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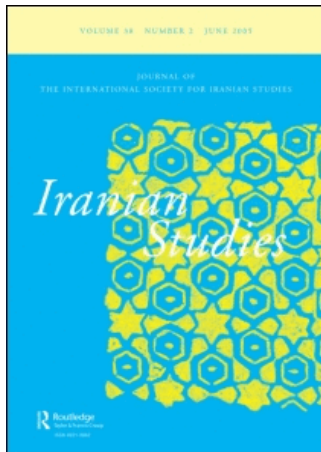
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Afghanistan and the Opium World Market: Poppy Production and Trade

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Hermann Kreutzmann

Afghanistan and the Opium World Market: Poppy Production and Trade

The Afghan poppy cultivation is presented here as a case in point to exemplify the linkages between external influences and local effects. World market and power relations have influenced cultivation patterns, processing, and trafficking. At the same time, poppy cultivation pinpoints an internal development which is strongly linked to deteriorating state control, warlordism, and regional power politics. Opium production has served as a major source of revenue for the upholding of disparate political structures which reflect the present political map of Afghanistan. Poppy cultivation in Afghanistan gained a substantial push during the last quarter century, from an annual production of 200 tons in 1979 to 4,200 tons in 2004, making use of former development efforts in creating irrigated oases in Helmand and Nangarhar. Prices rose after the Taliban's 2001 ban on production, raising farmers' incomes substantially and turning opium into an unrivalled cash crop. Fairly new production zones have been added in recent times; for example, Badakhshan—the stronghold of the Northern Alliance—has gained the third position with major increases in the last few years. Afghanistan's poppy cultivation and opium production has to be interpreted in terms of globalization and fragmentation. Drug trafficking affects the neighboring states, namely, Iran, Tajikistan, and Pakistan, as they function as consumer markets as well as trade routes for contraband drugs heading towards the West. Consequently, the Afghan poppy cultivation is interpreted in a holistic manner.

Introduction

When talking nowadays about opium and its derivatives, one's attention is immediately drawn towards Afghanistan. This was not the case in the nineteenth century when the British Empire produced and supplied much more opium to the world market than has ever been produced in the Golden Triangle (Laos, Myanmar, and Thailand) and the Golden Crescent (Afghanistan, Pakistan, and Iran) in recent years. Nevertheless, during the last quarter century, Afghanistan has developed to become the leading producer of poppy (*Papaver somniferum*) and exporter of opium and heroin. Innovative and driving forces in this process were the Mujaheddin and Taliban, both of whom can claim that they brought Afghanistan from a negligible position prior to the 1980s into its present position as the world's prime producer. World drug markets exist

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because there is supply and demand, power and helplessness, and cash crop production and profit maximization. Global markets show a high degree of dynamism and adaptation of forces to changing conditions; at the same time, the demand structure remains quite resilient. Consequently, Afghanistan's poppy constitutes only one link in a global chain of opiate production, processing, trafficking, and consumption in remote locations of transit countries and the far-away industrialized world.

Poppy in the Global Commodity Market

In recent years, there has been a re-interpretation of the exchange relations between Europe and Asia in order to understand the commodity chains and the effects of world trade on regions and local communities. Modern studies stress the importance of South and Southeast Asia as the prime targets which appeared as important arenas of contest and competition for dominance.¹ Commodities and spices of interest changed over time. Initially, cloves and nutmeg were the desired commodities, followed by pepper, cocoa, and sugar; later on, tea and, finally, opium were added to the list of tropical wealth.²

In some ways, opium appeared to be an exception. Most commodities were attractive because they could be traded value-added on the European markets. In contrast, opium was an Asian commodity traded by Europeans for the supply of an Asian market. Opium gained key importance for generating high profits within the commodity chain; thus, the trading companies became less dependent on gold and silver for their purchase of tea in China. The East India Company (EIC) tried to link its tea monopoly in Britain with a control of opium flow into China and South-East Asia. The quantities of exchanged goods were quite impressive, especially after the British Crown took over control of the "Indian Empire" and saw Queen Victoria performing as Empress of India in 1877. India's opium export in 1894 measured 6,000 tons, representing more than the combined average annual production of the world during the last decade of the twentieth century and about the same as

¹F. Braudel, *Civilisation matérielle, économique und capitalisme, Xve-XVIIIe siècle. Le temps du monde* (Paris, 1979); K. N. Chaudhuri, *The Trading World of Asia and the English East India Company 1600–1760* (Cambridge, 1978); A. W. Crosby, *Ecological Imperialism. The Biological Expansion of Europe, 900–1900* (Cambridge, 1986); D. K. Fieldhouse, *The West and the Third World: Trade, Colonialism, Dependence and Development* (Oxford, 1999); A. G. Frank, *ReOrient: Global Economy in the Asian Age* (Berkeley, 1998); I. Wallerstein, *The Modern World-System: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century* (New York, 1974); I. Wallerstein, "Evolution of the Modern World System," ed. G. Preyer, *Strukturelle Evolution und das Weltsystem. Theorien, Sozialstruktur und evolutionäre Entwicklung* (Frankfurt/Main, 1998), 305–315; E. R. Wolf, *Europe and the People Without History* (Berkeley, Los Angeles, 1982).

²S. Mintz, *Sweetness and Power: The Place of Sugar in Modern History* (Battletboro, VT, 1985); D. Rothermund, *Europa und Asien im Zeitalter des Merkantilismus* (Darmstadt, 1978); C. A. Trocki, *Opium, Empire and the Global Political Economy. A Study of the Asian Opium Trade 1750–1950* (London and New York, 1999).

Afghanistan's bumper crop of 2006. The Crown's opium monopoly was fed by production in Bihar and Benares, augmented by supplies from the Malwa States in Western India. Trocki estimates that 80 percent of all Indian opium production was exported to China, while the rest was distributed in Southeast Asia. Around 1880, China imported about 5,600 tons of opium in a single year. Conservative estimates reckon that, at least, the same quantity was produced within China itself, while other authors harbor even higher estimates (two to three-folds). The annual Chinese consumption might have ranged between 12,000 to 15,000 tons.³ The detrimental effect on Chinese society and political relations has been amply discussed and has recently stimulated new research from a socio-cultural perspective.⁴ Among the three strategic commodities—indigo, opium, and cotton—opium gained the leading position during the nineteenth century. When exports are compared, the value of opium was three-fold that of indigo and about double that of cotton.⁵

But the colonial administration was participating even in small-scale trade. In the northwestern part of the South Asian subcontinent, British authorities issued trading licenses for opium and charas (hashish) traders who commuted between Badakhshan, in northeastern Afghanistan, and the Silk Road oases of Central Asia. The regular supply of charas for India was imported from high-quality production areas in Kashgar and Yarkand, now in China's autonomous region of Xinjiang, while small quantities of opium were exported from Badakhshan, along with other commodities to the Silk Road oases.⁶ In a holistic perspective, Afghanistan's contribution at that time was negligible. Political revolutions during the twentieth century in China, the Vietnam War, ethnic insurgencies in the Golden Triangle, and the effects of the Cold War in Asia led to a shift of poppy cultivation to a few hot spots and to a global shrinking of opium production. How could Afghanistan reach its exceptional position of today? What are the frame conditions for the creation of a conducive political and economic environment?

Afghanistan's Leading Position in Poppy Cultivation

At the beginning of the 1980s, the world's opium production ranged around 2,000 tons annually. This date marks the entry of Afghanistan into a global production cycle where it now occupies the position of the prime producer.

³C. A. Trocki, *Opium, Empire and the Global Political Economy. A Study of the Asian Opium Trade 1750–1950* (London and New York 1999), 187.

⁴Yangweng Zheng, "The Social Life of Opium in China, 1483–1999," *Modern Asian Studies* 37 (2003), 1–39.

⁵K. N. Chaudhuri, "Foreign Trade and Balance of Payments (1757–1947)," *The Cambridge History of India. vol. 2: c.1757–c.1970* (Cambridge, 1982), 846.

⁶H. Kreutzmann, "The Chitral Triangle: Rise and Decline of Trans-montane Central Asian Trade, 1895–1935," *Asien-Afrika-Lateinamerika* 26 no. 3 (1998), 289–327; J. Millward, *Beyond the Pass. Economy, Ethnicity, and Empire in Qing Central Asia, 1759–1864* (Stanford, 1998).

Table 1. Global Opium Production 1994–2000

Country	Production 1994–2000 in tons	Percentage of World Production
Afghanistan	21337	62.7
Myanmar	9968	29.2
Laos	950	2.8
Columbia	754	2.2
Mexico	337	0.9
Thailand	36	0.1
Pakistan	331	1.0
Others	382	1.1
World	34052	100.0

Source: Author's calculations based on data provided in UNODC 2003a, p. 30.

Since then, the world production of opium has tripled. During the last decade, Afghanistan has held the prime position, with the exception of the year 2001. During this period, Afghanistan produced on average more than sixty percent of all available opium; in 2005, even more than 88 percent.

Myanmar is the only country comparable to Afghanistan with a similar record of armed struggle linked to opium production. In both countries, a power struggle is going on in which regional warlords challenge the central authority, in which rebels, guerrilla fighters and/or Mujaheddin finance their wars against the center with capital returns from poppy cultivation.⁷ The substantial funds available derived from drug money are partly invested in weaponry, ammunition, and landmines, all of which are supplied by the world market. Another substantial share is required for the upkeep of a basic infrastructure and for paying their mercenaries and soldiers. Consequently, the hypothesis is put forward that poppy cultivation is strongly correlated with political crises in which drug-trafficking is supplying the necessary funds for purchasing ammunition and weaponry in the illicit or semi-legal arms trade. In some countries where these crises were solved, or at least mitigated, poppy cultivation has significantly shrunk as is evident in northern Thailand and more recently in Laos, according to UN reports.⁸ The overall socio-political development is the root cause, but in the given environment of the stated examples, the correlation seems to be evident that poppy production and marketing is a prime source for the provision of required funds for the upkeep of centralized and decentralized power groups.

⁷J. Goodhand, "From Holy War to Opium War? A Case Study of the Opium Economy in North Eastern Afghanistan," *Central Asian Survey* 19, no. 2 (2000): 265:280; A. W. McCoy, "Requiem for a Drug Lord. State and Commodity in the Career of Khun Sa," in *States and illegal practices*, ed. J. Heyman (Oxford, 1999) 126: 168.

⁸UNODC, United Nations Office on Drugs and Crime, *World Drug Report 2006* (Vienna, 2006).

Thus, the driving forces inside Afghanistan for poppy cultivation are the warlords, their commanders, and combatants who require the profits for the upkeep of their armed struggle. The farmers are often compelled to cultivate poppy and receive only a nominal share of the profits. But, at the same time, it holds true that poppy is a valuable cash crop which offers about ten times higher returns than wheat crops.⁹ Looking from a commodity and value chain approach, other actors such as state authorities and international agencies are part of the socio-political environment conducive to production and marketing. To prove the hypothesis, the growth of poppy cultivation needs to be evaluated in a chronological perspective, highlighting Afghanistan's political regimes and their performance.

Flexible Approaches to Poppy Cultivation

It is common knowledge nowadays that, at that time [1980s, HK], both the CIA and the ISI (the American and Pakistani intelligence services, respectively) played a direct role in funnelling weapons and money to the 'freedom fighters'—the Afghan mujahideen. The two agencies were also at least indirectly involved in the nascent, local trade in narcotics. . . . Former U.S. allies in what was a war against communism included the Pashtun leader Gulbuddin Hekmatyar and his Hezb-i-Islami fundamentalist party. During the Afghan-Soviet war, Hekmatyar received most of the funds supplied by the CIA (and matched by Saudi Arabia) through the ISI [Pakistan's Inter-Services Intelligence], whose National Logistics Cell trucks delivered weapons to Afghanistan and brought opium back to Pakistan. Actually, Hekmatyar's involvement in the illegal drug economy really started only after 1989, when the United States stopped funding him and others.¹⁰

The correlation between political interference, arms supplies, and opium trafficking is widely stated¹¹ and supported by circumstantial evidence. It describes the environment in which two confronting parties later fought for dominance and authority in the center. The impact of the drug economy accelerated and grew at the same pace as other sources dwindled. Therefore, the Afghan case seems to support the thesis that opium-based resources feed a conflict, but are not the root of the conflict. The same flexible approaches have been part of the narco sector in Afghanistan under different regimes. The 2001 poppy cultivation ban implemented by the Taliban regime is as much a case in point as is the present

⁹UNODC, United Nations Office on Drugs and Crime, *World Drug Report 2006* (Vienna, 2006), 212.

¹⁰P. Chouvi, "Narco-terrorism in Afghanistan," in *The Jamestown Foundation Terrorism Monitor* 2, no. 6 (2004) 1–4.

¹¹A. Rashid, *Taliban, Islam, Oil and the New Great Game in Central Asia* (London, 2000); B. Rubin, "The Political Economy of War and Peace in Afghanistan," *World Development* 28, no. 10 (2000) 1789–1803.

involvement of governmental and non-governmental actors. During the Taliban rule, the peculiar Afghan situation was characterized by a confrontation of two opponents who both significantly financed their struggle for dominance from narco funds while the ideological and theological differences were not that far apart between them and Ahmad Shah Masud's Northern Alliance. The Taliban's success story is somehow linked to their early occupation of valuable poppy cultivation areas in Southern and Eastern Afghanistan, which enabled them to pay higher wages to their followers and to their mercenaries.¹²

The drug economy continues to enable regional leaders to execute semi-independent rule and to establish quasi-autonomous territories under their jurisdiction and economic control. Identifying the main poppy cultivation areas in 1999, the centers of cultivation become obvious and a separation between the Taliban-dominated major part of the country and the northeastern part under Mujaheddin control is visible with Badakhshan as the focus of poppy cultivation. The peak harvest was recorded in 1999 with 4,581 tons of raw opium, at that time about 70 percent of the world production. Main areas of cultivation were the Helmand province (49 percent, occupying 44,500 hectares of cultivated land) and Nangarhar (25 percent and 23,000 ha). Badakhshan's share (3 percent and 1,700 ha) was rather low in comparison.¹³ When the Taliban banned poppy cultivation in 2001, Badakhshan's share soared to 83 percent of a substantially lower total amount. The pendulum swung back immediately after the collapse of the Taliban regime. In 2002, Helmand contributed 40 percent and Nangarhar 27 percent, while Badakhshan's share significantly increased to 11 percent.¹⁴

Ten districts within Helmand and Nangarhar provinces have occupied the leading positions in the cultivation statistics. What are the reasons for the concentration of poppy cultivation in both provinces? Half a century ago, Helmand and Nangarhar had been the target of major efforts for rural development in the arid regions of Afghanistan. In Helmand, a joint venture of Afghan state funds (between 1952–56 about one-fifth of the annual state budget¹⁵) and U.S. development aid was engaged in meliorating an extensive irrigation area. The target was to convert the desert into fertile oases and to reduce Afghanistan's dependence on grain imports through self-sufficiency. In tune with the Cold War competition, the Soviet Union offered Afghanistan similar support in a major irrigation

¹²Rashid, *Taliban*, 117–127.

¹³UNDCP, United Nations International Drug Control Programme (1999), "Afghanistan," *Annual Opium Poppy Survey 1999* (Islamabad, 1999); UNODC a, United Nations Office on Drugs and Crime, *The Opium Economy of Afghanistan. An International Problem* (New York, 2003); UNODC b, United Nations Office on Drugs and Crime, *Afghanistan. Opium Survey 2003* (Vienna, 2003); UNODC, United Nations Office on Drugs and Crime, *World Drug Report 2006* (Vienna, 2006).

¹⁴UNODC a, United Nations Office on Drugs and Crime, *The Opium Economy of Afghanistan. An International Problem* (New York, 2003), 40.

¹⁵J. Humlum, *La géographie de l'Afghanistan* (Copenhagen, 1959), 237.

scheme in Nangarhar province.¹⁶ Both projects followed the contemporary philosophy of modernization: creation of technology-driven growth poles which will have trickle-down effects for the uplift of “traditional” agriculture.

In retrospect, both irrigation schemes failed due to the fact that inappropriate technologies were applied, agro-social structures and disparities remained little understood, mismanagement took control, and market needs were not met. Both provinces have changed their outlook since, obviously in contrast to the original regional planning exercise. Nowadays, they perform as the leading areas in poppy cultivation. In 2000, 35.8 percent of the cultivation area (equal to 47.5 percent of wheat land) was sown in with poppy seeds in Helmand, while the share ranged in Nangarhar around 29.4 percent (equal to 59.9 percent wheat land).¹⁷ The exceptional position of these provinces is reflected in the fact that—on average—only 3.3 percent of cultivated land is devoted to poppy cultivation in Afghanistan. In recent years, we observe a growing flexibility of poppy cultivation. While the biggest share is still grown in Southern Afghanistan (43 percent), the growth patterns shift between the provinces. Helmand still devotes 26,500 ha to poppy crops which generated one quarter of the national total in 2005. In neighboring Kandahar, the area under poppy cultivation has grown from about 5,000 ha to nearly 13,000 ha in the span of just one year, and in Farah province by a factor of even more than three, from about 2,300 to more than 10,000 ha. Both provinces contribute about 10 percent each to Afghanistan’s poppy production.¹⁸ While the north, especially Badakhshan, has extended its area under poppy significantly in recent years, the cultivated land in Badakhshan decreased from about 15,600 ha poppy in 2004 by more than half within one year. These data confirm a growing flexibility of poppy entrepreneurs. At the same time, last year’s harvest of 4,100 tons (which is only slightly less than the previous year’s) was cultivated on 105,000 ha, which means one-fifth less than before. Favorable weather conditions contributed to the bumper crop harvest in 2005: the per-hectare-yield increased from 32 to 39 kg. While in nineteen provinces the cultivation decreased, there were ten provinces with an expansion.¹⁹ A general pattern remains visible: the five provinces which contribute about two-thirds of all poppy in 2005 were Helmand, Kandahar, Balkh, Farah, and Badakhshan. But the recent Opium Rapid Assessment Survey indicates that this pattern has been reversed again.²⁰

¹⁶P. P. Waller, “Vorläufiger Bericht über eine Reise nach Afghanistan (Hilfend- und Nangahar-Bewässerungsprojekte),” *Die Erde* 91, no. 1 (1967), 61–70.

¹⁷UNODC a, United Nations Office on Drugs and Crime, *The Opium Economy of Afghanistan. An International Problem* (New York, 2003), 45–47.

¹⁸UNODC, United Nations Office on Drugs and Crime, *World Drug Report 2006* (Vienna, 2006), 213.

¹⁹UNODC, United Nations Office on Drugs and Crime, *World Drug Report 2006* (Vienna, 2006), 211.

²⁰MCN & UNODC, Ministry of Narcotics & United Nations International Drug Control Programme, *Afghanistan Opium Rapid Assessment Survey February 2006* (Kabul, 2006).

Farmers tend to cultivate poppy in more remote locations than before. Which factors supported the growth and flexibility in the poppy-based economy?

Political Power Games Supported from the Narco-Economy

Between the month of Saur (April–May) 1978 when the Kabul revolutionaries toppled republican President M. Daud who himself had abolished the constitutional monarchy five years earlier, and the Soviet invasion on 27 December 1979, annual opium production ranged around 200 tons, accounting for 10 percent of the world production. By the retreat of the Red Army in 1989, the amount had increased six-fold in one decade, marking the beginning of a “narco-economy.” The Hindukush range became a major supply and exchange route for the Mujaheddin’s war economy. Poppy cultivation in Afghanistan and opium processing in laboratories in Pakistan symbolize the interdependencies and networks involved in both countries. The areas of Pashtun dominance provided the military and economic bases for the Mujaheddin.

The pattern of semi-independent operating units gained dominance after the withdrawal of the Soviet forces, leading to the period of warlord rule with regionalized centers of power.²¹ In order to support their power bases and to remunerate their followers, strong and influential regional rulers expanded their share in poppy cultivation, which reached a peak first in 1994, when the production of 3,400 tons of opium reflected a seventeen-fold increase compared to the time before the political crises fifteen years earlier. International drug syndicates, smugglers, dealers in weapons and ammunition, suppliers of a wide range of consumer goods, and other entrepreneurs benefited from the growing and comparatively stable incomes of the war(lord) economy in Afghanistan.

The pattern did not change significantly when the Taliban started their successful takeover of Pashtun-dominated provinces. Under the Taliban rule, poppy cultivation remained at high levels and reached another peak in 1999. The Taliban and the Northern Alliance derived substantial funds from the narco-economy for the perpetuation and sustenance of their respective rule. Opium processing laboratories—which had been shifted first from Iran (after the Iranian Revolution) and Afghanistan during Soviet occupation to Pakistan—operated again in northern, southern, and eastern Afghanistan, supplying the world market with morphine and heroin.

An exceptional situation occurred in 2001 when the Taliban regime unilaterally declared a cultivation ban on poppy and implemented it successfully. Three hypotheses have been given to explain the success. First that the Muslim religious leaders managed to convince the Taliban leaders that a ban on opium cultivation should be implemented for religious reasons. Second, that for international recognition, the Taliban’s struggle, under the leadership of Mullah Omar, had to

²¹A. Giustozzi, “The Debate on Warlordism: The Importance of Military Legitimacy,” *Crisis States Discussion Papers* 13 (London, 2005), fig. 2.

be supported by offering a ban on poppy cultivation. Third, that the market price had dropped significantly due to high stockpiles of opium and the ban was implemented to reduce supplies. The first two hypotheses fail to be straightforward as theological and diplomatic initiatives were contradicted by other actions such as the earlier tolerance of poppy cultivation and the blasting of the Bamiyan Buddhas. The third hypothesis seems more convincing, as the market intervention proved successful and the opium price increased tenfold the following year.²² Within one year, the production slipped from 3,330 tons to 200 tons, the latter being the level prior to Afghanistan's narco-crisis. In contrast, the Northern Alliance continued their production. During 2001, they contributed a substantial share to Afghanistan's opium exports. In Ahmad Shah Masud's stronghold of Badakhshan, the cultivation area was expanded from 2,684 ha in 1999 to 8,250 ha in 2002. The trend continued, and by 2004, Badakhshan's poppy cultivation area had reached 15,607 ha.²³ It should be noted that since the collapse of the Taliban regime and the establishment of Hamid Karzai's government, the political environment in Badakhshan seems to have been conducive for the production and marketing of opium, turning the province into Afghanistan's third biggest producer. By 2004, about 16 percent of Badakhshan's wheat cropland had been taken over by poppy, which is not much when compared to the figures for Nangarhar (76 percent), Oruzgan (49 percent), Helmand (40 percent), Kunar (36 percent), and Zabul (30 percent; Fig. 1;²⁴). It seems more difficult to ban poppy cultivation in so-called post-conflict times of "peace." The conclusion from this observation could be that the conflict is still in full swing and actors within and outside the Kabul government utilize resources from the narco-economy for their struggle for dominance and control of Afghanistan's resources and regions.

During the last quarter century, only the Taliban rule managed to reduce the cultivation to zero during one year in 2001. The remarkable feat to implement a complete internal cultivation ban during a whole agricultural cycle shows that strong central and oppressive governments with a regional base were in a position to implement a total production collapse. The Taliban regime obviously exercised strong powers in the agricultural communities in its sphere of influence.

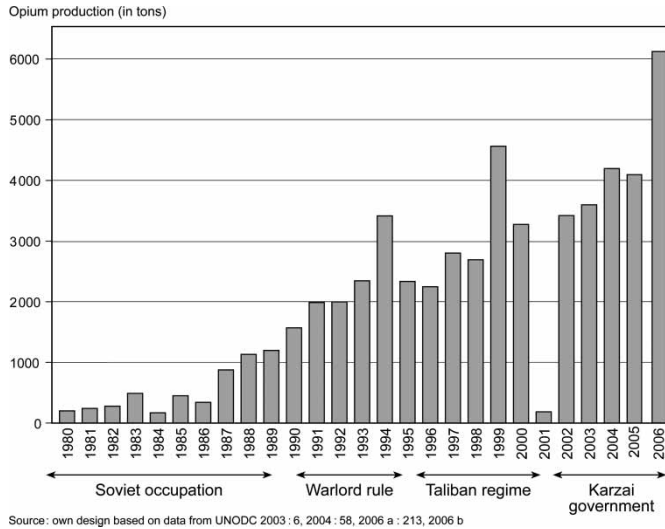
Having taken power as a result of the December 2001 Bonn conference, the government of Hamid Karzai declared a poppy cultivation ban in January 2002. Nevertheless, all harvests since then have been higher than the preceding bumper harvest of the year 2000 (Fig. 2). Practically speaking, no ban on poppy cultivation is applied in Afghanistan today. A peak was reached in 2006 with 6,100 tons. During our own fieldwork in northeastern Afghanistan, we

²²Cf. UNODC a, United Nations Office on Drugs and Crime, *The Opium Economy of Afghanistan. An International Problem* (New York, 2003).

²³UNODC, United Nations Office on Drugs and Crime, *Afghanistan. Opium Survey 2004* (Vienna, 2004).

²⁴UNODC, United Nations Office on Drugs and Crime, *Afghanistan. Opium Survey 2004* (Vienna, 2004), 111.

Figure 2. Development of Afghan Poppy Cultivation 1980–2005.



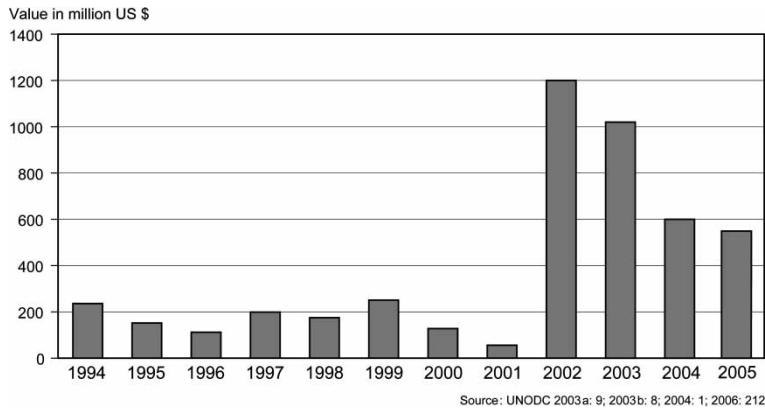
percent and contributed only 1 percent to the national total.²⁵ But the following year, the trend was reversed again. In the northeast, Badakhshan remains the center of production, but in the northwest, poppy is cultivated in provinces with no tradition in the narco-economy such as Herat, Faryab, and Ghor. As a consequence, only a few provinces remain in Afghanistan with no direct participation in poppy cultivation. Besides the capital, Kabul, Ghazni province has a record of being poppy-free.

Profit Generation from Opium Sales

Long-term market analyses by the United Nations Office on Drugs and Crime (UNODC) tell us that when Afghanistan was politically split into Taliban-dominated areas and regions under Ahmad Shah Masud's Northern Alliance, the export markets were separated as well and highly competitive. The returns from opium production averaged around U.S. \$150 million per annum between 1994 and 2000. After the ban, the farm-gate prices exploded and reached an average level ten times higher than before: U.S. \$350

²⁵UNODC a, United Nations Office on Drugs and Crime, *The Opium Economy of Afghanistan. An International Problem* (New York, 2003), 8.

Figure 3. Estimated Maximum Values of Afghan Opium Production 1994–2005.



to 400/kg.²⁶ The same holds true for the stored quantities which were held back when the market was down. Observers claim that since the collapse of the Taliban regime, Afghanistan's narco-economy has become somehow a uniform market place with similar price structures at a very high level. Solely during the year 2002, the return from opium peaked at U.S. \$1.2 billion (Fig. 3). Although the total farm-gate value slumped to U.S. \$560 million in 2005, it still equals a total export value of U.S. \$2.7 billion, taking herewith a share of about 52 percent of Afghanistan's GDP in 2005.²⁷

From the farmers' perspective, it was quite obvious that their efforts had a legal basis until Hamid Karzai's ban on poppy cultivation was announced. While the declaration of a ban is a legislative act, its implementation would require willingness and executive power, both of which are rarely observed. In many interviews, it was stated that government officials at all levels are benefiting from the proceeds from drug trafficking. Therefore, the sole focus on the farmers neglects the opium value chain and its different actors en route.

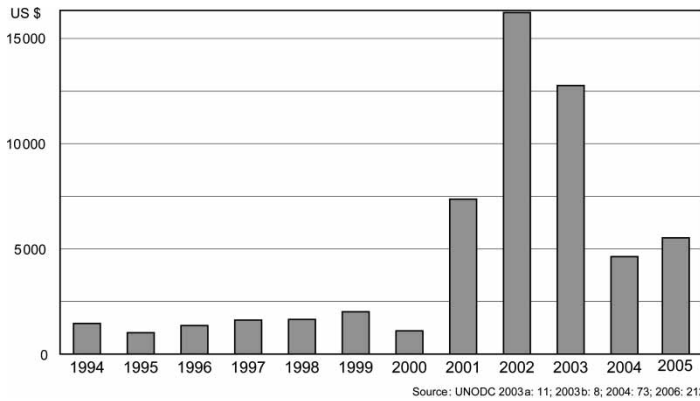
While previously the gross income from poppy ranged at around U.S. \$1,500 at the farm-gate, these values increased significantly after the ban and peaked in 2002 at more than U.S. \$16,000/ha (Fig. 4). In 2005, poppy cultivators on average had household incomes of about U.S. \$1,800, or per capita income of U.S. \$280, about 25 percent higher than Afghanistan's per capita GDP.

During our fieldwork in Badakhshan, we observed neither restrictions to poppy farmers nor any repercussions or a need to hide the fields from outsiders.

²⁶UNODC a, United Nations Office on Drugs and Crime, *The Opium Economy of Afghanistan. An International Problem* (New York, 2003), 8.

²⁷UNODC, United Nations Office on Drugs and Crime, *World Drug Report 2006* (Vienna, 2006), 212.

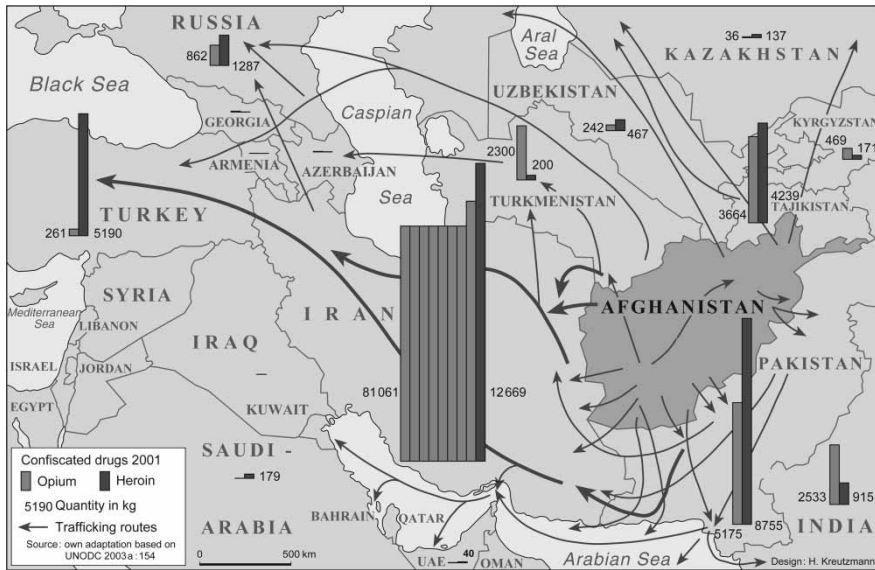
Figure 4. Average Gross Income per Hectare from Poppy Cultivation in Afghanistan 1994–2005.



Only during harvest were the fields guarded against thieves. Investors and dealers from other provinces, such as Nangarhar, motivated more farmers to participate and/or to expand their production areas. In comparison with wheat farmers, poppy growers follow a highly profitable cultivation strategy. They have become the suppliers to a homogenizing narco-economy which is controlled by armed and politically powerful groups. When the crops are sown (September to December), poppy growers get bonded with those groups by enjoying needed loans which are accounted for during the coming harvest. Thus, flexibility is given to the investors who follow a tradition of contract-farming, which is well-known in Afghanistan and the neighboring countries. These advance payments enable the farmers to purchase necessary food items, but at the same time, the usurious loans are loaded by heavy interest rates. In Badakhshan, one is aware of the strict control of the commanders of the Northern Alliance whose militia-type army controls all weaponry. The regional network is engaged in the purchases of raw opium, processing, transport, levying toll-taxes, and trafficking, but at the same time, it supplies quantities of opium to the local people along the smuggling routes. The share of opium consumption by the mountain farmers and nomads has significantly increased since the rule of the commanders dominates political and economic affairs in northeastern Afghanistan,²⁸ where their power is stabilized and sustained by the narco-economy. Beside the political impact, other driving forces need to be mentioned. David Mansfield points out that drought and the Taliban ban on poppy cultivation in 2001 stimulated the

²⁸S. Felmy & H. Kreutzmann, "Wakhan Woluswali in Badakhshan. Observations and Reflections from Afghanistan's Periphery," *Erkunde* 58, no. 2 (2004), 97–117.

Figure 5. Trafficking Routes of Opium and Heroin from Afghanistan and Contraband Confiscation in Transit and Consumer Countries.



Badakhshani farmers to change their livelihood strategies in a way that gave poppy cultivation a bigger share.²⁹

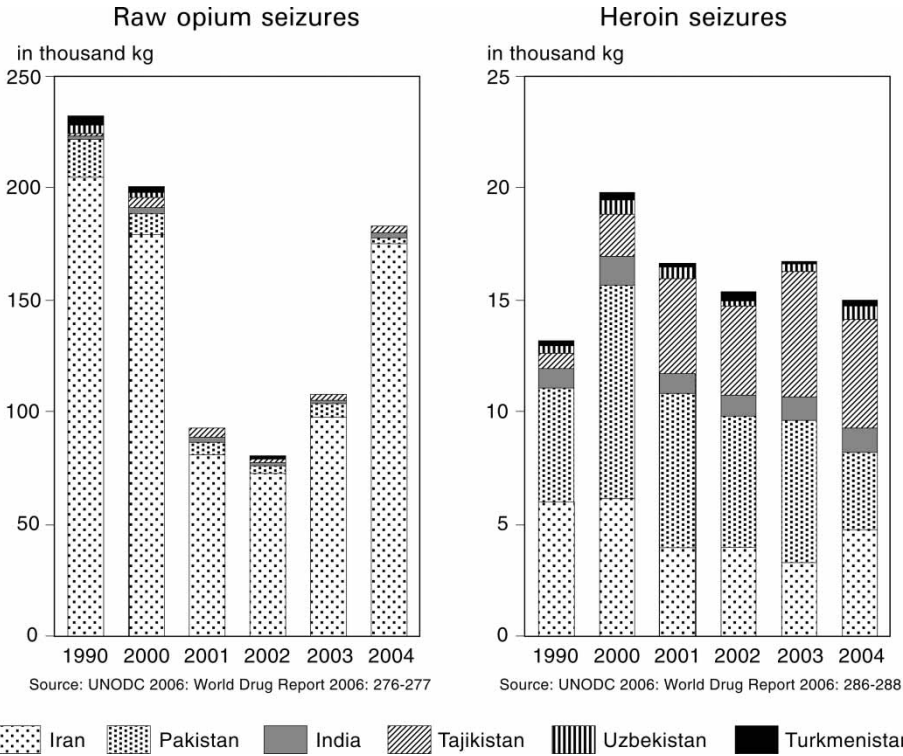
Contraband-Trafficking and Confiscation in Transit

The profit margins in opium and heroin are dependent on consumer markets. Local entrepreneurs can gain a mark-up of 3–26 percent when they deliver the farm-gate product to the local and regional bazaars. After crossing international boundaries, the profit margin increases by a factor of ten; on its way to the European and North-American markets, the factor might range around one hundred.³⁰ Similar profit margins are valid for heroin trafficking from Afghanistan's laboratories to the Western consumer markets. These margins somehow reflect the dangers and risks of smuggling opium and heroin. More than 60 percent of contraband drugs are confiscated in neighboring countries of Afghanistan (Fig. 5). Iran seems to be a major consumer market; at the same time, the biggest amount of opium and heroin is confiscated there (Fig. 6). Other countries which secure substantial amounts of contraband commodities are Pakistan,

²⁹D. Mansfield, "Coping Strategies, Accumulated Wealth and Shifting Markets. The Story of Opium Poppy Cultivation in Badakhshan 2000–2003," *AKDN* (Geneva, 2004).

³⁰Cf. UNODC a, United Nations Office on Drugs and Crime, *The Opium Economy of Afghanistan. An International Problem* (New York, 2003), 13.

Figure 6. Raw Opium and Heroin Seizures in Neighboring Countries.



Tajikistan, and Turkey. The illustration shows some aspects of important overland trafficking routes. In previous times, most products of the narco-economy made their way south and west. Since the end of the Cold War and the dissolution of the Soviet Union, Tajikistan, Turkmenistan, and Kyrgyzstan as well as the People's Republic of China, have become important transit countries and dissemination centers. The connection between farm-gate and world market is mainly controlled by non-Afghan entrepreneurs, traffickers, smugglers, dealers, and consumers. Highest profits seem to have been made in 2002, with estimates of U.S. \$2.2 billion in the neighboring Central Asian republics (equal to 7 percent of the GDP), U.S. \$1–1.3 billion (1–1.3 percent of GDP) in Iran, and U.S. \$ 0.4–0.8 billion (0.7–1.3 percent of GDP)³¹ in Pakistan. Adolf identified six main routes: two leading through Iran and Pakistan, while three are transiting Tajikistan and one Turkmenistan.³² Pakistan was the preferred transit

³¹UNODC a, United Nations Office on Drugs and Crime, *The Opium Economy of Afghanistan. An International Problem* (New York, 2003), 15.

³²M. Adolf, "Opiumökonomie Afghanistan," in *Blätter für deutsche und internationale Politik*, no. 1 (2006), 75–81.

corridor until the early 1990s, then shifting afterwards to the northern routes. Tajikistan and its ailing economy have been identified as the most significant openings for organized crime and drug-trafficking.³³ Nevertheless, transit corridors and trafficking lines are constantly changing and adapting to overall conditions along the route. These remarks reflect the trickling-down effects of linking production and consumer areas.

Afghanistan's Role in a Globalized and Fragmented World

The reconstruction of Afghanistan's dynamic and growing narco-economy revealed that we are confronted with a comparatively young phenomenon. A quarter century of power games; internal struggles for central dominance; external invasion; and supply of arms, ammunition, and landmines has created an environment of ideological confrontation, regionalism, and personal insecurity. Political fragmentation of the nation-state and a lack of functioning civil society institutions provide conducive environments, which are a precondition for value-adding in commodity chains in an inter-connected world. Mutual understanding and cooperation of various profiteering groups are dependent on suitable production arenas. Afghanistan presently provides such an environment. The poppy grower himself earns probably the least; much more is earned by the local rulers on the domestic front; and even more by others involved in the distribution networks outside the country. A fragmented state with ineffective institutions, driven by personal interests, adds to the arena of opportunities. Mistrust in the governmental structures gives opium an added value. Opium is not only a commodity, but also a currency at the same time. Some people seem to invest in opium for rent-seeking while others use it in money-laundering activities. Networks of informal money transfer businesses are involved in such kinds of money-laundering which are thus linked to international tourism and migration.³⁴ While taking advantage of the unstable state of affairs in Afghanistan, international syndicates and interested parties are milking huge profits in the global arena. From this perspective, Afghanistan's narco-economy reflects the malevolent combination of fragmentation and globalization. Development programs and international consultants see a possible transition to a less criminalized production in a licit poppy cultivation for pharmaceutical purposes and in the establishment of alternative livelihoods.³⁵ An amount of U.S. \$490 million was allocated for mainstreaming alternative

³³M. Adolf, "Opiumökonomie Afghanistan," in *Blätter für deutsche und internationale Politik*, no. 1 (2006), 79.

³⁴M. Adolf, "Opiumökonomie Afghanistan," in *Blätter für deutsche und internationale Politik*, no. 1 (2006), 81.

³⁵D. Mansfield and A. Pain, "Alternative Livelihoods: Substance or Slogan?" *AREU Briefing Paper* (Kabul, 2005).

development in Afghanistan in 2006, an amount nearly equal to the revenue generated by poppy farmers. Nevertheless, the investments do not seem to significantly change the national production capacity. Alternative development and eradication packages challenge a flexible response by cultivators and entrepreneurs. The route to a substantial reduction of illicit poppy cultivation seems to become longer and more hazardous because the huge profits have not yet been tackled. The root causes have to be tackled first. The effects will be reduced in due course.