Issues Paper Series

Opium Trading Systems in Helmand and Ghor

Adam Pain

AREU

Afghanistan Research and Evaluation Unit

January 2006

Afghanistan Research and Evaluation Unit

Issues Paper Series

Opium Trading Systems in Helmand and Ghor

Adam Pain

Funding for this research was
provided by the World Bank

January 2006

About the Report

This paper was commissioned and funded by the World Bank on the basis of jointly agreed Terms of Reference. The findings, interpretations, and conclusions in the paper are the author's and do not necessarily reflect those of the World Bank.

About the Afghanistan Research and Evaluation Unit

The Afghanistan Research and Evaluation Unit (AREU) is an independent research organisation that conducts and facilitates action-oriented research and learning that informs and influences policy and practice. AREU also actively promotes a culture of research and learning by strengthening analytical capacity in Afghanistan and by creating opportunities for analysis and debate. Fundamental to AREU's vision is that its work should improve Afghan lives.

AREU was established by the assistance community working in Afghanistan and has a board of directors with representation from donors, UN and multilateral organisations agencies and non-governmental organisations (NGOs).

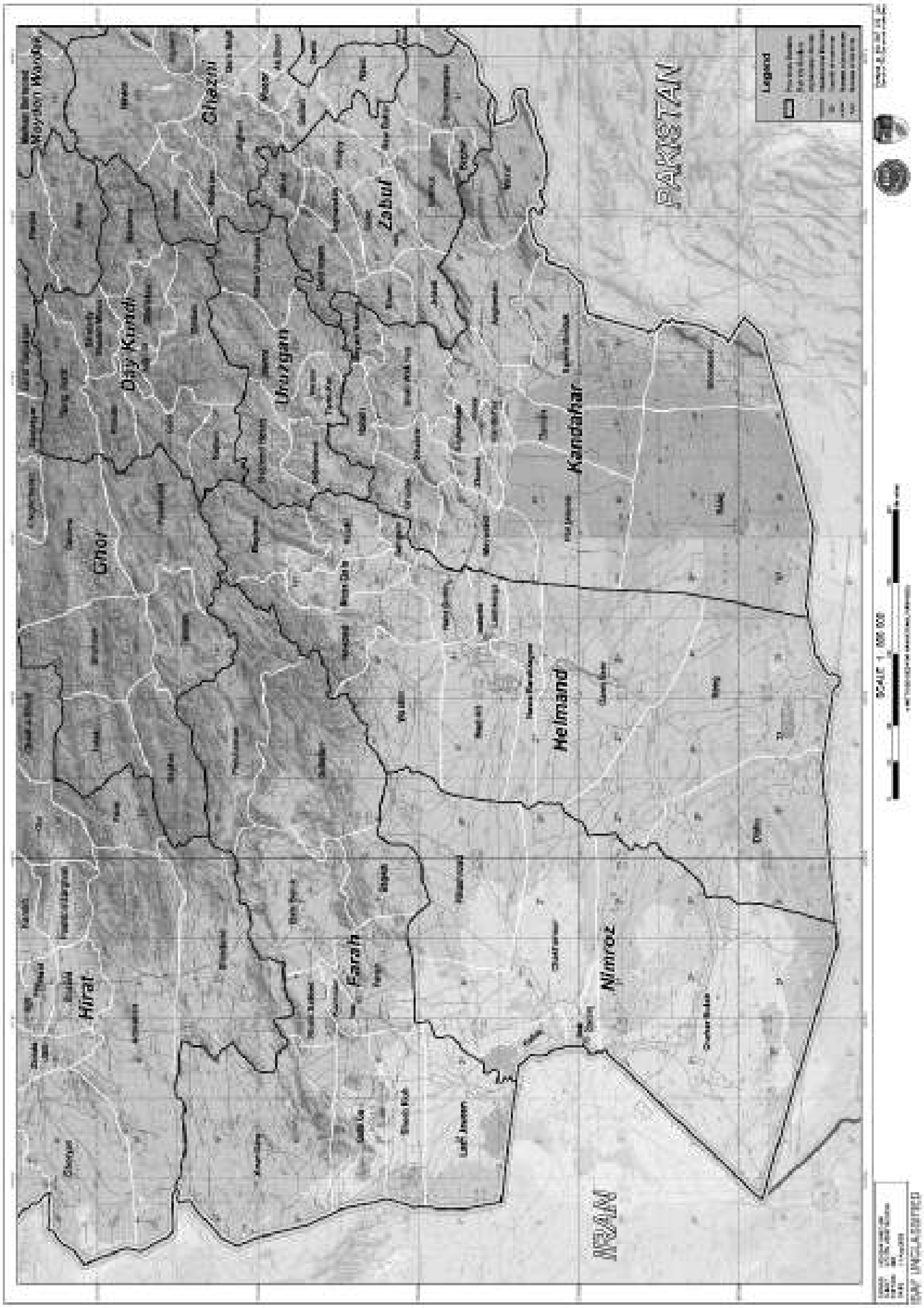
Current funding for AREU is provided by the European Commission (EC), the United Nations Assistance Mission in Afghanistan (UNAMA), the United Nations High Commissioner for Refugees (UNHCR), Stichting Vluchteling and the governments of the United Kingdom, Canada, Denmark, Switzerland and Sweden.

Acknowledgements

I am deeply grateful to the assistance of various agencies and individuals who supported me in this fieldwork. For obvious reasons they should remain anonymous. The critical comments and thoughts of Bill Byrd, Paul Fishstein, David Mansfield and colleagues from AREU on an earlier draft of this report are greatly appreciated.

Table of Contents

Map of Study Area: Helmand and Ghor, Southwestern Afghanistan



Map reproduced with kind permission of ISAF

1. Summary

This report focuses on the opium market at district and provincial levels in two provinces of Afghanistan, Helmand and Ghor, and is based on a series of field interviews with opium traders and key informants, as well as drawing on secondary data. Helmand has long held a dominant position in Afghanistan as an opium producer, accounting for around 25 percent of the national opium poppy cultivated area in recent years, while cultivation of opium poppy in Ghor is more recent and accounts for only around 3 percent of total area. Helmand is essentially a plain economy dominated by a river irrigation system while Ghor has the classic features of a remote mountain economy.

Based on a review of cultivated area, production figures and assumptions about cross-province trade, the level of total trade through Helmand is estimated to be 2000 tons (up to half of Afghanistan's opium production), however it must be stressed this is not a statement of truth but a hypothesis to be challenged. Ghor, on the other hand, supports both a transit trade in opium from the north as well as production in its own right amounting to 100–200 tons per year. These production and trade levels are matched against reported numbers of opium traders, grouped by categories defined by trading volume, seasonality, stock management, geographical reach and other criteria. Estimates of opium trade based on trader numbers and categories fit broadly with the supply estimates determined from the production data, while particular attention is drawn to the issue of inventories and the different reasons for which they are held. The development of the transit trade through Ghor offers insight into the expansion of Helmand-based trading networks and the dominant role they might play in shifting production from Helmand to Ghor and beyond.

Some patchy data on value chains was collected, but it allows few quantitative conclusions to be drawn. Returns appear to be a modest 10 percent close to the farmgate, with margins increasing closer to the border. More understanding was generated with respect to trading risks: there were persistent references to risk due to short-term daily price fluctuations of up to 30 percent in what appears from long-term price data to be a fairly stable market. These fluctuations appear to be driven by the periodic nature of demand from outside buyers and some degree of collusion by larger traders. Risks associated with theft and seizures were also widely reported. A common thread running through the study is the engagement of key provincial authorities in the opium economy: both interdiction and eradication measures may have contributed to these actors gaining tighter control over distribution and trade.

Key conclusions of the study relate to the historical continuity of trading systems, and evidence of a fragmented rather than unitary market for opium in Afghanistan. Relevant policy implications focus on the consequences of eradication and interdiction measures, and the need to address informal regulation in markets across the board. There is a case for the development of major programmes with alternative livelihood goals to anticipate the spread of opium poppy. A thread that runs through the study is evidence of a fragmented and regional (rather than national) market and the critical role that kinship and ethnic identity play in trading systems. Comparative work on drug markets at this level in Europe show that they have similar features.

2. Background

The role and impact of opium poppy production on the livelihoods of landowners, sharecroppers and migrant labour in Afghanistan is increasingly well understood. Research into the incentives and entry/exit strategies of rural households growing opium poppy is in progress and attention is beginning to be turned building a better understanding of risk and uncertainty in relation to farmers' decisions and opium poppy cultivation. Through its annual surveys, the United Nations Office on Drugs and Crime (UNODC) provides information on the spatial and temporal distribution of opium poppy cultivation.

Less attention has been given to the functioning of opium markets and trading systems at village, district and province level. UNODC's 1998 report *The Dynamics of the Farmgate Opium Trade and the Coping Strategies of Opium Traders* concluded that quite different trade structures operated in Nangarhar in the east from those in Helmand in the south.[1] The latter appeared to have a more open and competitive market, while the former seemed more vertically integrated. Since 1998 when the study was undertaken opium prices have been through a dramatic rise and decline, and since 2001 there has been a marked expansion in opium poppy cultivation through the country. This has possibly led towards a more national and integrated market,[2] and the World Bank has concluded that price behaviour alone indicates a relatively open and "free" market.[3] However persistent regional price differentials indicate some limits to an integrated market. Ultimately there is much that is still not understood about price formation and how it relates to market structures and actors, while even less is known about the informal institutions that regulate opium trade.

A key gap in the understanding of the opium production economy (OPE) relates to the functioning of opium trading systems and the linkage between markets at village, district and provincial level. Little is known about traders at the local (village and district) level and their linkages to provincial trade systems. There is scant information on numbers or knowledge of how opium trading fits within an overall portfolio of trading, what the conditions and incentives are to move in and out of trading opium, what the competition is, and how networks are established and maintained. Knowledge of market risks and how these influence trading behaviour with respect to the maintenance and deployment of stocks is limited. A particular point of interest is how opium trade networks have been established in areas that have only recently moved into opium poppy production – who is trading opium in these places and how have linkages been built with the external market?

This study set out to investigate the workings of the opium market in two provinces, Helmand and Ghor. It was concerned to establish who the traders were, how many there were of them and their characteristics, the history of their engagement in opium trading and how it fitted in their overall portfolio of activities. It investigated trading patterns and volumes, price differentials and traders' strategies in relation to inventory

1 UNODC, 1998, *The Dynamics of the Farmgate Opium Trade and the Coping Strategies of Opium Traders* (Strategic Study No. 2), Islamabad.
2 UNODC, 2003, *The Opium Economy in Afghanistan: an international problem*, UNODC, Vienna, p. 59.
3 World Bank, 2004, *Afghanistan State-Building, Sustaining Growth and Reducing Poverty: A Country Economic Report* (Report No 29551-AF), Washington.

and turnover. Particular attention was given to traders' perceptions of market risks and how they responded to these. The study was also concerned to understand how the markets (in terms of location, prices and structures) had changed since 2001 with the fall of the Taliban regime and the establishment of an internationally recognised, Kabul-based government, and how this related to planned and actual government action in relation to the OPE.

The analysis and data contained in this report are based on field trips to Helmand in May–June and Ghor in June 2005. Interviews were held with farmers, ex-opium traders, current opium traders and other key informants. In Helmand a research assistant who was well connected undertook many of the direct interviews, working to a set of key questions and writing up notes after the interviews. An extensive process of debriefing was undertaken around these notes. In Ghor direct interviews were undertaken, facilitated largely through personal connections. In addition this report has drawn on a wider secondary literature.

Terminology is a particularly vexed question in the case of the OPE. While labels such as illegal or illicit are readily applied, these assume a functioning legal system that is widely regarded by citizens of the state as legitimate. However there can be a legal state that is not necessarily recognised as legitimate, and the converse can also be the case. Under the Taliban, when the notion of a legal system was highly problematic, opium was traded in an open market and this was seen to be legitimate. Now that there is a *de jure* state in Afghanistan (although its de facto capacity may be questionable), the existence of a functioning legal system is still a matter for debate. It must be accepted that legitimacy is still contested in Afghanistan and given the particularities of the opium trade – its trade in the past within an open market in Afghanistan, and the existence of legal trade and production of opium elsewhere in the world, including the West – there is a certain subjectivity to these descriptive labels. For the purposes of this paper, production and trade during the Taliban times will be described as "open" and post 2001 as "illegal".

The research was carried out at a time of considerable contention over the legitimacy of the opium market. In Helmand there was conflict between key opponents of the Kabul government and its allies, resulting in the murder of five staff members of an international contracting firm working for USAID.[4] Most local informants attributed these murders to members of Hezb-i-Islami, who are also actors in the provincial OPE. Earlier actions by the provincial government, often also a key actor in the OPE, had led to a degree of crop eradication. More specifically, action by interdiction forces from Kabul during late May and June had led to the arrest of various traders in the city and districts and the seizure of large quantities of opium poppy, with 4.7 tons being burnt in Lashkar Gah on 4 June in the presence of the provincial governor. Conditions during the study in Ghor were easier although considerable circumspection was still required.

Within such an environment research was undertaken with extreme caution. Access to informants was gained using local connections

[4] Most local informants attributed these murders to members of Hezb-i-Islami, who are also actors in the provincial OPE.

and their personal relations, however even with these contacts, discussion and questions often had to be of a general and more indirect nature, gradually building up a picture of detail where opportunity allowed. In some cases, particularly in Ghor, detailed and frank discussion was possible. A total of 39 individual or group interviews were undertaken.

It must be emphasised that this study attempted to build a quantitative picture alongside the more important qualitative story of opium trading systems in Helmand and Ghor. However, the numbers presented must be taken as approximate and indicative rather than authoritative: they are more about building an argument than establishing a truth, and they are there to be challenged and questioned. In any study of an illegal economy, numbers and facts need to be treated with great caution as there is every incentive for informants to be "economical with the truth". Under circumstances in which the OPE is in a state of considerable flux, district and provincial realities are constantly shifting and this year's story for may be quite different from next year's story.

This report first describes the context of the study before exploring key issues of opium poppy production and trading, the identity and role of traders and their trading networks, and market risks. It concludes with a discussion of the institutional dimensions of the OPE and some potential implications based on the evidence presented.

3. Provincial Contexts

Helmand essentially has a plain economy structured around a major valley irrigation system. The Helmand–Arghandab irrigation system was developed in the 1950s with substantial American investment, and while often controversial, it has been seen as a beacon of the agenda of modernisation of the Afghan state.[5] A combination of a difficult technical history (most notably in relation to issues of salination), a classic state agenda of re-settlement of primarily Pashtun people from the east (many from Nangarhar province) and a centralised irrigation authority with an engineering attitude towards water management and modernisation (and as Scott would have it of putting order into an unruly rural landscape[6]), has meant that the dreams of what Helmand valley system might achieve have had a long history of disappointment. The irony is that this scheme, which was designed to be the generator of an agricultural export market based around cotton, has become so – but around the wrong crop, opium.

Irrespective of cropping patterns, the river and its associated irrigation structures are the defining features of the landscape, with a green ribbon of agricultural lands and dense settlements clustered along the river's length. Running primarily northeast to southwest through Helmand before exiting into Nimroz, the borders and extent of irrigation from the river gradually taper down to a narrow strip by the river bank. During the drought of the late 1990s, water supplies were very limited in the southern reaches of the river. Beyond the river valley, the area south of Lashkar Gah is essentially desert, classified under the FAO land use system as barren and stony ground. To the north and on higher altitude lands at the edge of the western reaches of the Hindu Kush, small villages located around *karez* irrigation systems can be found, with very limited amounts of rainfed land and livestock production systems.

Overlaying the dualistic agricultural economy of a central, grain-surplus, river cultivation system and a northern periphery of grain-deficit, small-scale, *karez*-based village economies are two important aspects of social identity. The first is that of the geographic and spatial distribution of Pashtun tribal identity that constitutes an important aspect of social networks and power structures. The second is one of economic class: there are major differences in land ownership with a landlord class holding substantial amounts of land alongside many with limited or no land who have sharecropping arrangements with the major landholders. The effects of these disparate economic and social relations are exemplified by the relative returns from opium poppy cultivation that each class gains.[7]

Along with these natural and social structures, it is important to recognise the location of Helmand as a border economy with a long history of smuggling and trade with Pakistan and Iran. Helmand is in a position of comparative advantage with respect to trade in illegal commodities given its proximity to the border and the fact that the borderlands on both sides have limited state presence.

Ghor displays classic features of a remote mountain economy. It is surrounded to the

---

5 Nick Cullather, September 2002, "Damming Afghanistan: Modernization in a Buffer State", *Journal of American History*, 89(2)512–37.

6 James C. Scott, 2001, *Seeing Like a State*, New Haven and London: Yale University Press.

7 See David Mansfield, 2002, *The Economic Superiority of Illicit Drug Production: Myth and Reality – Opium Poppy Cultivation in Afghanistan* (prepared for the International Conference on Drug Control and Cooperation), Feldafing.

west (Herat), north (Balkh) and south (Helmand) by irrigated plain economies and centres of demand and consumption. It is remote and poorly served by infrastructure, with road access to the provincial capital (Chaghcharan) being at least two days from Herat and nearly three days from Kabul through Hazarajat. Only since 2001 has access to Chaghcharan along the Hari Rud River been possible with the construction of a bridge at Dar-i-taq. In winter the central high plains and provincial centre are cut off by snow for between four and six months. However, despite this generalised picture, certain districts at lower altitudes in the west and south of Ghor (such as Tulak, Taywara and western Shahrak), have year-round access to Herat and Helmand provinces.

Although it is a province through which many of the major northern rivers (Murghab, Hari Rud and Farah Rud) feeding the border plain economies flow, Ghor obtains limited benefits from these water sources on account of its steep V-shaped valleys with relatively small areas of flat irrigable lands on the rivers' edges. Settlement tends to be highly dispersed and opportunistically located around localised, small-scale water sources, rather than densely located along river basins.

Ghor is largely a rainfed-based, seasonal economy from which surplus is extracted. This is well illustrated by the seasonal movement of *kuchis* into Ghor during the summer months from the surrounding plain provinces, who not only own the bulk of the provincial livestock population but also appear to control access to large areas of the natural pasture as well. Key natural products such as livestock, walnuts, dried apricots, *qorot* (dried yoghurt), *kurk* (fine wool from the ear of the goat) and black cumin (gathered from common lands) have traditionally been exported, along with rainfed grain in good years. Historically major traders at the district centres were outsiders, with traders from Kabul dominating in Chaghcharan and Herati traders tending to manage trade in the district centres. Outside traders from Helmand, Kandahar and Kabul largely controlled the livestock export trade and dealt directly with the *kuchis* in their key seasonal markets around Chaghcharan. Where there were people from Ghor engaged in the livestock trade, they largely acted as agents for the external traders in the main trading season and traded livestock locally between villages during the rest of the year.

Seasonality, both in terms of physical access and productive activity, is a defining feature of Ghor's economy. The summer months are a period of intense household activity in preparation for winter hibernation. At higher altitudes much of the crop is planted in spring, and there are careful calculations about the division of irrigated land between wheat and fodder to provide adequately for households and livestock over winter. Household livestock numbers are critically constrained by the availability of winter fodder. The collection of fuel and fodder during the summer months is a primary activity, requiring two to three months of labour. This is combined with the seasonal movement of livestock out of villages to higher settlements in summer.[8] The significantly higher price of wheat in Ghor (estimated to be at least 30 percent higher than in Herat) and the difficulties of winter access must play a critical role in decision-making on opium planting in relation to the risks of failing to achieve food security for the winter period.

Ghor is also historically a labour reserve. With a highly seasonal economy, and signifi-

[8] The *kuchi* and transhumant Ghor people can easily be recognised by their tents: the classic *kuchi* tents contrast strongly with the rectangular black tents of the Ghor people, which often have a wall base of perpendicular willow twigs matted together.

cant areas of grain deficit during years when the rainfed component of production fail, movement of male labour out of Ghor during the winter period has been a major component of livelihood strategies, dating back several decades but of variable importance according to location. In this way, movement is a key feature of the landscape and economy: the spring movement into the province of *kuchis* from various places around Ghor for high-altitude summer grazing, and their departure in the autumn for low altitudes; the seasonal movement of labour out of the province in autumn and its return in spring; and the seasonal export of natural resource products.

All of these factors have contributed to making Ghor one of the poorer provinces of Afghanistan, a fact borne out by National Risk and Vulnerability Assessment (NRVA) data.

4. Opium Poppy Production and Potential Trading Volumes

Table 1 shows the relative position of Helmand and Ghor in the national estimates of opium poppy-cultivated area. The data establishes the historic and absolute importance of opium poppy production in Helmand in contrast to the insignificant and recent contribution of Ghor. The trends are discussed in more detail below.

Opium poppy cultivation in Helmand dates back to well before the 1950s and the creation of the Helmand–Arghandab Valley Authority (HAVA) to manage the irrigation scheme. Traders used to come on camels from Pakistan and Iran to buy opium poppy after the harvest. With the development of the HAVA and the expansion of irrigation, the government prohibited the cultivation of opium poppy, and it largely died out in the main irrigated areas (although it persisted in the northern districts of the province, Baghran and Kajaki). By 1992, with the fall of the Najibullah government, the price of inputs[9] rose rapidly (these had been heavily subsidised), market networks began to deteriorate, maintenance of the irrigation system declined and water shortages began to increase. These were considerable push factors to move back into substantial opium production – as one of the only ways to access agricultural inputs.[10] In addition, with the collapse of the Najibullah government there was a sharp decline in the external financing of the arms trade on which a thriving smuggling operation from Pakistan had been based. For gun smugglers the opium poppy market was the market of choice to move into. Combined with local commanders' need for revenue, conditions were ripe for the expansion of opium poppy cultivation.

Since 1995, the year after UNODC's official surveys started,[11] opium poppy area in the province has fluctuated around 30,000 hectares, with a drop in 2003 due to action by provincial authorities. The modest decline in estimated area of opium poppy cultivation in Helmand in the 2004–05 season, coupled with a very sharp drop in Nangarhar's poppy area and a substantial decline in Badakhshan, means that Helmand has a firm grip on its

Table 1. The percentage contribution of Helmand and Ghor to Afghanistan's total opium poppy-cultivated area (source: UNODC and Government of Afghanistan Counter Narcotics Directorate [CND], 2004, *Afghanistan Opium Survey* 2004, Kabul).

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005[12]
Helmand	55%	44%	50%	47%	48%	52%	–	40%	19%	22%	25.5%
Ghor	–	–	–	–	–	–	–	2.9%	4.7%	3.8%	2.6%
Total national area ('000 ha)	54	57	58	64	91	82	8	74	80	131	104

[9] The canal-irrigated areas of Helmand are nutrient poor and require high inputs of fertiliser; see Frydoon Shairzai, Ghulam Farouq and Richard Scott, 1975, *Farm Economic Survey of the Helmand Valley*, Kabul: USAID/DP, p. 108.
[10] Mansfield, 2002, *Economic Superiority of Illicit Drug Production*, p. 7.
[11] The results from the first year of the UNODC surveys (1994) are generally not considered to be reliable.
[12] Based on UNODC, 2005, *Opium Situation in Afghanistan as of 29 August 2005*, press release, Kabul.

position as the largest opium cultivating and producing province in Afghanistan.

A key aim of this study is to establish indicative numbers to describe the OPE – relating opium production to volumes of trade, numbers of traders and in turn to market structures and changes in opium stocks. A starting point is the production side, and it should be noted that area statistics at the provincial level may be more reliable than production statistics. Provincial statistics for area cultivated have been determined on a provincial basis, although the method by which this has been done has varied over the years. On the other hand, yield and therefore estimates of opium production level have been done on a regional basis,[13] and the means by which this has been done has also varied over the years.[14] Helmand has been included in the Southern region that also contains Uruzgan, Kandahar, Zabul, Ghazni and Paktika. On the basis of UNODC estimated yields of dry opium poppy[15] of around 30kg per hectare, annual production of opium poppy has hovered around the 1,000 tons per year mark, with a low of 650 tons in 2003 and a high of 1,300 tons in 2002.

In contrast opium cultivation in Ghor is much more recent – established within the last three years and largely fuelled by a two-way exchange of skills: from the experience of Ghor labourers working in the Helmand opium poppy fields,[16] and from Kandaharis and Nangarharis renting or sharecropping land for opium cultivation in Chaghcharan and Shahrak.[17] This provided Ghor the skills, the seed and some knowledge of the market. However the limited significance of the crop in Ghor should be noted. Starting with an estimated area of 2,200 hectares (7 percent of the wheat area), according to UNODC survey records in 2002 (although there are informal reports that it was cultivated earlier than this) it increased in 2004 to 4,983 hectares largely through expansion into rainfed areas, before falling significantly in 2005 because of widespread crop failure in 2004 (and possibly also in 2003). Cultivation in 2005 is now concentrated in the lower valleys where there is secure irrigation, but it is fairly dispersed. Although Ghor farmers have done much of the cultivation, Helmandi cultivators are also coming in to cultivate on a sharecrop or tenancy basis. Using an estimated yield figure of 25–30kg per hectare, an indicative range of opium production might be from 55–65 tons in 2002 to 125–150 tons in 2004. If area has declined by as much as 50 percent in the 2004–05 season, as many observers have reported, then production may well be back at 2002 levels.

However, for both provinces the traded volume of opium poppy is substantially larger than provincial production. By virtue of Helmand's historical and geographical position (as a major producer and sharing a border with Pakistan and from there a route to Iran), it is clear that Helmand is also the major conduit for opium trade from other provinces.

---

13 "Opium production was estimated by multiplying the average dry opium yield per region by the cultivation level per region and adding up the results to arrive at a national total," UNODC and Government of Afghanistan CND, 2004, *Afghanistan Opium Survey 2004*, Kabul, p. 57.

14 In the past yield estimates have largely been based on what farmers reported, disaggregated by whether the crop was irrigated or not, and with a limited sample framework. An altitudinal sample on a provincial basis could possibly provide a more accurate assessment, but it is recognised that for a crop where agricultural practice, and in particular harvesting technique, is as much a determinant of yield as climatic conditions, this is not as straightforward as it seems.

15 Wet opium can be up to 40 percent heavier than dry opium.

16 See UNODC, 1999, *An Analysis of the Process of Expansion of Opium Poppy to New Districts in Afghanistan* (Strategic Survey No. 5), Islamabad.

17 See David Mansfield, 2004, *What is Driving Opium Poppy Cultivation? Decision Making Amongst Opium Poppy Cultivators in Afghanistan in the 2003/04 Growing Season*, paper for the UNODC/ONDCP Second Technical Conference on Drug Control Research, 19–21 July 2004, footnote 8.

Interviews with the opium traders confirmed this. Assessment of quantities of these flows of opium poppy traded into Helmand can only be "guesstimates", and it should be noted that there are substantial temporal fluctuations in trading conditions that contribute to that flow. From discussions with key UNODC officials and others, the following estimates have been made of possible levels of opium poppy flows from other provinces into Helmand:

- up to 100 percent of production from Ghor, Bamyan and Uruzgan (note should be made of the strategic position of Sangin, a key trading centre in Helmand on the border with Uruzgan);
- up to 50 percent of production from Balkh;
- up to 30 percent of production from Badakhshan; and
- 30–40 percent of production from Nangarhar.

There are many qualifications that must be attached to these figures. There are reports that some opium production from Ghor is traded directly to Herat and then exported. It may be that none of Badakhshan's production is now traded through Helmand, since with established processing facilities in the province a more direct export route is available to the north. A similar issue could be raised in the case of Nangarhar.

These constructed figures indicate a potential total flow of opium poppy from the production of other provinces through Helmand trading systems in the order of around 1,000 tons (on 2004 figures of area and yield). This makes the potential total volume of opium traded in Helmand during 2004 approximately 2,000 tons, or just under half of Afghanistan's estimated opium production in 2004.

In the case of Ghor, it is evident that there has been a transit trade operation that predates opium poppy production within the province. This transit trade appears to have started around 1998 (and according to some cultivation also may have also started then) and been established for dealing with opium produced in the northern provinces of Balkh and Badakhshan (Faryab, Samangan and Sari Pul did not move into production until a few years later). On the basis of the number of Ghor opium traders and the number of trading trips that they reported making, an indicative figure for the transit trade might range from 60–150 tons of opium poppy per year. If the estimates provided by one trader of the relative importance of the transit trade to Ghor production are taken into account along with a conservative estimate of 55 tons of opium production in Ghor in 2002, this would indicate a transit trade of about 220 tons, some 25 percent higher than that based on the trader activity estimates.

On the supply side, the 2003 area statistics for the northern provinces (excluding Badghis, the production of which by all accounts was directly traded down to Herat, and Bamyan), indicate that the northern region had an opium poppy-cultivated area of about 5,000 hectares in 2003.[18] On the basis of average yields of 35kg per hectare of opium production, this gives a northern production figure of around 175 tons.

According to this method and point of departure of calculation, along with assumptions made, the size of the transit trade in Ghor is estimated to be between 100 and 200 tons per year. There is little point seeking greater precision than this given annual fluctuations in production and the changing conditions under which the market operates. Much depends on the contribution

18 UNODC, 2004, op. cit, p. 115, Annex 2

of Badakhshan production and alternative routes for the trade of northern production: there are indications, for example, that trading of opium poppy into Tajikistan has recently become possible with the replacement of Russian border guards with Tajiks, and that some 30–50 percent of production may now flow through this route. However there are many who would argue that even when the Russians guarded the border it was fairly permeable to opium flows.

A final point of comparison needs to be made between the two provinces: there appears to be no evidence of the existence of opium processing facilities in Ghor. However laboratories for producing morphine base have been identified and destroyed in Helmand, indicating the critical role of processing in Helmand's trading systems. Depending on the existence of processing facilities in other provinces, such facilities may be an incentive to pull trade through Helmand.

4.1 How many opium traders are there and who are they?

What defines an opium trader? In Helmand it was clear that when the opium poppy market was open and legitimate, many were involved in opportunistic trading, even if on a very small scale. This included farmers and government servants. Many might be engaged on a limited seasonal basis during the main period of production. Interpretations of what constitutes an "opium trader" vary, and certainly contribute to the wide variation in estimates of how many traders there are. All informants agreed that the number of people engaged in the trade has increased since the Taliban times, largely as a result of the increase in prices during the 2001–04 period. However, it is likely that these have mainly been entrants at the bottom end of the market, trading opportunistically and quickly in small quantities.

In contrast to Ghor where there are far fewer opium traders and it is likely that most of the opium traders know of each other, in Helmand there are so many traders that the estimates of numbers are likely to be much more speculative and based on hearsay (particularly in the case of estimates by smaller traders). In the past when trade was open, numbers based on a count of shops in the bazaar may have been a useful basis for estimation,[19] UNODC, 1998, The Dynamics of the Farmgate Opium Trade. but this is less likely to be the case now. It was often not clear, for example, how much smaller traders in Musa Qala knew of trading in Kajaki in Helmand, although the UNODC found that there were cross-district networks and that small traders would work for relatives on a commission basis.[20] Larger traders on the other hand may have had a clearer picture of their immediate competitors or trading partners, but it is still difficult to say how accurate their estimates would have been.

In Helmand, estimates of trader numbers varied considerably according to the source (Table 2): provincial totals were quoted as 600–6,000 with variable distribution in terms of the breakdown between district and provincial centres and the balance between small, medium[21] and large traders. For the purposes of this paper, an indicative range of 1,000–1,500 small traders and 300–500 larger traders will be used.

[19] UNODC, 1998, *The Dynamics of the Farmgate Opium Trade*.
[20] UNODC, 1998, *The Dynamics of the Farmgate Opium Trade*.
[21] Informants primarily distinguished between small and large traders, and it was informants in Lashkar Gah who identified a medium-sized group.
[22] The term "Kandahari" is also used and may be more of a generic term referring to Pashtuns from the southern provinces of Zabul, Kandahar, Helmand and Nimroz (David Mansfield, personal communication).

Table 2. Estimates of opium poppy trader numbers in Helmand given by 10 informants (H1–10)

	Lashkar Gah				Districts				All			
	Small	Med	Large	All	Small	Med	Large	All	Small	Med	Large	All
H1	100	100	50	250	60	60	50	170				400
H2									300	250	150	700
H3		600	150			0	150		100	600	300	1000
H4			1000								200	5000
H5					800		100					6000
H6					100		300–400	500				
H7					100		40	140				
H8	300		100	400								
H9	50		50									
H10	100		50	150	500		50	550	600		100	700

In the case of Ghor, three categories of traders need to be recognised. First there are 10–20 Helmandi[22] traders who were responsible for establishing the transit trade back in 1998, and who until this year have appeared on a seasonal basis. Secondly there are their Ghor agents (20–30), who have played a key role in building the linkages between traders from northern Afghanistan and Helmandi traders. Thirdly there are the small Ghor opium traders, called here "motorbike traders" on account of their means of transport between dispersed areas of production, who have been dealing primarily with trade in provincial production. There are 100–150 motorbike traders in Chaghcharan district, which has the largest reported area of opium poppy in the province – 30 percent of the total in 2003.[23]

What defines a small, medium or large trader? Informants' definitions revolved around the volume of opium traded, the seasonality of the trade, the geographic extent of the trade and, associated with this, the risks that different traders can carry associated with their capital base and access to credit. There was considerable consistency in definitions of these across informants in Helmand. Small traders were essentially part-time traders involved on a seasonal basis, dealing with 10–15kg per month during the main trading months (June to September), and possibly half that amount for another six months of the year. They were either government servants or small shopkeepers selling fabric or essential commodities. Medium-sized traders tended to be primarily seasonal

[23] Estimates of the number of smaller traders in the western and southern districts of Ghor are not available; for Tulak district, which had about 2 percent of the provincial opium poppy area in 2003, there were reportedly three main traders.

traders dealing with larger amounts of opium poppy (50–100kg per month) and often involved more in selling imported goods such as motorbikes. Most informants, however, did not identify a medium-sized category – possibly indicating that this category was mainly restricted to the provincial centre.

In Helmand small traders were seen to be involved mostly on a part-time basis, usually owning a shop dealing in fabric or household consumption goods, and largely trading in their home district.[24] Although many of the large traders did primarily deal in opium poppy (and were reported to have accountants to manage their finances), their ownership of assets (they were characteristically large landowners both by origin and as a result of having invested opium profits in land) was considerable. Most were spoken of in terms of owning several houses (one had reportedly purchased a house in Kabul for over $100,000), luxurious cars and cash. Some were also dealers in motorbikes and imported cars. It also seems that many of them have gone on *haj* (pilgrimage to Mecca), one reportedly seven times. Little is known of the Helmandi traders who appear seasonally in Ghor, although they were reported to come from Musa Qala and Sangin in Helmand. The defining feature of the Ghor transit traders is their earlier role as livestock traders: it was the collapse of this trade with the drought that may well have driven them into the opium trade. The motorbike traders were sometimes small livestock dealers, shop-keepers or small landowners. As the opium trade in Ghor is highly seasonal, for all Ghor traders it is likely that they have a diversified portfolio of activities. None appeared to have accumulated assets at anywhere near the scale of the large Helmandi traders.

It is worth drawing attention to the different sets of actors who have contributed to the development of opium production and trade in Ghor. Both Ghor and Helmandi farmers, possibly driven by incentives from Helmandi traders, have been instrumental in establishing production. The extent to which credit provision has driven this is unknown. The trading systems have also involved both Ghor and Helmandi traders, although it would appear that the Helmandi traders have played the key role in this. There is a link between the transit trade and the development of provincial production, although the latter clearly followed the former. Given Ghor's context it would be unwise to ascribe any one single factor as the major cause of spread of opium poppy cultivation.

4.2 Opium traders and trading volumes

The volume of opium handled by any one trader largely reflects their capital base, their capacity to handle risk and the reach of their trade networks. Table 3 summarises these aspects by type of trader and province.

The seasonal dimension to opium trade must be emphasised. The key period of selling from the farmgate is during the months of production – from May to July in Helmand and July to September in Ghor. It was apparent from interviews with farmers and small traders that there are farmers in Helmand who retain small stocks of 2–10kgs as reserves that are slowly traded through the year according to need, but these are likely to be a minority of farmers. Most cultivators of opium poppy are likely to sell either prior to or at harvest.[25] For those farmers in Helmand who held stock, they reported reserves had been built up over several years, but Ghor farmers stated that they sold everything at harvest. Small traders are less likely to keep much stock, particularly under

[24] See also UNODC, 1998, *The Dynamics of the Farmgate Opium Trade*.

Table 3. Estimates of annual opium traded by trader category, compared with estimates of traded volume from production and transit trade (all for 2004)

	Peak monthly trade per trader (tons)	Annual trade per trader (tons)	Number of traders	Total annual est. trade (tons)	Traded volume (tons) est. from production
Helmand					
Small traders	0.01–0.015	0.1–0.2	1000–1500	100–300[b]	1000–2000
Large traders	0.5–1	2–5	300–500	600–2500	
Ghor					
Transit traders	1.5–2	5	20–30	60–150	175–200
Motorbike traders	0.030–0.065	0.1–0.2	100–150	20–30[c]	125–150[d]

[a] This combines estimates of provincial production and transit trade
[b] This will be traded to bigger traders within the province
[c] Note this relates to trade in Chaghcharan district only, possibly 30 percent of the trade of district production
[d] This figure is for opium poppy production for the whole of Ghor

current conditions in Helmand with all reporting that they were being targeted by the police. In part the use of commission agents and brokers by large traders is necessitated by supply drying up after the main trading period and having to search for opium to buy.[26] The lowest period of trade in Helmand on the previous year's harvest is from December to April; no opium trade in Ghor would be expected during the winter months.

Using the larger estimates of the number of small traders for Helmand (1,000–1,500) and assuming that for the whole year they each might trade 100–200kg, the total amount of opium that these small traders might deal in ranges from 100–300 tons in total, all of which would be sold on to the larger opium poppy traders. This constitutes 10–30 percent of an indicative Helmand production of opium of 1000 tons. On the basis of these figures alone it can be suggested that the larger traders are dealing directly with farmers for the bulk of Helmand's opium poppy production. This conclusion is borne out from a number of sources: firstly, farmers themselves reported that unknown people arriving on motorbikes came direct to the farm to seek opium for purchase, and more of them were coming this year than in the past. Secondly, traders themselves, both small and large, reported the extensive use of agents or brokers by large traders. This is supported by the UNODC study on farmgate opium trade and the particular use of commission agents by large traders in Helmand.[27] Thirdly, the increasing control of opium production by key local authorities (discussed later) and the double taxation (first a "tax" not to eradicate the crop and then a tax on the crop at harvest) means that key large traders are well informed about the location of production.

[25] David Mansfield, "'Economical with the truth': the limits of price and profitability in both explaining opium poppy cultivation in Afghanistan and designing effective responses", in A. Pain and J. Sutton (eds), forthcoming (in 2006), *Light Footprints at the Cross Roads: Learning from Responses to Food Insecurity in Afghanistan?* Rome and London: FAO & ITDG.
[26] UNODC, 1998, *The Dynamics of the Farmgate Opium Trade*.
[27] UNODC, 1998, *The Dynamics of the Farmgate Opium Trade*.

Direct estimates of opium poppy traded by larger traders in Helmand varied considerably, ranging upwards from 450kg per month during the main season, with total annual trading volumes of at least 1,750–2,000kg. A significant number of the larger traders deal in more than this and note is made in a UNODC report of one trader purchasing 20 metric tons in a year.[28] If around 300–500 large traders purchase 2–5 tons each, this is a total annual amount of 600–2500 tons (clearly a wide range). These figures are consistent with estimates of the quantities of opium poppy traded in Helmand from both provincial production and opium brought from other provinces.

In Ghor, the opium trade (as noted earlier) is almost entirely seasonal. Transit traders are likely to handle 60–150 tons in total. It is possible that a number of Helmand traders, having set up their networks with northern Ghor, have been trading independently of them but no estimates are available. There are also estimates for motorbike traders who handle provincial production, but these figures only relate to Chaghcharan production which may be about a third of the overall provincial production. Within the margins of error of these figures, the estimates of trade are not inconsistent with estimates derived from production.

4.3 Trading stock

A key point to note from Ghor is the apparent absence of maintenance of stocks, although there may be some temporary holding of stocks when security conditions (or threat of government action) make travelling particularly risky. While a few traders do have stocks, these largely correspond to opium poppy bought at high prices in 2001–02 which they are unwilling to sell until there is some recovery in price. They do not appear to be maintaining stocks in order to be able to respond to market demand.

However, the seasonality of production and associated trade points to the need for larger traders in Helmand to keep stocks in order to be able to respond to orders and demand. It is apparent that the sale of opium poppy out of Helmand takes place throughout the year and (as discussed below) happens episodically and quickly. Various sources suggested that around 40 percent of the annual purchase would be kept in stock to facilitate trading prior to the next harvest, and to be able to respond opportunistically to short-term price rises. However it was also reported that the age of stocks goes back further than this. There has been an accumulation of stock from the years of high prices, held in the hope that prices will recover from their current low levels. One source estimated that about 10 percent of a trader's purchase for each year from 2000 to 2002 was being held, with possibly 20 percent of 2003 and 2004 purchase also in reserve. While recognising that 2001 was not a production year, this indicates possible stock for a trader purchasing two metric tons per year of at least a ton of opium built up over a 4–5-year period. This is consistent with various newspaper reports.[29] Note should also be made of between-trader dealing: one informant reported on the exchange of a landcruiser for opium in order to maintain his reserve stock.[30]

The reasons for holding stock and the quantity of inventory held are variable according to context. For some, as in the case of farmers

[28] UNODC, 1998, *The Dynamics of the Farmgate Opium Trade*.
[29] See for example Tom Coghlan, 18 May 2005, "Meeting an Afghan Drugs Smuggler," http://news.bbc.co.uk/1/hi/world/south_asia/4522957.stm.
[30] UNODC, 1998, *The Dynamics of the Farmgate Opium Trade*, also reported a similar example of a deal between Musa Qala and Sangin traders when Balochi traders did not pay in time.

and possibly smaller traders, it may be the best way to hold financial reserves, and in small quantities it is unlikely to attract attention. For other bigger traders, the holding of stock allows them to respond to periodic demand (and uncertainty over supply) and to capitalise on price fluctuations. For some of these and other traders (according to their capital status), there are some opium holdings which reflect being caught out by downward price shifts and being able to avoid distress sales. However, more specific details on inventory management and how these players have responded to greater risks of seizure remain largely unknown.

4.4 Trade routes

Almost all opium poppy from central Ghor was traded down to Helmand. However some of the production from southwestern Ghor is likely to have been traded directly to Herat province, either through Shindand or through Herat itself (quantities are unknown). Prior to 2003 most opium poppy seems to have been taken via the main road to Herat and then south to Helmand in large convoys of landcruisers. These days it seems to be taken in smaller amounts through the back routes of the hills into northern Helmand because of the risks of seizure on the main roads via Herat.

Demand, and how Helmand-based traders link with external actors, are largely unknown. UNODC reported outsiders coming to Helmand from Pakistan, Iran and even central Asia and visiting the various opium bazaars in Helmand to purchase opium poppy.[31] Many informants reported continued visits by those who are now termed "smugglers", although now it is mainly traders from Pakistan who come in disguise to known Lashkar Gah traders. It was not possible to collect information on frequency or timing, numbers or seasonality of these visits. Many informants also made reference to the trafficking routes to the Pakistani or Iranian borders accessed either through Helmand or Farah. Opium trade was active when travel routes were perceived to be relatively open, and at such times market prices for opium poppy rose. However when transit routes were seen to be under threat or being monitored, prices in Helmand fell.[32] Some traders reported combining together to transport opium down to the border posts.

4.5 Trading networks

The development of the Ghor transit trade offers an interesting insight into the development of opium trading networks in general. It appears that the Helmandi traders who came in 1998 were largely principals in their own right rather than acting as agents for principals based in Helmand. They appear to have sought out connections with key Ghor traders who had previously well-established provincial linkages from their livestock trade. As noted earlier a characteristic of almost all the Ghor opium traders interviewed was that they had previously been livestock traders.

At least in the early years, the Helmandi traders were interested in gaining access to opium poppy produced in the northern provinces of Balkh and, reportedly, Badakhshan. The chief obstacle they faced was that they did not have the networks within Ghor to establish the trading routes – primarily networks that would guarantee security and protection rather than those needed to establish points of supply and purchase.[33] Ghor-based traders were recruited to provide those linkages to the

[31] UNODC, 1998, *The Dynamics of the Farmgate Opium Trade*.
[32] See also UNODC, 1998, *The Dynamics of the Farmgate Opium Trade*, p.10.
[33] It should be noted that the Helmandi traders were Pashtun, while the population of Ghor is largely Tajik; apparently the nomadic Pashtun population (*kuchis*) was not seen to provide a basis for building networks with the north.

northern parts of Chaghcharan district, particularly the regions of Murghab and Charsadah. As will be discussed later, these areas later fell under the control of various key powerholders in Chaghcharan district and Murghab commanders who had become influential.

While the Helmandi traders worked hard to build connections with the Ghor traders in establishing the transit trade, it appears that they remained very much in control of the trade. The one case, a Ghor trader had prospered in the OPE entirely from provincial production and not transit trade. But this was very much an exception. As one informant put it with respect to the Helmandi traders:

> *The opium is theirs, the money is theirs, the trading is theirs, the skills are theirs.*

While the Helmandi traders needed the Ghor traders up to a point, the ability of Ghor traders to operate in the opium markets in Helmand and elsewhere was dependent on connections with the Helmandi traders. The Helmandi traders were not unknown to drop their Ghor connections, however, once they had made the necessary trading linkages with larger partners. Informants in two Chaghcharan villages noted that originally Ghor traders had come to buy opium, but once the Helmandis had become familiar with the area they came directly.

Where partnerships were established between Helmandi and Ghor traders, the Ghor trader was very much the junior partner, not least because of his limited capital. One informant had been able to build up sufficient capital to trade in partnership, and he accompanied his Helmandi partners down to Helmand in order to sell in the Sangin markets (as he put it, he had to go with Helmandi traders for protection).[34] But many of the intermediaries in the transit trade operated on short-term contracts with the Helmandi traders, advancing capital to be able purchase for delivery within a 6–10-day period. Their margins depended on being able to purchase stock relatively quickly and lower than the contract price, and being able to deliver it. One informant recalled that on one occasion he had lost nearly 300,000 Afghanis (US$6,000) on a contract for 400kg because he had not been able to deliver quickly enough to the market and the price had dropped.[35]

The smaller motorbike traders preferred to work on a commission basis – while it provided a lower return, working on a profit basis was less certain. The bigger Ghor traders made reference to the fact even if they did trade on their own account and sell on to Helmandi traders in Chaghcharan, while profits could be made (one informant recounted two trading events which he had done without contract which netted him in one case a profit margin of 300,000 Afghanis and in another 200,000 Afghanis) there were also major risks of losing money (see the subsequent discussion on risks associated with price fluctuations).

The Helmandi networks are clearly extensive and pervasive. Broad family networks link Nangarhar and Helmand provinces, reflecting the Nangarhari origins of many traders in Helmand.[36] Previously the opium trade across provinces seems to have operated in a manner similar to the *hawala* system, and within the province on credit and reputation. It was reported that it has now shifted to cash transactions only both across and within provinces – indicative of the increased risks of trading. Personal networks seem to have closed in to only trusted members of net-

[34] Several informants suggested that trading capital of 500,000 Afghanis was needed to be able to trade about 100kg of opium poppy.
[35] Similar reports may be found in UNODC, 1998, *The Dynamics of the Farmgate Opium Trade*, p. 19.
[36] This may represent a shift from 1998 when farmgate traders appeared not to work across region. In particular Nangarhari traders did not want to buy poor quality (moist) opium from the south as it made poor quality heroin (David Mansfield, personal communication).

works, with communication being largely undertaken through satellite phone connections. This shift may point to the existence of local and regional markets rather than a national or "free" market.

4.6 The value chain

Obtaining data on trading margins at different points of the value chain is difficult enough at the best of times; in relation to an illegal crop it becomes even more difficult the further up the value chain. For example, it was not possible to follow in detail the margins from farmgate prices that producers received in northern Afghanistan, through the various intermediaries across Ghor, and from there to Helmand and the final sale point to overseas buyers. Details of the costs of transportation, including the necessary payoffs to ensure security of transport, are unknown. The information was so fragmentary and incomplete that a narrative account of what was found is probably the best way to report it.

For Ghor farmers, June 2005 purchase prices in Tulak were quoted at $60–80 per kg for wet opium (this contrasts with May 2005 farmgate prices of $138 per kg for dry opium poppy in Helmand).[37] A Tulak trader would then sell this on in Shindand for about $90–100, making a margin of 12–50 percent depending on prices and market conditions. According to Tulak informants, Shindand traders would then be able to sell at the rate of about $200 per kg at the border (a mark-up of 100 percent), although account has to be taken of the possible drying out of opium poppy at this stage. Tulak traders regarded this mark-up as acceptable; they saw it as easy to get the opium poppy to Shindand but argued that there were much higher risks in getting the opium poppy to and over the border.

The margins on the transit trade through Ghor are very unclear, but it appears that the opium passes through multiple intermediaries. The farmer in the north would have sold to a small trader, who sold on to another trader in Mazar-i-Sharif. He might have transported it to northern Ghor and traded it there with a Ghor transit trader, who in turn might have sold it to a Helmandi trader in Chaghcharan. There would have been transport and protection costs at each stage. One informant suggested that there was a price difference between Chaghcharan and Mazar of about $60 per kg, but that it depended on the current Helmand and Iran prices.[38] Again, the costs of transportation would have to take into account the costs of securing protection through Ghor. Before 1993 there seems to have been a 10 percent tax charged by the central provincial authorities on all transit opium: in one year a former governor was estimated to have accumulated two tons of opium through taxation. These days protection may be even more expensive, and there may well be additional payments at the district level. The Ghor traders' margins clearly fluctuate a great deal.

In Helmand information on differences between farmgate prices and small traders' prices is systematically collected by UNODC: the May 2005 price of US$150 per kg of dry opium at the farmgate and a margin of $5–6 per kg for the small trader were fairly consistent with field-level information, although prices may have dropped a little. Margins and costs beyond this point, such as those for the larger traders, were almost impossible to collect, however one large district trader suggested a margin of about 100 percent between purchase and trading at the border with outside buyers.

[37] Wet opium in Ghor is likely to have a water content of less than 40 percent given the dry conditions.
[38] However prices from Balkh are known to be low due to the poor quality (high water content) of the opium.

5. Trading Risks

Given the conditions of insecurity in Helmand at the time of fieldwork, it was much easier to discuss in detail how traders perceived risk in the OPE in Ghor. Taking into account the comments from all informants, four areas of risk were identified: risks associated with price fluctuations; risk of theft; risk of seizure by government authorities; and risks of adulteration of the product.[39]

5.1 Risks associated with price fluctuations

In all cases of Ghor traders, price was seen to be the greatest source of risk. One informant, a shop trader from Tulak, estimated that in five out of ten transactions he would either break even or lose money. A second informant, a large trader, agreed with this and noted that last year a number of the Ghor traders lost all their capital. A third informant, also a large trader, emphasised that market risks were the greatest ones that they had faced until recently, estimating that in 40 percent of his transactions he had either broken even or lost money.

This persistent story of price fluctuations as the greatest source of risk contrasts with the monthly statistics on price collected by UNODC, which suggest a mostly stable market. Informants report that there are short-term (within 24-hour) fluctuations in price that may be in the order of 20–30 percent. This does not appear to simply be a case of the Helmandi traders controlling the transit trade using a monopoly position in Chaghcharan to manipulate the market, although there may be an element of such practice. The trader from Tulak who dealt directly with the Shindand market in Herat province reported that his cousin (who was based there) would call to give him instructions to buy at a given rate, but even if he bought at that rate and delivered it to the market within 24 hours, the price might have already declined.

It appears that when it is known that outside buyers (from Iran or Pakistan, who tend to come in quickly and buy large quantities) are in the market, the market price rises quickly, driving these short-term but substantial fluctuations. There is no doubt some collusion on the part of key traders holding stocks takes place (an aspect of the informal regulation of the market), but once the buyers' demands are satisfied, the price can quickly drop again, sometimes in a matter of hours. This price behaviour is not confined to the opium market – it has also been reported in the case of the raisin market[40] and by the Dar-i-tak traders in Herat with the *qorot* markets as well, who noted that it is primarily associated with commodities for export.

This degree of price fluctuation seems to be regarded as acceptable. One informant regarded the opium market as much more open than the currency market with which he compared it, arguing that there was much greater competition in the opium market.[41]

Compounding the potential risk of losses in the market is the tendency of many traders to venture substantial proportions of their liquid capital in single transactions in the hope of high profits, while exposing them-

39 The evidence reported here is consistent with that reported by UNODC, 1998, *The Dynamics of the Farmgate Opium Trade*.
40 Sarah Lister and Tom Brown, 2004, *Understanding Markets in Afghanistan: A Case Study of the Raisin Market*, Kabul: Afghanistan Research and Evaluation Unit.
41 Although since the new Afghan currency has been established, fluctuations in currency have probably been less than those for opium reported here.

selves to considerable losses. This speculative behaviour seems to be widespread and is consistent with an attitude of "high risk, high profit". However it is clear that Helmandi traders maintain tight control over the market and are able to manipulate prices, which is likely to work against non-Helmandi opium traders.

5.2 Risks of theft and seizure

Price is not the only risk faced by opium poppy traders, whether from Ghor or Helmand. Indeed the process of building networks to provide protection against theft of opium poppy cargoes was a critical part of the Helmandi traders' strategy of using Ghor intermediaries. However, protection came at a price: when opium was relatively openly traded, it was accepted that payoffs had to be made not only to local commanders but also to key provincial authorities to guarantee security of transit, and such relations were not without risks. For example, one informant in Ghor reported that two key government and security officials lost their posts and then demanded higher payments from the next opium trade convoy. This was refused, a gun battle ensued, two Helmandi traders lost their lives and one of their convoy vehicles was seized.

Travelling in convoy is one of the ways of reducing the risk of banditry, with lead vehicles often empty and acting as decoys in case of ambushes, allowing other vehicles carrying opium to make their escape. Those powerful enough or those who paid enough money to key provincial authorities could be escorted by forces linked to authorities along the main roads, as happens in Ghor.

With the gradual shift from what was seen to be an open and legitimate market to one that was illegal but in the eyes of many still legitimate, gaining protection has become even more risky. Several reports were provided about how official government action had captured trading convoys, taken half the opium, sold it on to other traders and released the remaining part in exchange for a further payment from the original traders. In one case a seizure of over a ton of opium was publicly burned, although in fact this was a substitute while the seized opium poppy was again sold on to other traders. While in the past key traders could secure reasonable protection from random robbery through the networks that they established, more recently this has not been as easy. Transport of opium has been scaled down to individual pickups and even motor-bikes – a strategy of dispersing the risks. However, one trader reported that now his relatives were ambushing the motorbike traders because these traders were not in a position to make complaints about theft to the authorities.

While in the past much of the opium poppy traffic passed through the main routes out of Ghor, it is now much more small-scale and uses minor routes and back roads through the southern districts of Ghor, leading directly into the northern districts of Helmand (Baghran).

5.3 Risks of adulteration

A number of traders referred to adulteration risks: one quoted an example from his early days of trading of dates being used to bulk up one consignment he had handled. In Ghor, few traders reported any examples of adulteration – it appears to be more common in Helmand.[42] This risk appears to be greatest for inexperienced traders, and for most it appears to be a minimal risk compared to the others that they face.

---

[42] See UNODC, 1998, *The Dynamics of the Farmgate Opium Trade*, p. 17–19, for an extended discussion on this and other quality issues.

6. Institutional Dimensions

A persistent feature of this study was the engagement of key provincial authorities in the opium economy. At a time when the opium trade was essentially open and legitimate, it is evident that such authorities derived substantial personal incomes from it. With the shift from an open market to one that is illegal and in which stocks are vulnerable to confiscation, many of these authorities remain and are reportedly still engaged in the OPE, using their influence to gain even greater control over the opium trade.

It should also be noted that the resource base and control of these key authorities, particularly in Helmand, extends beyond the OPE. There are consistent reports of government land being acquired and distributed by these individuals, and in urban areas used for the construction of new market areas to which traders are "encouraged" to move. Previous government farmland has been distributed or sold off, while control over cotton ginning has been established with private gins closed down or chased out, and farmers left with little opportunity but to accept below-market prices and then remain unpaid if they are poorly connected.

In Helmand, existing tribal and geographical divisions provide the basis of competition for power. The Alizai tribe, from which the governor comes, is mostly located in the north in Musa Qala, Baghlan and Kajaki. The Noorzai tribe, in Nad Ali and Marja, is the power base of the chief of police and its members largely make up the provincial police service. The former chief of intelligence, a member of the Alikozai tribe, came from Sangin where his brother is district governor. The army commander comes from Girishk where the Barakzai tribe dominates. Superimposed on and woven through these strands of tribal identity and location is the OPE – providing a common interest as well as a basis for competition. While some of the authorities mentioned are reported to be heavily engaged in the transportation and taxation of opium poppy, the extent to which trader networks cross geographical and tribal affiliations, and provide a basis for cooperation or conflict, is unknown. It is clear, however, that eradication and possibly interdiction as well has played into the hands of powerful actors, allowing them to exercise greater control over the opium economy. This has been played out through the management and control of eradication (providing leverage over production), and through harassment of smaller traders and seizure of stock, forcing smaller traders out of the market.

Many small traders reported increased risks due to being targeted by the police, who reportedly confiscated opium to sell it on to the larger traders. During the fieldwork, the district market in Musa Qala was targeted in this manner. For the larger traders there are a number of increased risks as well: one informant reported that the brother of a district governor, who had been a key provincial figure, had threatened closure of existing opium trade centres unless they moved into new market buildings that he controlled. There are also risks related to seizure of crops either by rival networks (the militia of one former governor of a southern district in Helmand lost a major consignment in this way) or by the central counter-narcotics force, as happened in Helmand in late May 2005. However, these losses may induce a response in terms of price rises, allowing compensation for the losses through profits on other sales.

While confiscation does not yet amount to direct control over production, and farmers appear to retain choice about where they can sell, control over distribution and trade seems tighter in Helmand (including where trade can take place). This may explain the tightening of networks and the shift to cash transactions.

The scope for such action is not as great in Ghor, although it was consistently reported that key district authorities who had been in power since the fall of the Taliban (they may have been moved between districts) were still in positions of authority. As with Helmand, an understanding of the workings of the opium trade system, protection systems provided and taxes levied requires a district-level analysis of key powerholders and their wider networks. The recent appointment of a provincial governor who comes from Badakhshan and has no legacy of provincial-level political ties or engagement in the opium poppy trade has led to a re-ordering of affairs at the provincial level in Ghor. However it is not known if this has also happened at the district level: one district authority recently confiscated 15kg of opium poppy from a group of farmers, and as one trader pointedly commented, “We were told it would be burnt, but who knows?”

7. Conclusion

To what extent have trading systems at the "middle market" level changed since UNODC's 1998 study? In many ways, there are remarkable similarities in the current study in terms of actors, differentiation between types of traders and the nature of the risks they face. The trading systems in Ghor appear to closely reflect those described in Nangarhar in 1998 – with the domination of a central bazaar and evidence of a vertically integrated trading structure. However as details of differential price structures were not collected in this study this comparison cannot be pursued.

It is important to note the extent to which the context has changed and the number of traders has increased since 1998, primarily driven by price regimes and production levels. While the number of traders has probably increased much more at the small trader level (but may well be in decline by now because of increasing control of the trade by authorities), the role of credit in a total trading portfolio appears to have increased from the modest levels (10–20 percent) reported by the UNODC in 1998.

A key finding of the UNODC 1998 study was the existence of quite distinct regional markets, reflecting a fragmented rather than unitary market in Afghanistan. The current research on Helmand and Ghor appears to be consistent with this, and, along with evidence of market networks increasingly working through relations of trust, some caution is clearly required in assuming the existence of a national market.

What lessons might be drawn from this? There are indications that interdiction and eradication are leading to increasingly concentrated control over the trade – at least in Helmand. While it may be too strong to suggest cartel formation and "mafia-isation" at this stage, at the very least it seems that current pressures and practices around eradication and interdiction have played directly into the hands of key actors in the opium economy, allowing them to consolidate and even strengthen their positions, rather than weaken them.

Note should also be made of the HAVA experience in Helmand and accompanying measures to achieve a reduction in opium poppy area in the 1960s–80s. Efforts at this time were not just about law enforcement, but also about the delivery of a range of farm services including extension and other inputs combined with an assured market around cotton processing. Current conditions for cotton production and processing, and recent protests by Helmandi farmers about prices,[43] indicate that addressing the informal regulation of markets, not just around opium but for other crops as well, is a critical issue.

The articulation of Ghor's opium economy with that of Helmand is clear from this study. If pressures to reduce opium poppy production in Helmand increase, it is likely that production may move more into Ghor, assisted by credit and trade arrangements and possible price rises. Anticipatory action and development efforts in this more remote province could do much to prevent this happening, at the same time as addressing the significant poverty in Ghor. Ways of assisting the move of traders from opium back to livestock trade should be explored.

Looking beyond Afghanistan it is striking how many of the issues discussed here have

[43] See *Pajhwok Afghan News*, 14 October 2005, "Afghan Cotton Farmers Blast Government for Failing to Keep Promises".

parallels to studies on markets at this level (termed middle markets and positioned broadly between wholesale supply and individual purchase) for drug distribution in the West. Pearson and Hobbs, working in the UK, note just how small and flexible trading networks are and how transactions involve market-defined roles of responsibility, risk and reward.[44] They found little evidence of organised crime groups with extensive tentacles, rather they emphasised the distinct regional nature of drug markets in the UK, arguing that instead of considering the trading system as a national drugs market, it should be thought of more as a series of local and regional markets in which kinship and ethnic identity remain important. Similarly in Afghanistan it may be more useful to work with the model of contingent and context-specific opium trading systems rather than a national market, and with a greater depth of understanding of these regional markets, it should be possible to implement more effective interventions.

[44] Geoffrey Pearson and Dick Hobbs, 2001, *Middle Market Distribution* (Home Office Research Study 227), London: Home Office (UK Government).

References

Coghlan, T. 18 May 2005. Meeting an Afghan Drugs Smuggler. http://news.bbc.co.uk/1/hi/world/south_asia/4522957.stm

Cullather, N. Damming Afghanistan: Modernization in a Buffer State. *Journal of American History*. September 2002.

Lister, S. and T. Brown. 2004. *Understanding Markets in Afghanistan: A Case Study of the Raisin Market*. Kabul: Afghanistan Research and Evaluation Unit.

Mansfield, D. Forthcoming. "'Economical with the truth': the limits of price and profitability in both explaining opium poppy cultivation in Afghanistan and designing effective responses." In A. Pain and J. Sutton (eds), forthcoming (in 2006), *Light Footprints at the Cross Roads: Learning from Responses to Food Insecurity in Afghanistan?* Rome and London: FAO & ITDG.

Mansfield, D. 2004. *What is Driving Opium Poppy Cultivation? Decision Making Amongst Opium Poppy Cultivators in Afghanistan in the 2003/04 Growing Season*. Paper for the UNODC/ONDCP Second Technical Conference on Drug Control Research, 19–21 July 2004.

Mansfield, D. 2002. *The Economic Superiority of Illicit Drug Production: Myth and Reality – Opium Poppy Cultivation in Afghanistan* (prepared for the International Conference on Drug Control and Cooperation). Feldafing.

Pajhwok Afghan News. 14 October 2005. Afghan Cotton Farmers Blast Government for Failing to Keep Promises.

Pearson, G. and D. Hobbs. 2001. *Middle Market Distribution* (Home Office Research Study 227). London: Home Office (UK Government).

Scott, J.C. 2001. *Seeing Like a State*, New Haven and London: Yale University Press.

Shairzai, F., F. Ghulam and S. Richard. 1975. *Farm Economic Survey of the Helmand Valley*. Kabul: USAID/DP.

UNODC. 2005. *Opium Situation in Afghanistan as of 29 August 2005*. Press release. Kabul.

UNODC. 1999. *An Analysis of the Process of Expansion of Opium Poppy to New Districts in Afghanistan* (Strategic Survey No. 5). Islamabad.

UNODC. 1998. *The Dynamics of the Farmgate Opium Trade and the Coping Strategies of Opium Traders* (Strategic Study No. 2). Islamabad.

UNODC and Government of Afghanistan Counter Narcotics Directorate. 2004. *Afghanistan Opium Survey 2004*. Kabul.

UNODC and Government of Afghanistan Counter Narcotics Directorate. 2003. *Afghanistan Opium Survey 2003*. Kabul.

World Bank. 2004. *Afghanistan State-Building, Sustaining Growth and Reducing Poverty: A Country Economic Report* (Report No 29551-AF), Washington.

Cover photo by Adam Pain