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**DRUGS AND (DIS)ORDER: A STUDY OF THE OPIUM  
TRADE, POLITICAL SETTLEMENTS AND  
STATE-MAKING IN AFGHANISTAN**

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## **Drugs and (Dis)order: a study of the opium economy, political settlements and state-building in Afghanistan<sup>1</sup>**

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### **Introduction**

This paper represents one contribution to a wider research project led by the Crisis States Programme<sup>2</sup>, which examines how patterns of resource mobilisation and rent appropriation, in war to peace transitions, shape wider political relations and institutions. The research aims to test the hypothesis that particular types and patterns of rent appropriation may contribute to more inclusive/exclusive political settlements which translates into more/less stability of the state. Here we are primarily concerned with the political economy of post-Bonn Afghanistan, with a particular focus on the role of the drugs industry and its impacts upon processes of state-building and peace-building.

*Section one* introduces our theoretical framework and background on the Afghan case. *Section two* gives an overview of the structural characteristics and contemporary dynamics of the drugs industry. *Section three* provides a comparative analysis of the linkages between drugs, the political settlement and post conflict state-building, through three provincial level studies. *Section four* building on the case studies and relevant literature draws out some of the underlying relationships and broader patterns connecting drugs, violence and political coalitions in Afghanistan. *Section five* outlines some tentative conclusions and broader theoretical and policy implications.

### **Section One: Background**

#### *1.1 Theoretical Framework*

Our starting assumption for this research is that the linkage between resources and political (dis)order cannot be divorced from an analysis of history or context and in order to illustrate this we intend to draw selectively on a number of bodies of literature.

First, is the literature on rent seeking, political (dis)order and development, including Khan (2000), Di John and Putzel (2009) and Parks and Cole (2010) on political settlements, North et al (2009) on ‘limited access orders’, Snyder (2006) and Snyder and Bhavnani (2005) on ‘institutions of extraction’ and de Waal (2009) on ‘political marketplaces’. As North et al (2009) argue, in limited access orders, the political system manipulates the economic system to produce rents that secure political order. Political coalitions, by limiting access, create incentives to cooperate rather than fight. The work of Khan (2000) and de Waal (2009) also highlight the centrality of political coalitions (the state itself being an agent of coalitions) and how the availability and control of resources influences inter group contention and bargaining (cf Di John and Putzel, 2009). Certain kinds of political settlements can be more stable,

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<sup>1</sup> Thanks to William Byrd, Matt Dupee, Paul Fishstein, Anthony Fitzherbert, Antonio Giustozzi and, Dipali Mukhopadhyay for their comments on an earlier draft of this paper.

<sup>2</sup> See: <http://www.crisisstates.com/>

inclusive and productive than others, depending for example on whether rents are distributed to productive elites. Snyder in a similar vein notes that lootable resources may lead to conflict in some contexts, but to political order in others. The determining factors are the availability of non lootable resources (i.e. the resource profile of a country), the mode of extraction and the patterns of state spending. Central to his model are the ‘institutions of extraction’, involving rulers and private actors, which develop around these resources. It is argued that joint institutions of extraction lead to political order, as they entail bargaining between rulers and private actors, the sharing of revenue streams and the development of interdependencies.<sup>3</sup> Snyder’s model constitutes a useful starting point to explore political bargaining and institutional arrangements surrounding the drug economy, but its conceptualisation is based upon too sharp a distinction between the state and non state actors, which fails to capture the messy reality of ‘hybrid political orders’ (Boege et al, 2009) or ‘twilight institutions’ (Lund, 2006) in Afghanistan.<sup>4</sup>

In this paper we seek to build upon the body of work on political coalitions and rent seeking, but without losing sight of the non material, and normative dimensions of the ‘political marketplace’; in the Afghan context, bargaining processes are shaped as much by local understandings of legitimacy, authority and justice, as by the provision or denial of material resources, mediated through particular institutional arrangements. Indeed the fragility of modern Afghanistan’s political settlement is closely linked to changing notions of power and legitimacy, with the participation of an ever wider circle of people in Afghan politics – and the absence of an alternative political structure - ultimately producing a situation where ‘no one could achieve enough power or legitimacy to restore political order without resorting to continual armed conflict (Barfield, 2010: 3).

A second and related body of work focuses on the nature of ‘post conflict’ settlements and the negotiation processes involved in the consolidation of political order (or conversely a return to conflict). Particularly valuable is Barnett and Zurcher’s (2009) work on ‘the peace-builders contract’ in war to peace transitions, which focuses on the bargaining processes between international actors, central state elites and peripheral or second-order elites. This puts the spotlight not only on national politics, but also the complex ‘mini-bargains’ and conflicts that occur at the sub-national level and have a significant impact on the stability or fragility of the political settlement. The peace-builders’ contract has different variants – cooperative, co-opted or conflictual peace-building – which depend upon the coercive power, legitimacy and resources at the disposal of the various actors. In Tajikistan for instance the peace-builders’ contract has led to the emergence of an illiberal but relatively stable state. The peace treaty essentially shared out the spoils of war between key factions and access to the rents generated by the drugs economy was central to this process. As de Waal (2009) notes peace agreements may be seen less as legal texts than ‘rental agreements’ or security and patronage pacts. This model therefore takes us away from a functionalist approach to state-building, towards an analysis that examines what states ‘are’ and how they interact with society. It also necessitates a disaggregated and dynamic view of the state and of political settlements. As Parks & Cole (2010:18) argue ‘secondary political settlements’ - defined as ‘the arrangements

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<sup>3</sup> We also intend to maintain a strong engagement with the foundational historical political economy literature on state formation, violence and illicit practices (cf: Tilly, 1992; Wolf, 1966; Blok, 1974; Gallant, 1990; McCoy, 1991; Volkov, 2002).

<sup>4</sup> Lund drawing upon Mary Douglas’s notion of ‘bricolage’ and ‘institutional leakage’ coined the term ‘twilight institutions’ to explore how in African contexts the distinction between state and non state, public and private is extremely blurred. People move between these domains and the non state may perform state like functions and adopt its symbols and practices.

among powerful local elites to control political competition and governance below the national level' – are constantly renegotiated and may have a critical influence on the coherence and stability of the core coalition of political elites. This perspective also calls into question a top-down, functionalist model of state-building, involving the steady diffusion of power outwards from the centre. State elites may not necessarily be concerned with projecting state power throughout their territory (Nugent, 2010: 40) and particular regions may be left to their own devices if they have limited material resources, are sparsely populated or offer no significant threat to the centre. Conversely, marginal regions may be strategically important and powerful and define or reconstitute power relations at the centre. Therefore different kinds of political bargains and social contracts may be forged with different groups and regions - particularly when there is a fissure in the body politic. Nugent usefully maps out a continuum of social contracts ranging from the 'coercive', to 'permissive' to 'productive'<sup>5</sup> and as explored below, the post 2002 political settlement in Afghanistan has arguably led to very different secondary settlements and in some cases, social contracts at the sub-national level. And as emphasised already, licit and illicit resources and revenue extraction are central to these bargaining processes at the national and provincial levels.

Third, political ecology approaches reconceptualise scarcity, abundance and dependence spatially (Le Billon, 2007: 170).<sup>6</sup> Since coercive power is widely dispersed in limited access orders, an analysis of the spatial dimensions of power is critical. The existence of borders and borderlands are an important factor since they shape the bargaining processes between centre and periphery – and also between peripheries across the border. Institutional arrangements and everyday practices on the border influence the power and autonomy of peripheral elites, as well as the survival strategies of the borderland population. An open border acts as a brake on the state's ability to extract revenue and borderland elites are able to increase their bargaining power by utilising political networks across the border. In war time, centre-periphery relations may be recalibrated with the centre becoming increasingly dependent on processes of accumulation and investment that occur in the borderlands (Roitman, 2004; Goodhand, 2005; Goodhand, 2009; Raeymakers, 2009). War to peace transitions involve renegotiating the relationship between centre and periphery, particularly with regard to the control of resource flows including the revenue generated from cross-border trade (Gallant, 1999; Goodhand, 2008).

Therefore, in analysing the role of drugs in Afghanistan's conflictual war-peace-war transition (Richards, 2005), we seek to move away from a reified, decontextualised approach to the relationship between resources and conflict towards one which focuses on institutions, bargaining processes and borderlands. Drugs must be placed firmly within the framework of Afghanistan's broader political economy including an analysis of patterns of growth, formal and informal economic activities, patterns of ownership in the economy, the regulatory environment and key policy interventions in the economic and other spheres. In Fig. 1 we provide an analytical framework as a starting point for exploring Afghanistan's contemporary political economy, building upon Goodhand's (2004) tripartite division of war economies into

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<sup>5</sup> A 'coercive' social contract is predicated on the capacity of the rulers to render intolerable the lives of their subjects. A 'permissive' social contract is when a governing authority claims its sovereign rights but chooses not to exercise them in return for a measure of compliance. A 'productive' social contract is one in which the sovereign authority and the subjects/citizens enter into some form of negotiation over how the rule by the former can contribute to the wellbeing of the latter (Nugent, 2010: 43-4).

<sup>6</sup> Le Billon (2007), for example, argues that the type of resources (point or diffuse) and their location (centre or periphery) may have an important bearing on the emergence of, and form that conflict takes. Point resources on the periphery are more likely to lead to secessionist conflicts whilst diffuse resources are likely to lead to fractured political structures and the emergence of warlordism.

combat, shadow and coping economies. This taxonomy disaggregates war economies into different forms of economic activities, actors and commodities and provides a framework for thinking about the linkages between economic activities, ‘post conflict’ institutional arrangements and policy interventions aimed at transforming the war economy into a peace economy.

Whilst, recognising that the terminology used in the table is contested -- as Roitman (2004: 6) notes: ‘What is regarded as licit and illicit involve interpretive battles over political vocabularies or notions of propriety, equity, justice, and social order.’ -- we hope that it provides a useful heuristic device to help develop and refine ideas about the economic dimensions of war to peace transitions or the shift from ‘war cycles’ and ‘peace cycles’ as Giustozzi (2010) characterises them.

**Fig. 1: Typology of economic activities in war to peace transitions**

	<b>A. An economy of coercion/violence</b>	<b>B. An economy of accumulation</b>	<b>C. An economy of coping/survival</b>
<b>1. Formal</b> State regulated, taxable economy	Salaries for police/soldiers; arms and provisioning contracts	Registered and taxable businesses, industries, agricultural enterprises. NGO salaries.	Low level wage labour e.g. government servant
<b>2. In kind</b> Activities which do not lead to a market transaction	Provision of soldiers to militias	Reciprocal provision of support/services between enterprises	Subsistence agriculture, reciprocal/communal labour
<b>3. Extra legal</b> Activities which involve market transactions, are legal but do not pay taxes	Private security firms	<i>Hawalla</i> (informal money exchange) Unregulated construction companies, unregistered NGOs	Untaxed wage labour, small scale businesses of refugee communities
<b>4. Illegal</b> Market transactions which are illegal and usurp the privileges of the state	Arms trafficking Commanders taxation of illicit trade and business	Smuggling – Drugs, gems, stones; antiquities; timber; wild animals, people Kidnappings	Involvement in opium cultivation, low level trafficking.

Source: adapted from World Bank, 2006

Using Fig. 1 and the literature outlined above as a starting point, we intend to focus on the drugs industry in relation to three principal constellations of questions: (1) the political settlement and economic mobilisation; (2) violence and the illicit/illegal economy; (3) state-building, development and the illicit/illegal economy. Key questions are summarised in Box 1:

<p><b>Box 1: The Connections between Drugs, Political Settlements and State-building</b></p> <p><i>1. The political settlement and economic mobilisation</i></p> <ul style="list-style-type: none"> <li>• What is the relationship between the political settlement in Afghanistan and the ownership/regulation of economic activities in the various formal/informal, legal/illegal sectors of the economy?</li> <li>• To what extent has the inclusivity/exclusivity of the elite bargain determined how widely or narrowly rents were appropriated and distributed?</li> <li>• How is the political settlement shaped by the ‘conversation’ between national and peripheral elites and what impacts do borderlands and the drug economy have on this conversation?</li> </ul>
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- How have international interventions influenced the nature and stability of the political settlement?
2. *Violence, the political settlement and the illicit/illegal economy*
- What is the relationship between the drugs economy, the political settlement and organised violence?
  - When, how and why has the drugs economy fuelled violent conflict or conversely contributed to a measure of stability?
  - In what ways has rent seeking around the drugs economy influenced the incentives and opportunity structures of state and non state 'specialists in violence'? Have there been changes in elite perceptions of their interests?
  - How have counter-narcotics policies interacted with the dynamics of violence?
3. *State-building, development and the shadow economy*
- How have the resource mobilisation strategies of state actors (national and provincial) influenced the emergence of political authority and state institutions?
  - How has the shadow economy influenced the fiscal, dimensions of state-building? i.e. the state's capacity to mobilise, allocate, and spend domestic resources.
  - What are the linkages between the drugs economy, corruption and perceptions of state legitimacy?
  - How have tensions between the centripetal thrust of state-building and the centrifugal pressures of the shadow economy manifest themselves at the sub-national level at different moments in time?
  - How has the illicit/illegal economy influenced patterns of growth and development at the national and sub-national levels?
  - When and why have violent/shadow entrepreneurs or individual households/communities moved into 'licit' and productive economic activities?
  - What kinds of policy measures and projects have contributed to a sustainable shift from the 'illicit/illegal' to the licit/formal economic sectors?

## 1.2 *Introduction to the Afghan case and the contemporary political economy*

Afghanistan is a landlocked state of great geographical and social diversity, with an estimated population of 30 million. Founded as a tribal confederacy in the eighteenth century and then a buffer state in the nineteenth century, with its sparse population, a harsh climate and mountainous landscape, it represented an unpromising site for state-building. Historically, invaders found the Afghan tribes difficult to subdue and administer and were consequently more interested in the riches offered by empires to the east and the north (Barfield, 2004).

The focus of this paper is on the period following the signing of the Bonn accord in December 2001, but in order to set the scene for our subsequent analysis of the opium industry a number of historical and contextual factors should be emphasised:

First, Afghanistan's political economy underwent a number of profound transformations during the war years<sup>7</sup> which included: the emergence of a new class of military entrepreneurs

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<sup>7</sup> For an historical overview of the Afghan wars see Roy (1990); Rubin (1996); Maley (2002); Giustozzi (2009). For an analysis of the evolution of the war economy see Rubin (2000); Dorronsoro 2005; Goodhand (2004); MacDonald (2007).

(Giustozzi, 2009) who challenged the authority and power base of traditional rural, landed elites; the growth of regional politico-military structures, or 'warlord polities' (ibid) that reversed earlier state-building efforts to fragment such regional alliances; the emergence of the minorities as a powerful military and political force, challenging the traditional hegemony of the Pashtuns; the growing regionalisation of the economy as provincial cities becoming increasingly integrated into the economies of neighbouring countries; the massive displacement of people across borders (particularly to Pakistan and Iran) and within Afghanistan (largely to urban centres); the re-calibration of relations between Kabul and provinces, as the borderlands were in many respects 'empowered' by war due to the economic opportunities available in such regions connected to smuggling and the opium economy; the transformation of the rural economy from being largely based upon subsistence agriculture to one reliant on a high value illicit, export crop. Opium has thus played a catalytic role in the commercialisation of agriculture, leading to massive transfers of wealth, new accumulation of capital and new owners of capital – processes of change that are strikingly similar to those described by Trocki (1999:167) in relation to the impacts of the nineteenth century opium trade on China.<sup>8</sup> By the time of the US-led invasion of Afghanistan in October 2001, the country had become firmly integrated into an extremely volatile regional conflict system which connected Kashmir, FATA, the Ferghana Valley and the Caucasus (Goodhand, 2004; Rubin and Armstrong, 2003). Furthermore, as a result of external financial and military support by Great Powers and regional players over more than two decades, there had been simultaneously a massive accumulation and dispersal of the means of violence in Afghan society.

Second, the Bonn Agreement of December 2001, which was supposed to lay out the provisions for the emergence of legitimate political authority in Afghanistan, rather than constituting a Grand Bargain for peace, can best be understood as an exclusive elite pact involving those factions who fell on the 'right side' of the war on terror. The political settlement, artificially created by the US led coalition, did not reflect de facto power structures within Afghanistan and the wider region. It failed to address underlying power uncertainties and most importantly did not provide sufficient political representation for pashtuns, or address the security concerns of Pakistan. The organisational expression of the political settlement was a highly centralised Presidential system, in spite of the dispersed and decentralised nature of de facto political structures in the country. Moreover the choice of the Single Non Transferable Voting (SNTV) system accentuated this problem by effectively preventing the emergence of strong political parties.

Third, initially a 'light footprint' was advocated by UN SRSG Brahimi, with local ownership being invoked as a defensive measure, reflecting concerns about neo-imperialism and the minimalist agenda of the US and its allies of pursuing the war on terror (Goodhand and Sedra, 2010). The resulting strategy involved incorporating military strongmen into the new political settlement – a process described by Rubin (2006) as one of 'warlord democratisation'. Ministries were treated as positional goods by the factions, leading for instance to the wholesale incorporation of military groups into the police force. The key power ministries including defence and the ministry of interior were dominated by northern Tajiks (Giustozzi, 2004).

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<sup>8</sup> Trocki (1999:9) also persuasively argues that the 'super profits' that came from monopolizing the long distance opium trade were of central importance to the development of European and Asian capitalism. For European merchants opium created their first major accumulations of capital and many British merchant houses, banks and insurance companies that had their roots in Asian trade, all had a start in opium.

Fourth, over time the international strategy changed, and the light footprint became increasingly heavy, partly in response to the apparent failures of the minimalist strategy – including the growing insurgency, the perceived corruption of the state and the slow pace of reconstruction. This more expansive approach involved a growing focus on state-building, a shift by ISAF from peacekeeping to war fighting and the investment of growing amounts of donor resources into reconstruction and development programmes, especially in the south, which it was hoped would help win hearts and minds. However, the heavy footprint had a number of perverse and paradoxical effects. A growing military presence in the south appeared to catalyse the insurgency, which from 2005 grew in geographical scope and intensity. Massive inflows of aid on the one hand risked recreating the rentier state and on the other led to the creation of a dual public sector which actively absorbed capacities and diverted resources away from the state sector. Internationally supported state-building tended to focus on building institutions at the centre and accentuated tensions and tussles over resources between Kabul and the provinces. A growing focus on funnelling aid to the insurgency-affected south increased long-standing conflicts between the north and the south. As argued by Astri Suhrke (2007), contemporary liberal peace-building in Afghanistan has ignored the historical lesson that efforts to fast track modernisation based on external support and a narrow domestic political coalition, have always been met by violent resistance.

Fifth, there are strong continuities between the Afghanistan's war economy and peace economy (Goodhand, 2004; Giustozzi, 2007). Economic institutions and markets have adapted over the years to a high risk and high opportunity (for some) environment. Strong vested interests have emerged around continued levels of insecurity and an associated informalised, decentralised 'peace economy'. As explored below in the case studies, endemic insecurity and lawlessness can be understood as a mode of governance and a way of extracting rents. This can be observed at different levels and locales in the local, regional and international context including; corruption in the divvying up of security contracts; organised gangs with links to politicians involved in kidnappings and criminality in the cities; the payment of protection money to warlords and the Taliban for military convoys (Filkins, 2010a); the eliciting of bribes in return for withholding or deploying counter narcotics measures; the auto-consumption of aid by large corporate consultancy firms based in Western capitals (Tierney, 2010). All are symptomatic of an unruly and fractured political economy, involving what De Waal (2009) characterises as weak institutions and strong patrimonial marketplaces. The massive injection of funds during the wartime and in the post Bonn period, has led to the 'monetisation of patronage' and cash budgets are far more volatile than customary capital, it being convertible across borders and between patrons and suppliers within borders (ibid: 16). While there have been some improvements due to economic growth and the ramping up of the formal sector the bulk of economic activity remains informal and decentralised and the formal taxable sector is still extremely low.

Structurally there are indicators of enduring fragility in the Afghan economy. Growth of output has been driven especially by construction projects linked to donor activities and by private consumption, rather than by a sustained expansion in sectors likely to support long-run growth (agriculture, mining, and manufacturing).

The war economy exerted a strong centrifugal force on the Afghan political economy (Rubin, 2000; Goodhand, 2004), which presently works against the centripetal thrust of post-Bonn state-building. There remains a strong constituency in the provinces hostile to the strengthening of the central government (Byrd, 2006). During the war years, local power holders in the borderlands were able to generate significant revenues by collecting import



taxes at the border. Post Bonn state-building has involved repeated tussles between central state and peripheral elites over the control of tax revenues from cross border trade, which constitutes the largest source of state revenue, particularly the lucrative crossing points with Iran. The removal of Ismail Khan from the governorship of Herat in 2004, for example, was linked to concerns about his failure to provide tax revenues to the central government. Although there have been improvements in the government's revenue mobilisation capacity, the revenue to GDP ratio remains at only 7%.

## **Section Two: Contemporary Features of the Afghan Opium Industry**

### *2.1 Overview of the drug economy*

During the war years Afghanistan emerged as the global leader in opium production, based upon a 'triple comparative advantage' of favourable physical, political and economic conditions: high yields; chronic insecurity and institutional weakness which have meant inadequate or non-existent forms of regulation; and poor infrastructure and rural poverty which prevent the development of alternative licit livelihoods. As Ellis (2009: 194) notes, in relation to drug trafficking in West Africa, 'Illegality generates competitive advantages...drug production is not primarily explained by prices but by reference to institutions, governability and social values'. Afghans have developed the know-how, expertise and market connections to build upon these comparative advantages in order to survive, accumulate or wage war.<sup>9</sup>

For a brief period, Afghanistan lost its position as the primary producer of opium after the Taliban ban for the growing season of 2000/1. However, following US-led military intervention in October 2001 and the apparent collapse of the Taliban, there was a massive increase in the volume and geographic spread of poppy cultivation in Afghanistan.<sup>10</sup>

By 2005 poppy cultivation was reported in all 34 provinces, including areas with no previous tradition of opium production. According to UNODC (2007) figures, opium cultivation rose from 165,000 ha in 2006 to 193,000 ha in 2007 – this was after a 59 per cent increase between 2005 and 2006.<sup>11</sup> National production grew from 6,500 tons to 8,200 tons. In 2008 there was a 19% decrease in the area of cultivation, but good yields meant that total production decreased by a modest 6% with total output an estimated 7700 MT. The 2009 UNODC report shows a 22% decrease in cultivation and a 10% decrease in production.

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<sup>9</sup> See Goodhand's (2004) typology of the combat, shadow and coping economies which evolved in the course of the Afghan wars.

<sup>10</sup> Several factors contributed to this including; the Taliban's opium edict led to a tenfold increase in farm gate opium prices, whilst pushing rural households into further indebtedness; the fall of the Taliban and the absence of a strong authority in the countryside, meant that farmers felt free once more to plant their fields; international coalition forces initially did not prioritise the opium industry, because of fears of compromising their relationships with rural communities and some of their allies in the war on terror; internationally-supported state-building had a range of paradoxical effects which arguably sustained the opium rebound - for example the criminalization of opium (to all intents and purposes it was a licit crop tolerated by the Taliban until its prohibition in July 2000) had the twin effects of keeping prices high, whilst those involved had to look for non state, or state protectors, against counter narcotics programmes.

<sup>11</sup> Both UNODC and the United States Government produce statistics on the amount of opium poppy cultivated and the level of opium production in Afghanistan. The estimates produced by these two parties do not always agree and have on occasion varied significantly at both the national and provincial level. For convenience, the estimates cited in this document are those of UNODC.

However, national figures mask considerable fluctuations in cultivation over time and diversity amongst provinces (Mansfield, 2006b:49).<sup>12</sup> Currently cultivation is concentrated in the south with 70% of production being located in the five provinces bordering Pakistan. Helmand was responsible for 50% of the entire opium crop in Afghanistan in 2007/8 and produced more narcotics than any other country, but 2008/9 cultivation declined by a third. In the north and centre poppy cultivation has diminished, and the number of poppy-free provinces more than doubled from six to 13 in 2006, and by 2009 had further increased to 20.<sup>13</sup> The fact that many provinces are poppy free, and others have achieved sharp declines, does not mean that these effects are sustainable or that drug trafficking has ended in these areas. As Mansfield and Pain (2008) argue, these changes are more to do with shifts in political arrangements, security regimes and terms of trade, rather than effective counter narcotics policies, and are vulnerable to sudden reversals when conditions change.

The vast bulk of value added in the drug industry is generated outside Afghanistan (Byrd and Jonglez, 2006:130). In 2006 the export value of drugs was \$3.1 billion, compared to \$2.7 billion in 2005. UNODC (2006) estimates that 76% of the income from narcotics goes to traffickers and heroin refiners and 24% went to farmers. In order to reduce risks a significant part of revenue is spent on payments to 'security providers' and government officials (see below). The Afghan opium economy has a number of important impacts on the broader economy. Opium provides a large amount of liquidity in many provinces through money dealers called Hawaladar who act as 'the linchpin at the intersection of 'licit' and 'illicit' transactions' (Thompson, 2006). The Hawaladar have links between official banks, aid agencies, warlords and smugglers and whilst they have facilitated money laundering they have also been integral to processes of early developing and are vital to the delivery of funds to the provinces (Maimbo, 2003).

## 2.2 *Overview of counter narcotics policies and interventions*

In October 2002 the Afghan Government established the Counter Narcotics Directorate (CND), which reported to the National Security Council. CND was responsible for counter-narcotics (CN) strategy development and coordination. It was supported by the UK government who were the lead nation<sup>14</sup> for counter narcotics, which was one of five pillars in the Security Sector Reform (SSR) strategy. Two trends can be detected in CN efforts: First, there has been a broadening of the CN agenda with a greater focus on institution building and 'mainstreaming' CN so that all areas of intervention are 'drug sensitive'. Therefore eradication, the physical elimination of the crop, is only viewed as one of multiple CN instruments, including interdiction, rural development programmes to strengthen and diversify legal livelihoods, building a CN infrastructure including a separate ministry of CN and special courts, and demand reduction measures. Second, US involvement in CN policies as a funder and instigator has increased largely due to concerns over the increasing levels of cultivation and the belief, in some parts of the previous administration, that narcotics is the

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<sup>12</sup> The post Taliban period has seen the emergence of new areas of cultivation, including Bamyan, Nuristan, Khost and Wardak provinces. Many of these areas were not well suited to opium production having neither the environmental conditions nor the skills required to make opium poppy cultivation a profitable endeavour once the price effects of the Taliban prohibition had dissipated.

<sup>13</sup> The sustainability of these decreases can be questioned and opium trafficking also continues in the North and the increase in marijuana production has been substantial.

<sup>14</sup> The G8 adopted a Security Sector Reform program for Afghanistan in Geneva in 2002. The security sector was divided into five pillars each headed by a 'lead nation' which was responsible to oversee and support reforms. The United Kingdom took the lead for the counter narcotics pillar; Germany for the Police; the United States for the military; Japan for DDR; and the Italians took the lead for Judicial reform.

primary source of funding for the Taliban. The view that the Taliban's resurgence had been funded by their 'control' of the drugs trade was used to justify a push for a more aggressive eradication led strategy by parts of the US administration, as well as the former leadership of UNODC (Semple and Golden, 2007; United States Department of State, 2007: 51; Schweich, 2008)<sup>15</sup>. Although there has been considerable pressure to increase eradication to levels and in areas that would not adhere to the current Afghan National Drugs Strategy<sup>16</sup> the amount of crop destroyed has never exceeded 10% of the area under cultivation (UNODC, 2007:195; UNODC, 2008:72; UNODC, 2009: 46). The lack of coverage of centrally planned eradication under the Afghan Eradication Force<sup>17</sup> led to an increased focus on Governor-Led Eradication, and to the creation of incentives such as the Good Performance Initiative, which involved providing additional resources to provinces that were most successful in reducing poppy cultivation through efforts aimed at dissuading planting and by crop destruction.

Whilst under the Bush administration the focus had been on eradication, the Obama administration shifted the emphasis to targeting so called 'drugs kingpins' and trafficking networks. In order to combat corruption and improve intelligence gathering on opium networks, the United States assembled a new intelligence cell at Bagram air base led by Drug Enforcement Administration operatives. Furthermore the US assembled a 'kill or capture' target list of 367 named individuals, including 50 so-called 'nexus targets', which combine links to drugs trafficking and the insurgency.

### **Section Three: Provincial Case Studies**

#### *3.1 Introduction to the Case Studies*

In the following section we look at three provinces in detail in order to examine the linkages between drugs production and trafficking, and the dynamics of conflict and political settlements. The three case studies are Nangarhar in the east, Helmand in the south, and Balkh in the north. Each province has markedly different structural endowments, leading to differing economic, political and security environments and contrasting modes of involvement in the production and trade of opiates.<sup>18</sup> It should also be noted that these variations apply at the intra- as well as the inter-provincial level, and the case studies aim to capture some of this complexity.

Each case study first provides some background on the socio-economic and political environment in each province. This includes the scale and nature of the trade in legal goods within the province, as well as the status of the political settlement reached between elites

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<sup>15</sup> Symptomatic of this was the appointment of William Wood as the US Ambassador for Afghanistan in 2006. Wood had previously been Ambassador in Colombia and had earned the nickname 'Chemical Bill' because of his strong support for aerial spraying. Afghan objections, including those voiced by the Cabinet in 2006, and the concerns of other members of NATO have continued to keep this option off the table (Neumann 2010).

<sup>16</sup> The National Drugs Control Strategy states that 'where there are legal livelihoods, a credible threat of eradication is needed in order to incentivise the shift away from poppy cultivation' (Government of the Islamic Republic of Afghanistan 2006: 21).

<sup>17</sup> The Poppy Eradication Force later renamed the Afghan Eradication Force was managed by the Ministry of Interior and mentored by US contractors before it was abandoned in 2010. Governor Led Eradication uses local police for crop destruction. The areas targeted for destruction are based on criteria and maps provided by the Ministry of Counter Narcotics but Governors have often used selected sites for eradication based on their own priorities.

<sup>18</sup> This paper focuses on the production and trade in opiates in Afghanistan. It does not cover marijuana as currently very little is known about the production and trade of this crop.

within the province and with those in the central government since the collapse of the Taliban regime. Second, the focus turns to fluctuations in cultivation and the impacts of state, non-state and anti state actors on reduced or increased levels of opium production. There is a significant amount of primary research on this topic, derived from extensive work on the role of opium in rural livelihoods covering more than a decade. These case studies also explore how competition and collusion between these different actors influences levels of production, and where collusion is present how sustainable it has proven to be.

Third, the cases explore the degree of competition and collusion between state and anti state actors in the drugs trade. Whilst much has been written about the roles of these different actors in the drugs trade, particularly by UNODC (2007 & 2009b:2) and Peters (2009) on the Taliban's 'control' over the trade,<sup>19</sup> the problems associated with conducting primary research on this issue, particularly in an environment as insecure as Afghanistan, make it difficult to establish the veracity of these claims. Problems of data verification are further exacerbated by the way that political adversaries in Afghanistan have often used accusations of involvement in the illegal drugs trade to discredit each other over the last two decades<sup>20</sup>. Despite these words of caution each case study will explore what is documented about the drugs trade and the involvement of the different political and military actors within each province.

The section concludes with a comparative analysis of the three provinces. It highlights how a sustained ban on opium production has been negotiated amongst local elites in both the provinces of Nangarhar and Balkh through the actions of two powerful Governors and their influence over the distribution of government posts, land, and development assistance, as well as their willingness to use their own private wealth to subsidise the bargaining processes. It is critical to note that even with these particular power brokers in place, these secondary political settlements would not have been reached if it were not for the important role that Nangarhar and Balkh play in the official cross-border trade and the interests that the centre, bordering countries and the international community have in the continued stability of these two provinces. The growth in the formal and informal economies in these provinces has in turn offered opportunities for local elites to further extract rent and provided a 'peace dividend'. Helmand offers a striking contrast to the experience in Balkh and Nangarhar where the drugs trade is not simply funding the insurgency as the current narrative suggests, but where the conflict has increasingly provided a conducive environment for local elites, both state and anti state, to continue to extract rent from the illegal drugs trade and the burgeoning 'stabilisation' industry. In fact this section concludes that current political and economic incentives in Helmand would appear to encourage the continuation of violence and offer little basis for an inclusive bargain amongst local elites in the province.

### **3.2 Nangarhar**

#### *Context*

The province of Nangarhar is located on the eastern border with Pakistan. It neighbours the provinces of Laghman and Kunar to the north, Kabul and Logar to the west and Paktya to the

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<sup>19</sup> In September 2009 UNODC reported 'the birth of Afghan Narco Cartels' and stated that 'there is growing evidence – from tougher counter narcotics and improved intelligence – that some anti government elements in Afghanistan are turning into narco-cartels' (UNODC 2009)

<sup>20</sup> For example during the late 1990s there were notes of passage found stating that the bearer could travel freely with drugs through a particular territory. Some of these notes of passage purported to be documents of the Islamic Emirate of Afghanistan while others indicated they were from the United Front. At the time it was widely believed that each side were producing these notes for the other as a way of discrediting them.

south. The three provinces of Nangarhar, Laghman and Kunar together represent a geographically enclosed basin of interlocking valleys drained by the Kabul and Kunar rivers and their subsidiary streams. To the south of Nangarhar lie the Spin Ghar mountains to the north the massif of the eastern Hindu Kush and Nuristan.

Nangarhar is one of the most densely populated provinces in the country. The estimated population of 1.8 million mainly consists of Pashtoons, although in the northern districts of the province around Dar-e-Nur the Pashai people dominate. The provincial centre is in Jalalabad, which is located at the confluence of the Kabul and Kunar rivers. The Kabul River runs in an easterly direction through the province before flowing into Pakistan.

Nangarhar has what is considered a sub-tropical climate with mild winters (except in the mountains) and hot summers. There is a broad range of agricultural crops cultivated in the main river basin of the province including citrus and olive trees. Double cropping can be achieved in those areas irrigated by the Kabul and Kunar rivers. In those areas reliant on seasonal flood streams or on the underground irrigation systems known as karez,<sup>21</sup> water shortages are more common and cropping patterns more limited. Drought has had a significant effect on these areas during the late 1990s and early part of the 21<sup>st</sup> century.

Throughout the 1980s and 1990s Nangarhar province was one of the major recipients of development assistance from aid agencies located across the border in Peshawar, Pakistan. Peshawar continues to dominate the province economically with considerable amounts of trade between Afghanistan and Pakistan passing through the official border crossing at Torkham situated 45 km from Peshawar and around 60 km from Jalalabad, as well as a variety of unofficial border crossings throughout the province. The Pakistani Rupee continues to be the primary currency used across the province, even in Jalalabad.

Nangarhar's role as an economic hub as well as transit route for goods to and from Pakistan is confirmed in the official statistics. In 2008/09 the province officially earned \$66 million in taxes from imports and exports, second only to Herat, and as a whole generated US\$ 101 million in government revenue - one fifth of the central Government's total revenue (Central Statistics Organisation, 2009: 228). Control over the border and the taxes generated there have long been a source of revenue for the provinces political elite. In fact, the family of two former Governors, and brothers, Haji Qadir and Haji Din Mohammed are rumoured to continue to elicit considerable revenue from the crossing point at Torkham. It is thought that this revenue forms part of their settlement with the current Governor Gul Aga Shirzai. Tax on the movement of goods through the province is also an important source of revenue<sup>22</sup> - 'the Nangarhar Reconstruction Fund' - for the current Governor who claims to have a dispensation from the Office of the President that this revenue can be used at his own discretion (Mukhopadhyay, pers comm. 2010; Rosenberg 2009).

There are strong political ties binding key players in the province to Kabul. The former Governor Haji Din Mohammed became Governor of Kabul province before running President Karzai's campaign in the August 2009 election. Another former Jihadi commander and Pashai leader, Hazrat Ali, was appointed chief of police in Nangarhar in 2002 before being becoming a member of parliament in 2005. Even former influential *jihadi* commanders like Haji Zaman who had a long standing conflict with the family of Haji Din Mohammed before his death in

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<sup>21</sup> A karez uses a series of access shafts that make it possible to dig and clean out the underground channels (tunnels) which eventually reach the surface far from the source of the water.

<sup>22</sup> Reports suggest a toll on cargo of US\$38 to US\$ 57 per ton is imposed.

February 2010 maintained links with Kabul from their exile in Pakistan (ICG, 2003; 23; Risen, 2008; Nelson, 2010).<sup>23</sup> Hizbe Islami continues to be politically active within the province but has largely refrained from military activity. Furthermore, the Taliban has never had a strong presence in the province, although it continues to make some inroads into the southern districts bordering Pakistan (Giustozzi, 2007: 62).

Pakistan has also had little interest in an unstable Nangarhar. It exported US\$ 489 million of goods to Afghanistan in 2008/09 and received US\$ 264 million of imports. Whilst Nangarhar is not the sole transit point for these goods 'Herat and Jalalabad....have become the main cities through which most of the external trade takes place'(Central Statistics Organisation, 2009:203). The Pakistani government maintains a consulate in Jalalabad and the Pakistani military were also contracted to improve the Jalalabad to Torkham road between 2006 and 2009 to a value of \$ 55 million (Kianni, 2006).<sup>24</sup> Pakistani business interests permeate the border and despite growing insecurity in Pakistan there continues to be a strong history of migration between Nangarhar and the North West Frontier Province with both areas having ethnic groups that straddle both sides of the border.

The significant presence of the United States military in Nangarhar province since 2001 should also not be overlooked. This has been accompanied by large investments in the province's infrastructure with a number of interventions aimed at penetrating the more remote border areas neighbouring Pakistan.<sup>25</sup> The development effort by the United States has been significant and included US\$118 million between 2005 and 2009 for the Alternative Development Programme - aimed at supporting farmers shift from opium poppy to legal livelihoods - as well as development funds for interventions aimed at promoting stability such as the Local Governance and Community Development Programme (LGCD) and the Commanders Emergency Response Programme (CERP).<sup>26</sup> The European Union has also funded rural development efforts, road reconstruction and work in the health sector in the province. The Afghan National Government's National Priority Programmes (NPPs) including the National Solidarity Programme (NSP) Micro Finance Investment Support Facility for Afghanistan (MISFA) and in 2010 the Comprehensive Rural Agricultural Development Facility (CARD-F) began implementation.

#### *Opium production, bans and political settlements*

Since the fall of the Taliban in 2001, Nangarhar has seen the most dramatic fluctuations in opium production with bans implemented in the 2004/05 growing season and, following resurgence in cultivation in 2006/07, further prohibitions in 2007/08, 2008/09 and 2009/10.<sup>27</sup> Each of these bans has been imposed with significant backing from the United States

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<sup>23</sup> Haji Zaman was a commander from the district of Khogiani. In 2001 after the fall of the Taliban he was appointed police chief of Jalalabad and was subsequently expelled from Afghanistan after his alleged involvement in the bombing of former minister Fahim's convoy in the city in April 2002. His brother Haji Amin Kheri was accused in the involvement in the murder of Haji Abdul Qadir, brother of Haji Din Mohammed. Haji Zaman eventually returned to Kabul in the fall of 2009 and to Nangarhar in early 2010. He was killed by a suicide bomber in Khogiani along with fourteen others on 22 February 2010.

<sup>24</sup> This work was completed by the Frontier Works Organisation (FWO) of the Military Engineering Services of the Pakistani Army. The Torkham to Jalalabad road was its first international project.

<sup>25</sup> This includes a road building projects joining the upper valleys of the Spinghar piedmont known as the 'southern ring road'.

<sup>26</sup> It was not possible to obtain data disaggregated at the provincial level for these programmes.

<sup>27</sup> During the planting period for the 2009/10 growing season there were reports that farmers in Khogiani had already declared to the provincial administration that they would revert back to opium production. However, the threat of a return to cultivation did not materialise apart from in very remote areas of Khogiani, Pachir Wa Agam and Shirzad.

government including troop deployment, development assistance and political engagement with the provincial administration. Each ban has also required the active involvement of the provincial Governor requiring them to work with local elites, using a combination of coercion, the promise of development assistance, and on occasions, suggest that the United States military might become involved, to achieve particularly low levels of opium production.

Prior to and during the Taliban regime, Nangarhar typically cultivated an estimated 15,000 to 20,000 hectares of opium poppy per year making it one of the most significant opium producers after the province of Helmand in the south. With the collapse of the Taliban in 2001 the ban on production that they had imposed in July 2000 was lifted and the rural population of Nangarhar, reverted back to opium poppy cultivation in the 2001/02 growing season, as occurred in many other areas. From an estimated 19,780 hectares in the 2001/02 growing season levels of cultivation continued to rise until 2003/04 when cultivation reached an unprecedented 28,213 hectares.

However, in the 2004/05 growing season under the then Governor of Haji Din Mohammed, cultivation was reduced to as low as 1,093 hectares - a 96% reduction in the level of cultivation over a twelve month period. Critical to the success of this ban, as with the Taliban prohibition of 2000/01, and subsequent bans on opium production in Nangarhar, was the role of government recognised tribal elders in key districts such as Achin and Khogiani (Mansfield, 2005). These elders, known as Maliks, largely comprise of individuals from influential land owning families as well as commanders that had acquired power and influence during the *jihad*. Recognised by the provincial and district authorities these individuals not only benefit from the patronage of the state through their formalised role as intermediaries between the provincial and district authorities and the rural population but also, it is claimed, through privileged access to development assistance for their rural constituents and through direct payments both in-cash and in-kind.

In November 2004, the planting season for opium in the eastern region, the Maliks acted as advocates for the authorities informing the population that cultivation would not be tolerated by the government. Research also suggests that by declining to cultivate opium poppy themselves, the Maliks demonstrated to others that the risk of the opium crop being destroyed was particularly high, especially to those in the community less well placed economically and politically (Mansfield, 2008a). The provincial authorities also reinforced the impression that the government was determined to reduce opium poppy that year through a strategic eradication effort that was conducted both at an early stage in the cropping season and in locations where the geographic and political terrain would make the authorities more reluctant to destroy the crop. This eradication campaign, timed just after germination of the opium poppy crop in mid to late November, and prior to the end of the planting season served as an effective reminder to the population in more accessible, low lying areas that their opium poppy crop was particularly vulnerable to destruction and they should not plant the crop at all. This is a pattern of events that has now become rather familiar to the rural population in poppy growing areas of Nangarhar with the Taliban prohibition in the 2000/01 growing season, and the ban in 2004/05 and under Governors Haji Din Mohammed (2002- 2005) and the ban imposed by the current incumbent Gul Aga Shirzai (2005 – present) (Mansfield, 2006a; 2007; 2008a; 2009b; 2010b).

Indeed, implementation of each of these bans has broadly consisted of the same steps including drawing on the political capital and threat of violence from authorities outside the

province. In the case of the Taliban prohibition it was the religious authority of Mullah Omar and the threat of violence from the Taliban regime that accompanied negotiations with key tribal groups, such as in the Shinwari. In the 2004/05 growing season Governor Haji Din Mohammed derived authority for the ban not only from President Karzai's declaration of 'a jihad' against opium as one of his first acts of office, but also from the fact that many of the tribal elders in Nangarhar had solicited support for Karzai during the 2004 Presidential election campaign; to subsequently act against the President so soon after inauguration was regarded as unacceptable. Governor Haji Din Mohammed was also thought to have been motivated by the threat of dismissal were he to fail to reduce opium poppy. The Governor therefore mobilised the district administrators and police commanders – people he had appointed and who relied on his continuing patronage - to enforce the ban in their areas.

In banning opium poppy in the 2007/08 and 2008/09 growing seasons the current Governor Gul Aga Shirzai was not in a position to draw on the political capital of the Karzai government, since much had already been lost due to growing concerns over corruption and increasing levels of insecurity in the province. Instead Gul Aga Shirzai was accused by the rural population of drawing on his relationship with the United States to enforce the ban on opium poppy, often inferring that cultivation or resistance to eradication would invoke reprisals from the military (Mansfield, 2008b: 27; Mukhopadhyay, 2010b: 21). Although popular in his initial years as Governor of Nangarhar, due in part to his acceptance of the resurgence of opium poppy in the 2006/07 growing season, but primarily because he was believed to preside over increasing levels of development assistance, Gul Aga Shirzai became increasingly unpopular amongst rural communities because of his failure to deliver on his promises of development assistance.<sup>28</sup>

By May 2009, two consecutive years of negligible levels of opium poppy cultivation had imposed a significant economic cost on much of the rural population. With few economic alternatives to opium poppy within the province, and growing insecurity and crime in both the southern provinces and in Peshawar in Pakistan – both regions being traditional sources of off farm -and non-farm income for the inhabitants of the Spinghar piedmont – there was a significant rise in the number of households sending their sons to fight in the south for the Afghan National Army (ANA). By April 2010 and the third year of the ban in the province the rate of enlistment in the southern districts bordering Pakistan had increased further (Mansfield, 2010b: 22-24). Far from being a sign of support for the Karzai government in its efforts to quell the insurgency in the south the increase in enrolment in the ANA was viewed by the population of these areas as their only viable strategy for managing the frequent and recurrent risks they are exposed to in these remote and resource poor borderland areas in the absence of opium production.

As with previous bans on opium poppy cultivation the cumulative effect of the ban in Nangarhar has been accompanied by a shift in the political landscape. Reactions to the deteriorating economic situation in these areas have largely been focused on the Maliks who are seen as instrumental in the enforcement of the ban on opium poppy cultivation. Accused of being 'the spies of the government' the Maliks are typically accused of receiving payment for their role in the opium poppy ban and have on occasions been publicly rebuked (Mansfield, 2009a). The failure to deliver on the promises of aid, or accusations that its

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<sup>28</sup> During fieldwork in the 2009/10 growing season there were increasing reports that the Governor was tending to remain in his office and residence rather than attend the various functions and ceremonies that he had been known to in the past.



delivery was monopolised by the Maliks and their contacts further undermined their support in the villages.

By mid 2009 Gul Aga Shirzai was increasingly seen by the rural population as putting his own personal political ambitions ahead of the interests of the population of the province. For example, during the 2008/09 growing season he was often accused of imposing a ban on cultivation to win favour from the United States Government were he to run in the Presidential elections in late 2009. Although the Governor subsequently reached a deal with President Karzai and agreed not to stand in the August election, his long term political ambitions and the favours he expected to receive for not running were seen as primary motivations for the continued imposition of the opium ban in the 2009/10 growing season.

While the ban continued into the 2009/10 growing season the political environment in the southern districts of the province bordering Pakistan grew increasingly fragile. In November 2009 at the onset of the planting season there were already protestations in the increasingly unstable district of Khogiani and the threat that they would return to cultivation, though this did not occur except in some of the most remote parts of the district and neighbouring Shirzad and Pachir wa Agam. The presence of Afridi Taliban in the Mohmand valley in the district of Achin had also spilled over into conflict with the local tribal strongman Malik Niaz in October 2009 resulting in the death of his two nephews and six Talibs. The government's arming of Malik Niaz and his men in response to this incident subsequently led to an armed conflict with the neighbouring sub tribes in Ghani Khel in the district of Shinwar in early March 2010, this was despite the elders of the entire Shinwari tribe signing a pact to oppose the Taliban in the province only four weeks before (Rubin, 2010; Filkins, 2010b; Mansfield, 2010b).<sup>29</sup> The death of Haji Zaman in February 2010 along with fourteen others as a result of a suicide bomb attack in Khogiani soon after his return to the area following years in exile underlined the increasingly unstable political environment in Nangarhar. By May 2010 attempts at eradication in upper Khogiani prompted violent reactions leading to the loss of nine lives. Later attempts at eradication in the districts of Shirzad and in Pachir wa Agam reportedly led to protests from members of the Provincial Council and community representatives against Governor Gul Aga Shirzai.

In July 2010 the political climate in the Spinghar piedmont was unpredictable; the land grab and ensuing conflict that had broken out in March the same year continued to divide the Shinwari tribe,<sup>30</sup> while the insurgency was gathering an increasing pace in the districts of Khogiani, Shirzad, Hisarak and Pachir wa Agam. With opium prices reaching as high as 23,000 PR<sup>31</sup> per seer<sup>32</sup> in August 2010 – more than double the 2009 price - it is unclear how events will unfold in the 2010/11 growing season. But it is evident that communities in the more remote and less economically productive southern districts neighbouring Pakistan are most exposed to frequent and recurrent risks and are also the least able to absorb and recover from them. These communities were the most dependent on opium production and were hardest hit by the continuing prohibition. They experienced significant losses in welfare and are increasingly adopting coping strategies that potentially harm their future earning capacity and place members of their household in physical danger, such as joining the Afghan National Army (ANA). Moreover, the impact of the ban on these communities is likely to be cumulative. The depletion of assets – in the form of either opium or items purchased with its proceeds – continues. It is now unclear how even the relatively wealthy might absorb the

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<sup>29</sup> Dexter Filkins 'Afghan Tribe takes on the Taliban' The International Herald Tribune, 28 January 2010.

<sup>30</sup> For more details on the land dispute dividing the Sepay and the Alisherkhel subtribes see Mansfield 2010b

<sup>31</sup> At the time of writing \$US 1 was the equivalent of 85 PR.

<sup>32</sup> One seer of opium in eastern Afghanistan is the equivalent of 1.2 kilogrammes.

shocks that will undoubtedly strike the Spinghar piedmont in the near future. Increasing the number of men joining the ANA may be one option but those enlisting have little enthusiasm for the task, especially when increasing numbers of young men are being injured and killed.

#### *The role of state and anti state actors in the drugs trade*

While there is much conjecture, little is known with any degree of certainty about the narcotics trade beyond the farm production level in Nangarhar. As in other provinces, there are persistent claims that it has become much harder for those individuals who do not have the necessary links to power holders in the provincial security and administrative system to transport illegal drugs. This is in contrast with the Taliban period when specific tribal groups, in particular the Shinwari, dominated the opium trade in Nangarhar. This was largely due to their territorial control over the primary sites of opium production and key opium bazaars in Loya Shinwar, as well as the tribe's presence on both sides of the Afghanistan-Pakistan border, rather than an issue of who controlled the security and political apparatus within the province.

However, now it is common for local residents to accuse their district administrator and the head of the district police of involvement in the drugs trade. Accusations are also made against members of the parliament from the province and former 'warlords' who have been given government appointments, such as Hazrat Ali, Haji Din Mohammed and Haji Zahir. It is also not unusual to hear of drug traders paying large sums of money to individuals in the provincial and national authorities to facilitate the movement of drugs or for the release of traffickers after they have been arrested. For many the arrest and successful prosecution of a member of the former Governor Haji Din Mohammed's family in 2007 for transporting opium along with four other men employed by Haji Zahir, the Governor's nephew, offered a rare example of concrete evidence of official involvement in the drugs trade (Stockman, 2009).<sup>33</sup>

The perception that state authorities are either directly or indirectly involved in the drugs trade in the province has further fuelled resentment towards those counter narcotics efforts that are aimed at farmers. In particular, eradication and the arrest of farmers cultivating poppy by the very same local officials who are believed to be the most heavily involved in trafficking is seen as evidence of an inequitable law enforcement campaign that targets the poor and pardons the wealthy.

Even less is known about the role of Anti Government Elements (AGE) in the illicit drugs trade in Nangarhar. It seems clear that there were offers of protection against eradication by those referred to as 'the Taliban' to farmers in the upper parts of districts such as Achin, Deh Bala, Durbaba and Khogiani in the 2008/09 growing season. There are also suggestions that AGE are taxing shopkeepers and traders in these areas. However, there are not the same reports of the level of cooperation between drug traffickers and AGE as is often claimed in the south.

### *3.3 Helmand*

#### *Context*

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<sup>33</sup> These five men, including the former Governor's nephew were sentenced to between sixteen and eighteen years. They were subsequently pardoned by President Karzai on 30 April 2009. At that time Haji Din Mohammed was managing President Karzai's re-election campaign.

Helmand is the largest province in Afghanistan, occupying approximately sixty two thousand square kilometres. It is located in the southwest of the country and neighbours the provinces of Kandahar, Dai Kundi, Uruzgan, Nimroz, Farah and Ghor. It shares a one hundred and sixty kilometer border with Balochistan, Pakistan. The province is mostly clay or sand desert in the south, and dry rocky mountains in the north. Only four per cent of the land is cultivable and only two and a half per cent is irrigated. Rainfall varies from two to nine inches per year. The summer is hot and dry. Winters are mild with average temperatures above freezing but the number of sub-freezing days hampers the growth of tropical crops and fruit.

Much of the most productive agricultural land, as well as the population, straddles the Helmand river and the irrigation systems it feeds. However, the desert areas brought under cultivation in the 1950s and 1960s through the Helmand Valley Authority – later the Helmand and Arghandab River Authority – suffer from flat gradients, poor soils, high evaporation rates and poor water management resulting in drainage and salination problems. Alluvial or old river terrace soils of moderate to low fertility predominate in the Helmand area (Shairzai et al, 1975: 3). Sub soils are frequently underlain by an impermeable conglomerate and waterlogging has created a persistent weed problem particularly in Nad e Ali and Marjah (Cullather, 2002). Despite this ‘the hot days and relatively cool nights in summer, the mild climate of winter with good light intensity are all favourable factors for plant growth in Helmand’ (Cullather, 2002:3).

Economically the province is dependent on agriculture. There are few non-farm income opportunities available in the province and small industry is largely absent (Gordon, 2010: 9). In 2008/09 wheat occupied the greatest amount of active agricultural land during the winter season at an estimated 85,493 ha. Opium poppy was the second most prolific crop with 75,076 ha of land under cultivation (Cranfield, 2009: 24). Other winter crops include fodder crops such as alfalfa or livestock as well as seasonal vegetables which are grown primarily for household consumption in most areas beyond the environs of the urban centres of Lashkar Gah and Gereshk. In the spring and summer there is greater agricultural diversity in the central districts of Helmand. For example water melon is planted in both spring and summer and is considered of a premium quality. Cotton production also persists despite the relatively low prices offered by the state gin that continues to control the market.

While the province has agricultural potential there are many constraints on its realisation. The main market for agricultural production from the province is not in Lashkar Gah which only has a population of around 200,000 but in Kandahar city, with onward destinations to Kabul and Quetta, Pakistan (Gordon, 2010: 6). However, insecurity along the main highway between Gereshk and Kandahar city, particularly in the district of Zahre, continues to hamper the movement of goods along this road. Due to the risks of violence or robbery, transportation costs are high in the south. Nuisance taxes are also considerably higher within the provinces of Helmand and Kandahar than they are anywhere else in the country, currently rendering many legal crops uncompetitive (Mansfield, 2008b: 45-46; Mansfield, 2009b 63-64).

There are no official border crossings with Pakistan located in Helmand, so government revenues from imports and exports are zero. What crosses these borders unofficially are guns, drugs and people – some of whom are armed and belonging to AGEs. The border areas currently lay beyond the control of the provincial authorities and any rents to be generated here do not flow to the government.

Politically the province is deeply divided. The rise of the former *jihadi* commanders that were ejected during the Taliban period such as Sher Mohammed Akhundzada (Alizai), Abdul Rahman Jan (Noorzai), Dad Mohammed Khan (Alikozai), and his brothers Mohammad Daoud, and Gul Mohammad, Haji Abdul “Koka” Wali (Alizai), and Mir Wali (Barakzai) into formal positions of authority within the provincial administration in 2001 alienated much of the rural population. These were names that were already associated with corruption, violence and involvement in the drugs trade (Coghlan, 2009: 121-122 and 126). Their return to power after the fall of the Taliban suggested a new regime in Kabul with international backers that had forgotten why the Taliban had swept into the south in the mid 1990s with the support of the rural population. Key tribes such as the Ishaqzai who were prominent in the Taliban regime, along with many other smaller tribes such as the Dawtani and Kakar found themselves marginalised, and largely ignored in the division of government jobs and patronage that made up the spoils of war.

The lack of progress made across many key development indicators in the province reinforced the view amongst the rural population that those in the government had little interest in the provision of public goods and were more concerned with increasing their private wealth (Giustozzi, 2007: 215). These sentiments and growing tribal grievances provided the Taliban with easy entry points into rural areas, particularly in the north of the province and areas bordering Pakistan. Counter narcotics efforts that so often seemed to be targeted at the poor and the powerless in the case of eradication, and competitors in the case of interdiction, further undermined support for the provincial authorities. Helmand province is now synonymous with opium poppy cultivation and the drugs trade in Afghanistan. Districts such as Nad e Ali, Musa Qala and Nahre Seraj have been some of the country’s most prolific producers of opium for well over a decade. Some of the country’s key opium bazaars such as Sangin, Baram Cha and Musa Qala are also located in Helmand. Reports of heroin processing in the southern part of the province in Chutu date back to the early 1990s and well before the Taliban came to power.

#### *Opium production, bans and political settlements*

Since 2005 opium poppy cultivation in the province increased exponentially from an estimated 26,500 ha to an unprecedented level of 103,590 ha in 2008. While reductions in cultivation in the province in the 2008/09 growing season were somewhat predictable given the shift in the terms of trade between opium and wheat, further falls in cultivation in the more accessible areas around Lashkar Gah in the 2008/09 and 2009/10 growing seasons have largely been attributed to Governor Mangal’s Counter Narcotics efforts (United States Department of State, 2010: 99, Bever, 2010: 4).

Since the collapse of the Taliban there have been very few effective campaigns to reduce opium poppy cultivation in the province. A noticeable exception is the 50% reduction in cultivation that occurred between 2002 and 2003 at the behest of then Governor Sher Mohammed Akhundzade (Hafvenstein, 2007: 193). This reduction was largely concentrated in the central districts of Nad e Ali, Nawa Barakzai, Sarban Qala and Musa Qala. Even greater reductions would have occurred if it were not for increases in cultivation in the northern districts of Kajaki and Baghran.

This campaign to reduce cultivation followed a similar pattern to the measures implemented in Nangarhar and other provinces in subsequent years. The focus of the effort was to dissuade the planting of the crop rather than destroy it once it was already in the ground. Promises of development assistance were combined with both the threat of eradication and

coercion. As with other campaigns to reduce opium poppy, including the Taliban prohibition, gaining the compliance of key local powerbrokers through negotiation, and where necessary payment, has proven critical to success and proven more important than a capability to eradicate the crop. As with other campaigns, Sher Mohammed Akhundzade's efforts to reduce opium production were also accompanied by accusations that prohibition and eradication were largely targeted at competitors in the drugs trade, most likely with the aim of driving up the price of protection and thus maximising revenue streams from the drugs trade.<sup>34</sup>

By late 2003 the failure to deliver on the promises of development assistance led to a loss of political capital for the Governor and, he claimed, an inability to push for low levels of cultivation in the 2003/04 growing season (Sher Mohammed Akhundzade, pers comm: 2003). It might also be argued that pressing for continued or further reductions in cultivation in the run up to the Presidential election might not have proven an effective campaign strategy for a Governor charged with soliciting votes for the incumbent. It was of little surprise when the reductions in cultivation proved short-lived and by 2004 cultivation was once again at its 2002 level of around 30,000 ha, a figure that seems rather low today.

The increase in insurgent activity since late 2005 is the prevailing explanation for the dramatic increase in cultivation that has occurred in Helmand, and indeed other southern provinces. It certainly seems to be the case that increased levels of violence in an area limit access to agricultural commodity and labour markets, enhance opportunities for predatory behaviour by both government forces and insurgent groups, as well as reduce the provision of public goods and services, and thereby encourage increased levels of opium production. After all, an opium trader can afford to pay the increased transportation and transaction costs associated with travelling in insecure areas and purchase opium at the farm gate. Opium traders are also more likely to have the necessary contacts with both sides in any conflict to enable free and safe passage, whilst the same cannot be said of a vegetable trader. Consequently those cultivating legal crops are faced with the prospect of transporting their own goods to markets with all the concomitant financial and physical risks that this entails. Because of chronic insecurity, opium production becomes a rational choice. Moreover, efforts to reduce the trade and production of opium are constrained by the capacity of those with financial and political influence to evade drug control efforts such as eradication.

#### *The role of state and anti state actors in the drugs trade*

Despite a more sophisticated understanding of the impact of chronic insecurity on livelihoods and subsequently on levels of opium production, the prevailing narrative on the impact of insurgency on drugs production focuses on the role the drugs trade plays in funding and motivating the Taliban in Helmand - with continuing debates over the proportion of their total money that is derived from the opium economy. Estimates of the revenue generated by the Taliban as a whole (although it is often unclear which insurgent groups are included under this 'heading') range from US\$ 70 million to US\$ 500 million per year (Peters, 2009) suggesting there is a need for further refinement of these calculations. There are now

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<sup>34</sup> See Snyder and Duran-Martinez (2009) for an analysis of drugs trafficking and 'state-sponsored protection rackets'. They model the relationship between illicit markets, violence and institutions of protection. They argue that state sponsored protection rackets desire a level of competition between criminal groups, which drives up the price of protection. However, as the number of groups increase so do the transaction and monitoring costs – this is powerfully illustrated in an interview with an Italian businessmen cited in Gambetta in his study of the Sicilian mafia: 'It is easier to eat from the plate of three who cover the whole market than from that of thirty three who cover the same market' (ibid: 258).

suggestions that the Taliban are directly involved in the production and processing of opiates themselves and have become no more than criminal organisations, discarding their political or religious doctrines in favour of the pursuit of profit and market share (Peters, 2009; UNODC, 2008:3)

The United Nations Office of Drugs and Crime have even suggested that ‘the Taliban’ are engaged in market manipulation, retaining stocks of opium so as to prevent further reductions in the price of opium and looking to impose a further ban on opium poppy cultivation to increase the value of their inventories. As such, the Taliban are now increasingly seen as synonymous with drug traffickers (United States Congress, 2009: 10; United States Senate Caucus on International Narcotics Control, 2010:2).

Those highlighting the links between drug traffickers and the Taliban typically cite Haji Bashir Noorzai and Haji Juma Khan as evidence of the depth of the relationship (Peters, 2009). Haji Bashir Noorzai, for example, is believed to have served on the inner Shura during the Taliban regime in the mid to late 1990s. However, since then it is alleged that he has handed over Taliban weapons to United States forces after the fall of the regime in 2002, acted as an informant for the United States government and maintained close relationships with the provincial leadership of the Afghan government in Kandahar (Risen, 2007). Haji Bashir Noorzai is also cousin of Mohammed Arif Noorzai who not only represents Kandahar province in the Wolseil Jirga but was also first deputy speaker until 2009, when he was given the government post in charge of the Community Defence Initiative (Naval Postgraduate School, 2010).

Prior to his arrest and extradition to the United States Haji Juma Khan was considered the financial backer of the Taliban. Both Haji Bashir Noorzai and Haji Juma Khan now find themselves incarcerated in United States prisons for drugs trafficking.

Whilst there may be some truth in the idea of the Taliban as drugs trafficker and the drugs trafficker as Taliban, interviews in rural areas in the south suggest that these claims do not resonate with the wider population (Mansfield 2008b:48). In fact it is a common perception that those working for the government are more actively involved in the narcotics trade than the Taliban (Mansfield, 2010b:22-23). These are allegations that are repeated in the international media including reports that link both Deputy Minister Daud and the Head of the border police Colonel Razik to drug traders in the south (Smith, 2009; Watson, 2005; Aikins, 2009; Chandresekaran 2010). Arif Noorzai’s father, Haji Musa Jan Noorzai, is alleged to have acquired a fortune from his involvement in the drugs trade in the 1960s and Arif Noorzai himself is related to both Ahmed Wali Karzai and Sher Mohammed Akhundzade (former Governor of Helmand) by marriage – both of whom are alleged to be involved in the drugs business (Forsberg, 2010: 34-35; Giustozzi and Ullah, 2006: 13).

In Helmand the links between the drugs trade and those in government are abundantly apparent to the local population. For example Sher Mohammed Akhundzade, Governor between 2002 and 2006, now Senator in the Afghan parliament was found with nine metric tonnes of opium in his residence in 2005 and was subsequently replaced (Gopal, 2010). Dad Mohammed Khan known locally as ‘Amir Dado’ became Helmand Chief of Intelligence between 2001 and 2005 then Member of Parliament, also stood accused of being a major protagonist in the drugs trade until his death in March 2009 (Coghlan, 2009 119; Hafvenstein, 2007: 130-131 & 313). Abdul Rahman Jan, former chief of Police, is also thought to be a significant opium trader in the province and believed to be responsible for a number of violent

attacks against his rival traffickers some of which have been blamed on the Taliban (Hafvenstein, 2007: 244; Coghlan, 2009: 122). He is also believed to have sought protection for his opium crop in Marjah from the Taliban following attempts to destroy it (Gopal, 2010). Both Abdul Rahman Jan and Sher Mohammed Akhundzade are reported to have campaigned for President Karzai in Helmand during his bid for re-election in 2009. It is also reported that President Karzai has continued to push for Akhundzade's reinstatement as Governor of the province and Abdul Rahman Jan has made a number of attempts to regain control of Marjah following the military operations in the area in February 2010. Mir Wali, the former commander of the 93<sup>rd</sup> Division in Helmand, was finally disarmed in 2004 by the DDR process and he successfully ran in the first Parliamentary elections. Still a major powerbroker in Helmand's Gereshk district, Mir Wali is widely considered a rogue commander with influence over an illegal armed group involved in the narcotics business.

Consequently, rather than portraying the drugs trade as the preserve of either 'the Taliban' or 'the government' (but typically the former), there is a need to recognise the role that both insurgents and corrupt government officials play in the drugs trade in Helmand. On occasion this may be competitive and involve violent struggle as one side seeks to gain control of territory or product. However, it is also likely that there is a level of cooperation between state and anti-state actors not only in facilitating the movement of drugs from one part of the country to another, but also in engineering a level of instability in a given area, as in the case of Abdul Rahman Jan, so that the production and trade of opium can thrive. Finally the above analysis suggests that the analytical centre of gravity regarding drugs and the Taliban needs to shift. There is enough accumulated evidence to indicate that insurgency may be in part 'demand led', driven by the rural population's perception of unparalleled levels of corruption within the Afghan administration including its role in the illicit drugs trade.

### *3.4 Balkh*

#### *Context*

Balkh is located in the north of Afghanistan. It neighbours the provinces of Kunduz, Samangan, Sar e Pul and Jawzjan in Afghanistan and shares borders with both Tajikistan and Uzbekistan. The population estimated to be around 1.1 million and is ethnically heterogeneous consisting of Tajiks, Pashtuns, Turkmen, and Uzbeks. Settlement patterns in Balkh are linked to ethnicity, historic state policies and contemporary political processes. The northernmost districts are populated by Turkmen; the well-irrigated central district of Balkh is inhabited predominantly by Pashtun descendants of those located under the reign of Amir Abdur Rahman Khan in the late 1800s, the city of Mazar is mixed with a Tajik core and now a sizeable Hazara population; in the east it is predominantly Tajik; the west Arab (of Syrian descent), with Uzbek and Pashtun; and the southern districts a mix of Hazaras, Uzbeks and Tajiks (Fishstein, 2010).

The ethnic diversity of Balkh is reflected in the different political parties present in the province and the constantly evolving competition with the centre for patronage. The current Governor Atta Mohammed Noor, a Jamiat commander, successfully positioned himself as President Karzai's ally in the north ultimately through the show of force in 2002 and 2003 and thereby marginalising the Uzbek warlord Abdur Rashid Dostum and the Hazara warlord Mohaqeq. Between 2004 and mid 2009 Atta dominated the political landscape in the province. His former commanders from the Seventh Corps are positioned in key posts in the security apparatus of the state and have received favours including land and housing (Mukhopadhyay, 2009b:551).

Like other provinces, the majority of the population in Balkh primarily depends upon agriculture for their livelihood. Wheat occupies more land than any other crop during the winter season earning Balkh and the northern region the title of 'bread basket' of Afghanistan – a description that is often mistakenly used to describe the province of Helmand. However, given the prevalence of rainfed land in Balkh the amount of wheat produced is largely a function of the level of precipitation each year. Cash crops include cotton, melon, tobacco and a range of winter and summer vegetables. Livestock is also a crucial element of the rural economy in Balkh.

Mazar e Sharif the provincial capital is a regional economic hub. It has small industries, a growing construction sector and related employment opportunities. Of greater economic significance is the role the province plays in the cross border trade with Central Asia facilitated by the recent opening of the railroad from Hairatan. In 2008/09 alone, Afghanistan imported US\$501 million of goods from Uzbekistan most of which passes through the port of Hairatan in Balkh. A further US\$165 million of goods were imported from Kazakhstan (Central Statistics Organisation, 2009: 215) much of which follows the same route through the province. Given the security situation in Pakistan and reports of increasing amounts of Kazakhi wheat being sold in the bazaars of Afghanistan, even in the south, it is possible that the amount of trade flowing through Hairatan could continue to increase. In total the province of Balkh earned some US\$52 million in taxes on official imports and exports in 2008/09; ranked third after Herat and Jalalabad, respectively and the province's entire contribution to government revenues in 2008/09 was approximately US\$ 83 million, almost twice as much as the province of Kandahar and an estimated forty five times more than Helmand (Central Statistics Organisation, 2009:218).

It is reported that much of this cross border trade is in the hands of a relatively small number of businessmen, all of whom have strong links with the Governor and his commanders (Giustozzi, 2007; Mukhopadhyay, 2009b), Atta himself is alleged to have financial interests in real estate, the timber trade, fertilisers and construction. He is also closely associated with a number of prominent businessmen with commanding shares in the banking sector, fuel imports, the Kamgar airline, the importation of wheat flour, as well as construction and real estate.

#### *Opium production, bans and political settlements*

Historically illicit drugs have been cultivated in Balkh primarily in the form of marijuana. The province was not a prominent producer of opium until 2005 when it is estimated to have cultivated 10,837 ha. Prior to this it had typically cultivated less than 2,000 ha during much of the 1990s. There is some debate about the actual rate and years in which the rapid expansion of opium poppy cultivation took place after 2001 with US figures showing a steadier incline in the level of cultivation in the province since 2001 in contrast to the UNODC's estimates which report a significant upswing in cultivation between 2004 and 2005. However, both sets of figures highlight the concentration of cultivation in the districts of Chemtal, Charbolak and Balkh.

Regardless of the exact timing of the rise in cultivation it is attributed to three factors. The rise in farmgate prices that followed the Taliban ban is commonly viewed as the primary reason for the increase in cultivation after 2001. Second, there were growing linkages between skilled labourers from the eastern poppy cultivating region initially looking for land and then wage labour opportunities, following the ban on opium in Nangarhar in the 2004/05



growing season. Third the market penetration of traders from the south also played their role in expanding cultivation in Balkh (Pain, 2007).

The province's experience of extensive cultivation was however short lived. In the 2006/07 growing season Governor Noor Mohammed Atta implemented a ban on opium poppy cultivation which has held until the 2009/10 growing season. The motivations for Governor Atta imposing the ban remain far from clear. It certainly seems that officials from both the United Nations and the United States encouraged the Governor in his efforts suggesting that the Governor's political career would be assured by such a move. The Governor was also quick to criticise the lack of development assistance that followed his imposition of the opium ban suggesting that he anticipated a significant increase in aid in response to his counter narcotics efforts. There are also numerous reports that the Governor and his patrons imposed the ban to consolidate their control over the regulation and trade in opium. However, like so many of these accusations in today's Afghanistan they remain hard to prove.

In Balkh more is known about how the ban was imposed rather than why. In contrast with other provinces formal structures appear to have played a more prominent role than in other provinces. For example, in contrast to Nangarhar where tribal elders were more important interlocutors, the ban on opium in Balkh was implemented in October and November 2006 through instructions from district authorities. These instructions were disseminated at the beginning of the season and informed farmers that no planting should take place (Pain, 2007). Furthermore, this 'pre-planting campaign' followed on from an eradication campaign the previous season which according to UNODC had been far reaching and led to the destruction of 1,906 hectares of opium poppy (Mansfield, 2007: 39; UNODC, 2006:53). Others report a more partial campaign targeted at those unable or unwilling to pay a bribe to those responsible for crop destruction (Pain, 2007: 26-27). Certainly fieldwork at the time suggested that unlike other provinces where counter narcotics messages were largely seen as an annual exercise for the international community, in Balkh farmers believed that the 2006/07 pre planting campaign was effective and thought that the provincial and local authorities were willing and more importantly able to impose a ban on production (Mansfield and Pain, 2007: 33).

The Governor's capacity to enforce the ban was attributed to the degree of control he has over the political and security apparatus in the province. His appointment as Governor of Balkh in 2004 consolidated Jamiat domination of the provincial administration (Fishstein, 2010). By the time he had imposed the ban on opium production in 2006 he was widely regarded as having a 'monopoly of violence in Balkh' (Mukhopadhyay, 2009a: 11). His ability to continue the ban into a third consecutive season, despite the complaints of the rural population, is perhaps an indicator of the degree to which Governor Atta had imposed his authority over the province.

The reduction in opium production in Balkh in 2007 was accompanied by reports of increasing levels of marijuana cultivation (Hemming, 2007; Faiez, 2007). It remains unclear whether the increase was a direct result of the poppy ban and whether land previously dedicated to opium poppy in the previous winter was subsequently grown with marijuana in the spring of the 2007/08 growing season once the prohibition on opium poppy had been effectively implemented. By the 2007/08 growing season Governor Atta was reported to have extended the ban on opium to marijuana –aided by falling prices and low yields the previous year (Mansfield, 2009b: 6). In 2009/10 opium poppy was once again at negligible levels – an

unprecedented fourth year of the enforcement of an opium ban in what had been, albeit for a brief period, a major opium producing province of Afghanistan.

By late 2009 Atta's political position looked more fragile. The formation of an alliance between President Karzai and the Governor's rival in the north, Abdul Dostum, during the Presidential election and Atta's decision to back Abdullah Abdullah led to continuing rumours that the Governor might be removed after Karzai's inauguration. The Presidential election itself also proved divisive with rumours of Karzai funding and arming those opposed to Atta in the province and results of the final polls showing voting along broadly ethnic lines with Pashtuns, Hazara and Uzbeks favouring President Karzai and the Tajik population largely supporting Abdullah. With the security situation deteriorating in the predominantly Pashtun and previously opium poppy growing districts of Chimtal and Charbolak there were fears that opium production might once again return to the province. The Governor's continued public complaints over the lack of development assistance that the province had received in return for the cessation of opium and marijuana suggested that the Governor himself might not be willing to enforce a ban.

However, at the time of planting farmers were unaware of the opium price in Balkh suggesting that farmgate trade in opium was largely dormant. Moreover, from an economic perspective 2009 had been a relatively good year for wheat and livestock. While there were rumours of small scale cultivation in remote parts of the district of Chimtal there seemed little likelihood of a return to more widespread opium poppy cultivation in Balkh in the 2009/10 growing season.

In sum while the Governor's political position with both the central government and with elite and ethnic groups within the province appeared more fragile than it had previously, economics was in his favour – it is after all far easier to enforce the law when prices are low. In August 2010 Atta was still in place. However, the prospect that Governor Atta could be removed as well as the re-emergence of Abdul Dostum as the President's preferred political ally in the north, and the possibility of the insurgency gaining further ground in region, all raised doubts as to whether Governor Atta would be able to enforce a ban on opium production into subsequent seasons.

### *3.5 Comparative Analysis*

These three case studies highlight the degree of diversity at the sub-national level with regard to the elite bargains and concomitant levels of political (dis)order in drug producing provinces. The empirical work emphasises the highly uneven and contested nature of state-building, as different secondary settlements and contracts are made and remade at the subnational level, which in turn are influenced by core-periphery and intra-core dynamics. In Balkh and Nangarhar significant reductions in cultivation occurred. Efforts to eliminate the crop were applied relatively uniformly across the two provinces and undermined the economic status of the bulk of the population (albeit with differing levels of severity from area to area), and the position of local elites who derived income from their involvement in both cultivation and the trade. Yet violent disorder in both provinces was largely contained.

In Helmand, however, high levels of cultivation persisted despite a dramatic fall in the price of opium in the 2007/08 and 2008/09 growing seasons. Counter narcotics efforts provided an opportunity for corrupt government officials to extract rents, whilst enabling insurgent groups to mobilise the support of the rural population. Insecurity in Helmand in particular and the

south in general has now become synonymous with the drugs trade. However problems of causality and attribution remain and it is unclear whether conflict in the south is: (i) A function of the revenues anti state actors derive from their extraction of rents from the drugs trade, (ii) The condition under which competing and sometimes colluding political elites, both from within the state and amongst insurgent groups, can continue to profit from their direct involvement in the drugs trade, (iii) A response to the predatory nature of corrupt government officials, including their involvement in the drugs trade or (iv) All of the above.

Nangarhar and Balkh are seen by many international actors as models of ‘good enough governance’ because of the apparent combination of relative stability, and an effective drug prohibition regime. Both Governors Atta and Gul Aga Shirzai are extolled for their leadership and are rewarded with extra development funds for their efforts –although both protest that the flow of development funds is insufficient. But what can really be learned about the nature of the elite bargains and political settlements reached in drugs affected regions, from the contrasting experiences in Nangarhar, Balkh and Helmand? How resilient are the secondary political settlements brokered in Nangarhar and Balkh and what implications do they have for state building and counter narcotics policies? Can a bargain be reached between political elites in Helmand given the dominant role opium plays in the local economy?

In answering these questions it is first important to acknowledge a particular characteristic of the trade in illegal goods`. As Snyder (2006) argues it is difficult for state actors to normalise the revenue they generate from the trade in illicit drugs without risking international sanction. While there has been a history of pragmatism in international actors’ dealings with members of the Afghan political elite who are said to be involved in the drugs trade there are limits, some of them statutory. The risks of retaining an active and open involvement in the drugs trade for those with long term political ambitions, as allegedly held by Atta Noor Mohammed and Gul Aga Shirzai, are potentially high.

In the case of Nangarhar and Balkh it appears that there has been a process of diversification and then ‘graduation’ as political actors have built on their involvement in the drugs trade to consolidate their political and economic power, invested in alternative licit and semi-licit economic activities, and then reinforced their position with central government and international community by subsequently prohibiting opium production. These two provinces have benefited from particular structural endowments, without which processes of diversification and graduation would have been difficult. The provincial capitals of Mazar e Sharif and Jalalabad represent regional economic hubs that attract internal and external investment. Both provinces also have significant flows of international trade across official and unofficial border crossings. Where farmers produced a surplus of opium beyond the level required to meet annual household expenditures, they invested in other legal income streams such as livestock, transport and trading. All of this trade – both internal and international - can be taxed and the revenues used to co-opt local elites for a variety of purposes, including the enforcement of the prohibition of opium poppy.

Governor Gul Aga Shirzai is in the privileged position of also being able to draw on the tax he officially imposes on the transit trade through Nangarhar, as well as the personal wealth he derives from his licit business interests in the construction and security sectors in Kandahar and Nangarhar to finance a political settlement with local elites. Governor Atta has given government land and jobs in the administration to his former commanders as a way of continuing a system of patronage. Combined with the rents that can be appropriated by elites on the large amount of development assistance allocated to these provinces there are multiple

economic activities from which the political elite can benefit in provinces like Nangarhar and Balkh. There are strong continuities between formal and informal governance arrangements in both provinces though there are also important differences between them; Shirzai draws upon charismatic leadership and tribal patronage networks, whereas Atta's deployment of state structures and policies, constitutes a more institutionalised form of patrimonialism.

However in both cases, these two regional strongmen have arguably evolved into what Olson (1993) refers to as 'stationary bandits' - who prey on their subjects but do so with moderation. It is far from clear whether the political settlements currently reached and the mechanisms for rent extraction could be maintained were the two Governors, who have been so instrumental in their negotiation, be removed. Furthermore, elections risk upsetting fragile secondary political settlements by shortening the time frames and commitments of political elites (Giustozzi & Orsini, 2009).

Helmand, in contrast, is structurally disadvantaged, and there are fewer opportunities to establish the institutional arrangements necessary to extract rent over the longer term. The relationship between the political elite and the population retains a coercive and predatory quality associated with that of the 'roving bandit' (Olson 1993). While Helmand is a border province, like Nangarhar and Balkh, it does not have a flow of the type of goods and services on which revenue streams can be easily normalised. It sees none of the high value official cross border trade that Balkh and Nangarhar benefit from; it does not have an abundance of mineral resources; and growth in the agricultural sector on which it largely depends is a function of demand from the population in Kandahar, Kabul and Quetta – who can source produce elsewhere at lower cost. Given the limited economic potential, the political elite of Helmand sees little economic premium to be gained from stability. To the contrary with illegal drugs being the primary economic activity in the province, and the 'stabilisation' sector possibly following closely behind, it could be argued that there is an economic interest in maintaining a high degree of instability in which business and thereby rent extraction can flourish.<sup>35</sup> There is evidence of collusion between former state actors like Abdul Rahman Jan, the political elite in Kabul and the Taliban. Former Helmand Governor Sher Mohammed Akhundzade also stands accused of both undermining each of the Governors who have followed his rule, but also of disbanding his militia and encouraging them to look elsewhere for financial support including from the Taliban (Gordon, 2009: 22).

There is however a limit to the nature of this collusion in Helmand given the presence of international military forces from NATO, the United Kingdom, the United States and other nations. While Snyder's (2006) model would predict state actors leveraging an agreement with private actors for the joint extraction of rents derived from the drug trade and regulated through counter narcotics efforts, there is limited scope for this in an environment where a foreign military and security force remain so dominant and are free to pursue their own operations. As de Waal (2009) notes, external intervention risks distorting prices in the political marketplace, and prevents the emergence of stable interdependencies between central state and peripheral elites. There may well be opportunities to collude to maintain the insecurity, as we have already seen, but establishing more permanent institutions for the joint extraction of rent under and the basis for a more durable political settlement seems unlikely. Given a shortage of what Snyder and Bhavani (2005:571) refer to as 'non lootable resources' in the province, the sheer prevalence of artisanal 'lootable resources' in the form of illicit

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<sup>35</sup> There is a view amongst the local population that many of the political and economic elites present in the south have considerable economic interest in the continuation of the conflict. A phrase that is often used to describe this is '*Obar khare ka mahi wa ni sah*' which translates to 'muddy the water catch the fish'.

drugs, and little evidence of the state making ‘revenue enhancing’ or ‘revenue conserving’ investments there would appear to be all the ingredients for a protracted conflict in Helmand. The diffusion of the means of violence across a large number of tribal and political groups combined with the means to finance conflict through illegal drugs flows means there is little basis for an inclusive bargain amongst local elites. The conditions are thus not conducive for the emergence of a stable state-sponsored protection racket, given that there is no monopoly supplier of protection and consequently there is no credible commitment to enforce the law (Snyder and Duran-Martinez, 2009). Moreover, while there is considerable talk about reconciliation with the Taliban the degree of financial autonomy that these different groups have in Helmand as well as the enmity between them suggests any kind of political settlement will be hard to reach.

#### **Section Four: Drugs, the political settlement and state-building**

Drawing upon the above case studies and broader writing on the Afghan drugs economy, we return to the three constellations of questions set out in Box 1 i.e.; drugs and the political settlement; violence, political order and the illicit economy; drugs, state-building and development.

##### *4.1 Drugs and the political settlement*

To what extent has the drugs economy contributed to the emergence and consolidation of a political settlement in Afghanistan? A comparison between the Tajik and Afghan peace settlements may be instructive. Whereas the latter was an imposed and exclusive settlement, brought about by foreign invasion, the former was largely the result of an endogenous (though externally facilitated) process, that consolidated and legitimised the pre-existing politico-military equilibrium. Drugs constituted an important variable in the negotiations, and the settlement involved the dividing up of control of drugs trafficking routes between key protagonists (Nourzhanov, 2005; Paoli et al, 2009; Lewis, 2010). Therefore a broad-based, inclusive political coalition emerged, with a strong interest in stability, linked to securing rents associated with the drug trade. Subsequently, political consolidation and centralisation of power under the Rahmanov regime, has arguably signified a shift from a ‘fragile’ to a ‘basic’ limited access order.

As de Waal (2009) notes, international peace makers are not referees in the ‘political marketplace’, but players, who risk distorting the marketplace by artificially inflating or deflating the price of loyalty. In the Afghan case, external support has had contradictory objectives and effects; on the one hand, military and financial support for the central state, effectively lowered the price of loyalty, thus decreasing the necessity for central state elites to negotiate with peripheral elites. Rather than supporting a broad-based inclusive political settlement, aid has arguably reinforced an exclusive elite pact, composed of an unstable mix of *ihadists*, Afghan technocrats and traditionalists (Giustozzi, 2004; Suhrke, 2006). Conversely, CIA funding of regional ‘warlords’ artificially inflated the price of loyalty, strengthening their bargaining power in relation to the central state. By simultaneously trying to fund and build central state institutions, whilst playing patronage politics, international actors contributed to the instability of an already fragile political coalition. As a result the relationship between central state and provincial elites is, as Suhrke (2006) characterises it, one of constant hedging or ‘spot bargains’, because neither side feels secure enough to commit to a long term course of action. As shown in the case studies, these bargaining

processes linked to primary and secondary political settlements take different forms in different parts of the country depending on a range of factors including; the contradictory policies of international actors; the extent to which the region/groups benefited from rights, entitlements and resources distributed at Bonn and afterwards; the power base of provincial elites; the perceived legitimacy of the central state at the local level; the magnitude and types of resources available at the provincial level relative to resource flows from the centre; the extent to which the opium economy is embedded in the local economy and the level of dependence on poppy production; the strategic and economic significance of the border region; the level of insurgent activity; the degree of external (state and non-state) involvement in region.

Drugs may play a significant role in influencing these negotiation processes, which in turn shapes the nature of the political settlement. It should be remembered that drugs have specific qualities, which differentiate them from other resources that can be mobilised by state or non state actors. The diffuse, high value (and price elasticity) and fugitive qualities of drugs makes them inherently difficult for state actors to monopolise.<sup>36</sup>

Returning to the question of how and whether drugs influenced the post Bonn political coalition one can identify a number of linkages: First, given the externally imposed nature of the Bonn Agreement, there appears to have been a limited connection between drugs interests and political negotiations, as was the case in Tajikistan, where drugs clearly influenced who got a place at the table and how the post conflict spoils were divided up.

Second, the clearest linkage between drugs and the political settlement runs in the opposite direction i.e. the influence of the political settlement on who was able to establish a foothold, or consolidate their position within drugs economy. Whilst in Tajikistan there has been a gradual consolidation of power and a growing state monopoly over the drugs economy, in Afghanistan though there has been a degree of consolidation, it remains fragmented and control is violently contested. And to a large extent, this violent contestation can be traced back to the Bonn agreement and the political arrangements that followed in the wake of the settlement. However, as the case studies show, these processes have occurred unevenly; in Balkh and Nangarhar, the emergence of state sponsored protection rackets provided the foundation for processes of diversification and graduation, whilst in Helmand the drugs economy, fragmented authority and violent conflict feed into one another.

Third, the drug economy has played a role in re-shaping the political settlement – and particularly secondary political settlements - since poppy constitutes an important resource base for military and political entrepreneurs to buy votes and positions in order to gain access to parliament or senior positions within the central or provincial administration. As Giustozzi and Orsini (2009) argue, the combination of patrimonial, opium-fuelled politics and periodic elections have shortened the life cycles of political alliances, leading to increased instability and more predatory behaviour. Furthermore, the combination of visible state involvement in the drug economy, alongside unevenly implemented counter narcotics measures that hurt the least powerful and wealthy, undermines state legitimacy and the social contract – consequently in many parts of the country there has been a shift from a permissive to a coercive social contract as de facto compliance amongst the population has broken down.

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<sup>36</sup> As Le Billon (2007), notes such peripheral, diffuse resources are frequently associated with ‘warlord’ insurgencies and similarly in ‘post conflict’ settings may undercut the political and fiscal efforts of the state to centralise power and resources.

## 4.2 *Drugs, Violence and the Insurgency*

In the period following the fall of the Taliban regime, the combat economy has changed, in response to external intervention, the emergence of a nascent state and a new regulatory regime and the re-emergence of the Taliban. In earlier phases of the conflict opium production was largely viewed, at least in the domestic context, as a licit activity.<sup>37</sup> The criminalisation of poppy has meant that those involved have to look for protection within or beyond the state – and there is no shortage in Afghanistan of ‘specialists in violence’. In contexts where trust is fragile or completely breaks down, violence is a highly valued resource which is utilised to ensure contract compliance (Blok, 1974).

The specific functions of violence, and the role of opium, within the combat economy vary from one area to another and over time. As the case studies demonstrate, there have been quite distinct regional and temporal differences in the levels and patterns of violence, and the linkages between drugs and (dis)order. These differences can be traced back to the nature of the Bonn agreement, which decided who was included or excluded, and the core-periphery, intra-periphery and inter-periphery dynamics that were set off by this elite bargain. Broadly in the south and parts of the east, the combat economy sustained an anti-state insurgency, which became increasingly intense and geographically wide spread. In contrast, in the northern areas, the economy of violence revolved around controlling trade and reaching an accommodation with (rather than overthrowing or resisting) the state.

In much of the south the drug economy appears to be fuelling (though not driving) a violent insurgency. Reports suggest growing links between insurgents, drugs traffickers, local strongmen and tribal groups all of whom have an interest in either overthrowing the state or keeping it at bay.<sup>38</sup> The longstanding links between the Taliban and the transport and drugs mafias on the Afghan-Pakistan border has been well documented (cf Rubin, 2000, Goodhand, 2004).<sup>39</sup> The Taliban’s opium edict of 2001, severely strained their relationship with some traders and the group’s apparent collapse in 2001/2 may partly be attributed to their deep unpopularity (especially in the tribal areas) as a result of the ban (Mansfield, 2006b:2; Mansfield and Pain, 2008). But it is not unsurprising that these links were re-established once the Taliban had re-grouped across the border following the coalition-led intervention. Many argue that poppy provides the tax base for the insurgency, but it appears likely that external resource flows are of a greater magnitude,<sup>40</sup> though drugs may constitute a significant component of the Taliban’s operating funds. However, perhaps more important than its economic role is the opportunity the opium economy provides to the Taliban to generate political capital. Eradication campaigns in the south have created a situation whereby the Taliban can act as the protectors of the Afghan peasantry. Therefore the Taliban’s apparent demise and then their re-insertion into Afghan society are linked to their relationship with drugs – but this is primarily a story of politics rather than economics.

In the north, conflict dynamics and the relationship with drugs are quite different. Whereas in the south a new ‘war cycle’ had begun, in the north it appeared that in 2002-6 a ‘peace cycle’

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<sup>37</sup> A manifestation of this perceived licitness was the cultivation of poppy on prime agricultural land in easily accessible areas.

<sup>38</sup> It should be noted however, that hard data on the drugs-insurgency nexus is difficult to come by and what does exist is highly conjectural.

<sup>39</sup> Some argue that ultimately, ‘criminal involvement’ is likely to affect the motivational structure of originally ideologically motivated groups (Cornell, 2006). However the Taliban’s symbiotic relationship with Pashtun entrepreneurs in the shadow economy in the 1990s appeared to have little effect on their conservative ideology.

<sup>40</sup> See Giustozzi, (2007).

had begun to take root (Giustozzi, 2010). After the fall of the Taliban, local strongmen, with a *jihadi* background, consolidated their spheres of influence in the countryside and were able to maintain their autonomy by controlling or taxing the drug economy. Poppy provided them with a powerful fall-back position and bargaining tool in relation to the emergent state and international actors. Shaw (2006:196) argues that DDR programmes have had a two tier effect, firstly by inducing senior commanders to enter formal political processes and secondly by pushing lower level commanders and their militias – who had few other ‘career’ options - into a closer relationship with opium trafficking or the selling of protection.

In many parts of the north a political equilibrium emerged, due in part to the stabilising role of international forces, since warlords now had less to fear from an attack by rivals, but also because of the drugs trade. Once fortunes had been accumulated, war and its uncertainties became more problematic for such actors, with the new rich becoming potential targets. The behaviour of military entrepreneurs thus became increasingly shaped by the logic of the market. Essentially this equilibrium is related to the emergence of embryonic mafia-type protection rackets, which have reached an accommodation with the state, in return for a state policy of limited interference. Therefore in some regions there has been a transition from a private extraction regime to a joint extraction regime, involving complex interdependencies and the sharing of rents between state and non state actors (Goodhand, 2009). The stability of this equilibrium varies from area to area<sup>41</sup> but there is no automatic and straightforward relationship between the drugs trade and violence. Violence is likely to be instrumental and limited and is most frequently a consequence of market dysfunction and disorganisation. Because it is bad for business, the default setting may be violence avoidance.

This north-south distinction is of course more complex in practice, particularly after 2006 since, both the insurgency and legitimacy crisis of the state have spread beyond the Pashtun heartland. The north has become increasingly unstable with the insurgency spreading into pashtun and non pashtun areas in the north and north east (Giustozzi & Reuter, 2010). Also the links between drugs and political (dis)order varies according to local dynamics. For example, in a study of Laghman and Nangarhar provinces in the east, Koehler and Zuercher (2007) found that drugs may have indirect effects on violent conflict -- for example by increasing the value of land thus raising the stakes in the competition for scarce resources. And land conflicts themselves have a high propensity towards escalation of violence in the absence of effective conflict processing mechanisms (p. 66). On the other hand it was found that the resources generated through poppy cultivation may have a ‘conflict dampening’ role, and 79% of respondents in the study thought that money was the most important factor in addressing disputes (followed by patronage and physical force).

#### 4.3 *Drugs, the state and development*

As Giustozzi (2007:79) argues, for political entrepreneurs the drug economy is a vehicle for accumulating power. Narcotic interests have permeated parliament and other central state organisations. The police force was described in one report as a ‘shop for selling jobs’ and it has been estimated by some Afghan officials that up to 80% of the personnel in the Ministry of Interior benefit either indirectly or directly from the drugs trade (Wilder, 2007). This assemblage of actors, networks and institutions like the opium economy itself is extremely

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<sup>41</sup> See Mansfield (2007a) who contrasts the level of stability in Baharak district, compared Jurm in Badakhshan province and relates this to the particular configuration of political and military players in each locale and their relationship to provincial authorities.



footloose and flexible and patterns of capture and corruption can shift across ministries and other institutions in order to evade regulatory mechanisms (Byrd and Buddenburg, 2006:6).

As outlined above, opium may provide the economic glue which binds together political coalitions and helps maintain a measure of stability in particular locales. As one US military official candidly described Commander Razik who controls the Kandahar-Spin Boldak road and is heavily involved with the drugs trade: 'He runs effective security ops that are designed to make sure that the business end of his life runs smoothly, and there is a collateral effect on public order' (cited in Aikins, 2009:62). Opium networks are extremely heterogeneous as market imperatives tend to override religious, political, ethnic and geographical boundaries. In provinces where there is a limited international military or insurgent presence bargaining processes around secondary political settlements may have the greatest potential to evolve and 'stick'.

Following Snyder (2006) a joint extraction regime may emerge, whereby rulers and private actors must negotiate with one another in order to share the revenue generated by poppy. Each can deploy a combination of sticks and carrots in order to deter the other from establishing a monopoly over the revenue streams from opium. State actors can use the threat of coercion through the deployment of the Afghan National Army, the police and border police. Like protection rackets they create a demand for protection – against threats from itself and from non-state actors who are competitors in the drugs industry. They can also threaten a 'no extraction' regime by deploying counter-narcotics instruments, including eradication by the counter-narcotics police. Eradication is never the result of a simple cost benefit analysis, but the result of a complex negotiation process – in which there are multi-levelled, centre-periphery and often cross border, bargaining processes. Therefore we need to look beyond the idea of a straightforward, national level political settlement.

Those in state institutions that recruit personnel for key positions in drug producing and smuggling areas can determine the distribution of rent. Private actors cannot gain and maintain a foothold in the drugs industry without securing patrons within the state at the district, provincial and central levels (Goodhand, 2009). However, state actors do not hold all the cards. Peripheral elites still have militias in spite of patchy DDR programmes, and this gives them considerable bargaining power. Furthermore poppy as a diffuse, high value, easily transportable and illegal commodity, which is often cultivated in borderland regions, is a difficult commodity for state actors to monopolise, lending itself to joint or private extraction regimes. Finally the porosity of borders and the footloose nature of the industry make it extremely difficult for rulers to establish monopoly control. Therefore, in effect, principals franchise out monopoly rights on the border to agents in return for a share of the profits.

Clearly, such 'self weakening' state-building strategies of indirect rule and outsourcing, do not necessarily lead to consolidated political authority. However, patrimonialism can provide second best, but practicable outcomes. Furthermore, drugs may play an important role in attracting the state outwards towards its borderlands. Historically the lack of wealth and marginal location of mountainous borderlands made these areas unprofitable for the Afghan state to administer (Barfield, 2004). But for state elites today, the drug economy has transformed some border regions into high-value assets, which they aim to control, regulate or capture (Goodhand, 2009). A key question is whether more legitimate forms of public authority can emerge from such highly illiberal political orders? Can there be a Tillyan evolution involving the institutionalisation and civilisation of authority? There is some evidence, from our case studies, and elsewhere (Mukhopadhyay, 2009; Goodhand, 2009)

which suggests that such transformations are possible, when security arrangements and people's time horizons change. In Balkh, for example, the potential perhaps exists for a shift from a coercive to a permissive and finally even a productive social contract. The opium economy provided Mohammed Atta with the means to embark upon a primitive accumulation of power and resources, which was followed by an attempt to legitimise his wealth and power through a combination of state reforms and counter narcotics measures. Arguably, the failure of the central state and aid donors to follow up with significant development assistance and the insecurity engendered by elections and the spreading insurgency have impeded the emergence of a productive social contract.

Therefore, the unstable nature of the core political coalition, increasingly militarised international interventions and coercive CN measures mean that such secondary settlements are always vulnerable to sudden and often violent shifts. As Snyder's model demonstrates, institutions of joint extraction may be fragile in the event of changed terms of trade and prices, or external shocks due to a changed regional or international environment. Consequently the price of political loyalty is constantly changing and in such a volatile marketplace, political settlements are being perpetually challenged and renegotiated.

A number of further caveats point towards the complexity of the drugs, governance and development relationship:

First, whilst on the one hand drugs networks may lead to a level of political order, state involvement in the drugs industry and its imposition of uneven and biased CN measures undermines the legitimacy of the state and contributes to insecurity.

Second, the opium economy poses a complex development challenge. On the one hand it contributes heavily to local incomes – and has a range of spin off effects, for example in the construction industry, investments in local infrastructure and at macro level, currency stabilisation. As McCoy (2004:236) notes opiate production can be understood as an ad hoc form of postwar reconstruction. However it also has a range of negative impacts including Dutch disease, inflation of land prices, and increased inequalities.

Third, opium production has financed the diversification of on-farm, off-farm and non-farm income and supported economic growth. Diversifying income has been critical to the welfare of farmers and, in turn, political stability. Without the direct revenues earned from opium, as well as the income generated from the assets purchased with its proceeds, the economic consequences of prohibition are likely to have been more severe and may have undermined the fragile order established in provinces like Balkh and Nangarhar (Mansfield, 2010b).

Fourth, as an illegal commodity it does not contribute to the tax base of the government, which is central to the long term health and legitimacy of the state. And the transition into licit economic activities is clearly a prerequisite for the emergence of a legitimate state with the capacity to perform core security and welfare functions.

## **Section Five: Conclusions**

Although the focus of this paper has been on the supply side of the drugs economy within Afghanistan, one should not lose sight of its linkages to the broader picture of supply and demand dynamics at a global level. In a context of high world and regional demand, combined with a narrow law enforcement focus and limited recognition of its development,

security and political implications (Byrd, 2010: 302) there is no reason to believe that ‘the war on drugs’ will be successful in Afghanistan or elsewhere. As McCoy (2004) notes, prohibition provides a stimulus to production and the current counter narcotics regime exacerbates rather than addresses state breakdown and corruption in drugs affected contexts. A number of key findings are derived from our empirical work and analysis:

First, drugs are not inherently conflictual – the evidence points towards a far more complex relationship between opium and political (dis)order. There is no simple, uni-directional linkage between drugs and war/peace cycles. The geographical spread and total production of opium was far greater in Afghanistan during the peace cycle of 1995-2001 (Giustozzi, 2010), than in the war cycle that preceded it (1993-1994). This implies thinking more carefully about the links between drugs and peace-building and exploring ways of drawing a wedge between the pursuit of profit and the pursuit of violence (Sherman, 2003).

Second, illicit economies are not automatically an index of, or driver of state breakdown. Rather the case studies paint a more complex and ambiguous story, suggesting that drug economies may be an important arena in which state authority is challenged, but may also be consolidated and strengthened. For example, the early careers of many of the provincial, district and local elites in Nangarhar and Balkh who are responsible for banning opium production, and have subsequently consolidated their positions, can be traced back to the drugs trade.

Third, drugs have similarly complex and ambiguous linkages to processes of development. The case studies reinforce the fact that the drug economy has brought about structural shifts in the Afghan political economy, including the monetisation and marketisation of rural economies. It has been a catalyst for new forms of accumulation and new owners of capital, whilst providing a form of risk mitigation to a population immiserated by three decades of war. Conversely, counter narcotics measures aimed at eliminating cultivation have thrown many households deeper into poverty, whilst de-stabilising political settlements.

We have drawn upon the literature and research on political settlements, rent seeking and borderlands in order to interpret and analyse these findings. North et al’s (2009) ‘limited access order’ framework provides us with a convincing entry point for analysing the underlying logic of the political marketplace in Afghanistan and unpacking the relationships between violence, rent seeking and political coalitions.

This leads to a set of implications that we believe represent a departure from mainstream approaches to state-building, peace-building and counter narcotics:

Rather than starting with an idealised version of what the state should look like, there is a need to engage with the ‘political market’ place as it actually exists. This entails rethinking some of the central tenets of the ‘New York consensus’ on state-building, not least the idea that it involves the establishment of a prescribed set of institutions, followed by the diffusion of power outwards from centre to periphery, in a top down fashion. Our case studies are illustrative of the highly uneven and contested nature of state-building and how frequently the borderlands may be not just reflective of power relations at the centre, but constitutive of those power relations. This leads to a more disaggregated, bottom up and a more process orientated approach to analysing state-building dynamics and the formation of public authority. As highlighted in the case studies, such an approach involves; a focus on the bargaining relations within and between elites and sub elites and the role that resources (licit

and illicit) play in these processes; the central role played by the deployment and regulation of coercion in shaping political coalitions and governance relations more generally; an appreciation of the ‘vernacular’ of local politics and ways in which legitimacy is constructed and mobilised in particular contexts at particular moments of time; longitudinal analysis that highlights the making and unmaking of settlements and contracts over time; and an understanding that external actors, far from being neutral referees in these processes, are players, who risk undermining or distorting these bargaining processes and preventing the emergence in the long run of legitimate political authority.

The above analysis does not lead to a more laissez faire approach to drugs, though it does suggest the need to rethink some of the underlying assumptions behind counter narcotics policies in Afghanistan and to make adjustments accordingly:

- Acknowledge the complex trade offs involved in the simultaneous pursuit of different policy goals including peace-building, state-building, counter-narcotics, tackling corruption.
- Be prepared to make pragmatic compromises, which may mean selecting policies and programmes that are less cost efficient, and sometimes morally ambiguous – for example acknowledge the process of diversification and then graduation that has occurred in the provinces of Nangarhar and Balkh and recognise the need to create incentives which encourage war time entrepreneurs to hold onto ill-gotten gains and enter the licit economy.
- Understand that the drugs issue in Afghanistan cannot be ignored or treated simplistically. The production and trade of opium influences and shapes complex economic and political processes at the local, regional and national level, as do counter narcotics efforts. Interventions that fail to develop an adequate understanding of the role drugs play in the political economy in any given geographic space will not deliver on their objectives and are likely to prove counterproductive. For example, efforts to target traffickers associated with the Taliban in parts of Helmand will only serve to increase the influence of corrupt government officials over the drugs trade thereby failing to curb the flow of illegal drugs from the province and further undermining the legitimacy of the Afghan government in the eyes of the local population. Similar outcomes are to be expected from efforts by the international community and the government in Kabul to reinstall, or elevate, deposed government officials known for their direct involvement in the drugs trade in the province on the assumption that they presided over periods of relative stability in the past and can recreate these same favourable conditions in the future.
- Recognise that decreasing Afghanistan’s dependence on drugs is a long term goal that can only be addressed incrementally. Progress will largely be the result of efforts to improve governance, security and economic growth as opposed to what are often single season counter narcotics measures. Indicators of progress should not be those typically associated with counter narcotics interventions such as reductions in the area cultivated or an increase in the numbers of hectares of opium poppy eradicated, but those that reflect wider economic growth and income diversification - the necessary preconditions for sustained shifts out of opium production.
- Ensure interventions that aim to support the shift from illicit to licit economic activities are mindful of the chronically insecure environment in which economic

agents pursue short-term returns and look to better manage repeated and concurrent risks. Creating alternative economic activities will need to mimic the qualities of the drug economy and recognise that opium poppy is typically only a component part of more complex rural livelihood strategies that includes other crops (grown for consumption and sale), livestock (and their by-products) and non-farm income opportunities.

- Channel resources in order to maximise their potential to support domestically led bargaining processes and the emergence of broad based political coalitions. This involves a fine balancing act in terms of the provision of (dis)incentives to central state elites and peripheral elites and as the case studies show, the nature and outcomes of these negotiations will necessarily vary from one place to another.
- Support institutions and processes which build the fiscal capacity of the state and stimulate broad based development. Such interventions will counter the centrifugal dynamics of the drug economy, increase the bargaining power and legitimacy of the state and create licit livelihoods that provide an alternative to the drug economy.

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