Frontiers and Wars: the Opium Economy in Afghanistan

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This paper describes the evolution of the opium economy in Afghanistan and examines the factors behind its resurgence since the fall of the Taliban regime. The historical roots of poppy cultivation are analysed with particular reference to the role of borderlands and processes of state formation and collapse. This is followed by an examination of the contemporary dynamics of the opium economy. It is argued that micro-level opium production lies at the intersection of three economies of production, namely the ‘combat’, ‘shadow’ and ‘coping’ economies.

Keywords: opium, violent conflict, borderlands, combat, shadow and coping economies

INTRODUCTION

They (Frontier Wars) are the surf which marks the edge and the advance of the war of civilization. (Lord Salisbury, in a speech to the Guildhall, 1892, cited in Churchill 1972, 13)

In 1999 Afghanistan was the source of 75 per cent of global illicit opium production. Much to the surprise of international observers, following a Taliban edict in 2000 banning poppy growing, production fell from the 1999 level of 4700 metric tons (MT) to 74 MT for the following growing season. In November 2001 the Taliban regime collapsed as a result of US-led military intervention and a Western-supported Afghan interim administration was established in Kabul. There was initial optimism, following pledges of international assistance by Western governments and statements from Afghan leaders promising a ‘war
on drugs’, that the underlying dynamics of the opium economy could finally be addressed. However, that year Afghan farmers once more planted poppy in their fields. Between 2002 and 2004, opium production in Afghanistan rose from 3400 MT to 4200 MT. In 2004 opium cultivation increased by two-thirds, reaching an unprecedented 131,000 hectares. According to the UN Office of Drugs and Crime, the opium economy is now equivalent to about 60 per cent of Afghanistan’s 2003 GDP (UNODC 2004). With strong international demand and limited political, legal or social impediments, the structural conditions that support the opium economy have been largely unaffected by the new regime in Kabul.

Taking a historical and political economy perspective, this paper examines the factors that have contributed to the development of the opium economy. Its focus is primarily on the dynamics of this economy within Afghanistan. Although global supply and demand factors have been extremely important, they have already been relatively well-covered in the literature on illicit drugs. Much less has been written about the local dynamics of the opium economy in ‘borderland’ areas. Such ‘fine-grained’ analysis points to the complexity of the production of illicit goods and moves us well beyond the simplistic ‘warlords and greedy profiteers’ type of discourse that often seems to drive thinking and policy on this issue. Micro-level (farm) opium production lies at the intersection of three economies of production: what this paper characterizes as the ‘combat’ economy, the ‘shadow’ economy and the ‘coping’ economy, each with their own dynamic and patterns of change. It is argued that current attempts to transform the ‘war economy’ to a ‘peace economy’ must be based upon an appreciation of the role that opium (and other conflict goods) have played in the political economy of the Afghan conflict.

BORDERLANDS, BANDITS AND THE AFGHAN STATE

Afghanistan is a land-locked country, sharing common borders with six different states. Throughout Afghan history ‘frontiers and wars’ have figured prominently. Afghanistan’s present borders were defined by imperial powers in the nineteenth century and successive Afghan rulers attempted to defend, strengthen or redefine these borders in response to external aggression or internal pressures. Borders are ‘political membranes’ and markers of the success of the state-building enterprise. Territorial sovereignty was an ideal to which Afghan rulers aspired but rarely

1 One of the first acts of the new Afghan Interim Administration (AIA) was to issue on 17 January 2002, a decree forbidding all poppy cultivation and trading, although this was too late to prevent the sowing of poppies which had already taken place.

2 Global turnover for trafficking in opiates originating from Afghanistan amounts to US$25 billion. Western Europe annually consumes between 80 and 120 tons of heroine and two decades of expanding Afghan production have contributed to the dramatic decline in the street price of heroin (in real terms) in Western Europe, which fell from the equivalent of about US$300 per gram in 1987 to US$70 per gram in 2000 (IMF 2003).

3 Afghanistan’s borders and their respective lengths are: Pakistan, 2450 km; Tajikistan, 1206 km; Iran, 936 km; Turkmenistan, 744 km; Uzbekistan, 137 km; China, 76 km.
if ever achieved in practice. In fact for most of Afghan history there was no state in any robust sense of the term – there were instead multiple sovereigns including small-scale local chiefs, tribal confederations, bandits or warlords. It has been a history of ‘roving bandits’, with faltering and sometimes brutal attempts by ‘stationary bandits’ (Olson 2000) – from Abdur Rahman Khan in the nineteenth century to the Taliban in the twentieth – to concentrate the means of violence and unify the country.

The state-building enterprise as discussed below has not followed a linear, evolutionary path. It is has occurred in fits and spurts, following a trajectory that might best be described as one of ‘punctuated equilibrium’ (Cramer and Goodhand 2002). Attempts by the state to make society more ‘legible’ have been violently resisted by border communities. As Scott (1976) argues, borderlands are shadow societies, beyond the reach of the state, often with an ‘insurrectionary tradition’. In this ongoing ‘conversation’ between state and borderlands, violent conflicts have been defining moments of change, shifting the balance of power back and forth between core and periphery.4

In this paper it is argued that borderlands played a central role in the story of state-building (and collapse), war-making and the opium economy. However, the perspectives and practices of borderland societies are usually missing from this story. This is unsurprising, since we know much more about how states deal with borderlands than how borderlands deal with states (van Schendel 2002). To start from the borderland perspective involves ‘reading against the grain’ – it is, as Scott (2000, 6) nicely puts it, an excursion into the history of the state’s ‘blank pages’.

The term borderland is employed here as a short-hand for ‘non-state’ spaces. In the context of Afghanistan, it may be useful to distinguish between three distinct but inter-related types of borderland. First there is the conventional definition of a borderland as a zone or region within which lies an international border, and a borderland society is a social and cultural system straddling that border. I will pay particular attention in this paper to the Afghan–Pakistan and Afghan–Tajik borderlands since both, by virtue of their borderland status, are key areas in the production and trafficking of opium. Second, there are ‘borderlands’ within as well as on the margins of the state. As James Scott (2000) notes, these are often situated in geographically or ecologically marginal areas such as mountains,5 marshes, deserts and forests6 and are inhabited by those who have resisted the modernizing state’s attempts to concentrate and fix populations in

4 Just as the European experience of state building and border creation has been bound up with violent conflict. World War One, for example, was the first great marker of border change in the twentieth century (Anderson and O’Dowd 1999, 600).

5 Interestingly Fearon and Latin (2003, 85) in a multi-country econometric study found that mountainous terrain is significantly related to higher rates of civil war.

6 See Richards’ (1996) analysis of how the rain forests became a base area for rebellion in the Sierra Leone conflict. See also Le Billon (2001) for an examination of how the geographical positioning of natural resources influences the causes and dynamics of violent conflict.
space. These might be characterized as those non-state spaces where ‘stationary bandit’ meets ‘social bandit’. Afghan history is replete with examples of borderlanders – either on the margins of or deep within Afghanistan’s territory – resisting the encroaching power of outside authority and capital. This resistance has tended to be socially conservative – it has been about the defence or restoration of the traditional order of things. But borderlanders as well as being resisters of state power have been its agents. For instance, in times of crisis they have been defenders of the state by resisting the incursions of foreign powers.

The relationship between core and periphery, state and bandit, has always been ambiguous and changing – historically bandits have helped make states and states make bandits. In law an outlaw status is determined by the nature of the relationship of a group to the state at any specific point in time (van Schendel 2002).

Thirdly, one can conceptualize the whole of Afghanistan itself as a regional borderland – acting as a geographical buffer that marked the edges of imperial control in the nineteenth century and the limits of liberal power at the beginning of the twenty-first. As Moroya notes such ‘frontier states’ are a ‘geopolitical area at the edge of politically and militarily controlled imperial space: a zone of transition of low administrative intensity outside the centres of empire’ (Moraya 2003, 271). For much of the 1990s Afghanistan became a ‘non-state space’ reverting, as will be argued later, to its pre-state origins as a marketing and trading corridor with open borders.

Whilst each category of borderland has its own unique features and dynamics, all three are essentially zones of transition between different societies and centres of power. Furthermore, these frontiers are mapped onto and interact with other complex and changing social boundaries (Anderson and O’Dowd 1999). This paper explores how violent conflict and the war economy (of which opium is a central part) have re-ordered and re-shaped the political ecology of borderlands. As people, ideas and commodities cross borders they encounter differing institutional arrangements and regulatory regimes. These are constantly changing. For instance, the ‘new frontiers’ emerging in post Taliban Afghanistan have been internal ones, as warlords compete with one another and the embryonic central authority to establish their own regional ‘mini-states’. For those involved in the opium economy, different regulatory regimes are associated with different risks and opportunities. The tightening of one border leads to a search for alternative trafficking routes. Eradication efforts in one region lead to increased cultivation in another. Borderlanders rely upon and exploit the differences in regulatory regimes – on one hand they toe the border, on the other they transgress it, continually exploring and challenging the territorial pretensions of neighbouring states (van Schendel 2002) – or, in the case of Afghanistan, of neighbouring warlords.

7 For example, the central highlands of Hazarajat and the eastern mountains of Kafiristan (now called Nurristan) were autonomous borderlands until the end of the nineteenth century. Both were areas of refuge for religious heterodoxy.
In the following section I chart the evolution of the opium economy in relation to processes of war-making, state-building and state collapse. The opium economy is partly an outcome and partly a cause of these processes: war created the conditions in which opium production could thrive, but opium has also helped create a self-sustaining war economy in which there may be limited incentives for putting the state back together.

**EVOLUTION OF THE AFGHAN OPIUM ECONOMY**

**Pre-war Afghanistan**

Afghanistan emerged as a tribal confederacy in the second half of the eighteenth century, located in the interstices of the powerful empires of Iran, the Indian sub-continent and Central Asia. By the middle of the eighteenth century, with British imperial control in India and an expanding Tsarist Empire to the north, the imperial powers together demarcated the territory of Afghanistan in order to make it an effective buffer state. The British believed that tribal feuding amongst the Pashtun peoples along India’s North West Frontier was likely to invite Russian influence (Cullather 2002, 515). Their strategy to pacify the Pashtuns was to split the Pashtun belt in two to create a 1200 mile boundary following mountain ranges and high points that could be held by blocking key mountain passes. The drawing of the Durrand Line in 1893, the border between British India and Afghanistan, was to become an ongoing point of contention and conflict, as it divided the Pashtuns who straddled the border. Rather than marking a spatial limit to British sovereignty, the Durrand line marked a division between two types of imperial control (Cullather 2002, 517) – the ‘Forward Policy’, as it was called, introduced new forms of indirect influence over the peoples of Afghanistan.

Amir Abdur Rahman, Afghanistan’s ruler between 1880 and 1901, was the ‘stationary bandit’ par excellence. By pursuing a brutal policy of internal imperialism...
he extended his authority into hitherto independent borderlands.\textsuperscript{10} Through a combination of internal conquest and forced population transfers, he was able to break the power of the tribes and centralize the Afghan state.\textsuperscript{11}

Abdur Rahman left behind a unified, but terrorized state ( Rubin 1996 ), but one that remained dependent for its support and legitimacy on external largesse – first receiving subsidies from the British and subsequently from the Russians. Rentier incomes from foreign aid in the twentieth century were used to develop the means of coercion and social control, allowing the domestic elite to rule without being domestically accountable. Regime survival became more important than nation building. In the 1960s Afghanistan depended for nearly half of its budget on foreign aid, primarily from the Soviet Union.\textsuperscript{12} There was limited interaction between the state apparatus and the mass of citizens and the administration was too weak to alter the traditional pattern of political authority in rural areas. In parts of the east for example, taxation and conscription were resisted – the price for tribal support in the civil war of 1929 had been the favourable treatment of landed interests by the state.\textsuperscript{13} There is a Pashtun proverb: ‘Honour (\textit{nang}) ate up the mountains; taxes (\textit{qalang}) ate up the plains’ ( cited in Rubin 1996, 28). The \textit{qalang} Pashtun are subjects or rulers of states – they pay or collect land rent and taxes. The \textit{nang} Pashtun, however, are free of domination by others. Most acts of anti-state violence originated from the \textit{nang} Pashtun tribal belt, for instance between 1930 and 1960 there were eight Pashtun revolts.

Development projects such as the Helmand Valley Authority (HVA), a dam-building/irrigation project funded by the United States from the 1950s, were one means by which the state sought to legitimize dominance over unruly groups. To American and royal government officials, the project was a means of dealing with a floating population of Pashtun nomads whose disregard for laws, taxes and borders symbolized the country’s backwardness ( Cullather 2002, 529 ). It was also part of the US strategy of creating a strategic buffer to the Soviet Union. By the 1950s and 1960s the HVA consumed one fifth of government expenditure. The HVA was a classic state-led response to the problem of borderlands – although it aimed to create a secure political base, bring populations within reach of modernization and reduce transborder flows, it proved difficult to entice Ghilzai Pashtun to become ordinary farmers ( Cullather 2002, 529 ). By

\textsuperscript{10} These included his campaigns in Hazarajat and Kafiristan in which he mobilized support around a discourse of internal \textit{jihad} to subjugate unruly tribes and in the case of the Kafirs, to forcibly convert them.

\textsuperscript{11} During his reign the ‘Iron Amir’ put down a total of forty internal disturbances. Forced population transfers were employed as a means of ‘taming’ the borderlands. For instance, tribes from his own ethnic group were settled along the northern borders – the ‘\textit{marzbhan}’, meaning border keepers – and served as a deterrent to the potentially rebellious Turkic and Tajik populations ( Olesen 1995 ).

\textsuperscript{12} From 1956 to 1978 the Soviet Union provided Afghanistan with US$1265 million in economic aid and roughly US$1250 million in military aid ( Rubin 1995, 22 ).

\textsuperscript{13} In 1972, the two greatest single sources of national wealth – agriculture and livestock – yielded a mere one per cent of state revenues ( Hyman 1990, 32 ). State-generated finances during the 1960s depended almost entirely on heavy duties on imported goods, which the merchant class was too politically weak to resist.
the outbreak of war in 1978, after almost three decades of support, the project had more or less ground to a halt. Ironically, by 2000 the Helmand Valley produced 39 per cent of the world’s heroin (UNDCP 2000).

During the 1970s Afghan–Pakistani trucking merchants became a growing economic force. A smuggling economy developed, encouraged by the Afghan Transit Trade Agreement (ATTA) signed with Pakistan and which enabled land-locked Afghanistan to import selected commodities duty free. Goods were then smuggled back across the border and sold in Pakistan’s markets. The trade was controlled by the Pashtun tribes (primarily the Afidi clan) who straddle the Pakistan–Afghan border. Road construction in the 1970s and investment in heavy trucks with the help of West German credit further facilitated this development.

Another significant dimension of the illicit economy was poppy cultivation which increased in the mid 1970s as opium crops in the Golden Triangle of Southeast Asian countries declined. By the late 1970s poppy was cultivated in over half of Afghanistan’s 28 provinces, producing 250 MT of opium for export (Hyman 1992, 36). Political liberalization led to growing instability and competition between communist and Islamist parties. A communist coup in 1978 (the Saur Revolution) sparked rural resistance and ultimately the 1979 Soviet invasion.

Cold War Conflict (1979–1992)

While the state did not collapse during this period of Soviet intervention, its primary capacities were eroded, including its monopoly over the means of violence as the Mujahideen opposition increasingly controlled the countryside. Soviet campaign strategy sought to deliberately terrorize rural populations and destroy infrastructure, and food production fell by almost two-thirds during this period. Widespread internal and external displacement was associated with large-scale rural–urban migration and the development of ‘warrior refugee’ communities in Iran and Pakistan. Financial support to the resistance and humanitarian aid contributed to the economy’s rapid monetization (Rubin 2000).

During this period the political, military and economic significance of borderland communities and borderland leaders grew. External resource flows had

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14 In such borderland areas the authority and control of the central state was always tenuous. Attempts by central government to extend its control were violently resisted. For example in 1969 Peter Levi noted pitched battles in Paktya between wood smugglers, foresters and the police which left 300 dead (cited in Cullather 2002).

15 ‘Because the Pushun ethno-territory . . . straddles the border with Afghanistan, Pushun control the most lucrative smuggling route into Balochistan . . . [and] also operate most of the shops where the smuggled goods are sold, as well as half the buses taking the goods to Pakistan’s major urban centers. Baluch transporters find themselves in a relatively weak position relative to Pushun in this regard’ (Titus 1996, 291–4).

16 Mujahideen commanders such as Massoud (a Tajik) or government-supported militia leaders such as Dostam (an Uzbek) rose to prominence during this period. War brought a growing assertiveness amongst Afghanistan’s ethnic minority groups.
a profound impact on political and economic arrangements within Afghanistan. The government depended on Soviet financial and military support and revenue from the export of gas to the Soviet Union from northern Afghanistan. The American–Pakistani CIA/ISI arms pipeline delivered massive support to the opposition, with political parties in Pakistan and Iran serving as logistical conduits between the external Afghan resistance commanders and internal ‘fronts’. This system of brokerage around the arms pipeline laid the foundations for the regionalized war economy of the 1990s. Profits accumulated by commanders and traders were reinvested in illicit activities, including the drug and cross-border smuggling economies. By the mid 1980s there was an arms pipeline going in, and a drugs pipeline coming out of Afghanistan. In 1985 31 per cent of the global share of opium production came from Afghanistan. In 1989 the seven major Mujahideen groups were responsible for a total production of over 800 MT (Cooley 1999, 131). Pakistan also became a major opium producer and by 1989 was producing a similar quantity. An immense narcotics trade developed under the CIA/ISI umbrella which went to the heart of the Pakistani state. It involved collusion between the Mujahideen, Pakistani drugs dealers and elements of the military. The United States Drug Enforcement Agency (DEA) identified 40 major heroin syndicates, including some headed by top government officers in Pakistan (Rashid 2000, 121). Industry and trade in Pakistan became increasingly financed by laundered drugs money. Under heavy Western pressure and US$100 million of aid to combat drugs in Pakistan, opium production had fallen to 24 MT by 1997. However eradication efforts had displacement effects, with poppy cultivation crossing over the Durrand line into Afghanistan.


In 1992 Mujihadeen forces took control of Kabul. The break up of the Soviet Union and the creation of the newly independent Central Asian states meant that Afghanistan lost the strategic position it previously enjoyed as a buffer state, and to an extent reverted to its previous position as a transmission zone with open borders crossed by trade routes. It became increasingly misleading to talk about ‘the Afghan conflict’. There were multiple conflicts which together formed a regional conflict system of interconnected zones of instability including Kashmir, Tajikistan and the Ferghana valley. With the decline of super power patronage, warlords were forced to develop internal revenue sources. Politically, there was a fragmenting of central power – reversing state-building processes over the last century – with the emergence of regionalized politico-military groups, backed by neighbouring powers. Economically, the internal war economy, based largely on cross border smuggling and narcotics, expanded rapidly. Between 1992 and 1995, Afghanistan produced between 2200 MT and 2400 MT of opium per year, rivalling Burma as the world’s largest producer of raw opium. Afghanistan as a whole became once more a borderland, a vast non-state space, signified for example by the cultivation of poppy in prime, easily accessible agricultural land.
From being a buffer state, Afghanistan became a marketing corridor for a growing illicit economy. The minting of different currencies by opposing politico-military groups symbolized the fragmenting of sovereignty (Cramer and Goodhand 2002, 896). There was a growing integration of the economies of provincial cities with neighbouring countries and Kabul became an economic backwater as inter-factional fighting led to wide-scale destruction. Warlords arguably had few incentives to put the state back together. Violence became a means of controlling markets and creating a monopoly of predation.

Talibanization (1994–2001)

Emerging in 1994, the Taliban became the pre-eminent politico-military force, controlling approximately 90 per cent of the country from 1996 onwards. This development was closely linked to state and non-state interests in Pakistan. Firstly, the Pakistan government saw the movement as a means of furthering its pursuit of ‘strategic depth’ in relation to its confrontation with India. The stability brought by a pliant regime would also enable Pakistan to establish an economic bridgehead – through transport, communications and pipelines – with Central Asia. Secondly, the Taliban were backed by the Afghan–Pakistan transport sector, whose economic interests had been damaged by the warlordism of the early 1990s. The Taliban brought security, which enabled cross border trade to flourish once more. ‘You can drive from one end of the country to the other even at night with a car full of gold and no-one will disturb you’ (cited in Rubin 2000). The licit economy also benefited from stability and agricultural production increased substantially during this period, although after 1997 it was adversely affected by drought. A third constituency supporting the Taliban were radical Islamic groups in the region, particularly those based in Pakistan. This period saw the consolidation of transnational political and religious networks with groups such as Al-Qaida, the Islamic Movement for Uzbekistan (IMU) and various Kashmiri separatists, outlawed Pakistani groups, Chinese Uighurs and Chechens establishing bases in the country. Although the empirical evidence is limited, during the late 1990s the networks of the Islamic groups, the drugs and trading mafia, and the Taliban, appeared to become increasingly entwined.

Although international attention has tended to focus on the narcotics trade, cross-border smuggling of other commodities during the late 1990s generated the most revenue. At its peak in 1996/7, the cross-border transit trade between Pakistan and Afghanistan was worth approximately US$2.5 billion (Naqvi 1999), and the Taliban generated US$75 million through taxing this trade (Rashid 2000). However, clearly the opium economy has also been important and reportedly generated approximately US$30 million per year for the Taliban, who controlled 96 per cent of the areas under opium cultivation. Related to the illicit trade

17 Virtually all the Taliban leaders studied in madrasas (religious schools) in Pakistan with strong links to the Deobandi political party, Jamiat ul-Ulema-I Islam (JUI).
were a range of connected service industries, including fuel stations, shops and tea houses.

The Taliban’s attitude towards drug cultivation, production and trafficking was marked by a curious mixture of religious principles, ambiguity and expediency (Cooley 1999, 147). During their early years, policy appeared to be largely dictated by expediency, as production rose rapidly.\(^\text{18}\) Warlords gave allegiance to the Taliban in the early years in return for a promise that they could keep the opium profit (Byrd and Ward 2004, 6).

In Kandahar in 1996 production increased to 120 MT from 79 MT the previous year. In 1997/8 total production for Afghanistan was 2700 MT, which represented a 43 per cent increase on the previous year. Poppy cultivation also had begun to spread to new areas, including territories outside the control of the Taliban in the north and north-east. In 1999 production reached its peak of 4500 MT, representing 75 per cent of world supply.\(^\text{19}\) However, in 2000 it had fallen to 3600 MT, linked either to poor weather conditions or a decree issued in August 1999 by Taliban leader Mullah Omar to reduce cultivation by one third. The second edict passed on 27 July 2000 declared the cultivation of opium poppy as ‘unIslamic’ or *haram* and the ban was enforced rigidly, bringing down production to 74 MT. As a result poppy growing increased in areas outside Taliban control. In Badakhshan, for instance, the area of land planted reportedly increased from 2458 ha in 2000 to 6341 ha in 2002. Following a historical pattern, dissatisfaction with the edict was reported to be greatest in the east, but there was no armed resistance. A critical factor appears to have been the Taliban’s negotiation of a deal with the Shinwaris, one of the largest and most influential tribes in the east (UNDCP 2001).\(^\text{20}\)

The reasons for the Taliban edict are unclear\(^\text{21}\) and there are a number of competing theories. The Taliban may have seen drugs as a bargaining chip in international negotiations. They perhaps expected to be ‘rewarded’ with international recognition by eradicating poppy production. Another theory is that they were stockpiling opium to bring up prices, which had gone down because of overproduction in previous years – farm gate prices for opium were US$60 per kg in 1998 but had gone down to US$20 per kg in 2000. Following the ban there

\(^\text{18}\) The average annual rate of growth of opium production was 14 per cent between 1979 and 1989 and then accelerated to 19 per cent between 1989 and 1994. Afghanistan’s share in the world market grew accordingly from about 20 per cent in 1980 to 50 per cent in 1995 and 79 per cent in 1999. During the period 1994–2000, according to UNODC, the number of poppy-growing villages in Afghanistan grew from 2088 to 6645.

\(^\text{19}\) At the international level there has been a geographical shift in the production of opium. In the 1980s illicit opium was produced in and illegally exported from more than nine countries; however, by 2000 its cultivation was concentrated in two countries – 95 per cent of all illicit opium originated from Afghanistan and Myanmar.

\(^\text{20}\) Even the Taliban, whose support was derived largely from borderlanders, met resistance to its policies in the eastern borderlands. Like previous Afghan rulers they pursued a mixed policy of coercion, financial inducements and benign neglect.

\(^\text{21}\) Though it is important to note that no previous (or succeeding) regimes have had the coercive power to enforce such a ban. One can draw parallels between the brutal methods used by Abdur Rahman and the Taliban in their attempts to concentrate the means of violence to assert their authority.
was a ten-fold increase in prices. The edict may also have been motivated on religious grounds and the mullahs certainly played an important role in promulgating the ban (UNDCP 2001).

Before the opium edict, poppies were grown in 40 per cent of the districts in Afghanistan. The structure of the opium trade differed from area to area. For instance, in the south there was a relatively free market structure, while the eastern region was more tightly organized and controlled by larger traders. In the east quality and consequently prices were higher. Helmand and Nangahar dominated supply, with three-quarters of the total amount of land planted with opium between 1993 and 2000 located in these two districts. Opium was typically exported as a morphine base, which was attractive to traders as it is less bulky and has a less noticeable odour. There is limited information on the network of laboratories located along Afghanistan’s northern and southern borders. Some Afghan laboratories are reportedly capable of producing high-grade heroin, tailor-made for Western markets (von der Schulenburg 2002). Acetic anhydride, which is required for processing, is imported through neighbouring countries. China, for instance, has seized 5670 tons hidden in carpets destined for Afghanistan (IWPR 2002).

Post Taliban (2001–present)

As the Taliban regime was collapsing in November 2001, farmers were planting their fields once more with poppies. The ban of the previous year had increased rural destitution, pushing poor farmers into greater indebtedness. During this period lenders monetized loans that would have been repaid in opium, but this conversion was based on the then current cash value of the amount of opium on which the advance was originally obtained. With a significant increase in the prices of opium in the 2000/1 growing season, this monetization of advances had the effect of charging interest at 1000–15,000 per cent (UNDCP 2001, 8). Therefore indebtedness was an important factor. Farmers and dealers also calculated, rightly, that regime change would leave a power vacuum and the new administration would lack the power to enforce a ban.

Although the transitional authority staged a number of high-profile crop destructions, it had few resources, was too compromised and had limited leverage in relation to regional warlords to enforce a drug eradication programme. In the eastern province of Jalalabad, for instance, the government were offering US$350 per ha for farmers to destroy their crops, while local residents were demanding US$3000 per ha. As one Afghan farmer remarked: ‘They should

22 By April 2001 opium bazaar prices had risen to US$380 per kg before peaking at US$700 per kg just prior to 11 September 2001. In the following weeks prices crashed to US$90 per kg but then recovered over the next few months and soon exceeded US$400 per kg (IMF 2003, 39).

23 Arguably the make-up of the Afghan Transitional Authority and the new Afghan constitution both signify the empowerment of borderlanders in the new political dispensation. The prominence of Tajiks in particular and the recognition of minority languages in the constitution both demonstrate how the position of minority groups may be advanced during wartime.
provide jobs for our young people. We will cultivate poppies for another five years until we are sure our people will have permanent jobs’ (IWPR 2002). It was also in the eastern provinces and the tribal areas of Pakistan that remnants of Taliban and Al-Qaida forces were thought to be regrouping. Following a historic pattern of resistance to central government, the eastern borderlands may continue to be a source of instability. 24 Afghanistan is reverting to the pattern of governance of the early 1990s, with regional warlords re-establishing control over personal fiefdoms. International intervention reinforced these tensions by distributing financial support to Afghan commanders. Thirty-five warlords were said to have received a total of US$7 million from the US in an effort to buy their loyalty in the ‘fight against terrorism’ (Berniker 2002). Whilst warlords control the illicit smuggling and drugs trades, which in turn fund their own private militias, there are few incentives for engaging with the embryonic central state.

Between 2003 and 2004 the total area of land under poppy cultivation grew from 80,000 ha to 131,000 ha. During this period poppy growing spread to all 32 of Afghanistan’s provinces, although the pattern of production remained fairly concentrated with just six provinces accounting for 72 per cent of the total area under cultivation. Although poppy was widely cultivated in 2004, opium yields were low due to unfavourable weather conditions and disease (UNODC 2004). Average farm-gate prices declined from US$283 per kg in 2003 to US$69 per kg in 2004, although the latter was still two to three times higher than prices in the second half of the 1990s. Although the Afghan economy as whole is estimated by the IMF to be growing at annual rate of 20–30 per cent, the ‘illegal’ sector (excluding drugs) amounts to 40 per cent of the economy. Opium exports and derivates were valued at US$2.8 billion in 2004 and opium exports amounted to around 60 per cent of GDP – roughly equivalent in value to Afghanistan’s ‘licit’ trade (Hurt 2004).

DIMENSIONS OF AFGHAN POLITICAL ECONOMY TODAY

As already mentioned, micro-level opium production lies at the intersection of three economies of production, the ‘combat’, ‘shadow’ and ‘coping’ economies, each with their own dynamics and patterns of change. These are examined briefly below.

Combat Economy

This involves the production, mobilization and allocation of economic resources to sustain war making. The Taliban and other warring groups developed extremely sophisticated ways of operating in and exploiting regional and global

24 Some districts in Zabul and Uruzgen have been termed ‘rogue districts’ as they are under the control of neo-Taliban groups.
economies – Duffield’s description of warlords who ‘act locally, but think globally’ is an apt one (Duffield 2000). Conflict entrepreneurs developed their ‘asset portfolios’ by building up a command over the means of violence and developing links to global markets. Warlords have access to sophisticated weaponry and lootable resources, while fighters can be recruited for one meal a day. By 1998 the Taliban had control over most of the key airports and border crossings, which enabled them to establish a virtual monopoly of predation. External resource flows including arms, ammunition, fuel and financial support from state and non-state actors in the region have probably been more significant than internally generated revenue (Human Rights Watch 2001). The regional dimensions of the combat economy appear to be deeply entrenched and have persisted beyond the Taliban phase of the conflict. For instance, there are indications that elements within Pakistan’s ISI are supporting Hekmatiya’s Hezb-i Islami and neo-Taliban forces. Moreover US-led Operation Enduring Freedom (OEF) has involved ‘arming the borderlands’ by financing local warlords to hunt down remnants of the Taliban and Al-Qaida operating on the Afghan–Pakistan border.

Although external resources are a significant factor, the opium economy has played an important and growing role in sustaining the combat economy. During the Taliban period, for instance, it is reported that Talibs became dealers or used their relatives as middlemen in the drugs trade (Rashid 2000, 118). Local Taliban leaders gave preferential access to trading networks and licensing based on tribal connections. Taxation of the opium economy took two forms: ushr (10 per cent tax on farm products) which was used for local expenses, amounting to US$15 million in 1999 and zakat (20 per cent tax levied on traders) which totalled around US$30 million (Rashid 2000, 118). These taxes, however, were not collected uniformly throughout Afghanistan.

In the post-Taliban environment, the opium and smuggling economies have the effect of providing warlords with greater autonomy. Taxes levied on opium by local authorities or warlords have helped to strengthen the power of the regions over the centre. It is estimated that as much as 30 per cent of gross farm-gate revenue goes on protection payments, most of which probably goes into expenditures on local militias (Byrd and Ward 2004, 7). Al-Qaida and neo-Taliban groups are also thought to be generating income through the drug economy to fund their military activities. Reports suggest that in Kandahar, customs revenues on consumer goods levied by local power holders generate around US$18 million per annum, while as much as US$50 million is generated in Herat (International Development Committee 2003, 31). Not surprisingly, current struggles between warlords are thought to be related to control over trade routes and markets. For instance, clashes between Ismael Khan and Gul Afgha in the west are at least partly over control of lucrative trade routes through that part of the country. In Nangarhar, clashes in the wake of the assassination of Abdul Qadir, one of the vice presidents of the Transitional Administration, in July 2002 were linked to control of trade routes for smuggling heroin and other goods into Pakistan (Johnson et al. 2003).
It is recognized that ‘shadow’ and ‘illicit’ are deeply problematic and value-laden terms, particularly in contexts where there is a legal vacuum. The language used by neo-classical economists – such as licit–illicit, employed–unemployed, formal–informal – has limited descriptive or analytical value in such contexts. Nordstrom’s (2000) terms ‘shadow’ and ‘extra-state’ economies may be more appropriate. Whichever term is used, the key point is to distinguish between those actors whose objective is to wage war and those who aim to profit – while in practice these categories may overlap, this need not be the case. In most conflicts there are actors who profiteer on the edges of the conflict. However, unlike the conflict entrepreneur, the economic entrepreneur may have an interest in peace – if peace will enable them to maintain or increase their profits. While transport merchants may have had extremely close links to the Taliban, their interests did not always coincide with those of the front line commanders.\(^{25}\)

Clearly, however, markets and profits are regulated by access to political power and the means of violence. While in the 1950s the Afghan merchant class was politically weak and heavily taxed, by the 1980s and 1990s the transport sector in Peshawar and Quetta were an important force, due largely to their close ties with military groups. Markets in the East have become increasingly articulated towards Pakistan. Violent conflict has destroyed some markets while creating others – in Badakhshan, for example, the livestock trade with Kabul was decimated due to insecurity, but the opium trade with Tajikistan has flourished. The informal economy also plays an important role in shaping formal economies, and trans-border trade has undermined the economies of Pakistan and other neighbouring states. Moreover, while the trading economy has helped mitigate some of the impacts of drought, it is not productive in the sense that there is no long-term investment in infrastructure or industries. Entrepreneurs gravitate towards quick return activities and the profits are accumulated outside the country. Without a strong state and a legal framework, there are few incentives to make the shift towards longer-term productive activities.

It is estimated that total farm-gate income from poppy in 2004 dropped to US$600 million from the 2003 level of US$1.02 billion, due to the drop in prices that year. Overall, however, high levels of profitability in recent years due to high prices and lack of law enforcement would suggest that farmers are getting better off more quickly (Byrd and Ward 2004, 4). There is also considerable scope for expansion given the opium economy’s relatively low share in use of national land and labour resources.\(^{26}\) Over the last two decades a strong foundation for opium farming has been progressively built up by raising productivity,

\(^{25}\) In fact, at certain times their objectives have worked against one another: for example, profiteers undermined the Taliban’s economic blockade of Hazarajat by keeping trading networks open. Similarly in 1995 the Taliban offensive on Herat was bankrolled by Pakistani traders looking to capture the trade routes and markets in the West, but this was against the advice of Pakistani military advisers.

\(^{26}\) Opium poppy covered only 3 per cent of total arable land in 2004.
developing a qualified work force,\textsuperscript{27} by expanding trade routes and by investing in laboratories (Byrd and Ward 2004). Profits from the trade have been invested in conspicuous consumption and have had inflationary impacts in core growing areas (UNODC 2003b). The shadow economy has led to a growing differentiation of the population. For example, farmers with land and capital lease out their land for poppy cultivation and are able to accumulate, while landless farmers with no other sources of credit are pushed further into debt through exploitative sharecropping arrangements (Mansfield 2001a).

According to UNODC there were approximately 15,000 opium traders in the country in the late 1990s (about one trader per 13 farmers). In 2004 the income generated by opium trafficking amounted to US$2.2 billion (UNODC 2004). Borders have become areas of high risk but high opportunity, where deals are cut between profiteers and conflict entrepreneurs. Given the high risk of interdiction at the borders, high profits (up to a five-fold price spread) are generated by trafficking (UNODC 2002a, 12). The biggest risks and therefore rewards are for moving opium across borders, a trade controlled in the south by specialized Baluchi traffickers with Afghan, Iranian and Pakistani passports. The deeper they go into the territory of the neighbouring country the higher the profit. Prices are highest in Iran, but so too are the penalties compared to other neighbouring countries. In the Tehran wholesale market there is a six-fold price spread from Pakistan’s border areas. Opiate trafficking profits in the countries neighbouring Afghanistan amounted to some US$4 billion in 2002 of which US$2.2 went to criminal groups in Central Asia (UNODC 2003a, 12).

Opiates are funnelled out of the country through three concentric trafficking circles (IMF 2003).\textsuperscript{28} At the outer rim are itinerant farm-gate buyers, who purchase directly from farmers in addition to providing advice and incentives such as credit. They are the most numerous and have a relatively small average turnover. At the second level are shop owners in regional opium bazaars who either buy directly from farmers or from itinerant traders and other shop owners.\textsuperscript{29} Finally, at the centre are the bulk buyers or large-scale specialist traders who buy opium throughout the year and organize shipping to border areas or directly abroad. They are relatively small in number, are able to commit substantial capital, and are often linked with one another through family ties. At this level the rewards are high, but so too are the risks, although these can be reduced through alliances with political and military actors.

\textsuperscript{27} In the earlier years of poppy production in Afghanistan availability of qualified labour was a limiting factor. The lancing of poppies requires experience and knowledge and can have a major impact on production. During the 1990s a vast pool of competent workers emerged, giving Afghanistan a comparative advantage relative to other potential producers (IMF 2003, 41).

\textsuperscript{28} Evidently it is much more difficult and dangerous to obtain information on this segment of the opium economy.

\textsuperscript{29} Opium bazaars in some areas have as many as 200 shops and operate effectively as thriving regional commodity exchanges where opium is openly and actively traded. These activities have been curbed to an extent by recent attempts at eradication by the government authorities (IMF 2003).
Only about 30 per cent of Afghanistan’s opium is exported raw and the remainder is transformed into either morphine base or heroin. For instance, UNODC estimates that of the total production of 3276 MT in 2000, 1081 MT was exported as raw opium, 1146 MT was transformed into base morphine and 1048 MT into heroin. This is a relatively new development indicative of the maturing of the opium industry. Processing began in the mid-1990s when, due to the eradication programme in Pakistan, laboratories moved across the border into eastern Afghanistan. They have since progressively multiplied in other border locations due to the supportive environment and a desire to lessen costs and risks by transporting less bulky, hence more easily concealed, heroin (IMF 2003, 43).

Until recently local opium markets were highly fragmented with large price disparities persisting between producing regions. Regional opium centres tended to be oriented toward specific export routes with the local price level reflecting a specific route’s costs and risks. Opium centres in the south turn to Iran and southern Pakistan (Baluchistan), those in the east to northern Pakistan (NWFP) and those in the north to Tajikistan and Central Asia. But the last two years have seen a pronounced integration of regional markets as the reduction in factional fighting has made it easier for traders to exploit the best trading routes. While in Afghan terms the opium trade is a lucrative one, Afghanistan’s share of world income from its opiates is only 7 per cent of the estimated final street value of US$35 billion. There is a lack of vertical integration; traders generally sell only to the border, although some sell as far as the Persian Gulf, but none are involved in the lucrative Western retail markets.

In a recent World Bank paper Byrd and Ward characterize the opium economy as a ‘free market’ rather than a criminal cartel. Market entry and exit seem to be low cost and relatively easy at the production and trafficking levels and the number of participants is high (Byrd and Ward 2004, 11). On the other hand, recent research on Afghan markets in general suggests that they are more ‘forced’ than ‘free’ – markets involve relatively small groups of businessmen who dominate trading activities. A range of methods from price manipulation to political and military influence are used to exclude competitors (Lister and Pain 2004). Interestingly, the research highlights the interconnections between ‘licit’ and ‘illicit’ markets – essentially it is not possible to separate the drug traffickers from the transit traders as they all belong to the same group with investment coming from the same pool (Lister and Pain 2004).

**Coping Economy**

Broadly, households can be divided into those who profit (add to their asset base), those who cope (non-erosion of asset base) and those who survive at a declining level of well-being (erosion of asset base). The absolute and relative number of people belonging to each category has changed over time according to the influence of changing political regimes and various external shocks. There is a tendency to assume that those involved in poppy farming or the opium
trade are either ‘greedy’ entrepreneurs or profit-maximizing farmers. In fact, for the majority, involvement in the opium economy is motivated by coping or survival.

Afghan families seek to spread risks by diversifying entitlement portfolios – sons migrate to Pakistan, women and children work in the carpet industry, fathers enter share-cropping arrangements to gain access to land to grow poppy, and the remaining women and children play an important role in tending the crop since poppy is extremely labour intensive.\(^{30}\) Poppy cultivation is part of this risk-spreading strategy. Farmers continue to grow other crops, especially food crops, and they avoid monoculture of opium in order to manage risk better. According to UNODC, 3.3 million people in Afghanistan derive an income from poppy. These include 80,000 growers and 48,000 itinerant labourers, in addition to their families, and around 20,000 harvesters,\(^{31}\) traders and traffickers. It is important to remember that poppy has been and continues to be a far more important source of revenue for the poor (as well as the profiteer) than the aid economy. During 2002 and 2003, the income to Afghans from opium (estimated at US$4.8 billion) was more than 70 per cent greater than the international aid disbursed for projects in Afghanistan (US$2.8 billion) during this period (Rubin 2004, 6).

Farmers grow poppy firstly because of its comparative advantages and multi-functional role in relation to other crops and secondly because it provides access to land and credit. Here we deal primarily with the second incentive of access to land and credit.\(^{32}\)

The profitability of poppy is determined by the resource endowments of those involved in its cultivation. Those with land, water and credit can profit, while those with few assets merely survive. Although landholdings in Afghanistan are more equitably distributed than in Pakistan and India, this varies from area to area and with post-Taliban returnee migration to rural areas and growing social differentiation, land scarcity and landlessness are increasing. Poppy in many places has become the main way of gaining access to land or to seasonal employment.\(^{33}\) For the landless, leasing is the preferred arrangement but requires agricultural inputs, so more often the poor enter into share-cropping arrangements where labour is the only contribution. The share of the final opium crop varies from

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\(^{30}\) One hectare of opium requires as much as 350 person days compared to 41 for wheat. Women play a central role in minimizing labour costs. They are involved in planting, weeding, thinning, lacing the capsules, collecting gum, clearing fields, breaking the capsules and removing seed, cleaning the seed, processing by-products such as oil and soap (Mansfield 2001a, 10). Children also play a vital role; attendance of boys at madrasas (religious schools) drops considerably during the weeding and harvesting season. Finally reciprocal labour (known as *ahar*) between families and friends plays an important role.

\(^{31}\) Harvesting is classified as skilled labour as the lancing of poppies is a delicate task.

\(^{32}\) This section draws heavily on the excellent work of David Mansfield (2001a, 2001b), the only studies to have been based upon extensive field research in Afghanistan.

\(^{33}\) There are ‘armies’ of itinerant labourers who travel around the country following the poppy harvest.
area to area, for instance, in the east it may be 50:50, but in the south, where
there is a greater level of landlessness, the landowner retains two-thirds of the
crop. Itinerant labourers are normally paid in-kind, a share in the harvest that
varies between one-fifth and one-sixth (IMF 2003, 41).

Poppy cultivation enables sharecroppers to access land on which they can also
cultivate food crops. In addition, they gain access to credit through the *salaam*
system – this involves an advance payment against a fixed amount of agricultural
produce, with opium the crop favoured by money lenders. The resource-poor
typically sell their entire crop prior to harvest in return for an advance payment,
with the price agreed at half the current market price of opium. The system
facilitates distress sales, which allows traders to acquire opium at prices signifi-
cantly less than harvest price, but for the poor it may be their only source of
credit during the winter months when food shortages are most acute. Based
on research in 2001 it was estimated that while a landowner may get a net return
of US$1957 for every ha of opium cultivated, a sharecropper might receive
US$212 per ha (Mansfield 2001a). 34

In many areas opium production has become entrenched in local agricultural
systems and has become a medium of exchange between the resource rich and
resource poor. Land rent for example is calculated on the basis of potential yield
of opium the land can produce. The *salaam* system (which appears to have been
reinvigorated by the war) locks the poor into a patron–client relationship with
local traders, landowners and/or warlords. In 1997/8 a poor harvest led to the
rescheduling of payments, which in turn ensured the lender a future supply of
opium and locked the borrower into further poppy cultivation.

Therefore, poppy provides disproportionate gains to those with land and
capital. A landowner can retain their share of the crop and sell in the winter
months when the prices can increase by as much as 100 per cent (Mansfield
2001a). For the resource-poor, poppy cultivation is purely about survival. The
Taliban poppy ban, combined with the famine, had a major impact on the
survival strategies of the poor. The monetization of loans forced many into deeper
debt, leading to the distress sales of livestock 35 or emigration to Pakistan in
search of wage employment – this at a time, however, when there were restrictive
border controls and increased pressure on refugees in Pakistan to return.

Research in 2003 showed a growing dependency on poppy as a means of
survival (UNODC 2003b). Poppy growing has had an inflationary impact
and increased the levels of land rents, marriage costs and borrowing. Rents are
increasingly calculated on the basis of potential opium poppy production, which

34 This is based on the calculation that the landowner would accrue two-thirds of the final crop
through recruitment of a sharecropper, purchase the latter’s share of the final crop in advance through
the *salaam* system, and subsequently sell the crop some months after the harvest when prices have
doubled. If the costs of family labour for the sharecropping household were factored in, they would
actually incur a loss from opium poppy cultivation (Mansfield 2001a).

35 In 2001 a WFP survey estimated that in Kandahar province only 20 per cent of the livestock
remained.
in turn limits the cropping choices of households. People were taking increasingly desperate measures to repay debts, including absconding, the sale or leasing of long-term productive assets and the early marriage of daughters. Creditors were also using more authoritarian tactics to ensure repayment, including kidnapping daughters, confiscation of domestic possessions and compulsory land purchases. Failure to repay debts has become a major source of conflict. An average accumulated debt of US$1835 was recorded in the areas researched and in Helmand the average debt was US$3010. Farmers anticipated paying off debts within a two- to six-year period. Therefore many are locked into the opium economy for several years into the future.36

THE ROLE OF BORDERLANDS IN THE COMBAT, SHADOW AND COPING ECONOMIES

Beyond Breakdown

As recent political economy literature emphasizes, war is less about the breakdown of political and economic relations than about their reordering and transformation (Keen 1998; Le Billon 2000; Duffield 2001). ‘Illicit activities’ may well promote processes of development – they link remote rural areas to major commercial centres, both regionally and globally, though the benefits of this development are unevenly distributed. The benefits of the drug economy can be seen in the reconstruction of the villages around Kandahar (Rashid 2000, 118). The shadow economy may also reinforce rather than undermine food security. These economies also involve complex socio-cultural and political as well as economic organization, in networks of exchange and association. These networks are governed by rules of exchange, codes of conduct, hierarchies of deference and power (Nordstrom 2000, 37), and are reinforced through a series of strategies, including inter-familial marriage (wife-givers and wife-takers), gifts and partnerships (with family members presenting claims for profit, involvement and opportunity). They are not anarchic and do not depend purely on coercion. Trust and social cohesion are critical. Counter-intuitively, it may be the absence of a state and predictable social relations which engenders greater trust and solidarity at the local level; people depend upon it for their survival (Nordstrom 2000). Interestingly, many Pakistanis use hawalla or informal money exchange and credit system even though there is a functioning formal banking sector – evidently the informal system provides the reliability and predictability lacking in the official economy. It may also be more ‘pro-poor’ in the sense that the poor are considered too risky by the formal sector.

36 Studies conducted by Mansfield (2004) and Pain (2004) suggest that growing confidence over the continued supply of wheat and stable wheat prices allowed households with the necessary resources to respond to price signals and to dedicate more of their land to opium poppy. For the poor, however, cultivating poppy continues to be about gaining access to land and credit.
210 Jonathan Goodhand

Bringing the Borderlands Back In

The Afghan state, economy and society have been ‘adjusted’ by war. A new cartography of risk and marginality has emerged. In the 1980s new roads and bazaars were opened up by the anti-Soviet resistance which brought economic prosperity to some parts of the country with the opening of inns, bazaars and ‘roadside stations’ (Roy 1985, 169). In the 1990s areas on the periphery – particularly in the east and west – were best positioned to exploit the opportunities presented by the regionalized ‘bazaar economy’, while the previously wealthy centre has become more vulnerable. Political marginality has also changed as ‘borderlanders’, including the Tajiks, Uzbeks and Hazaras, have advanced their positions during the war.

In border areas the intermingling and overlapping of various licit and illicit flows – of arms, drugs, smuggled luxury goods along with wheat, water melons and refugees – is most apparent, though not always visible. These borders are places of opportunity and exploitation. ‘Borderlands’ are also places of constant flux as the geography of the conflict ebbs and flows and the policies of neighbouring countries change. The permeability or ‘hardness’ of borders changes over time, which in turn affects ‘borderland practices’. For instance, the increased porosity of the Afghan–Tajik border after 1989, having been closed off for much of the twentieth century, opened the way for the expansion of the opium trade in Badakhshan. Growing security and surveillance of the Iranian border increased both the risks and rewards for smugglers crossing that border. The practices and institutional arrangements of guards and smugglers adapt to, and to an extent mirror, one another – the increased militarization of border arrangements is mirrored in the growing sophistication of the arms of the smugglers.

Afghanistan is itself a borderland, a non-state space, which makes it peculiarly suited to the opium economy. As Iran, Pakistan and Turkey, once major producers, succeeded in virtually eliminating the opium crop there has been a shift in supply for the world market to Afghanistan (Byrd and Ward 2004, 5). Therefore there have been displacement effects to borderland regions both internationally and within the country.

One can understand borderlands from a statist perspective as spaces that are ‘non-state’ or ‘not yet state’. An alternative way of looking at them, as Scott does, is as ‘anti-state’ (Scott 2000, 27). In borderland areas there is by no means an agreement as to the desirability of being governed by a state at all. Borderland elites may not just react to state collapse – it may be something that is actively sought after. Borderland groups and borderland economies have proved to be

37 A disturbing example of the latter is the young children acting as porters crossing the border at Torkham between Pakistan and Afghanistan carrying a range of commodities from scrap metal to drugs.

38 A point which is made by Mark Bradbury (2003) in his excellent analysis of the state and development in Somalia.
remarkably resilient, adaptive and innovative, demonstrating the limitations of international efforts to ‘tame the borderlands’.

Making Connections

The current borderland political economy builds upon much older patterns of human organization and interaction. For instance, today’s drugs, smuggling and religious networks draw upon pre-war social networks based on *qawm* and tribal loyalties. Warlords and profiteers play new games by old rules, mobilizing the ‘economy of affection’, just as other rulers have throughout Afghan history. An important point to make here is that peace would disrupt the systems of production and exchange that provide such warlords and their followers with livelihoods. Secondly, a model of combat, shadow and coping economies evidently simplifies reality. In practice, there are no clear boundaries between these three economies, and networks have developed with complex overlapping connections. Incentive systems vary at different levels of the commodity chain. For a resource-poor farmer, poppy is part of the coping or survival economy; for the landowner leasing his land or for the opium trader it is part of the shadow economy; and for commanders who tax poppy it is part of the combat economy. Opium is simultaneously a conflict good, an illicit commodity and a means of survival. Different commodities – such as weapons, money, drugs, consumer goods or food – may travel along the same routes. However, the porosity of borders differs according to the commodity in question – importing cars across the Iranian border is easier than exporting drugs.

‘Licit’ and ‘illicit’ flows are thus intricately interlinked. For example, a decision on whether to grow poppy is also connected to the availability of wheat. The revival of commercial wheat imports after the fall of the Taliban has allowed families with access to land and other means to dedicate more production to cash crops, in particular opium (Mansfield 2004, 27). Moreover, the current stability of currency and of prices in the ‘licit’ economy is supported by a combination of foreign assistance and the foreign exchange earned through the export of opiates (Rubin et al. 2004). Finally the ‘illicit’ economy has helped stimulate much of the growth in the ‘licit’ construction industry. Poppy has in some respects played a stabilizing role at the macro as well as the micro level.

The opium economy therefore has multiple, intricate linkages to the non-drug economy (Byrd and Ward 2004, 1) and one cannot separate out a criminalized war economy from a licit peace economy – just as in practice it is difficult to separate the transit trader from the arms smuggler. Particularly at the middle of the commodity chain, there is a great deal of integration and we see a linking of military, political and economic power. The *sarafi* or money changer is an important node in this network – his services are used by warlords, profiteers, communities and aid agencies. Commerce and industry rely on the *hawala*

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30 A group united by a norm of solidarity within the group and by competition with parallel groups (Rubin 1996, 346).
system for the purchase of goods and services and for receiving revenues (Maimbo 2003, 19) and since the fall of the Taliban the volume of financial flows through the *hawala* system has grown significantly.\textsuperscript{40}

*Risk and Regulation*

The opium economy – and the overlapping border-dependent economy – is dynamic, decentralized and adaptive. Its footloose nature means that it can easily shift location in response to law enforcement or other factors. However, it may not be strictly accurate to call it a ‘free market’ as Byrd and Ward (2004) do. Although it is ‘unfettered’ in terms of state regulation, in other respects it is subject to regulations embedded in social and ideological norms and institutions. As Duffield (2001) argues, the dynamics of transborder trade are likely to encourage informal protectionism and in many respects it has illiberal, quasi-feudal tendencies. As opium crosses borders it enters different regulatory spaces, with variable local thresholds of violence and trust. Borders are characterized by unequal and asymmetrical power relations and are constantly being renegotiated and remade over time.\textsuperscript{41} In general we know much more about the rewards and risks at the micro level than we do about incentives and institutional arrangements further downstream in the commodity chain. This is an area requiring further research.

The emerging regulatory regime supported by international actors and the national government aims to increase the risk and social costs of opium cultivation and trafficking. But the lack of appreciation of the embeddedness of markets within complex social institutions and networks means that external interventions can have unintended and perverse outcomes. For instance, eradication programmes in 2002/3 may have inadvertently created the conditions for increased cultivation in 2003/4. The destruction of the fields of the more vulnerable (and politically unconnected) farmers subsequently drove up debts so that poor households had little choice but to grow poppy for the next year. Also eradication programmes tend to drive up the farm-gate prices of poppy, thus increasing the incentive to plant.

The shadow economy and the shadow state feed off one another. Government ministers are thought to use revenues generated by the drug economy to fund their patron–client networks.\textsuperscript{42} The drug eradication programme has been too politically compromised to influence the social costs of cultivation. Wealthier households able to avoid eradication measures due to their political contacts or payment of bribes gain the impression they can cultivate with impunity.

\textsuperscript{40} NGOs alone are estimated to have channelled at least US$200 million in emergency relief and development funding through the *hawala* system (Maimbo 2003).

\textsuperscript{41} For instance, the historical battle between central government and the provinces over tax revenues, which is now being played out in ongoing talks between the finance minister Ashraf Ghani and regional powerholders like Ismael Khan.

\textsuperscript{42} The Finance Minister has played on the fears evident at donor conferences by warning of the dangers of Afghanistan turning into a ‘narco-state’.
Production by local power holders and officials as well as the collection of the agricultural tithe (*ushr*) on opium by clerics has been interpreted as a sanction to continue cultivation (Mansfield 2004).

Finally, the government development strategy mapped out in ‘Securing Afghanistan’s Future’ advocates a small, enabling state together with an open trade regime. One doubts whether such a state would have the capacity to affect the risk–opportunity calculus in the borderlands. Moreover, this would be a very different regulatory regime to those of Afghanistan’s neighbours, which would likely reinforce the incentives for cross-border smuggling (Pain 2004). Hard borders may perversely increase the incentives for smuggling – as already noted the rewards are considerably greater for smuggling across the more tightly policed Iranian border.

**CONCLUSIONS**

Until recently there has been a dearth of empirically based research on Afghanistan in general, and on livelihoods and the opium economy in particular. Very little research has been conducted which aims to capture the perspectives of those living in borderlands, yet we have argued that such perspectives are crucial if we are to better understand the dynamics of the Afghan political economy and the processes of state building, failure and reconstruction.

Just as states find diversity and mobility difficult to handle, international agencies in their attempts to better fix and control those living in unruly frontier regions indulge in some ‘simplifications’ of their own. For instance, the drug control and eradication agenda tends to homogenize and criminalize the processes at work by drawing upon a simplistic narrative of predation and profit. The term ‘war economy’ has become a catch-all phrase. It is automatically seen as something negative and predatory. This is not very helpful analytically or in terms of informing policy.

What I have tried to show in this paper is that it is far more complex and variegated than this. An examination of the micro practices and institutional arrangements surrounding the poppy economy, and the distinct but inter-linked combat, shadow and coping economies, may take us closer to an understanding of the different types of actors, relations and strategies involved. The drug economy provides many livelihoods and incomes in the context of an enduring conflict. From the poor farmer, to the opium trader and shop keeper, to the commander who taxes the trade, participation in this economy is perfectly rational given the lack of alternatives and the lucrative nature of the opium trade. The impacts of this economy are not all negative and the shadow economy may bring ‘development’ to previously peripheral areas. And it is neither possible nor, arguably, desirable to fence off the shadow economy – the networks involved in survival, profiting and war-making overlap with and to an extent reinforce one another.

An analysis of the opium economy also generates insights into the nature of borderlands and processes of state formation and collapse. To understand this
economy one has, in a sense, to look ‘beyond’ and ‘below’ the state. A borderland perspective helps us do this by throwing light on the transnational/regional and sub-national/local dimensions of the opium economy. This is not to deny the historical importance of the state. The donor fantasy of a minimal, liberal and decentralized state strips the state of its historical context (Cramer and Goodhand 2002). The combat and shadow economies thrive in the absence of a state able to provide security and welfare for its citizens. And in many respects Afghans want more state not less (Pain 2004). But there may be a need to ‘re-imagine’ the state and its relationships with borderlanders, by starting from the frontier.

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Jonathan Goodhand


