Kicking the opium habit?: Afghanistan's drug economy and politics since the 1980s

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Four misconceptions plague the efforts of the Afghan government and the international community to succeeding in weaning Afghanistan off its narcotics economy. The first myth is that the explosion of opium poppy cultivation in Afghanistan is a new phenomenon emerging from the fall of the Taliban. The second misconception is that if the Taliban regime had remained in power, given its religious fervour, it would have extirpated the illicit economy. The third misconception is that the warlords sponsoring the illicit economy gain only immense financial profits and weapons from the drug trade, a notion that critically ignores the significant political capital that they also reap from such involvement. The final myth and the most dangerous for efforts to cement progress in Afghanistan is that large-scale eradication of the opium crop is the quickest and most effective way to stabilize the country. Only massive economic investment in Afghanistan and wise patience not to demand immediate visible measures of ‘the success’ of counter-narcotics policies can produce a decrease in Afghanistan’s illicit economy that it is truly durable and not politically destabilizing.

Supplying more than 75% of the world’s global markets for illicit opiates, Afghanistan has become the poster narcostate. The extent of its narcotics economy, more than forty percent of the GDP, greatly surpasses that of Colombia, Peru, or Thailand.\(^1\) To deal with the problem constructively—which neither Afghanistan nor the international community has
been able to do—four misconceptions must be dispelled. The first is that the explosion of opium poppy cultivation in Afghanistan is a new phenomenon; emerging from the fall of the Taliban and that hence, it can be rapidly eliminated. The second misconception is that if the Taliban regime had remained in power, given its religious fervour, it would have extirpated the illicit economy. The third misconception is that the warlords cum politicians sponsoring the illicit economy gain only weapons and money—albeit significant—from their involvement, a notion that ignores the important political capital that they also reap from such involvement. The final misconception is that large-scale eradication of the opium crop is the quickest and most effective way to stabilize Afghanistan, a belief prevalent among many US and Afghan policymakers today.

A deeply rooted phenomenon

It is true that Afghanistan’s drug economy diversified and it became more integrated after the fall of the Taliban in 2002. However, opium production had deeply penetrated the politics and economics of the country for several decades before.

The drug economy emerges

In the 1950s, major structural changes in the international opium and heroin supply market created opportunity for the initial expansion of the drug production and trade in Afghanistan. One of the market conditions allowing for the shift of opium production to Afghanistan was the change in Iran’s policies toward drugs. Although opium had been cultivated in Iran since the eleventh century, its usage became a major problem in the 1950s when the country had an estimated one million addicts. This rapid increase in addiction led the Shah to ban poppy cultivation in 1955. As Iranian supplies of opium disappeared, entrepreneurial Afghans stepped in, exploiting traditional smuggling routes.

Yet it was the tremendous increase in external demand for opiates in the 1970s that drove Afghanistan’s integration into the big-league producers and traffickers of illicit narcotics. Until the 1980s, the two major international markets for opiates, North America and Western Europe, were supplied by the Golden Triangle countries of Southeast Asia. The fall of the governments in South Vietnam and Laos in 1975 disrupted the supply from the Golden Triangle to the USA. Moreover, a prolonged drought in the late 1970s and early
1980s further reduced production in the Golden Triangle, thereby creating an opportunity for the Golden Crescent countries, mainly Pakistan and Afghanistan, to enter the market.

The nature of the Soviet occupation significantly contributed to the explosion of poppy cultivation in Afghanistan. The Soviet forces in Afghanistan adopted a policy of starving the mujahidin by applying a scorched earth policy and destroying food crops.\(^4\) By 1987, the agricultural output was only a third of what it had been in 1978, not much to start with. The Soviet policy of systematic crop destruction, in the context of its larger policy of ‘depopulation through firepower’ and the desire to weaken infrastructure support of the mujahidin through indiscriminate village destruction, left no option for large segments of the population but to turn to the cultivation of poppy and the production of opium as means of subsistence.\(^5\) Suddenly, not only was there an opportunity to penetrate the international heroin and opium market, but such an agricultural switch became a matter of survival for large segments of the population.

The mujahidin of the 1980s and drugs

Three major mujahidin leaders (Gulbuddin Hekmatyar, Pir Sayad Ahmed Gaylani, and Ismat Muslim) systematically exploited the drug production for military purposes during the anti-Soviet resistance. With the help of the drug profits, Hekmatyar was able to maintain a hierarchically organized party and conventional army. In the summer of 1988, expecting that the Soviet withdrawal would lead to the decrease of foreign support, he apparently instructed his men to search for precious stones and to cultivate poppy.\(^6\) Sayad Ahmed Gaylani was another major mujahidin warlord who effectively used the illicit economy to strengthen his resistance group. Gaylani, nicknamed ‘Effendi Juan,’ was high on the Russian suspect list in drug operations. The Soviet intelligence report on Gaylani’s National Islamic Front of Afghanistan found that it ‘had significant financial resources. Besides the aid from various foundations in the USA, Western Europe and Arab countries, it makes profits on selling drugs and exacting taxes from the population.’\(^7\) Finally, Ismat Muslim also took an early advantage of the drug economy to build up his power base. Engaged in smuggling since his days of training in the USSR, Ismat Muslim was conducting military and smuggling operations, including heroin trade, between Kandahar and Quetta as early as 1979.\(^8\)

The financial profits from the illicit economy brought improvements in procurement and logistics for the mujahidin, allowing them, for example, to switch from single-shot
rifles to automatic weapons and light artillery. The mujahidin involved with drug traffic also established some form of local administration in areas over which they held sway. These local administrations were responsible for local security, logistics, and crop cultivation, and the provision of other social services. Poppy cultivation was deemed especially important since it brought subsistence to the overall population in the areas of mujahidin control as well as generated financial profits for the financing of the war effort. Poppies were planted, irrigated, pruned and harvested, not only by the peasants and criminal organizations, but also by the mujahidin groups themselves.

The involvement of some mujahidin groups with the illicit economy progressively provided a modus operandi for other groups to emulate. By 1989 and from then onward, many more mujahidin commanders seized the opportunity to sponsor the production of opium. In some areas, the poppy profits allowed commanders to become powerful warlords, increasingly independent of external sponsors. In fact, control over the drug economy became an important source of legitimacy for the mujahidin military leaders who by the late 1980s and early 1990s emerged as a new elite and claimed power in their areas of control. As Olivier Roy argues, these warlords, ‘the new notables,’ established their power as redistributors: ‘The new notable creates a network of clients, strengthened by matrimonial bonds, thanks to the goods he is able to distribute. These goods do not come from extorting peasants, but from international sources. . . [M]ore recently, profits come from marketing weapons and drugs (opium).’ The mujahidin leaders thus progressively learned how to exploit the drug economy to build up institutions of resistance and an independent power base. Mullah Nasim Akhundaza, for example, used the financial benefits from trade to establish a firm and stable control over the Helmand Valley and to convert it into political support. In an interview in 1987, he claimed to have established hospitals, clinics, and 40 madrasas with the drug profits.

The spread of the drug contagion effect among the various mujahidin factions was facilitated in the late 1980s by a change on the battlefield. The Stinger missiles provided to the mujahidin by the USA severely complicated the Soviets’ ability to continue with the scorched-earth policy, and the Soviet will to continue with the brutal counterinsurgency policy was weakening anyway. The new environment thus allowed for an increase in agricultural production. In 1989, a Russian account of drug cultivation in Afghanistan attributed to the seven major mujahidin groups ‘an annual production of opium . . . of over 800 tons, or more than twice the annual national production of Pakistan and Iran combined.’ Whether or not the Russian data are exaggerated, there is no doubt that the
various mujahidin groups became enmeshed in Afghanistan’s drug economy progressively and deeply.

Moreover, not only did Hekmatyar, Gaylani and Muslim provide a successful modus operandi for others to emulate, an internal learning of curve of how to exploit the drug economy effectively also took place within the various groups. Hekmatyar, for example, initially only taxed the cultivation of poppy. By the end of the 1980s, however, and unlike other mujahidin commanders who were satisfied to sell raw opium at bazaars in Afghanistan and Baluchistan, Hekmatyar, in partnership with Pakistani heroin syndicates, apparently invested in establishing processing plants.\(^\text{15}\) After the Soviet withdrawal, Hekmatyar also used the income from drugs to make a transition from guerrilla warfare to building up a more conventional army.\(^\text{16}\) The mujahidin also progressively learned how to use the drug profits to provide social services and administration in the areas under their control.

What gave Hekmatyar an important advantage over other warlords in the successful exploitation of the drug economy was his very close relations to the Pashtun refugee community in Pakistan and Pakistan’s ISI. Although all of the mujahidin had contacts and support groups in Pakistan, Hekmatyar’s connections to both the Afghan refugees in Pakistan and the ISI were especially tight. The brutal nature of the Soviet occupation forced large numbers of Afghans to flee to Pakistan. As argued by Edward R. Girardet, ‘the refugees have infiltrated two vital areas of the economy in the frontier region—the arms business and the profligate smuggling of consumer goods and opium.’\(^\text{17}\) Trucks from the Pakistan’s army National Logistics Cell (NLC), arriving with CIA arms from Karachi, frequently returned loaded with heroin, protected from police search by ISI papers.\(^\text{18}\) A Pashtun, Hekmatyar was the ISI’s favourite recipient of aid. Whether or not the ISI (and as some analysts argue, the CIA itself)\(^\text{19}\) actively encouraged the mujahidin, and Hekmatyar specifically, to exploit the illicit drug economy to shore up their resistance, it is very likely that Hekmatyar learned to exploit the arms smuggling channels from Pakistan also for the smuggling (and possibly refining) of heroin.

In short, during the 1980s, drug production in Afghanistan increased dramatically and it became well integrated into the global heroin trade. The exploitation of the drug economy provided not only a viable and frequently sole source of livelihood for large segments of the impoverished population, but also progressively represented an attractive way for the new emerging elite to increase and solidify power. The various mujahidin leaders learned how to exploit the illicit economy to improve their military resistance and how to use the drug economy as means of transforming themselves from
anti-Soviet guerrilla groups into powerful regional warlords. Clever sponsorship of the illicit economy thus brought not only financial profits and weapons to the warlords, but also political capital.

**Warlords and the illicit economy in the early 1990s**

The early 1990s were characterized by shifting and fluid alliances and constant infighting among the warlords who emerged out of the various 1980s' factions. These political and military manoeuvrings took place against the background of a progressively expanding and deepening illicit narcotics economy. Both the power elite and large segments of the populace became hooked on the existence of the illicit economy.

After the withdrawal of the Soviets in 1989, a long struggle ensued, pitting the mujahidin against the regime of President Najibullah until he was defeated in 1992. A coalition of the Tajik forces, under the military leadership of Ahmed Shah Massoud and the political leadership of Burhanuddin Rabbani, and of Uzbek forces under the leadership of a formerly pro-communist general, Rashid Dostum, seized Kabul. The Pashtuns lost control of the capital, and an internal war began almost immediately with the Pashtun general Hekmatyar laying siege to the capital and shelling it mercilessly. Hekmatyar received aid from Arab and Pakistani radicals and continued profiting from the drug trade, mainly in the South, and from counterfeiting money in Pakistan.

In the Helmand Valley, Mullah Nasim Akhundaza consolidates his control over the opium economy and his position as one of Afghanistan’s main traffickers. Nasim set production quotas, decreeing in 1989, for example, that 50% of the land be sown with poppy and providing cash advances to peasants on poppy cultivation and opium production. Any landlord who failed to fulfil the production quotas had to pay the difference, a policy that drove many into debt. Those who did not comply with these provisions were subject to harsh penalties, and reportedly torture and execution. Mullah Nasim also sought to control as much of the trafficking component of the trade as possible, including having an office in Zahidan, Iran to handle the trade once it left Afghanistan. Nasim thus effectively cut out the traffickers from the production business in the areas under his control, regulating the farmers’ economy directly and very heavy-handedly.

Massoud and Rabbani too exploited the illicit economy. They drew on resources from their regional base in the northeastern province, such as drug production and traffic, and the mining of precious gems, mainly lapis lazuli and emeralds. Paid directly to the local
commanders, the tax on opium started at around 2.5%, but throughout the 1990s continued to climb high, until reaching 20%.

Captured samples of raw opium from Badakhshan, under Massoud's and Rabbani's control, showed a morphine content twice as high as elsewhere in the country, despite the fact that local farmers did not use either irrigation or fertilizers. Moreover, new trafficking routes via Tajikistan to Russia and to Europe were also firmly under Massoud's and Rabbani's control. Unlike Hekmatyar, Massoud and Rabbani used the revenues not only to finance their militias, but also to build regional institutions, independent of Kabul. The entanglement of Massoud in the drug trade scared the Clinton Administration from embracing fully him as an ally against the Taliban during the 1990s.

Also based in the north, Dostum received support primarily from Uzbekistan, and possibly also from Russia. As new drug trafficking routes developed through Uzbekistan to Russia and onward to Europe, Dostum too became progressively enmeshed in the illicit narcotic traffic. Ismail Khan in Herat maintained close relations with Iran and taxed all traffic, licit or not, going to Iran. He used his revenues to build up strong and functioning institutions in Herat. He also controlled the overland traffic to Dubai. Finally, smaller warlords, such as the Arsala clan (Haji Abdul Qadir and his brothers) based in Jalalabad, profited from Nangarhar province's skyrocketing expansion of opium production and used the Jalalabad airport as a centre for the import of goods from Dubai for tax-free illicit smuggling back into Pakistan in alliance with Afghan and Pakistani Pashtun truckers.

The political situation in the country was characterized by economic predation and warlordism, with, as Barnett Rubin put it, 'regional-ethnic war economies embedded in transnational networks'. These transnational networks were mainly illicit, but encompassed other illicit activities than simply narcotics. The illicit economy not only provided the regional commanders with income to support their armies, but also, and crucially, allowed them to satisfy the subsistence needs of the population in the regions under their control. To different degrees, the various warlords were able to convert their illicit financial profits into local military control, and the political support they generated from the sponsorship of the illicit economy into institution building in their regions. The multiple benefits derived from drugs thus vastly increased the strength—both political and military—of the different armed groups and greatly enhanced their staying power, despite their frequent infighting.

The Taliban and drugs

The extent to which the opium drug economy brings political capital to its sponsor is especially salient in the case of the Taliban. Contrary to conventional wisdom, the Taliban
not only systematically exploited the illicit narcotics economy, but also derived large political benefits from its sponsorship, not simply financial resources. In fact, it was the political implications of its attitudes toward the illicit economy that motivated the Taliban to embrace it.

A religious fundamentalist movement that became notorious for its unrestrained brutality toward women and the overall civilian population and for its dogmatic and ruthless oppression, the Taliban emerged on the political and military scene of Afghanistan in 1994. Led by Mullah Omar, the Taliban was formed as a transnational network, organizationally present in both Afghanistan and Pakistan, where it drew primarily upon a sectarian network of madrasas educating Afghan refugees in Pakistan and political parties belonging to the Deobandi movement. Highly centralized, secretive, and dictatorial, the movement presented itself as motivated by Islam and as desiring to pacify and purify Afghanistan. Fundamentally anti-modernist, the religious students of the Taliban sought to reconstruct the Afghan state and society by imposing a very strict, harsh, and almost backward interpretation of Islam on Afghanistan. \(^{27}\) They emerged largely as a reaction to the inability of the various mujahedin leaders to stop their bickering and prevent the disintegration of Afghanistan into predatory warlordism, at a time when both the Communist power structure and the traditional tribal leadership were either completely eliminated or severely discredited and undermined, and when the war-exhausted population was ready to accept peace at any price. The Taliban’s declared agenda consisted of restoring peace in Afghanistan, disarming the population, enforcing Sharia, and defending the integrity and Islamic character of Afghanistan.

Although starting out as a band of perhaps as few as 30 insurgents armed with only light rifles, within a year and half the Taliban managed to expand militarily to such a degree that it could take over large swathes of Afghanistan’s territory. It could defeat most of the warlords, conquer Kabul, and send the Lion of Panjshar, Ahmed Massoud, to a small territory in the north where he and his coalition, the Northern Alliance, were hanging on for life until the US invasion of Afghanistan in 2001. Two factors crucially contributed to the Taliban’s success: the aid of Pakistan and the ability to exploit a lucrative illicit economy. However, the economy that the Taliban exploited in the early, key phases of its expansion was not the narcotics economy, but rather the illicit traffic with undeclared legal goods under the Afghan Transit Trade Agreement (ATTA).

At the beginning of their military operations in the autumn of 1994, the Taliban were poorly armed, had poor logistics, frequently ran out of ammunition and numbered in the
hundreds. Over the course of the next few months, their numbers swelled to 15,000 as the influx of the madrasas' religious students continued to pour into Afghanistan. Pakistan also provided direct aid in terms of money, weapons, and logistical support. Seizures of weapons arsenals generated heavy weapons and supplemented Pakistan's assistance. Money also came in from groups in Saudi Arabia. Thus, by October 1996, the Taliban had fielded at least 25,000 men and it was armed with tanks, armoured vehicles, helicopters, and fighter aircraft. Through Pakistan's ISI, the Taliban was also able to recruit former Afghan personnel in Pakistan refugee camps who were veteran pilots, tank drivers, and technicians by offering high salaries paid in US dollars.

The second source of the Taliban's physical resources was its exploitation of the illicit traffic with legal goods that existed between Pakistan and Afghanistan. Under the Afghan Transit Trade Agreement, negotiated in the 1950s, landlocked Afghanistan secured a deal from Islamabad that allowed goods to pass from the port of Karachi through Pakistan and over the border to Afghanistan duty-free. Yet, the subsequent U-turn scheme that emerged benefited the smugglers above all and worked like this: a buyer in Afghanistan issued a letter of credit to import some goods, for example refrigerators, through the port of Karachi. The appliances were then driven through Pakistan into Afghanistan duty-free. The trucks unloaded on the Afghan side and returned to Pakistan empty. Meanwhile, the tax-free goods were carried back to Pakistan illegally—for example, by camels and donkeys. The goods, which sold for far less than the goods imported into Afghanistan legally, were then distributed via a trucking industry largely controlled by Afghan refugees in Pakistan. According to the World Bank, this illicit traffic amounted to $2.5 billion in 1997.

Naturally, however, other non-state actors stepped into this highly lucrative lacuna of state power and complicated the life of the smuggling mafia. Local warlords charged tolls for the smugglers' use of the roads and passes under their control. The progressive chaos of the early 1990s and the increasingly higher and higher tolls and taxes charged by the local warlords severely threatened the interests of the transport mafia. On any route, a transport could have been stopped as many as 20 times and forced to pay tolls, and occasionally the local warlords even robbed the transported goods. It was becoming increasingly difficult for the smugglers to carry on business within their traditional territory and exceedingly difficult to expand the smuggling into Iran and Central Asia.

The emergence of the Taliban presented the traffickers with a force that could assure that business was carried out and transaction costs were significantly lowered. Purported to be
long incensed with the excesses of the predatory warlords on the highways and by their arbitrary taxation and extortion, Mullah Omar willingly provided protection to the illicit smuggling enterprise. Already in the autumn of 1994, as the Taliban was taking over territory around Kandahar, it also cleared the chains from the roads, set up a one-toll system for trucks entering Afghanistan at Spin Baldak, patrolled the highway against other warlords. In addition, crucially, the Taliban declared that it would not allow goods bound for Afghanistan to be carried out by Pakistani trucks, thus satisfying a key demand of the Afghan transport mafia.\textsuperscript{31} The transport mafia was ecstatic, and the Taliban got paid handsomely by the traffickers.\textsuperscript{32} Thus, in 1997 the Taliban was estimated to have received $75 million from the illegal smuggling with licit goods.\textsuperscript{33} Apart from facilitating procurement, logistics, and salaries, the money obtained from the smuggling of non-drug goods also allowed the Taliban to buy off some of its opponents. This bribe approach was, in fact, a key feature of the Taliban’s military tactics.\textsuperscript{34}

Therefore, actually, the increase in Taliban’s resources and its military expansion through the Afghan territory took place \textit{without} its exploitation of the illicit narcotics economy and was not dependent on it. In fact, the Taliban’s interaction with the narcotics economy followed a learning curve. At first, the Taliban issued a ban on it. However, contrary to the popular misconception, the Taliban rapidly learned that such a counter drug policy was unsustainable and fully embraced the illicit drug economy. How and why did its policy evolve?

Seeing drug production as anti-Islamic, the Taliban’s original impulse was to prohibit it. When in late 1994 and early 1995 the Taliban moved out of Kandahar west to the Helmand Valley, the main poppy growing region in Afghanistan at the time, it denounced the drug trade and burned down poppy fields. In a series of communiqués about the Taliban goals, its leaders made a commitment to eradication of opium. The emergence of the Taliban on the political and military scene in the poppy growing regions halved the acreage allocated for poppy for the following growing season, a precipitous drop attributed by the farmers to fear of reprisals from the Taliban. However, wheat prices were also booming that year and there was a significant carryover of raw opium from the bumper opium harvest in 1994.\textsuperscript{35} The Taliban also cracked down harshly on hashish addicts, imprisoning them, beating them, and submerging them in cold water for several hours at a time.\textsuperscript{36} Both the United Nations and the USA were hopeful that should the Taliban succeed in taking over the country, it would stem Afghanistan’s opium and heroin production. In 1996, after the Taliban expanded its
control of Afghanistan, Giovanni Quaglia, the director of the UNDCP office in Pakistan declared, rather cavalierly as it turned out, that, ‘In these circumstances, the [drug] problem [in Afghanistan] can be dealt with in ten years.’37

However, the Taliban’s prohibitionist policy did not last. By 1996, the Taliban adopted a laissez-faire approach to drug cultivation that progressively evolved into taxing the farmers as well as providing security for and taxing the traffickers. The new edicts of the Taliban read, ‘The cultivation of, and trading in chers (cannabis, used for hashish) is forbidden absolutely. The consumption of opiates is forbidden, as is the manufacture of heroin, but the production and trading in opium is not forbidden.’38 In practice, however, heroin laboratories were not busted and trafficking with heroin was not interdicted. The 10% zakat (tax) on opium, formerly paid to the village mullahs, was now directed to the Taliban’s treasury, earning an estimated $9 million in 1996–97, from the south’s regular output of 1,500 tons of opium.39 A 10% zakat was also levied on the traffickers. As the 1990s progressed, these taxes were increased to 20%, bringing in between $45 million to $200 million a year.40 By 1999, the Taliban also taxed heroin laboratories.41 As with the trucking mafia, once the Taliban reversed its prohibitionist policy, the drug traffickers benefited from its sponsorship of the illicit narcotics economy. Compared to the greedy and unpredictable local mujahidin who had controlled and taxed the trafficking routes prior to the Taliban, the Taliban significantly lowered many transaction costs for the traffickers, preventing constant power shifts, bringing stability to the industry, and helping to streamline it. The Taliban also sought to expand and regulate the narcotics economy by providing official government licenses for opium cultivation, setting up model farms teaching the farmers how to grow poppy more efficiently, and distributing fertilizers for the cultivation of poppy.42

Whereas in 1980 the total production of opium in Afghanistan consisted of 200 metric tons, cultivation had grown to 3,400 metric tons by 1994 and to 4,600 in 1999. However, because of the Taliban’s renewal of eradication in 2000, opium cultivation fell to a mere 190 tons in 2001. It soon climbed back, however, reaching 4,200 tons in 2004—reflecting the persistent underdevelopment of the Afghan economy and the global heroin market structure. Thus, with the exception of the initial first few months of their 2000–01 eradication campaign (discussed in detail below), the Taliban when in power supervised a steady augmentation of the drug industry in Afghanistan.

It is crucial to note that the Taliban’s change in its approach to the drug economy was not driven by any acute financial need or logistical problems. The Taliban changed its
policy toward the illicit narcotics economy to compensate for what its sponsorship of the illicit smuggling with legal goods could not provide: widespread legitimacy, even if a very thin legitimacy. Although the Taliban’s sponsorship of other illicit traffic satisfied important local power brokers, namely, the trafficking mafia, and although this traffic supported a fairly vibrant micro-economy, with tea and coffee shops and rest-stops springing up around the trafficking routes, this non-labour-intensive economy could not provide sufficient livelihood to the rural population. The opportunities for direct and even indirect employment in the non-drug smuggling economy were limited, leaving out vast segments of the population. Therefore, once the initial legitimacy of the Taliban had worn off, they had little to provide the overall population in order to obtain some level of popular support. Writing prior to the Taliban’s sponsorship of the opium economy, Olivier Roy argued that the Taliban’s legitimacy came essentially from the weapons they controlled.44

Involvement with the illicit narcotics industry boosted the Taliban’s legitimacy because it provided a reliable source of livelihood to a vast segment of the population.45 Not only was this livelihood lucrative when compared with other crops, it was frequently the only source of livelihood available to the population in an otherwise devastated economy.46 Ruined by the war against the USSR in the 1980s, Afghanistan’s economy continued being in a critical condition throughout the 1990s. All economic activity, short of subsistence production and the micro-economic overspill from illicit activities, came to a halt. Despite their rather high volatility, farm gate prices for opium were frequently, though not always, much higher than prices for legal crops, such as wheat and fruit.47 Typically, the yearly net earnings for small sharecropper of opium amounted to several hundred US dollars, rising to over $1,000 for landowners.

Two other factors were at least as important for the peasants’ decision to grow opium. One was the very low transaction costs for the peasants for the production of opium. The war had ruined the irrigation systems in most of the country, making it difficult to grow wheat and fruit. In addition, the country’s transportation networks had collapsed, making it impossible for the peasants to deliver the crops to market. Opium, light in weight, easy to transport, and not spoilable, unlike fruit, for example, was either picked up by traders in areas of production or had to be transported much shorter distances. Even when the opium needed to be transported over longer distances, it would not degrade.

The second key driver of the peasants’ decision to grow drugs was access to advance credit under a system known as salaam. Progressively, creditors in Afghanistan lent money
against a guaranteed amount of opium to be delivered by the farmer at the time of harvest. No other microfinance opportunities existed for the majority of the rural population, and without the access to the microcredit, the peasants were not able to secure any income for the winter months, hence, were not able to provide food for their families or buy clothes. Moreover, if the farmers failed to pay back a loan, their only chance to get another loan was to cultivate opium. 48

The illicit narcotics economy also allowed other forms of microeconomic activity to develop in areas where previously there was only limited agricultural production. Services, such as rest stops, teashops, and fuel stations now sprung up in connection with the smuggling of narcotics. 49 Many people thus developed a stake in the narcotics economy: traders, smugglers, shopkeepers, and local warlords and religious elites whom the Taliban tolerated and allowed to cut in on the narcotics economy. In areas with poppy cultivation, much more reconstruction than elsewhere in the country took place as the local micro-economy became revitalized. 50 In the limited interviews conducted in Afghanistan during that period, the peasants themselves emphasized the Taliban’s sponsorship of the illicit economy as a crucial source of the movement’s legitimacy. Ahmed Rashid’s 1997 interview with Wali Jan, an elderly farmer near Kandahar, illustrates the reaction of the peasants: ‘We cannot be more grateful to the Taliban. The Taliban have brought us security so we can grow our poppy in peace. I need to grow poppy crop to support my 14 family members.’ 51

The Taliban’s statements themselves, even if only partially genuine, also attest to the political salience of the illicit narcotics economy and to the social (and political) costs the movement associated with crop eradication. In 1997, for example, Abdul Rashid, the head of the Taliban’s anti-drug control force in Kandahar, explained: ‘We let people cultivate poppies because farmers get good prices. We cannot push the people to grow wheat as there would be an uprising against the Taliban if we forced them to stop poppy cultivation. So we grow opium and get our wheat from Pakistan.’ 52 Similarly, elsewhere, the director maintained: ‘Everyone is growing poppy. If we try to stop this immediately, the people will be against us.’ 53

As the Taliban progressively expanded its control through larger portions of Afghanistan, it instituted a reign of terror and enforced a highly restrictive form of Sharia. Transgressions were brutally punished. But the Taliban in power was fundamentally not interested in state-building or economic development. Its goal was to purge any sign of modernity from the country. Yet despite its dogmatic radical agenda and its total abdication of state-making responsibility, the Taliban nonetheless considered
the political consequences of the suppression of the drug economy too high to maintain for more than a few months and it adapted itself to the rentier economy based on drugs. In other areas of state-making, it failed to set up social services and a functioning bureaucracy, and allowed the existing social services and state administration to completely disintegrate. Yet in its supervision of the illicit economy, it regulated economic transactions, taxed illicit traffic, provided fertilizers for poppy growers, and set up model poppy farms to teach the peasants how to improve poppy productivity.

In light of the above analysis, the Taliban’s widespread and effective eradication campaign of 2000 seems puzzling. The Taliban’s opium ban on poppy cultivation in Afghanistan resulted in the largest reduction of opium poppy cultivation in a country in any single year. Cultivation fell from an estimated 82,172 hectares in 2000 to less than 8,000 in 2001. Globally, this reduction contributed to a 75% fall in the global supply of heroin for that year.54 Absence of viable alternative means of subsistence and income drove the majority of landowners and sharecroppers heavily into debt. Unable to repay their debts, the farmers were driven to borrow even further or abscond into Pakistan.55 Why, then, given the previously encountered political costs, did the Taliban undertake such a politically explosive policy in 2000?

Significantly, in 2000 the Taliban did not ban or otherwise attempted to interfere with the sale and trafficking of opium and heroin. In choosing to curb the production, the Taliban was balancing its domestic popular legitimacy with its international legitimacy as well as its political gains from the illicit economy with its financial profits. Internationally, the Taliban was treated as a pariah. Only a few countries, including Pakistan and Saudi Arabia, recognized the Taliban regime as a valid ruler of Afghanistan and were willing to engage with it. Having consolidated power throughout the vast majority of the country, the Taliban became progressively determined to secure international recognition finally, and thus decided to respond to the UNDCP’s repeated offers to curb opium for international recognition. The 2000 eradication campaign, however, did not produce the desired outcome of getting widespread international recognition. In other words, the Taliban gambled its very thin domestic legitimacy for obtaining international legitimacy, calculating that its control of the territory was firm enough to weather any domestic resistance caused by eradication.

The second motivation that likely drove the Taliban’s 2000 ban on cultivation was the desire to boost the price of opium and consolidate its control over the heroin trade.56 As cultivation exploded during the 1990s, the farm gate prices for opium plummeted. The 2000 ban by the Taliban and the resulting supply contraction of 75% did in fact substantially increases prices for opium. The total farm
gate value of opium went from $28 per kilogram in 2000 to $301 per kilogram in 2001.\textsuperscript{57} Thus, the financial profits the Taliban expected to reap because of the temporary eradication were great.

The political costs to the Taliban, however, were once again substantial. Although the movement carried out the eradication in regions where by then it had firm control and where there was no immediate organized armed opposition (a prerequisite for any successful eradication campaign), it nonetheless encountered widespread popular resistance. This resistance was neither assuaged by the Taliban’s negotiations and hefty subsidies to tribes affected by eradication,\textsuperscript{58} nor deterred by the Taliban’s brutal punishment of violators.

As it turned out, by the summer of 2001, with the ban still in place, some peasants started seeding poppy once again, and in September, the Taliban rescinded the ban.\textsuperscript{59} Some analysts have attempted to explain this reversal of the policy by Taliban’s need of greater financial resources in order to fight against the USA after 9/11.\textsuperscript{60} For several reasons, however, this explanation is likely not accurate. First, the temporary ban on poppy cultivation vastly increased the price of heroin, thus significantly increasing the Taliban’s financial profits. Moreover, the Taliban’s stockpile and the stockpile of Afghanistan’s major traffickers in 2001 were probably sufficient to last at least 10 years.\textsuperscript{61}

The Taliban’s sensitivity to the political costs associated with eradication, especially in anticipation of the upcoming war with the USA, is a much more likely explanation. Even before the war with the United States, the Taliban was facing widespread resistance because of its prohibitionist policy. Moreover, the Northern Alliance, a conglomerate of various different former mujahidin groups still opposing the Taliban from a northern corner of the country and headed by Ahmed Massoud, continued producing opium at full speed during the 1990s and during the Taliban’s 2000 ban. In Badakhshan, a province controlled by the Northern Alliance, production vastly increased during the 1990s. Very likely, the Taliban feared that if it continued with its ban on the opium poppy, the Northern Alliance, with US support, would have been able to exploit the popular discontent with eradication to challenge the Taliban effectively. In fact, at least some peasants in the Helmand province, disgruntled with the Karzai government’s ban on poppy in 2002, alleged with chagrin that Hamid Karzai had promised to let them grow poppy in exchange for their help in toppling the Taliban regime, and that they now felt betrayed.\textsuperscript{62}

Thus, the popular myth that if the Taliban remained in power the drug economy would not have emerged and expanded in Afghanistan is incorrect. The domestic economic conditions in Afghanistan, namely grinding poverty and fundamental underdevelopment,
and the structure of the global drug market resulted in the drug economy spreading its roots deeply through Afghanistan prior to the Taliban’s takeover of the country, but the policies of the Taliban only strengthened this trend. The political costs of destroying the sole source of livelihood for large segments of the population were too great even for the Taliban to ignore, and it became a willing sponsor of the drug economy. Like the mujahidin warlords before and after its reign, the Taliban never succeeded in kicking Afghanistan’s opium habit. In fact, it became hooked on it.

The Taliban experience with counter-drug policies also shows that the third myth about drug economies—namely that they bring only money and weapons to their sponsors—is fallacious. Destroying a deeply rooted narcotics economy in the absence of large-scale successful alternative development is very costly politically, and crucial political capital frequently accrues to those who are willing to tolerate and regulate the illicit economy.

### Drugs in Afghanistan after the fall of the Taliban

The final conventional belief about drugs in Afghanistan and the policies that flow from it—namely that drug eradication today is a quick fix for Afghanistan’s drug habit—is also misconceived. Concerned about the long-term negative effects of a large-scale illicit economy on the politics, economy, and security situation in a country, officials of the Afghan and US governments and of major international organizations, such as the UN, have designated drugs as the greatest threat to Afghanistan’s democratic consolidation and economic development. The failure to reduce poppy cultivation in Afghanistan between 2002 and 2005 has led US officials to embrace a speedy and extensive eradication campaign as a fast and effective solution to Afghanistan’s drug problem. In a much-publicized international conference on drugs, soon after his victory in Afghanistan’s elections, President Hamid Karzai promised to eradicate all poppy fields in two years. The concern with the negative repercussions of the illicit economy is appropriate. As the experience in Latin America has shown, the existence of a large-scale illicit narcotics economy delegitimizes the democratic process, encourages the spread of corruption, leads to inflation and real estate speculation, and militarily strengthens criminal elements, terrorists, and renegade warlords. Unfortunately, however, eradication today will be tremendously destabilizing politically.

Despite the development and reconstruction aid coming to Afghanistan, and improvements in the education, health and transportation systems, the drug economy
is still deeply rooted in the country and it provides the livelihood for a large segment of the population. The United Nations Office on Drugs and Crime estimates that 7% of the Afghan population profits directly from the drug trade. Yet this number fails to capture the true size, scope, and economic importance of the drug economy. It does not include the itinerant labourers hired during harvest times and their families; those who live off of imports purchased with drug profits, such as durable consumer goods, fuel, and medicines; those who profit from the development of local production and sales underwritten by drug profits; or those who benefit from the development of local services for traffickers, such as teashops and rest houses. In a country where 70% of the population still lives below the poverty line, drugs constitute a reliable and frequently sole source of livelihood.

Although no doubt improved since the fall of the Taliban, the economic conditions in the country still strongly favour the production of opium. During auspicious international market conditions, legal crops, such as saffron, specialty fruits, and even wheat, can bring greater financial profits than opium, especially as the spread of opium cultivation in the last three years brought down farm gate prices for opium gum. Price superiority, however, is only one driver of cultivation choices. Other key structural factors favouring the production of opium remain.

First, the majority of microcredit available in Afghanistan is currently based almost solely on opium, which—being less susceptible to bad weather conditions and market price fluctuations—is a less risky investment. Credit for other forms of economic activity is almost nonexistent. Second, legal crops involve large sunk and transaction costs. They require fertilizers and irrigation, both of which are expensive or still largely absent in Afghanistan.

Despite efforts by Washington and Kabul to persuade local Islamic clerics to issue a fatwa against drug production to make the population more compliant with the counter narcotics policies, eradication remains unpopular in Afghanistan. This is hardly surprising, given that eradication frequently deprives populations of their livelihood. The inability of peasants to repay their creditors because of eradication only drives them deeper into debt, pushing them to grow even more poppy in the subsequent year. This is exactly what happened in the few regions where drug eradication was carried out in Afghanistan in 2003, 2004, and 2005. If farmers fail to repay their debt, they frequently end up in a form of serf labour, growing poppy on their creditor’s land. Some are forced to flee to Pakistan, where they may again end up in the radical madrasas of the Deobandi
movement. Predictably, the Afghan government eradication teams that actually attempted to carry out their orders (rather than simply accepting bribes) have frequently met with armed resistance from peasants, even in the restricted and relatively safe areas where they have been deployed.68

Thus, the economic factors driving the cultivation of opium under the Taliban have not changed fundamentally since its fall. Moreover, the political and security factors impacting on eradication are less auspicious for such a counter narcotics policy today than under the Taliban’s rule. In the absence of successful alternative development and sufficiently lucrative economic alternatives immediately available to the population, successful eradication frequently requires the willingness of the regime to suppress uprisings and protests brutally. Such an approach is of course blatantly inconsistent with the effort to build democracy in Afghanistan. Even the brutal and fully unaccountable Taliban ultimately could not sustain its eradication efforts because of the popular backlash. It is hard to imagine that a regime that is accountable could undertake the political and military measures necessary to repress the illicit economy and those who tried to defend it.

The ability of the government to resort to repressive measures to enforce eradication is complicated by the presence of armed warlords. When the Taliban undertook it’s successful, albeit temporary, eradication campaign in 2000, it had firm control over most of Afghanistan. Where its control was tenuous, it did not attempt to eradicate or it compensated the affected population with financial payoffs, such as in the case of the Shinwari tribe. Although demobilization of some of the key warlords have taken place and many heavy weapons have been collected, large amounts of small arms still float among the population and it would not be hard for a motivated warlord to reconstitute a guerrilla group to violently oppose eradication. The Taliban insurgency in southern Afghanistan has already joined forces with several drug traffickers from the region and carried out joint operations. Successful eradication would require that the national government and international forces pursuing eradication would have to be willing and ready to put down the military challenge. Yet so far, at least, the insurgency is growing stronger.

Conclusions

Contrary to the conventional wisdom, the drug problem in Afghanistan is not a new phenomenon and the explosion of poppy cultivation since the Taliban could not have been
easily prevented. The structure of the international market with illicit narcotics since the
1970s and crucial domestic economic drivers in Afghanistan since the 1980s have resulted
in the drug economy being firmly and deeply rooted in Afghanistan’s economy and
politics. Despite the standard myth that the Taliban would have extirpated the illicit
economy and its removal from power caused this poppy explosion, the Taliban fully
embraced and firmly regulated the drug economy. However, it was not primarily a desire
for financial profits that led the Taliban to embrace the illicit economy, but rather the
political costs of eradicating the poppy fields. This essential lesson that sponsorship of
illicit economies brings belligerents not only financial profits and weapons, but also
political legitimacy, while drug eradication is extremely costly politically is too frequently
lost. In addition, unfortunately it is lost in the current counter narcotics policies in
Afghanistan that rely on eradication as the quick and easy fix for Afghanistan’s drug habit.
Eradication today—as efforts to solidify democracy in Afghanistan and build a
government that is accountable are underway, but while many warlords still frustrate
Karzai’s hold on power—will be much more politically explosive and difficult to sustain
than under the Taliban’s oppression.

Comprehensive alternative development\textsuperscript{69} is a requirement for the success of any
durable strategy for reducing the production of illicit crops and diminishing the size and
scope of the benefits belligerent groups derive from illicit economies. Alternative
livelihood programmes cannot mean only crop substitution, such as encouraging Afghan
peasants to grow saffron or pomegranates. For alternative development to succeed, it must
encompass building infrastructure; distributing new technologies, such as fertilizers and
better seeds; marketing assistance to help the rural population sell their products on
domestic or international markets; and developing local micro credit, to name a few of the
most elementary components. In other words, alternative development really must be
comprehensive rural development.

Although essential, alternative development is a long-term process that has rarely been
successful in improving rural conditions to the point of substantially reducing drug
cultivation in a country. A key problem with many alternative development schemes
around the world has been their limited and very short-term nature. Only massive
economic investment in Afghanistan and wise patience not to demand immediate visible
measures of ‘the success’ of counter narcotics policies—namely large numbers of poppy
acres eradicated—can produce a decrease in Afghanistan’s illicit economy that it is truly
durable and not politically destabilizing.
Endnotes

1. Currently representing approximately a third of Afghanistan's GDP, the illicit drug economy is estimated at $2.7 billion. The overall profits from the opium economy in 2003 were $2.3 billion, while Afghanistan's GDP for 2002 was estimated at $4.4 billion. United Nations Office on Drugs and Crime, Afghanistan Opium Survey 2003, 4; United Nations Office on Drugs and Crime, World Drug Report, 206. In 2004, the export value of raw opium was $2.8 billion while Afghanistan's licit gross domestic production in 2003 was an estimated $4.6 billion. Goodson, 'Afghanistan in 2004,' 93. For 2005, the drug economy was estimated at $2.7 billion. See, 'Creeping toward the Market Place', 38.

2. Author's interviews with Afghan and US government officials, Kabul, Afghanistan and Washington, DC, USA, Summer 2004 and Fall 2005.


4. As Afghan agriculturalist Mohammad Qasim Yusufi observed in 1988, 'Because of war conditions, agricultural production factors such as labour force, fertilizers, irrigation water, improved seed varieties, agricultural machinery, proper farming and management, maintenance of land have been greatly disrupted on the one hand, and the government pays very little or no attention to the agricultural sector of the country on the other hand.' Yusufi, 'Effects of the War on Agriculture,' 212.

5. Amstutz, Afghanistan, 133; and Isby, Russia's War in Afghanistan, 8.


7. Shvedov, War in Afghanistan, 1312.

8. Following a dispute with the Pakistani intelligence service ISI in 1984, Ismat Muslim defected to the Communist regime of Afghanistan. His principal role for the regime was to control transit points and roads between Pakistan's Baluchistan and Afghanistan's Kandahar. He translated this role into controlling major drug smuggling routes. For details, see Rubin, The Fragmentation of Afghanistan, 159.


10. Ibid.


18. Haq, 'Pak-Afghan Drug Trade,' 954; and Griffin, Reaping the Whirlwind, 145. High officials of the Pakistani government were involved in the drug trade that by mid-1980s created an illicit economy in Pakistan of, by some accounts, as much as $8 billion, and half the size of the official one. McCoy, The Politics of Heroin. Among high-ranking officials directly incriminated in the drug trade were Lieutenant-General Fazle Haq, governor of North West Frontier Province and a confidant of General Zia; Hamid Haain, another personal friend of Zia's and vice-president of the state-owned Habib Bank; and Haji Ayub Afridi, the National Assembly member for Khyber agency, an important coordinator of Pakistan's Afghanistan policy, and according to many reports, Pakistan's largest drug baron. For details, see, for example, Kumar, Drug Trafficking in Pakistan.

19. See, for example, McCoy, The Politics of Heroin, and Haq, 'Pak-Afghan Drug Trade.'

20. For details, see Goodson, Afghanistan's Endless War, 73–76; and Rashid, Taliban, 21.


22. Goodhand, 'From holy war to opium war?' Central Asian Survey, 265–280; and Cooke, 'Afghanistan.'

23. Griffin, Reaping the Whirlwind, 150.


25. Cooley, Unholy Wars, 130.


28. For details on the extent of Pakistan's involvement, see Davis, 'How the Taliban Became a Fighting Force,' 40–70; and Rashid, 'Pakistan and the Taliban,' pp. 85–86.

29. Goodarzi, 'Washington and the Taliban.'

30. Balfour, 'Dark Days for a Black Market.'


32. In March 1995, for example, the Taliban was reported to collect 6 million rupees ($150,000) from transporters in Chaman in a single day and twice that amount next day in Quetta. Rashid, 'Nothing to Declare.'

33. Balfour, 'Dark Days for a Black Market.'

34. Griffin, Reaping the Whirlwind, 41.

35. Ibid., 152–153.

36. Rashid, Taliban, 119.

37. Geopolitical Drug Dispatch.

38. Quoted in Griffin, Reaping the Whirlwind, 153.


40. The TNI's Briefing Series give a much lower estimate, between $30 and $45 million a year than, for example, Barnett Rubin, who puts the Talibain's yearly earnings from drugs to $100–200 million. 'Afghanistan, Drugs and Terrorism: Merging Wars,' and Rubin, 'The Political Economy of War and Peace in Afghanistan.'
42. 'Heroin,' Jane's Intelligence Review. 1 June 1998; Meier, 'Afghanistan's Drug Trade,' 3–4; and Rashid, 'The Taliban,' 22–36.
45. Approximately 350 person days are required to cultivate one hectare of opium in Afghanistan, compared to approximately 41 person days per hectare for wheat and 135 person days per hectare for black cumin. Harvesting alone requires as much as 200 person days per hectare. United Nations Office on Drugs and Crime, 'Access to Labour.' Moreover, the opium production, because of its labour-intensive nature, frequently required the participation of women in harvesting. It was one of the few forms of economic activity the Taliban tolerated women to participate in.
46. The peasants growing poppy make only very small profits from the drug industry (around 2% of the final value), compared to the traffickers and those who profit from the drug industry higher up the chain.
47. In Thailand, for example, the substitution of flowers for opium poppy has led to a profit increase by much as 50 times per square metre. In Pakistan, onion has proven more profitable than opium poppy. See, Smith et al, Why People Grow Drugs; and Mansfield, 'The Economic Superiority of Illicit Drug Production.'
48. For details, see Mansfield, 'The Economic Superiority of Illicit Drug Production.'
50. Rashid, Taliban, 118.
51. Ibid., 117.
52. Ibid., 118. See also, Rashid, 'Drug the Infidels.'
55. For many similar individual stories, see, Mansfield, 'What Is Driving Opium Poppy Cultivation?'
56. Berry, Curtis and Kollars, Global Overview of Narcotics Funded Terrorist and Other Extremist Groups.
58. Rubin, 'Road to Ruin.'
59. Caryl, 'The New Silk Road of Death.'
60. See, for example, Lintner, 'Taliban Turns to Drugs,' 26–28.
61. Caryl, 'The New Silk Road of Death,' 27.
62. Lakshmanan, 'Afghan Announce Victories in a New War against Opium.'
63. Ghani, 'Where Democracy's Greatest Enemy is Flower'; Gall, 'Afghan Poppy Growing Reaches Record Levels, UN Says.'
64. Ives, 'Karzai Plans to Destroy Poppy Fields in Two Years.'
66. Mansfield, 'What Is Driving Opium Poppy Cultivation?'
67. Mansfield, 'Pariah or Poverty?'
68. For details, see, Felbab-Brown, 'Afghanistan,' 55–72; and Gall, 'Another Year of Drug War, and the Poppy Crop Flourishes.'
69. In the counter narcotics policy jargon, the concept of 'alternative development' has been replaced with a more comprehensive concept of 'alternative livelihoods.' See, for example, Mansfield and Pain, 'Alternative Livelihoods!'

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