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A U.S. Model Proposal: Profit from Paying Afghanistan Farmers “Not to Grow Poppies.”

*This is a national security ‘investment prospectus.’ These few pages explain how subsidies, including foreign aid investments—while supporting strategic goals, can also earn exceptional financial and social returns for both grantor and recipient nations. Specifically, it shows how poor rural farmers can be paid ‘not to cultivate narcotics producing plants’ in exchange for realizing their prior incomes, and for ten future years, and also how narcotics producing nations can then embrace political change and profit from more creative diplomacy. Afghanistan is the model nation.*

“Only a new chemistry between defense and diplomacy can bond help with hope.”

Walton Cook

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## ***Most of economics can be summarized in four words: People Respond to Incentives!***

When one hears the word subsidy, (a grant paid by a government to an enterprise that benefits the public) most people think immediately of farmers, not of investments, diplomacy or national security strategy.

But in truth, governments, at least those of industrialized nations, invest substantially in almost every sector one can imagine. This public investment is an important 'subsidy.' In the U.S., for example, some of the bigger subsidized programs come easily to mind: The Space Program, Interstate Highway System, National Institutes of Health, Center for Disease Control, the U.S. Department of Agriculture, aid to university education, to say nothing of supporting public schools and the defense/military establishment.

To many of these aid recipients, a direct link—a solid black line, can be drawn between public investment and public return-on-investment. Obviously, the commercialization of scientific advance and increase in knowledge leads to traceable returns, often of a large magnitude. Space, Health, Interstate Highway and USDA all contribute greatly, both to the physical and the financial health of society. For example, the Interstate Highway system alone cites a return of \$7 for every dollar invested. Some human and social benefits, like peace-of-mind, hope for the future and freedom, are more difficult, if not impossible, to quantify financially. Foreign aid is also a subsidy, a grant that benefits the public, or several publics.

For too many governments, just keeping citizens free from starvation, disease or warring factions is more than a difficult ongoing task. Many poor nation's citizens subsist on incomes less than \$1-\$2 per day. There is far too little money for tax revenues to support programs so common to rich nations, much less helping build strong minds, bodies and healthy and transparent administrative institutions. Through various foreign assistance projects, of course, many governments improve the lot of other citizens, not merely their own.

But it is no surprise that in nations whose income is low, particularly the incomes of poor rural farmers; that these same farmers are also the primary cultivators of narcotics producing plants. For all too many, these are the only cultivations that will produce a sufficient livable income. Therefore, although these same farmers regret and are shamed by the effects of substance abuse to others, they feel they have no better personal alternatives.

Two such poor nations, Afghanistan and Colombia, produce the bulk of the worlds' two major narcotics producing plants, the opium poppy and the coca shrub. In the case of Afghanistan, much the poorer of the two nations, it produces 92% of the world's opium poppies and 95% of the opiates consumed in Europe. Colombia, a more prosperous nation by comparison, more in the urban areas, but still poor rurally, produces 80% of the world's cocaine and it's derivatives, and virtually 100% of the U.S. consumed opiates.

Both nations harbor active insurgent and terrorist elements. In Afghanistan, al Queda and Taliban and AUC and FARC in Colombia All are involved in the chain of narcotics cultivation, processing and distribution. What about foreign assistance and national security strategy?

Political journalist Robert Woodward, revealing a classified Defense Department memo authored by Secretary of Defense, Donald Rumsfeld, quotes the Secretary addressing the topic of foreign assistance:

*'The present structure of the U.S. government foreign assistance is an anachronism. A system is needed that recognizes assistance for what it really is, a component of our national security strategy, In simple*

*terms, DOD has the resources but not authorities, while State has authorities but not resources...The only choice is to trash the current laws and to undertake a total overhaul of the current systems.*

### **A Powerful Union: Resources and Authorities**

Recognizing foreign assistance as ‘a component of national security strategy,’ the United States, and/or other donor nations, can (and should) pay narcotics plants farmers and their nations as well, *not to cultivate such plants*, both in Afghanistan and Colombia. Moreover, rich nations can profit immensely, both financially and socially, from such strategic diplomacy.

How is this possible? How can creative diplomacy meet the security strategy needs of both Defense and State Departments in the United States? How about Congress?

### **Cutting Recurring Cost Items:**

Congress loves saving money, because then they can spend it again! Every developed nation has recurring cost items, both those that pay for ongoing commitments, for problems now only partially resolved, and for costs that pay for scientific advances, discoveries and breakthroughs, yet unachieved.

One such recurring cost item is the worldwide attempt to control illicit narcotics. The Organization for Economic Cooperation and Development (OECD) represents 30 of the world’s more developed economies. By their estimate, 1.5% of their combined GDP of \$33 trillion dollars, or \$495 billion dollars, is the average *annual* ‘societal cost’ of narcotics in those nations.

The costs related to only two major narcotic plants, the opium poppy (heroin) and the coca shrub, (cocaine) make up 65% of that ‘societal cost,’ or \$321 billion annually.

The U.S. ‘societal cost’ of only those two narcotic plants is \$104 billion, (65% of \$160 billion) also yearly.

However, first bear in mind that it is the richer nations that tend to be big narcotics users, while narcotics producing nations tend to be poor. In fact there is a huge gap, sometimes called a ‘wedge,’ between ‘street’ prices paid for narcotics in richer user nations and ‘farm door’ prices paid to poor nation narcotics crop farmers. It often is as low as 1-5% of the street prices. This vast differential creates an unexplored opportunity.

### **The World’s Greatest Opportunity is in Afghanistan!**

Afghanistan is the perfect model. At present, 92% of the world’s opium poppies are grown there. Nonetheless, the 300,000 opium farmer families receive only \$700 million dollars in ‘farm door’ income from cultivations that bear a worldwide societal ‘street’ cost of \$160 billion dollars. (Afghanistan now supplies 95% of the European opiates market.) Before the Afghan farm product reaches the street, warlords, criminals, Taliban, terrorists, mafia organizations and corrupt officials take a cut. Thirty percent of Afghanistan’s GDP, \$2.8 billion dollars, is now represented by poppy cultivation. According to Afghan President, Hamid Karzai, farmers get only a quarter of that, around \$700 million, as land owners, lenders criminals and corrupt officials all receive large shares of the balance. Put that ugly thought aside now, to apply the gap between ‘farm door’ and ‘street’ prices.

First, subtract the \$700 million Afghan farmers get from the worldwide societal opiates cost of \$160 billion—and the difference is \$159.3 billion. Solving the opiates problem alone, therefore, would net OECD nations this vast annual savings, all at a profit, not a dollar or Euro of cost.

Also helping to create this vast cost differential is the fact that in richer nations everything costs more, often much more. That includes law enforcement, imprisonment, treatment, other health costs, and costs of lost work time and opportunity and a myriad of other costs. Real costs not counted are the economic values of drug deaths and the true costs of narcotics funded terrorism.

It is because of this rich nation/poor nation cost differential that solving the narcotics problem associated with only two plants can save OECD nations \$321 billion dollars annually. How can this problem become a profitable investment because of price differentials? Only through more creative economic diplomacy!

Because of the cost differential, the U.S. can afford to pay poor grower nations the same amount for *not growing* a specific narcotic plant as they presently derive from growing it. We can also do this for a long enough period to enable the grower farmers to learn new vocations or adopt other cultivations; because of the differential, we can also support Afghan government projects.

Why should we? First, the U.S. has already pledged to sponsor a democratic experiment in Afghanistan. Our honor is at stake. Second, we can profit handsomely from the effort, both strategically and financially. Until now, we have not had enough money to finance our lofty promises. Third, the U.S. is the world's richest nation and the largest consumer of narcotics.

In order to accomplish strategic objectives, we are recommending a U.S. grant to Afghanistan totaling \$5.6 billion annually, and for a period of 10 years, (a total of \$56 billion) providing adequate treaty guarantees are in place. It is assumed that 10 years is a sufficient and reasonable time for occupational adjustment to take place.

We arrived at \$5.6 billion by accepting that the \$2.8 billion in the present Afghan GDP must be replaced. The poppy farmer portion, \$700 million, replaces farm family income each year *for not cultivating poppies*. The \$2.1 billion balance from the GDP portion of the grant, (up till now earned by non-farmer recipients,) will now have to be more closely regulated and distributed toward broader program goals. Obviously, questionable non-farmer recipients will not be accorded the same recipient status in the future as in the past. Diplomacy does not occur in a financial or intellectual vacuum. It requires money and rational policy. Rational policy demands oversight, responsibility for spending.

Since we want this money to reach present poppy farmer families seamlessly, like U.S. Social Security checks, and not corrupt officials, terrorists or the Taliban, we advocate strict controls on its distribution. Until Afghanistan is a well ordered and more transparent democracy in fact, the U.S. should insist that (with Afghan partners) experts structure the use of the money, perhaps through the UN, World Bank, USAID and carefully monitored NGOs. These are future details for diplomats and financial experts, not for this more general prospectus.

What about the balance of \$2.1 billion and the other \$2.8 billion—the bulk of the grant? The \$2.1 billion balance, plus the other \$2.8 billion grant is to support the Afghan government's democracy, and is to build security forces, for vocational and other schools, to support small business, establish micro-credit banking, provide vaccinations, disease prevention programs, health care, to clear land mines and support

general development projects. These funds are in addition to funds now received from international donors.

This U.S. pump-priming investment of \$5.6 billion earns the cost differential savings for all OECD nations—the benefits (\$3.2 trillion over 10 years) free of investment to non-sponsoring OECD nations.

### **How would large unexpected returns become possible?**

Today, it is hard to get 5% on your investment money with any safety of principal, no matter how smart you are or how hard you try.

At that rate, even a very rich nation or group of nations, let's say a group of 30 with \$5.6 billions to invest, could expect no greater a return (at 5%) than \$280 million. \$280 million sounds like a lot, but compare that to a return of \$160 billion on the same \$5.6 billion! The difference in return is \$159.7 billion dollars! For those slow in math, \$159.7 billion is 159,700 millions. In short, the latter investment returns the full original principal 28.7 times in the first year alone, not \$7 dollars for \$1 dollar over 50 years--like the Interstate Highway System--but 28.7 times the investment in the first year alone!

How long might the line be for such an investment? What if the investment were offered to pay that return for 10 years, making the return \$1.6 trillion? How long is the investment line now?

Under normal circumstances, returns of this magnitude might be possible only if scientists invented a cure for cancer, (or any other major disease) a cheaper gasoline substitute, lifetime immunization against flu or AIDS, or even high-tech home construction materials at half the cost. *But when we reduce or eliminate some aspect of the present recurring cost structure, we can then use that savings for something else.* Savings are always reinvested in new goals. We obviously have hopes that our future efforts will bring answers where answers are now lacking. But have we asked the right questions?

And are all the big answers to those questions now lacking? Is it possible that some great savings and investment opportunity is available right now, but merely overlooked? Could it be the very investment in Afghanistan? Obviously, we think yes!

### **Can Economic Diplomacy Work?**

Will Afghanistan accept this economic diplomacy? We think yes! First, it seems a far better offer to Afghanistan than forced poppy eradication without farmer compensation and/or continuous conflict and a presence of angry armed personnel. The cost of maintaining U.S. and NATO forces in Afghanistan is considerably more than \$5.6 billion yearly. (U.S cost is close to \$20 billion) In addition, although these forces will need to remain until the Taliban threat is controlled, available strengths can be better utilized without poppy cultivation. This allows a more reasonable pace for building up well trained Afghani security forces.

This plan offers substantial additional returns for both Afghanistan and the United States because it funded a natural gap between rich and poor nations, and by criminals and terrorists, neither by rich taxpayers nor poor farmers.

### **More Direct Advantages to Afghanistan**

*Not producing narcotics is Afghanistan's best asset! It cannot siphon funds Afghans might use because there is a prior claim on money needed by the U.S. in Iraq. Economic diplomacy based on the cost differentials between 'farm door' vs. 'street prices' of narcotics is a Afghani asset not possessed by Iraq. Therefore, it acts as a magnifying glass to refocus upon the need to build a democratic society in Afghanistan, apart from any other regional considerations. Ending poppy cultivation is a unique Afghan 'bargaining chip' that lays claim to its own legitimate future.*

The stronger Afghanistan becomes, the lesser the influence of Pakistan, and the more influential is Afghan (and U.S.) diplomacy with Pakistan and other neighbors. The absence of poppy cultivation will also deprive mafia and criminal elements of revenues, not only in Pakistan, but throughout the Middle-East, Asia and Europe. President Karzai makes it clear: "Poppy money pays terrorists. All the money they get to kill us and your soldiers and other soldiers is coming from poppy. So for all reasons, Afghanistan has no option but to destroy the poppies."

What President Karzai had not yet imagined, is that there are ways to destroy poppy cultivation short of their physical destruction, ways that free farmers from shame and the embarrassment to all Afghans that drugs bring—a return of dignity to replace despair with hope; to exchange a corrupt and troubled past for a good and better future.

Adequate financing to build cleanliness into government, to make it accountable and transparent, to establish widespread education, improve literacy, create vocational schools, establish a microfinance banking apparatus, improve healthcare, water supply—and much more. All this leads to better administration and a stronger society.

We now encourage Afghan readers to promote this diplomacy, to create personal appeals, written, oral, and broadcast, for this strategic assistance. Appeals must come from Afghan leaders, diplomats and expatriates; both to their own and to the U.S. governments. We encourage 'reverse diplomacy,' where the impetus for change comes from citizens asking their governments and others to do better.

\*\*\*Note: As a test model, should the negotiating parties seek a less than nationwide trial, we suggest the consideration of Helmand Province as that trial. Helmand grows 42% of Afghan opium poppies. It is also a stronghold of active Taliban and terrorist elements. For these reasons, it is an ideal test model for the economic diplomacy proposed herein. Reducing \$5.6 billion by 58% = \$2.35 billion. It's a low cost model (a week's U.S. cost in Iraq) for producing a large and vitally important return, one whose effect can easily be measured.

### **Direct Advantages to The United States**

America is the largest user of illicit narcotics and the primary target of terrorism—The U.S. has the most to gain from the control of narcotics, plus the reduction of terror and the spread of democracy.

Nine long months ago, Secretary of State, Condoleezza Rice, announced a forthcoming major U.S. policy shift in a speech titled: *Realizing the Goals of Transformational Diplomacy*. We think she is talking about the strategic role of foreign assistance. In her speech, Secretary Rice said:

(We will) "respond to the needs of people who conduct themselves responsibly in the international system." "We are committed to using American taxpayer's dollars in the most effective and responsible way possible to strengthen America's mission abroad.... It will improve our fiscal stewardship." "Our principal objectives are to stem the tide of terrorism and to help advance freedom and democratic rights." "These requirements are essential and immediate...and the United States must continue to open a path for

its expansion, (freedom) especially in Iraq and Afghanistan.” “The United States is advancing bold development goals.” “Another key global challenge is to curtail the illicit drug trade and to dissolve the relationships between narco-traffickers, terrorists and international criminal organizations.”

Writing to President Bush on September 7th, 2006, Chairman of the House International Relations Committee, Henry J. Hyde, (R-IL) proposed ‘immediate’ action and expressed distress over U.S. strategy in Afghanistan: “An increase of nearly 60 percent in illicit opium production in the course of the last year undergirds warlord support of anti-coalition forces, such as the Taliban. We have to revisit our counter-drug and counter-terrorism policies in Afghanistan, or we risk creation of a ‘failed narcotics state.’” He supported his ‘failed narcotics state’ claim by stating that the highest levels of violence and corruption since liberation now prevail and that “Drug money continues to finance terrorism and threatens to destroy Afghanistan’s emerging democracy.”

Given Secretary Rumsfeld’s candid call for strategic economic diplomacy, Secretary Rice’s speech and Chairman Hyde’s call for immediate action, a time has come to merge transformational economic diplomacy with strategic security planning. With Afghanistan as our example, we have detailed how to advance economic diplomacy; rewarding bilateral diplomacy and utilizing taxpayer dollars responsibly and efficiently. Additionally, we bolster national security, reduce poverty and improve people’s lives; all through curtailing the illicit drug trade. Considering diplomacy to be a more productive and immediate policy option than military force or law enforcement, we can add advantages of timeliness to actual money saved.

We encourage U.S. and other readers to share their support for such diplomacy with leaders and policymakers, adding U.S. strength favoring this diplomacy to appeals directed from Afghan sources. We will lend whatever assistance we can to all interested parties. Please share your views.

### **A repeated thought about terror and an Andean challenge;**

Neither Chairman Hyde nor Secretary Rice placed any specific economic cost to narcotics funded terrorism, despite the fact that acts of terrorism are funded, all or in part, by narcotics revenues. This was a conclusion of the 9/11 Commission Report and is also a conclusion widely accepted. What are the economic costs of narcotics when added to the costs of terror? What has the vast increase in our security levels cost us to date, just in transportation and airlines? Add port security and immigration. And what will new levels of security escalation cost our economy in the future?

Added to a more prosperous world and a major reduction in world narcotics supply, any reduction of terrorism is value added. In a nation victim to both narcotics and terrorism, how can we possibly make a better investment?

Finally, to gain the full benefit of narcotics cultivation elimination, the U.S. should also adapt this policy to our Andean allies, against the coca shrub and Colombian opiates, saving hundreds of added billions annually for America and the world’s nations. For the U.S alone, \$104 billion annually, a huge dividend bonus in ‘the art of successful investing, plus the added benefits of strengthened national security, reduction of terrorist financing, absence of the worlds’ two major illicit narcotics in America, and advancing the cause of world democratic movements.

### **People Respond to Incentives: Still the first law of economics!**

