold and bustling hub of drug smuggling about 15 miles southwest of Lashkar Gah, the capital of poppy-rich Helmand Province. The Taliban felt safe gathering and training there, and they often stored weapons and explosives in the village bazaars.

In late April 2009, U.S. military intelligence picked up information that a spectacular attack on Lashkar Gah had been ordered by the Taliban's leadership in exile, safely ensconced across the border in Quetta, Pakistan. The target appeared to be Gulab Mangal, the new governor who was having some success persuading farmers to turn away from poppy to other crops.

Marjah was designated by the Taliban leadership as the staging ground for the attack, and fighters from across Afghanistan and as far away as Waziristan in Pakistan began filtering into the village. Along with the usual arsenal of AK-47s, grenade launchers and explosives, they towed in four Soviet-era anti-aircraft guns, a sign the operation was going to be big.

As the contingent grew, the Taliban bosses in Quetta pressed to launch the attack. But the local commanders insisted on delaying because many of their fighters were working in the fields, harvesting the last of the poppy crop. "We still have poppies in the field," one commander said in a conversation picked up by military intelligence. "We do it when we come out."

A Surprise Attack

As Afghan and U.S. troops prepared for their surprise assault on Lashkar Gah, an opportune distraction occurred. British forces killed a local tribal leader in an unrelated skirmish, causing the Taliban to postpone the attack for three days of funeral services for the leader, who had ties to the insurgency. The Taliban fighters were in the midst of the second night of mourning on May 19 when they heard the prodigious thumping of a fleet of military helicopters approaching. Within minutes, the night sky was ablaze with the first shots in what would become a fierce three-day firefight on a deadly piece of ground not far from the border with Pakistan.

The composition of the coalition force that attacked Marjah says a lot about how far we have come in Afghanistan. Eighty percent of the 216 troops were American-trained commandos from the Afghan National Army. They were augmented by U.S. Special Forces and NATO soldiers. The presence of a 12-man DEA paramilitary team also reflected a new level of cooperation between the military and law enforcement; the DEA was there to identify the drugs and processing chemicals that intelligence had said were hidden in the local bazaars.

After three days of intense fighting, about 60 militants lay dead and coalition forces had seized roughly 100 tons of heroin, hashish, opium paste, poppy seeds and precursor chemicals used to turn opium into heroin. The troops also uncovered a cache of weapons, suicide belts and explosives as well as sophisticated communications equipment inside the opium bazaar, indicating that the Taliban had used it as a command center.

The haul was dragged into a huge pile on the outskirts of the town and plans were made to have a jet fly over and bomb the material. But a senior U.S. military officer said a targeting officer determined that the resulting explosion would be the equivalent of an 80,000-pound bomb, which would have wiped out everything in a wide swath. So the cache was divided into smaller piles and blown up from the ground.

A potentially bigger prize eluded the troops. The Taliban had defended a second bazaar deeper within Marjah with ferocity. The American general who commanded the attack told the committee staff that he sought air support and reinforcements from coalition command in Kabul and the U.S. military in Kandahar to go after the second bazaar, but he was told that there was no help avail-

able. So the coalition troops pulled back and their commanders watched the next day via aerial surveillance as trucks left the untouched bazaar, carrying away whatever weapons and drugs the Taliban had fought so hard to defend.

The Pluses and Minuses of Marjah

There is much to praise in the battle of Marjah, not least the performance of Afghan commandos. Creating a credible national army and police force is central to any exit strategy. In addition, the DEA agents helped identify vast quantities of drugs and chemicals, an example of overdue cooperation between the military and law enforcement. Finally, along with stopping a Taliban attack, the outcome hit the insurgency in the pocket book—the supply of opium and heroin dropped noticeably in the weeks that followed, which meant less money for the militants.

"Marjah was a nexus target," said David Wright, a senior European Union official training Afghan counter-narcotics police in Helmand Province. "A year ago, they wouldn't have done that operation."

There is reason for concern, too. The inability to muster the resources to complete the attack is troubling, both with regard to the specific battle and to the larger war. The Taliban and its various offshoots have proven to be a resourceful enemy, capable of retreating and regrouping. In fact, a 700-strong contingent of British, Danish and Afghan troops had executed a similar attack on Marjah just two months earlier and the Taliban had returned almost overnight.

Plus, there is plenty more heroin in the pipeline—while eradication efforts have reduced the planted acreage in the poppy centers of southern Afghanistan, yields there are up sharply because farmers have used fertilizer smuggled in from Pakistan. Then there is the matter of who owns the drugs destroyed in Marjah. In a different place, the DEA would be unraveling a trail to the owner. But the DEA does not have a single agent in Helmand Province and investigative efforts are nonexistent so far, though U.S. military and law enforcement officials say there is strong evidence the drugs belonged to a former police chief now living in Kabul.

At least as serious in the long term, there are not enough civilian resources yet in Helmand and Kandahar provinces to come in behind the troops to provide the economic development required to consolidate any future military gains and achieve something resembling a lasting victory. Despite commitments, the State Department and U.S. Agency for International Development have not added the new staff that was promised since the Marines arrived earlier this summer, according to interviews and published accounts.

Similarly, while Canadian, Dutch and British soldiers have shouldered a heavy burden and sustained substantial casualties in southern Afghanistan, many European Union countries have failed to fulfill pledges to provide staff for non-military functions. For example, the EU committed to provide 400 people to train Afghan police last year, but the actual number is under 200, according to the European Council on Foreign Relations. Now there are concerns

that troops and civilians may be reduced in the future because the war is unpopular in most European countries as well as Canada.

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6. The Missing Civilian Component

The counter-insurgency doctrine laid out in the Army and Marine Corps Counterinsurgency Field Manual specifies that the military can provide 20 percent of the solution, but the civilian side must provide the remaining 80 percent.

President Obama implicitly recognized the importance of the civilian contribution when he divided his plan for Afghanistan into four tasks: (1) disrupt the insurgent networks capable of planning attacks against the U.S. and its allies; (2) promote a more accountable and effective Afghan Government; (3) build the Afghan military and police to a level of self sufficiency; and (4) persuade NATO allies and other countries to contribute under the auspices of the United Nations. This course of action recognizes that the surge in military force needs to be synthesized with a strategic program that protects the Afghan population and provides an alternative not just to poppy cultivation but to the Taliban and its insurgent allies.

None of these tasks can be accomplished easily, and none without the support of the Afghan people. Most Afghans welcomed U.S. troops when they arrived and few want a return of the Taliban's harsh rule. But polls show a sharp drop in support for the United States as civilian casualties and violence have increased, the foreigners have stayed longer than expected and economic development has lagged. Similarly, the faith of Afghans in their own government has plunged, primarily because of what they see as its inability to provide security and the unprecedented spread of corruption. A poll earlier this year by ABC-TV and the BBC found that 85 percent of Afghans call government corruption a problem; 63 percent say it is a big problem.

A Verdict on Kabul and Washington

On August 20, Afghans will go to the polls for presidential and provincial elections. Many people see the vote as a referendum on the legitimacy of the Karzai Government, which has been so thoroughly penetrated by the drug economy that Secretary of State Hillary Clinton referred to Afghanistan as a "narco-state" in her confirmation testimony in January, a tough assessment echoed by some and disputed by others. For many voters, their decision to vote for Karzai will rest in good part on whether they blame or credit Karzai and the international community for levels of poppy cultivation.

But the vote is also a referendum on the failure of the United States and its allies to provide the security and economic development required to build a stable country. Only now are the necessary resources being discussed in Washington and other capitals of NATO nations—and the answers are not all positive yet.

The administration is dramatically shifting gears on counter-narcotics by phasing out eradication in favor of promoting alternative

crops and agriculture development. For the first time, the United States will have an agriculture strategy for Afghanistan. While this strategy is still being finalized by Ambassador Holbrooke's team and Secretary of Agriculture Tom Vilsack and his experts, it will focus on increasing agricultural productivity, regenerating the agribusiness sector, rehabilitating watersheds and irrigation systems, and building capacity in the Afghan agriculture ministry. The U.S. Department of Agriculture plans to increase its staffing to 64 by early 2010, up from the 3 in 2003 and 14 in 2009.

The new agriculture officers will be part of an additional 450 civilians being deployed to Afghanistan in the coming months. But already there are questions about whether the new people will have the right skills to carry out the development strategy and whether they will be dispatched to the often-unsafe rural areas where the work must be done—and whether 450 more will be even close to enough. In late June, the U.S. embassy in Kabul asked the State Department to authorize another 350 civilian slots for Afghanistan. While there is recognition among policymakers that the war effort in Afghanistan has been under-resourced for years and will require intensive resources over the next few years to achieve the President's goals, scaling up the commitment without changing the fundamentals of how the money is spent will achieve little beyond expanding the U.S. presence and creating new vulnerabilities.

"The mission is 20 percent military, 80 percent civilian, and the civilian side is behind," said John Nagl, a retired army lieutenant colonel and a co-author of the counter-insurgency field manual who is now president of the Center for New American Security in Washington, D.C.

Two Bright Spots

There are some bright spots on the development landscape. In Helmand Province, Governor Mangal has proven to be among a new breed of independent-minded governors, praised for his efforts to eradicate poppy fields and persuade farmers to grow other crops. Last planting season, he handed out free wheat seeds to promote the kinds of alternative crops that once made the province the bread basket of Afghanistan. This fall, he plans to add more crops to his giveaway list.

Improving access to crops like wheat, grapes, pomegranates and apples and developing a legitimate rural economy are part of the civilian-led effort to push poppy farming out of the prime growing area along the Helmand River Valley and similar fertile areas across the country. Most experts said that poppy cultivation will never be eradicated completely in Afghanistan. A more realistic goal is to force poppy fields into the marginal areas.

In another positive development, the Afghan Government's National Solidarity Program has helped villages across the country identify, plan and manage development projects, from digging wells to educating farmers. Despite the poor security environment, the program even operates in Helmand Province, where its well-regarded leader, Mohammed Ehsan Zia, the minister of Rural Rehabilitation and Development, said the early success "is testimony to the honesty and courage of the rural people of Afghanistan."

There are no easy answers to ridding Afghanistan of drug trafficking, and none but the most optimistic believe the country will ever be free of poppy cultivation. The goal is to build an agricultural economy for the long term that will weaken the power of the drug lords and halt or at least reduce the flow of money to insurgents. Much work remains to integrate these approaches into the broader security and development framework so that counter-narcotics efforts and economic development are not artificially separated. Fundamentally, this means rethinking how we measure success on counter-narcotics efforts, shifting away from the sole goal of reducing opium poppy cultivation to avoid the risk of undermining longer-term development and security in Afghanistan.

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7. Recommendations for Afghanistan

Accepting that Afghanistan requires a greater commitment of U.S. troops and civilians means that the public should understand the sacrifices that will be required in the coming years.

The deterioration of the security situation in Afghanistan is conspicuous. Forty-two American soldiers and Marines died in July, the highest since the start of the war, and the casualties were not just associated with the Marine push into Helmand Province. Coalition troops from Britain, Canada and other NATO allies also suffered their highest death toll since 2001. More powerful improvised explosive devices are appearing and in some cases the Taliban has demonstrated a new ability to launch complex attacks.

The coming months will test the administration's deepening involvement, its new strategy on counter-narcotics specifically and its counter-insurgency effort in general. Some observers fear that the moment for reversing the tide in Afghanistan has passed and even a narrow victory will remain out of reach, despite the larger American footprint. Others see promise in the commitment of additional resources and the recognition that success requires providing Afghans with the security and assistance that will allow them to find their own way to the future. None of the civilian officials or military officers interviewed in Afghanistan and elsewhere expected substantial progress in the short term. They talked in terms of years—two, five and 10.

Recommendations:

1. Congress and the administration should join in efforts to promote a national debate that will provide the public with a clear understanding of the commitment required in Afghanistan and Pakistan. The debate should articulate the administration's goals, the costs of meeting these goals and the consequences for failing to do so.
2. Given the significance of the new counter-narcotics strategy, the administration should provide Congress with a written description of that policy and a clear road map for how it will be integrated with the other components of the counter-insur-

gency, including the development of alternative crops for Afghan farmers.

3. As requested by Congress two years ago, the administration should develop a clear system of metrics to assess progress in Afghanistan on counter-narcotics, corruption, security and economic development. These metrics should reflect both quantitative and qualitative indicators and both near-term and long-term goals.

4. The Department of State should pursue enhanced cooperation with Afghanistan's neighbors to identify and support regional counter-narcotics efforts and better understand the important linkages and flows of drugs, money, and people from Afghanistan to Pakistan, Tajikistan, Kyrgyzstan, Uzbekistan, Turkmenistan, and Iran. In particular, Ambassador Holbrooke should lead efforts to travel to Central Asia to strengthen cooperation on Afghanistan and better link U.S. policy towards Central Asia with our strategy in Afghanistan.

5. Sending more civilians to Afghanistan should be part of the national debate. But as the administration prepares to deploy the additional 450 civilians already committed to going, serious efforts should be made to match civilian expertise in key districts across the country and not just staff up Embassy Kabul or forward operating bases. Efforts should be made to recruit civilians with expertise in agriculture, development, and other technical skills that can be adapted to needs in Afghanistan, including recruiting civilian expertise from Afghanistan's neighbors, which would be more cost-effective and bring people who know the region, climate, language, and soil.

APPENDIX

1. A Discussion of Alternative Crops—Poppy v. Wheat

A realistic goal for the coalition and Afghan forces is to push poppy cultivation out of the fertile areas along the Helmand River into the periphery, into the desert. It won't stop cultivation completely, but it will make the job much harder and costlier because those who still want to grow poppies will be restricted to arid areas where they will have to dig wells 90 to 100 feet for water. The key here is not to reduce cultivation levels in absolute terms, but to focus on delivering security, governance, and development to major population centers. But that policy will only work in the long term if farmers have access to substitute crops and sufficient security to grown them and get them to market. "Farmers need to earn a living," said a U.S. Army officer in Kandahar. "We don't want them putting out IEDs or shooting at us."

One alternative that has not been widely used in Afghanistan is the concept of cultivating various crops with short growing seasons. For example, if a farmer rotates crops with different harvest times on the same plot of land, the farmer will make more money than he otherwise would have with poppy, and he will not mortgage his future to the Taliban. Onions, tomatoes, and cucumbers are examples of crops with short growing seasons. Growing these crops while planting tree fruits for the long term can produce current income to replace poppy revenue.

Wheat, touted as the best way to transition poppy farmers away from opium, is neither a panacea nor good predictor for whether farmers will make a permanent shift. Wheat prices are volatile and farmers are likely to switch back to poppy when wheat prices fall or when prolonged droughts damage wheat crops. With prices high, farmers cultivate wheat to eat and sell. But when prices fall, farmers grow poppy and buy higher-quality Pakistani wheat to eat, defeating the purpose of transitioning to wheat. Furthermore, the lack of security on Afghanistan's roads keeps transportation costs artificially high, making wheat more expensive than poppy to get to market.

Despite the fact that the current balance is tipped in favor of poppy, Afghanistan will be a net exporter of wheat in 2009 for the first time in 30 years. While Afghan and U.S. officials justifiably tout the success, some experts caution that it may be an anomaly more attributable to environmental and economic factors than to eradication efforts. "As soon as wheat prices fall again—and they will—wheat farmers will revert to poppy," said David Mansfield of the Afghanistan Research and Evaluation Unit, who has spent 12 consecutive years working in Afghanistan.

Why Poppy?

Why would Afghan farmers risk legal consequences and eradication of their crops by growing poppy?

- Poppy is 40 percent more profitable than wheat, on average.
- Poppy has a shorter cultivation time than wheat and is harvested earlier in the season. The shorter growing time allows farmers to grow maize after the poppy crop is finished.
- Poppy is nearly weather-resistant. It can withstand drought and poor soil, and few insects can destroy a season's harvest.
- Once refined, opium does not need refrigeration, it does not expire, it does not require safe handling or specialized transportation, and it sells quickly.
- The Taliban provide loans to farmers to buy poppy seeds in the marketplace.
- The Taliban provide capital for poppy farmers by pre-paying for a portion of the crop. The Taliban also provides farmers with security to guard their investment.

That is precisely why alternative crops are so necessary. Many tribal elders remember when Afghans could feed themselves. To do so again, they need roads, power, and water. The first step toward that goal, now that the Marines have taken up what their commander says is long-term residence in Helmand Province, is to bring in teams from the U.S. Department of Agriculture to help identify what crops to grow and where. The United States should be prepared to provide assistance to farmers for several years until pomegranate orchards and vineyards mature into cash-producing alternatives to poppy. In addition, the administration needs to push hard to reach agreement in negotiations between Pakistan and Afghanistan that would open a route for Afghan farmers to get their products to the growing middle-class market in India.

Faced with a dangerous and costly problem, it is human nature to look for a panacea. Some have advocated using Afghanistan's flourishing poppy fields to produce medicines such as morphine and codeine, which are high-demand painkillers in a growing global market. Legal opium production is permitted under the United Nations Single Convention on Narcotic Drugs and other international drug treaties. Turkey produces 50 percent of the world's legal opium and India produces another 30 percent. The governments process all opium into paste; the paste is then either refined or sold to international pharmaceutical companies. Violators who divert poppy to illegal drugs face harsh penalties in both countries. But these two legal opium poppy production regimes work only because they are built on trust and on the rule of law, important tenets which are missing in Afghanistan.

U.S. officials say that the Afghan opium industry would be impossible to monitor because of the country's harsh landscape, the absence of the rule of law, and pervasive corruption. In addition, the country lacks the type of clean facilities required to produce medical-grade opiates. Finally, any new Afghan opium on the legal market would have a negative impact on prices in an industry where there is already little profit.

Besides squeezing existing producers like Turkey and India, the cultivation of medical opium in Afghanistan would have a negative

impact on prices of illicit opium, with opium farmers competing against each other to produce enough opium poppy to supply both the legal and illegal industries. The incentive would be for farmers to grow as much poppy as possible on whatever land was available.

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2. THE INTRICACIES OF HAWALA—THE ROAD TO NOWHERE

Following the money is a time-tested means of assembling criminal cases against drug traffickers and corrupt government officials, but that task is probably harder in Afghanistan than anywhere in the world because of the ancient and secretive system called hawala.

The Arabic term for "transfer," hawala at its most basic interpretation means transferring value and money from one place to another through money exchangers known as hawaladars. Typically, a hawaladar receives money, say $5,000, from a customer who wants to transfer the funds to someone in another location. The customer pays a small fee and receives a numerical code written on a hawala slip. The hawaladar contacts his counterpart in the other location and instructs him to pay $5,000 to someone who will come in with the numerical code. After receiving the code from the original customer, the recipient goes to the hawaladar, presents the code and gets the $5,000. The hawala dealer who took the initial $5,000 owes that amount to his counterpart. Accounts are settled through additional transactions, commodity exchanges and normal banking services.

Hawala networks span countries and continents and are used by millions of people for legitimate transactions. The most common involve workers in foreign countries like Saudi Arabia or the United Arab Emirates sending money home to families in Afghanistan, India, Pakistan or the Philippines. Dealers charge a small commission on each transaction and often profit from currency exchange rates.

The system is most often associated in the Western public's mind with more notorious customers like Osama bin Laden, who used the hawala networks in Pakistan, Dubai and throughout the Middle East to transfer funds and store money, according to the 9/11 Commission Report.

Afghanistan is a natural place for hawala. A majority of business is conducted in cash and the State Department estimates that 80 to 90 percent of all financial transfers are made through hawala. In Kabul, the hawaladars congregate in a specific neighborhood along the banks of the Kabul River, not far from the gold and gem dealers. During the Soviet and Taliban eras, the hawaladars fully replaced the formal banking system. Today, the country has only 15 commercial banks and few people have bank accounts because of illiteracy, the cost of bank transactions and the small footprint of traditional banking. As a result, hawaladars are still used by humanitarian and development organizations to move money to rural areas outside the reach of the country's fledgling banking system.

Convenience, security and secrecy make hawala the method of choice for Afghanistan's drug traffickers to move and disguise profits with little or no paper trail. In the basic transaction, the traf-

fickers receive payments for drugs from middlemen and buyers in other countries and turnaround and launder the money by transferring it to hawaladars in places like Dubai, where the drug lords and their nominees use the cash to buy real estate and commodities.

United Nations Office on Drugs and Crime (UNODC) officials in Kabul said they have inspected records of drug-related transactions involving $1 million and recently saw evidence of a $15 million transfer using hawala. In some cases, the officials described seeing major transactions in which heroin or opium were used as collateral for payments.

The existence of the written records contradicts the widespread misconception that hawala is paperless. While recordkeeping is far from formalized, most hawaladars maintain carefully coded logs of transactions as part of the settlement process. Those handling dirty money tend to be more secretive, destroying even rudimentary records once transactions are completed or avoiding any record of the criminal deals. "Not surprisingly, transfers made on behalf of drug traffickers tend to be kept more discreet, either by maintaining very simple notes locked in a safe, or by not keeping a record at all," scholar Edwina A. Thompson wrote in her study, *The Nexus of Drug Trafficking and Hawala in Afghanistan.* One dealer told Thompson that he kept the records of his shop's drug-related transfers on his son's computer at home.

Family and tribal ties guarantee that the process works smoothly and provide another layer of secrecy. Intermarriages among hawaladar families in Afghanistan are common because they cement trust between dealers. Brothers and cousins also tend to operate in the same system to provide broader coverage of financial centers in the Mideast, Europe and the United States. A report by Samuel Maimbo of the World Bank described a dealer in the Afghan city of Jalalabad, which lies on a major smuggling route for drugs, who operated with a brother in Kabul, a cousin in the western Afghan commercial hub of Herat and another brother who ran a hawala in Melbourne, Australia. The Jalalabad hawaladar also worked with affiliated dealers in Tokyo, London, Peshawar and Dubai.

Close Knit and Close Mouthed

The close-knit nature of the system, the absence of effective regulation and the ingrained secrecy combine to make transactions conducted through hawala almost impossible to track. Officials in Afghanistan and the United Arab Emirates, which include Dubai, repeatedly said they had no idea how much money moves through the informal exchange system. A U.S. intelligence official in the region said it was almost impossible to penetrate hawala networks, explaining that the family nature of the businesses made it difficult to get inside cooperation. He said records seized from the occasional raid were usually too fragmentary to provide clues to the beneficiaries of transactions.

No one knows how many hawaladars exist in Afghanistan. Thompson estimated in 2005 that there were 900 significant hawaladars in the entire country and others have estimated that 50 or so dealers in Kabul and Kandahar account for the bulk of the

drug transactions. there are countless smaller operators in cities and villages across the country and most of them mix drug money with legitimate transactions.

The Afghan Government has registered about 125 of Kabul's hawala dealers, but many in the capital are unregistered and progress has been slow elsewhere. A diplomat described a conversation in which he urged an official of the Afghan Central Bank to register dealers outside Kabul. "They're everywhere," the official replied. "I can't do that."

The Central Bank official's attitude reflects the difficulty in developing a system of banking supervision and money controls in Afghanistan. An anti-money laundering law was adopted in 2004 and followed with a statute allowing for the seizure of assets in criminal cases. Prosecutors and bank examiners have been trained by the U.S. and others to spot suspicious transactions and investigate money laundering cases. But efforts have been plagued by inadequate staffing and a sense that drug lords and their accomplices are outside the reach of the law, according to U.S. and foreign officials.

Statistics tell the sorry story: In a country awash with drug money, no one was prosecuted for money laundering or terrorist financing in 2008 in Afghanistan and no attempts were made to seize or freeze assets. "While efforts continue to strengthen police and customs forces, there remain few resources, limited capacity, little expertise and insufficient political will to seriously combat financial crimes," the State Department said in a blunt report issued in February.

A Regional Perspective on the Money Flow

The lack of progress has caused some financial-crimes experts in the region to suggest focusing outside Afghanistan to try to stop the flow of illicit proceeds both into and out of the country. The first place mentioned by almost everyone in the know is Dubai, the city-state on the Persian Gulf in the United Arab Emirates, just a three-hour flight from Kabul.

"It's quite open among the disaspora of Afghans and hawaladars that the favorite hidey hole for money is Dubai," said a senior UN official in Kabul. "It would be better to target Dubai because it cares more about its financial system."

Dubai has worked hard to polish its image as the Middle East's leading financial center. Its star exhibit is the Dubai International Finance Center, a free-trade zone open to foreign-owned banks and financial firms. The center resembles an offshore banking haven in the midst of a freewheeling city-state. It sits on 110 acres amidst Dubai's seemingly endless parade of skyscrapers and malls and runs its own regulatory and judicial system. Most of the auditors and regulators are drawn from the U.K., Australia and the United States and transactions are governed by British and U.S. law. Some of the world's biggest financial institutions, like HSBC and Goldman Sachs, have set up shop in the zone to take advantage of its tax-free status and ready access to the Middle East.

Outside the free-trade zone, however, regulations are more haphazard and efforts to restrict the flow of drug money from Afghanistan and elsewhere are hit and miss, according to American and

foreign officials. After the attacks of September 11, 2001, Dubai and others of the seven city-states that comprise the UAE were criticized because terrorists had moved money through the banks and hawala dealers. The Government responded with new financial laws, including one in 2003 requiring hawala dealers to register, and its Central Bank insists that the country has made great strides in instituting tough controls on money and trade.

But there are signs that Dubai—and to a lesser extent the city-state of Sharjah—remains a destination spot for hot money. Earlier this year, the State Department said that narcotics traffickers were increasingly attracted to Dubai and other trade and financial centers in the UAE. The International Monetary Fund also raised concerns, recommending that UAE laws be amended to block loopholes and match international standards and that it should increase the resources devoted to enforcing financial laws.

In addition, the Financial Action Task Force, a Paris-based intergovernmental body that develops and promotes policies to combat money laundering and terrorist financing, criticized the UAE for failing to exercise regulatory controls over hawala dealers despite its law. Registration is voluntary and there are no penalties for dealers who refuse to register.

Abdulrahim Moammed Al Awadi, the head of the anti-money laundering at the Central Bank in Abu Dhabi, told the committee staff that the UAE has instituted tough measures throughout its financial sector. In a power-point presentation, he listed dozens of international agreements and UAE laws implemented to clean up the country's financial system.

One of the laws that Awadi touts was the first-ever law to register and regulate hawala dealers. So far, he said, the country has more than 300 licensed hawaladars who are required to keep complete records, including official identification documents for customers, and alert the authorities to suspicious transactions. Hawala is particularly popular in Dubai and other Gulf states because of the high percentage of low-paid, foreign workers who use the system to send remittances home; in Dubai, for instance, 85 percent of the population is foreign workers.

Awadi said that registration and reporting are voluntary for the dealers and he declined to provide the committee staff with a list of registered hawaladars. He defending the registration system and said the Central Bank had been stung by the criticism by the Financial Action Task Force. As a result, Awadi said the Government was debating whether to abandon its efforts to regulate the informal sector.

Hawala is not the only way to move cash quietly to and from Dubai. UAE law enforcement authorities have intercepted couriers arriving at Dubai's huge international airport from Afghanistan with millions of dollars in suitcases. But U.S. officials said the general rule is that couriers are simply required to declare the cash and allowed to move on, without seizing suspected illicit cash or creating a database of couriers for intelligence purposes. U.S. law enforcement agencies proposed a training program to teach inspectors at Dubai airport to spot suspicious couriers, but the effort was blocked by the Central Bank.

"We don't know, once the money comes into Dubai, where it goes," said an official at the U.S. embassy.

The United States has plans to increase its resources in the UAE. The DEA is considering bumping up the number of agents in Dubai from two to 10 as part of a new regional approach to drug trafficking and money laundering. As in Afghanistan, however, the CIA is not playing an active role investigating the money trail. "Ninety percent of our intelligence resources are devoted to counter-terrorism, counter-intelligence and counter-proliferation," complained an official at the U.S. embassy in Abu Dhabi.

Regulating the movement of money throughout the region, from Afghanistan and the UAE to Pakistan and Europe, should be a critical element of the strategy to choke off the funds going to the insurgency in Afghanistan and to corrupt officials there who undermine the efforts of international agencies, governments and good Afghans to build a stable and secure country. The harder it is to make money from drugs in Afghanistan, the more likely the ties can be broken to the Taliban and other militant organizations.

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