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OPIUM TRADING SYSTEMS IN HELMAND AND GHOR PROVINCES

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I. BACKGROUND AND INTRODUCTION

The role and impact of opium production on the livelihoods of landowners, sharecroppers, and migrant labour in Afghanistan is increasingly well understood. Research into the incentives, entry, and exit strategies of rural households in the opium economy is in progress and attention is beginning to be paid to building a better understanding of risk and uncertainty in relation to farmers' decisions and opium poppy cultivation. Through its annual surveys, UNODC has provided information on the spatial and temporal distribution of opium poppy cultivation.

Rather less attention has been given to the functioning of opium markets and trading systems for opium at village, district, and provincial levels. Earlier work by UNDCP (1998) concluded that rather different trade structures were in operation between Nangarhar in the east and Helmand in the south. The latter appeared to have a more open and competitive market. The former was perhaps more vertically integrated. Since 1998 when that study was undertaken, opium prices have been through a dramatic rise and decline, and since 2001 there has been a marked expansion in opium poppy cultivation throughout the country. This has possibly led toward a more national and integrated market. UNODC (2003, p. 59) and the World Bank (2004) have concluded that price behaviour suggests a relatively open and "free" market. The issue of market integration is further explored in Chapter 5 using statistical and econometric techniques. However, persistent regional price differentials indicate that there are some limits to an integrated market. Overall, there is much that is not understood with respect to price formation and how it relates to market structures and actors. Even less is known about the informal institutions that regulate opium trade.

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

This chapter investigates the workings of the opium market in two provinces, Helmand and Ghor. It tries to establish who the traders are, how many there are of them, their characteristics, the history of their engagement in opium trading, and how it fits in their overall portfolio of activities. It investigates trading patterns and volumes, price differentials, and trader strategies in relation to inventory and turnover. Particular attention is

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devoted to traders' perceptions of market risks and how they respond to these. The chapter also strives to understand how the markets (in terms of location, prices, structures etc.) have changed since 2001 with the fall of the Taliban regime and the establishment of an internationally recognised Kabul-based government, and how this related to planned and actual government action against the opium economy.

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

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

The research was carried out at a time of considerable contention over the legitimacy of the opium market. Particularly in Helmand, there was conflict between key opponents of the Kabul Government and its allies, resulting for example in the murder in the province of five staff members of an international contracting firm working for USAID. Earlier actions by the provincial government, which as we shall see also includes key actors in the opium economy, led to a degree of crop eradication. More specifically, action by interdiction forces from Kabul during late May and June of 2005 led to the seizure of quantities of opium and its burning—4.7 tons being burned in Lashkar-Gah on June 4 in the presence of the Provincial Governor—and the arrest of various traders in the city and districts. Conditions in Ghor were easier, although considerable circumspection also was required.

Under such conditions, research had to proceed with extreme caution and indirectly, using local connections and their existing personal relations to gain access to informants. Even with these contacts, discussion and questions often had to be of a general and more indirect nature rather than specific, gradually building up a picture of detail where opportunities allowed. However in some cases, particularly in Ghor, detailed and frank discussion was possible. A total of thirty-nine individual or group interviews were undertaken, and summary details of these are included in the two sections of this chapter on the individual provinces.

The chapter has also attempted to build a quantitative picture alongside the more important process and qualitative story. However, the numbers presented here must be taken as approximate and indicative rather than authoritative. In a sense, these numbers are more about building an argument rather than establishing facts, and they are put forward to be challenged and questioned. In any study of an illegal economy, numbers and facts need to be treated with great caution since there is every incentive for informants to be "economical with the truth". In particular, under circumstances where the opium economy is in a state of considerable flux, district and provincial understandings are rapidly shifting, and the story for this year may be different from the story for last year or next year.

This chapter first describes the context of the study before going on to explore key issues of opium production and trading, the identity and role of traders, their trading networks and market risks, and some of the institutional dimensions of the opium economy. Two subsequent sections, one for each province, provide a more detailed analysis of the fieldwork and findings on which this study is based. There is inevitably some degree of duplication between these provincial sections and the earlier section on main findings. The chapter concludes with a discussion of some of the potential implications that might be drawn.

II. MAIN FINDINGS AND THEMES

Provincial Contexts

Helmand is essentially an economy of arid plains structured around a major valley irrigation system. The often controversial history of the Helmand-Arghandab irrigation system—since the 1950s, with substantial American investment and as a beacon of an agenda of modernisation of the Afghan state, has been well commented on by Cullather (2002). A combination of a difficult technical history (most notably in relation to issues of salination), a classic state agenda of re-settlement of primarily Pushtun people from the east (many from Nangarhar province), and a centralised irrigation authority with an engineering attitude toward water management and modernisation—and as Scott (2001) would have it of putting order into an unruly rural landscape—meant that the dreams of what the Helmand valley system might achieve have had a long history of disappointment. The irony is of course that this scheme, which was designed to be the generator of an agricultural export market based around cotton, has become so, but around the wrong crop (opium).

Irrespective of the cropping pattern, the river and its associated irrigation structures are the defining feature of the landscape, with a green ribbon of agricultural lands and dense settlements clustered along the river's length, which runs mainly northeast to southwest through Helmand before exiting into Nimroz Province. As one moves down the length of the river, the borders and extent of irrigation gradually narrow down to the immediate river border. During the drought of the late 1990s, water supplies were very limited in the southern reaches of the river. Outside the river valley, the area south of Lashkar Gah is essentially desert, classified under the FAO land use system as barren and stony ground. To the north and on higher altitude lands on the edges of the western reaches of the Hindu Kush, small villages located around *karez* irrigation systems (traditional gravity-driven underground canals), very limited amounts of rainfed land, and livestock production systems can be found.

Overlaying the dualistic agricultural economy of a central grain surplus river cultivation system and a northern periphery of grain deficit small-scale karez-based village economies are two important aspects of social identity. The first is the geography and spatial distribution of Pushtun tribal identity that constitute an important aspect of social networks and power structures. The second is more one of economic class, with major differences in land ownership including a landlord class with substantial land holdings and a multitude of households with limited or no land who exist in sharecropping arrangements with the major land holders. The playing out of these economic and social relations has been exemplified by the relative returns to opium poppy cultivation each class accrues.²

In addition, the importance of the location of Helmand, as a border economy within Afghanistan and with a long history of smuggling and trade to Pakistan and Iran, must be recognized. Its location inevitably places Helmand in a position of comparative advantage with respect to trade in illegal commodities given the proximity of the border and the fact that the borderlands on both sides have limited state presence.

Ghor displays classic features of a remote mountain economy. Notably it is surrounded to the west (Herat), north (Mazar), and south (Helmand) by irrigated plain economies and centers of demand and consumption. The province is remote and poorly served by infrastructure, with road access to the provincial capital (Chaghcharan) being at least a two-day journey from Herat and nearly three days from Kabul through Hazarajat. Only since 2001 has access to Chaghcharan along the Hari Rud river been possible with the construction of a bridge at Dar-i-taq. In winter the central high plains and provincial center are cut off by snow for between four and six months. However, within this generalised picture certain districts in the west and south of Ghor (e.g. Tulaq, Taywara, and western Sharak), with lower altitudes, have year-round access to Herat and Helmand provinces. Although it is a province through which many of the major northern rivers feeding the neighbouring plain economies flow (the Murgab, Hari Rud, and Farah Rud rivers), Ghor obtains rather limited benefits from these water sources on account of steep V-shaped valleys with limited flat irrigable lands on the river edges. Settlement tends to be highly dispersed and opportunistic around localised small-scale water sources, rather than densely settled along river basins.

Ghor is largely a rainfed-based seasonal economy from which surplus is extracted. This is well illustrated by the seasonal movement into Ghor during the summer months by Kuchis (nomads) from the surrounding plain provinces, who not only own the bulk of the provincial livestock population but also appear to control access to large areas of the natural pasture as well. Key natural products—such as livestock, walnuts, dried apricots, *qorut* (dried yoghurt), *kurk* (fine wool from the ear of the goat), and black cumin (gathered from common lands)—have traditionally been exported, along with rainfed grain in good years. Historically the major traders at the district centers were outsiders. Outside traders from Helmand, Kandahar, and Kabul largely controlled the export livestock trade and dealt directly with the Kuchis in their key seasonal markets around Chaghcharan.

Seasonality—in terms of both physical access and productive activity—is a defining feature of Ghor's economy. The summer months can best be defined as a period of intense household activity in preparation for winter hibernation. At the higher altitudes much of the crop is spring planted, and there are careful calculations about the division of irrigated land between wheat and fodder to provide for the winter survival of households and livestock.

Household livestock numbers are critically constrained by availability of winter fodder. Collection of fuel and fodder during the summer is a major activity, requiring two to three months of labour. These are combined with transhumance and the seasonal movement of livestock out of villages to higher summer settlements.³ The significantly higher price of wheat in Ghor (estimated to be at least 30% higher than in Herat) and the difficulties of winter access play a critical role in the calculus of decisions on opium planting in relation to the risks of failing to achieve food security for the winter period.

Ghor has also historically been a labour reserve. With a highly seasonal economy, and significant areas of grain deficit during years when the rainfed component of production failed, movement of male labour out of Ghor during the winter period has been a major component of livelihood strategies, dating back several decades but of variable importance according to location. Movement is thus a key feature of the landscape and economy: the spring movement into the province of Kuchis from various points of the compass around Ghor for high-altitude summer grazing and their departure in the autumn for low altitudes in the winter period; the seasonal movement of local labour out in the autumn and its return in the spring; and the seasonal export of natural resource products. All of these dimensions have contributed to making Ghor one of the poorer provinces of Afghanistan, a fact borne out by the NRVA data.

Opium Production and Potential Trading Volumes in Helmand and Ghor

Table 4.1 situates the relative position of the two provinces in the estimates of national opium poppy cultivation area. The data demonstrate the historical and absolute importance of opium poppy cultivation in Helmand in contrast to the insignificant and recent contribution of Ghor. The trends are discussed in more detail below.

Table 4.1: Contribution of Helmand and Ghor to Afghanistan's Opium Poppy Area (% of total)

Source: UNODC (2004).

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005*
Helmand	55	44	50	47	48	52	0	40	19	22	25.5
Ghor	0	0	0	0	0	0	0	2.9	4.7	3.8	2.6
Total National Area (000 ha)	54	57	58	64	91	82	8	74	80	131	104

* Based on UNODC "Opium Situation in Afghanistan as of 29 August 2005".

³ The Kuchi and transhumant Ghor people can easily be distinguished on the basis of their tents; the classic Kuchi tents contrast strongly with the rectangular black tents of the Ghor people which often have a wall base of perpendicular willow twigs matted together.

Opium poppy cultivation in Helmand dates back to well before the 1950s and the creation of the Helmand-Arghandab Valley Authority (HAVA). Traders used to come on camels from Pakistan and Iran to buy opium after the harvest. With the development of HAVA and the expansion of irrigation, the government prohibited cultivation of opium poppy, and it largely died out in the main irrigated areas,⁴ although it persisted in the northern districts of the province (Baghran and Kajaki). However, by 1992 with the fall of the Najibullah Government, the prices of inputs rose rapidly (these had been heavily subsidised),⁵ market networks began to deteriorate, maintenance of the irrigation system declined, and water shortages began to worsen. These provided considerable push factors to move back into substantial opium production as one of the only ways to access agricultural inputs (see Mansfield, 2002). In addition, with the collapse of the Najibullah government in 1992 there was a sharp decline in the demand for guns on which a thriving smuggling operation from Pakistan had been based. For gun smugglers the opium market was the market of choice to move into. Combined with the need for revenue by local commanders, conditions were ripe for the expansion of opium poppy cultivation.

Since 1995, the year after official surveys by UNDCP started,⁶ the opium poppy area in the province has fluctuated around 30,000 ha, with a drop in 2003 due to action by provincial authorities. The modest decline in the estimated area of opium poppy cultivation in Helmand in the 2004/05 season, coupled with a very sharp drop in Nangarhar's poppy area and a substantial decline in Badakhshan, mean that Helmand is firmly holding onto its position as the biggest opium cultivating and producing province in Afghanistan. The gap between it and the other major opium producing provinces is possibly widening due to the decline in their cultivated area.

A key part of this study is an attempt to establish indicative numbers relating opium production to volumes of trade, numbers of traders, and in turn to market structures, changes in opium stocks, and so forth. A starting point is the production side, and in this regard it should be noted that greater certainty can be attached to the area statistics at provincial level than to the production statistics. Statistics for area have been determined on a provincial basis, although the method by which this has been done has varied over the years. On the other hand, estimates of yields and therefore of opium production levels have been made on a regional basis, and the means by which this has been done also has varied over the years. Helmand has been included in the Southern region that also contains Uruzgan, Kandahar, Zabul, Ghazni, and Paktika.

On the basis of UNODC estimated yields of dry opium⁷ of around 30 kg per ha, annual production of opium has hovered around 1,000 tons, with a low of 650 tons in 2003 and a high of 1,300 tons in 2002.

In contrast, opium cultivation in Ghor is much more recent, establishing itself within the last three years, largely fuelled by a two-way exchange of skills: from the experience of labour from Ghor working in the Helmand's opium poppy fields (see UNDCP, 1999) and in Chaghcharan and Sharak from Kandahari and Nangarhari people renting or sharecropping land for opium cultivation (see Mansfield, 2004). This provided Ghor with skills and seed and some knowledge of the market. However, the limited significance of the crop in Ghor should be noted. Starting according to UNODC survey records in 2002 (although there are informal reports that it was cultivated earlier than this), with an estimated area of 2,200 ha (7% of the

⁴ This is a point that is returned to in the conclusions

⁵ The canal irrigated areas of Helmand are nutrient-poor and require high inputs of fertiliser—see Shairzai et al (1975, p. 108).

⁶ The results from the first year of the UNDCP surveys (1994) are generally not considered to be reliable.

⁷ Wet opium can be up to 40% heavier than dry opium.

wheat area), opium poppy cultivation increased to 4,983 ha in 2004, largely through expansion into rain-fed areas, before falling significantly in 2005, according to all reports because of widespread crop failure in 2004 (and possibly also in 2003). Cultivation in 2005 has come to be more concentrated in the lower-lying valleys where there is secure irrigation, but it remains fairly dispersed. Although Ghor farmers have done much of the cultivation, Helmandi cultivators are also coming to Ghor and working on a sharecropping or tenancy basis. Using an estimated yield figure of 25-30 kg per ha, an indicative range of opium production might be from 55 to 65 tons in 2002 to 125 to 150 tons in 2004. If area has declined by as much as 50% in the 2004/05 season as many observers have reported, then production may well be back at the 2002 levels.

However, for both provinces the traded volume of opium is substantially larger than provincial production. By virtue of Helmand's historical and geographical position (as a major producer and having a border with Pakistan and through there a route to Iran), it is also the major conduit for opium trade from other provinces. Interviews with the opium traders confirmed that, as they put it, "they traded with other provinces." Assessing the level of these flows of opium traded into Helmand takes us to the realm of "guesstimates", and we should be aware of substantial temporal fluctuations in trading conditions that regulate opium flows. From discussions with key UNODC officials and others, estimates have been made of possible levels of opium poppy flows from other provinces into Helmand (see Section III for specifics). These indicate a potential total flow of opium from the production of other provinces through Helmand trading systems on the order of around 1,000 tons per year (based on 2004 figures of area and yield). Hence the potential total volume of opium traded in Helmand during 2004 would be in the range of 2,000 tons, which amounts to just under half of Afghanistan's estimated total opium production in that year.

In the case of Ghor, it is evident that there has been a transit trade operation that predates opium poppy production within the province. It appears to have started around 1998, for dealing with opium produced in the northern provinces of Balkh and Badakhshan. On the basis of the number of Ghor opium traders and the number of trading trips that they reported making, an indicative figure for the transit trade might range from 60 to 150 tons of opium per year. If we take into account the estimates provided by one trader of the relative importance of the transit trade to Ghor production, and take a low figure of 55 tons of opium production in Ghor in 2002, this would indicate a transit trade of about 220 tons, some 25% higher than that based on the trader activity estimates.

If we then look at the supply side and take the area statistics for 2003 for the northern provinces but exclude Badghis (the production of which by all accounts was directly traded to Herat), and Bamiyan, then the northern region cultivated a total area of about 5,000 ha of opium poppy in 2003 (UNODC, 2004, p. 115, Annex 2). On the basis of an average opium yield of 35 kg/ha, this gives a northern production figure of around 175 tons.

According to these calculations and assumptions, we derive a rough estimate for the size of the transit trade in Ghor that is of the same order of magnitude ranging between 100 and 200 tons annually. There is little point in seeking greater precision than this given annual fluctuations in production and the changing conditions under which the market operates. Much would depend on the contribution of Badakhshan production and the trading routes that it finds, as well as alternative routes for trade for northern production. There are indi-

cations for example that possibilities for trading of opium into Tajikistan have now become greater after the replacement of Russian border guards with Tajiks on the Tajikistan border, and that some 30-50% of Badakhshan's production may now flow through this route. However, there are many who would argue that even when Russian troops guarded the border, it was fairly permeable to opium flows.

A final point of comparison needs to be made between the two provinces. There appear to be no processing facilities for opium in Ghor. On the other hand, laboratories for producing morphine base have been identified and destroyed in Helmand, indicating that processing plays a critical role in the Helmand trading systems. Depending on the existence of processing facilities in other provinces, this may remain a strong incentive to pull trade through Helmand.

How Many Opium Traders are There and Who are They?

First there is an issue of what defines an opium trader. It was clear from Helmand that when the opium poppy market was open and legitimate, many were involved in opportunistic trading, even if on a very small scale. This included farmers and government servants. Many might be engaged on a limited seasonal basis during the main period of production. While there is little point in pursuing an exact definition, interpretations of what constitutes an opium trader clearly vary and certainly contribute to the wide variation in estimates of how many traders there are. All informants agreed that the number of people engaged in the trade has certainly increased since the Taliban times, largely as a result of the increase in prices during the 2001-2004 period. However, it is likely that these have mainly been entrants at the bottom end of the market, trading opportunistically and quickly with small amounts.

There is also a question of knowledge and numbers. In contrast to Ghor where there are far fewer opium traders and it is likely that most of the opium traders know of each other, in Helmand there are so many opium traders that the estimates of numbers are likely to be more speculative and based on hearsay, particularly in the case of estimates by smaller traders. It was often not clear, for example, how much smaller traders in Musa Qala knew of trading in Kajaki in Helmand, although UNDCP (1998) found that there were cross-district networks, and that small traders would work for relatives on a commission basis. Larger traders on the other hand possibly had a clearer picture at the district and provincial level and of their immediate competitors or trading partners, but it is a moot point as to how accurate the estimates that they provided would be.

For Helmand, estimates of trader numbers therefore varied considerably according to source (see Table 4.5), with provincial totals ranging from 600 to 6,000 (a huge difference), and with variable distribution in terms of the breakdown between district and provincial centers and the balance between small, medium,⁸ and large traders, the definitions of which are discussed below. For the purposes of this chapter, we will work with an indicative range of between 1,000 to 1,500 small traders and 300 to 500 bigger traders.

In the case of Ghor, three categories of traders need to be delineated. First there are the Helmandi⁹ traders numbering from 10 to 20, who were responsible for establishing the transit trade back in 1998 and who until this year have appeared on a seasonal basis. Second there are their Ghor agents, about 20 to 30 of them, who have played a key role in building the linkages between the traders from northern Afghanistan and the Helmandi traders. Third there are the small Ghor opium traders, called here the "motorbike traders" on account of their means of transport between dispersed areas of production, who have been dealing primarily with trade in provincial production. There are more of this third category, possibly 100 to 150 of them in Chaghcharan district which has the largest reported area of opium poppy cultivation in the province (30% of the total in 2003).¹⁰

What defines a small, medium, or large trader? Essentially, definitions revolve around the volume of opium traded, the seasonality of the trade, the geographical extent of the trade, and associated with this the risks that different traders can carry in line with their capital base and access to credit. Here there was considerable consistency across informants in Helmand. Small traders were essentially defined as part-time traders on a seasonal basis, dealing perhaps with 10 to 15 kg per month (2-3 mauns) during the main trading months (June to September), and possibly half that amount for another six months of the year. They were either small shopkeepers selling cloth or essential commodities or government servants. Medium-sized traders also tended to be largely seasonal traders, dealing with larger amounts of opium poppy (50 to 100 kg per month) and involved more in selling imported goods such as motorbikes. Most of the informants, however, did not identify a medium-sized category, possibly indicating that their location was mainly restricted to the provincial center. Many of the large traders dealt primarily in opium (and were reported to have accountants to manage their finances), and their ownership of assets was considerable (they were characteristically large land owners both by origin and as a result of having invested opium profits in land). Most were talked of in terms of having several houses, luxurious cars, and cash. Some were also dealers in motorbikes and imported cars. It also appears to be the case that many of them have gone on Hajj.

The defining feature of the Ghor transit traders was their earlier role as livestock traders, and it was the collapse of this trade with the drought that may well have driven them into the opium trade. In the case of the motorbike traders, these were sometimes small livestock dealers, shopkeepers, or small landowners. It must be remembered though that all opium trade in Ghor is highly seasonal, and therefore it is likely that all Ghor traders have a diversified portfolio of activities. None appeared to have accumulated assets at anywhere near the scale of the large Helmandi traders.

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

⁹ Although the term "Qandahari" is also used and may be more of a generic term referring to Pushtuns from the southern provinces of Zabul, Qandahar, Helmand, and Nimroz (David Mansfield, personal communication).

¹⁰ Estimates of the number of smaller traders in the western and southern districts of Ghor are not available; for Tulak district which had about 2% of the provincial opium poppy area in 2003, there were reportedly three main traders.

Opium Traders and Trading Volumes

The volume of opium handled by any trader largely reflects his capital base, capacity to handle risk, and the reach of his trade networks. Table 4.2 summarises these aspects by type of trader and province.

The seasonal dimension to opium trade should be emphasised. The key period of selling from the farm gate is during the months of production—from May probably through to July in Helmand and from July to September in Ghor. However, it is clear from interviews with farmers and small traders that there are farmers who keep back small stocks of 2-10 kg as reserves that are slowly traded throughout the year in small amounts according to need, but these are likely to be a minority of farmers. Most cultivators of opium poppy are likely to sell either prior to or at harvest time (Mansfield, 2006). Farmers in Helmand who hold stock reported that reserves had been built up over several years, but Ghor farmers stated that they sold everything at harvest. Small traders are less likely to keep much stock, particularly under current conditions in Helmand when all reported that they were being particularly targeted by the police. In part the use by big traders of commission agents and brokers is necessitated by supply drying up after the main trading period and having to search for opium to purchase (UNDCP, 1998). The lowest period of trade in Helmand on the previous year's harvest is from December to April; no trade in opium would be expected during the winter months in Ghor.

Table 4.2: Estimates of Annual Opium Traded (tons) by Trader Category (2004)

	Peak monthly trade per trader (tons)	Annual Trade per trader (tons)	Number of traders	Total Annual Estimated Trade (tons)	Traded volume ^a (tons) estimated from production
A. Helmand					
Small Traders	0.01 - 0.015	0.1 - 0.2	1000 -1500	100 - 300 ^b	1000 - 2000
B. Ghor					
Transit traders	1.5 - 2	5.0	20 - 30	60 - 150	175 - 200
Motorbike traders	0.030 - 0.065	0.1 - 0.2	100 - 150	20 - 30 ^c	125 - 150 ^d

^a This combines estimates of provincial production and transit trade

^b This will be traded to bigger traders within the province

^c note this relates to trade in Chaghcharan district only, possibly 30% of the trade of district production

^d This figure is for opium poppy production in the whole of Ghor

Using the larger estimates of the number of small traders for Helmand (1,000-1,500) and assuming that for the whole year they each might trade 100-200 kg, the total amount of opium that these small traders might deal in ranges from 100 to 300 tons in total, all of which would be traded on to the bigger opium traders.¹¹ This constitutes 10-30% of an indicative Helmand annual production of opium of 1,000 tons. On the basis of these figures alone it can be suggested that the bigger traders are directly dealing with farmers for the bulk of the Helmand's opium production. This conclusion is borne out from a number of sources (see Section III for a detailed discussion).

Direct estimates of opium traded by the larger traders in Helmand varied considerably, but during the main season might range from 450 kg per month upwards, with total annual trading volumes of 1,750-2,000 kg at least. A significant number of the larger traders are dealing in more than this, and note is made in a UNDCP (1998) report of one trader purchasing 20 metric tons in a year. If we assume around 300-500 big traders purchasing between 2-5 tons each, this implies an annual purchase of between 600 and 2,500 tons, consistent with the estimates of the range of opium traded in Helmand from both provincial production and opium brought from other provinces.

In Ghor, the opium trade as noted earlier is almost entirely seasonal. The transit traders are likely to be handling somewhere between 60 and 150 tons in total. It is possible that a number of Helmand traders who set up their networks with northern Ghor have been trading independently of them, but no estimates are available. We also have estimates for the motorbike traders who handle the provincial production, relating just to the Chaghcharan output which may be about one-third of the overall provincial production. Within the margins of error of these figures, the estimates of trade are not inconsistent with estimates derived from production.

Trading Stock. Ghor is characterised by an apparent absence of significant stocks, although there may be temporary holding of stocks when security conditions (or threat of government action) make transporting opium particularly risky. While a few traders do have stocks, these largely relate to opium bought at high prices in 2001/02 which they are unwilling to sell until there is some recovery in prices. They do not appear to be maintaining stocks to respond to market demand.

However, larger traders in Helmand do keep stocks to respond to orders and demand given the seasonality of production. From all accounts, the sale of opium out of Helmand takes place throughout the year and as discussed below, happens episodically and quickly. Various sources suggested that perhaps 40% of the annual purchase would be kept as stock for trading during the year before the next harvest, and also to be able to respond opportunistically to short-term price rises. However, it was also reported that the age of stocks goes back further than this. There has been an accumulation of stock from the years of high prices, which are being held in the hope that prices will recover from current lower levels. One source estimated that possibly about 10% of a trader's purchase for each year from 2000 to 2002 was being held, with perhaps 20% of 2003 and 2004 purchases also held as reserve. This indicates possible stock for a trader purchasing two metric tons per year of at least a ton of opium built up over a four to five year period. This is consistent with various newspaper reports.¹²

The reasons for holding stock and the quantity of inventory held are variable and related to context. For some, as in the case of farmers and possibly smaller traders, it is possibly the best way to hold financial reserves, which in small quantities are unlikely to attract adverse attention. For bigger traders the holding of stock is necessary to be able to respond to periodic demand (and uncertainty over supply) and capitalise on price fluctuations. For some traders there are also opium holdings which reflect being caught out by downward price shifts but being able to avoid distress sales. However, specifics on inventory management and how this has responded to greater risks of seizure remain largely unknown.

¹² See for example Tom Coghlan, "Meeting an Afghan Drugs Smuggler". http://news.bbc.co.uk/1/hi/world/south_asia/4522957.stm May 18-05.

Trade Routes. Almost all opium traded from central Ghor is moved down to Helmand. Some of the production from southwestern Ghor, however, is likely to be traded to Herat province, either through Shindand or directly, although the quantities are unknown. Prior to 2003, most of the opium seems to have been taken by the main road to Herat and then south to Helmand in large convoys of land cruisers. Now it would appear that it is taken in smaller amounts and through the back routes of the hills into northern Helmand due to the risk of seizure on the main routes to Herat.

Little is known about the demand side and how Helmand-based traders link with external actors. UNDCP (1998) reported outsiders coming to Helmand from Pakistan, Iran, and even Central Asia and visiting the various opium bazaars to purchase opium. Many informants reported continued visits by what are now termed "smugglers", although these are mainly people from Pakistan who come in disguise to known Lashkar Gah traders. Many informants also made reference to the trafficking routes to trade points close to the Pakistan or Iran border reached through either Helmand or Farah. Opium trade flowed when travel routes were seen to be relatively open, and at such times market prices for opium rose. However, when transit routes were seen to be under threat or being monitored, prices in Helmand fell. Some traders reported combining together to transport opium down to the border posts.

Trading Networks

The evolution of the Ghor transit trade offers a particularly interesting insight into the formation and development of opium trading networks. It seems as if the Helmandi traders who came in 1998 were largely principals in their own right rather than acting as agents for principals based in Helmand. They appear to have sought out connections with key Ghor traders who had well-established provincial linkages developed through the livestock trade. Almost all of the Ghor opium traders who were interviewed previously had been livestock traders.

What the Helmandi traders were interested in was gaining access to the opium produced in the northern provinces of Balkh and reportedly Badakhshan, at least in the early years. The chief obstacle that they faced was that they did not have the networks within Ghor to establish trading routes,¹³ and this was primarily related to networks that would guarantee security and protection rather than the need to establish a point of supply and purchase. Ghor-based traders were thus recruited to provide that linkage to the northern parts of Chaghcharan District, particularly the regions of Murqab and Charsadah.

While the Helmandi traders worked hard to build connections with Ghor traders in order to establish the transit trade, it would appear that they remained very much in control of the trade. The one reported case of a Ghor trader who had prospered in the opium trade had been accomplished entirely out of provincial production and not through the transit trade. But this was very much an exception.

Although the Helmandi traders needed the Ghor traders up to a point, the ability of Ghor traders to operate in the opium markets in Helmand and elsewhere was dependent on connections with the Helmandi traders. The Helmandi traders were not beyond dropping their Ghor connections once they had made the necessary trading linkages with bigger part-

ners. Where partnerships were established, the Ghor traders were very much the junior partners, not least because of their limited capital. One informant had been able to build up sufficient capital to trade in partnership, but many of the intermediaries in the transit trade operated on short-term contracts, with the Helmandi traders advancing capital for purchase for delivery within a six to ten day period. Their margin depended on being able to purchase stock relatively quickly and at lower than the contract price and then being able to deliver it. One informant recalled that on one occasion he had lost nearly Afs 300,000 on a contract for 400 kg of opium because he had not been able to deliver quickly enough to the market and the price had dropped (similar reports can be found in UNDCP, 1998, p. 19).

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

The Helmandi networks are clearly extensive and pervasive. Family networks link Nangarhar and Helmand, reflecting the Nangarhar origins of many in Helmand.¹⁴ Earlier, opium trade across provinces had operated apparently in a way not dissimilar from the *hawala*, and within the province on credit and reputation. It was reported that the trade has now shifted entirely to cash transactions only, across provinces and within provinces as well, indicative of the increased risks of trading. Personal networks seem to have closed in to trusted network members, with communication being largely undertaken through satellite phone connections. This shift may point to the existence of more local and regional markets than a national or "free" market.

The Opium Value Chain

Obtaining data on trading margins at different points of the value chain is difficult enough at the best of times; in relation to an illegal crop it is even more difficult the further one moves up the value chain. It was not possible to follow through in detail, for example, the margins over the farm-gate price that producers received in northern Afghanistan, through the various intermediaries across Ghor, and from there to Helmand and the final sale point to foreign buyers. Details on costs of transportation including the necessary pay-offs to ensure security of transport are unknown. The information was so fragmentary and incomplete that a narrative account is probably the best way to report it.

For Ghor farmers, June 2005 purchase prices in Tulaq were quoted at between \$60 to 80 per kg for wet opium¹⁵ (this contrasts with May farm-gate prices of \$138 per kg for dry opium in Helmand). A Tulaq trader would sell on in Shindand for about \$90 to \$100 per kg, making a margin of 12-50% depending on prices and market conditions. According to Tulaq informants, Shindand traders would then be able to sell for about \$200 per kg at the border, a mark-up of 100%, although account has to be taken of the possible drying out of opium at this stage. Tulaq traders regarded this mark-up as acceptable; they saw it as easy to get the opium to Shindand but argued that there were much higher risks in getting the opium to and over the border, and that good connections were needed.

¹⁴ This may represent a shift from 1998, when farmgate traders appeared not to work across regions, and in particular Nangarhari traders did not want to buy poor quality (moist) opium from the south since it made poor quality heroin (David Mansfield, personal communication).

¹⁵ Wet opium in Ghor is likely to have a water content of less than 40% given the dry conditions.

The margins on the transit trade through Ghor are very unclear, but it appears that opium passes through multiple intermediaries. The farmer in the north would have sold to a small trader who sold on to a trader in Mazar. The latter might have transported it to northern Ghor and traded it there with a Ghor transit trader, who in turn might have sold it to a Helmandi trader in Chaghcharan. There would have been transport and protection costs at each stage. One informant suggested that there was a price difference between Chaghcharan and Mazar¹⁶ of about \$60 per kg, but that it depended on the Helmand and Iran prices. The costs of transportation would have to take into account the costs of securing protection through Ghor. Earlier there seems to have been a 10% "tax" on all opium in transit through Ghor charged by the provincial authorities—in one year a former governor was estimated to have accumulated two tons of opium through taxation. Now it is possible that protection is even more expensive. There may well be additional payments at the district level. The margins for the Ghor traders clearly fluctuated a great deal.

In Helmand, information on differences between the farm-gate price and the small trader price is regularly collected by UNODC; the May 2005 prices of US\$150 per kg dry opium at the farm-gate and a margin of about \$5-6 per kg for the small trader are consistent with field-level information, although prices may have dropped subsequently. Margins and costs beyond this point, e.g. for the larger traders, were almost impossible to collect; however, one large district trader suggested a margin of about 100% between purchase and trading at the border with outside buyers.

Trading Risks

Given the conditions of insecurity in Helmand at the time of fieldwork, it was much easier to discuss in detail how traders perceived risk in the opium market in Ghor. Taking into account the comments from all informants, four areas of risk were identified—risks in relation to price, risk of theft, risk of seizure by government authorities, and risks associated with adulteration of the product.¹⁷

Risks associated with price fluctuations. In all cases price was seen as the greatest source of risk by Ghor traders. One informant estimated that in five out of ten transactions he would either break even or lose money. A second informant agreed with this and noted that in 2004 a number of Ghor traders lost all their capital. A third informant (also a large trader) emphasized that market risks were the greatest ones that they had faced until recently, estimating that in 40% of his transactions he had either broken even or lost money.

This persistent story of price fluctuations as the greatest source of risk to opium traders is borne out by available information on opium prices. In addition to the UNODC price statistics which show significant volatility of prices on a month-to-month basis (see Chapter 5), informants reported that there are short-term (within 24 hours) fluctuations in prices that may be on the order of 20-30%. This does not appear to be just a case of the Helmandi traders who control the transit trade using a monopoly position in Chaghcharan to manipulate the market, although there may be an element of such practice.

¹⁶ However, prices from Balkh are known to be low due to the high water content of the opium.

¹⁷ The evidence reported here is consistent with that reported by UNDCP (1998).

What appears to be driving these substantial short-term price fluctuations is that when it is known that outside buyers (from Iran or Pakistan), who tend to come in quickly and buy large quantities, are in the market, the market price quickly rises. No doubt some collusion on the part of key traders holding stocks is taking place (an aspect of the informal regulation of the market), but once the buyers have satisfied their demand, the price quickly drops again, sometimes apparently in a matter of hours. This price behaviour does not appear to be confined just to the opium market. It has also been reported in the case of the raisin market (Lister and Brown, 2004), and by the Dar-I-tak traders in Herat for the *kurk* (fine wool) markets as well, who noted that it is primarily associated with commodities for export.

This degree of price fluctuation is regarded as acceptable, however. One informant regarded the opium market as much more open than the currency market with which he compared it, arguing that there was much greater competition in the opium market.¹⁸ Compounding the potential risk of losses in the market is the apparent behaviour on the part of many traders to venture substantial proportions of their liquid capital in a single transaction in the hope of large profits, but at the risk of exposing themselves to considerable losses. This speculative behaviour seems to be widespread and is consistent with an attitude of "high risk but high profit".

Risks associated with theft and seizure. Price is not the only risk faced by opium traders, whether it be Ghor or Helmandi traders. Indeed, the whole process of building networks to provide protection against theft and looting of opium cargoes was a critical part of the Helmandi traders' strategy of networking with Ghor intermediaries. However, protection came at a price. During the time when opium was relatively openly traded, it was accepted that pay-offs had to be made not only to local commanders but also to key provincial authorities to guarantee security of transit. Such relations were not without risks. One informant in Ghor reported how two key government and security officials lost their posts and demanded higher payments from the next opium trade convoy. This was refused, a gun battle ensued, and two Helmandi traders lost their lives and one of their convoy vehicles was seized.

Travelling in convoy was one of the ways of reducing the risk of banditry and theft, with lead vehicles reportedly travelling empty and acting as decoys in case of ambushes, allowing other vehicles with opium to escape. If a trader was powerful enough or paid enough money to key provincial authorities, however, he could be escorted by forces linked to authorities along the main roads, as happened in Ghor. While in the past much of the opium poppy traffic passed through the main routes out of Ghor, now the traffic is much more small-scale, using minor routes and back roads down through the southern districts of Ghor, leading directly into the northern districts (Baghran) of Helmand.

With the gradual shift from what was seen to be an open and legitimate market to one that is illegal but in the eyes of many still legitimate, gaining protection has become even more risky. Several reports were provided on how official government action had captured various trading convoys, taken half the opium, and sold it on directly to other traders while releasing the remaining part back to the original traders for a further payment. In one case a seizure of over a ton of opium went through the public spectacle of burning, although in reality a substitute was burned, with the seized opium again being sold on to traders. While in the past, key traders could secure reasonable protection from random robbery through the

¹⁸ Since the new Afghan currency was established, exchange rate fluctuations for the currency have been far less than those for opium reported here.

networks that they had established, more recently it has been less easy. Transport of opium has been scaled down to individual pickup trucks and even motorbikes, a strategy of dispersing the risks. However, one trader reported how relatives of his were ambushing the motorbike traders now because these traders were not in a position to make complaints about theft to the authorities.

Risks of adulteration. A number of traders referred to adulteration risks—one quoted an example of dates being used to bulk up one consignment that he had handled in his early days of trading. In Ghor few reported any examples of adulteration, although it appears to have been more common in Helmand. The risk appears to have been greatest for inexperienced traders, whereas for most traders it appeared to be a minimal risk compared to the other risks that they faced.

Institutional Dimensions

A persistent thread that runs through this chapter is the engagement of key provincial authorities in the opium economy. When the opium trade was essentially open and legitimate, such authorities derived substantial personal incomes from it. With the shift from an open market to one that is illegal and vulnerable to confiscation, many of these authorities remain in position and reportedly have continued to engage in the opium economy, using their authority to gain greater control over the opium trade.

In Helmand, existing tribal divisions and their geographical basis already provide the strands of competition for power. The Alizai tribe from which the previous governor comes are largely located in the north in Musa Qala, Baghran, and Kajaki. The Noorzai tribe living in Nad Ali and Marja is the power base of the head of police and largely make up the provincial police service. The former chief of intelligence, a member of the Alikozai, came from Sangin where his brother is district governor. The army commander comes from Girishk where the Barakzai tribe dominates.

Superimposed on and woven through these strands of tribal identity and location is the opium economy that provides a commonality of interest as well as an arena for competition among different interests. While some of these actors are widely reported to be heavily engaged in the transportation and taxation of opium, the extent to which trader networks cross geographical and tribal affiliations and provide a basis for cooperation or conflict is not clear. What is clear is that eradication, and interdiction as well, have played into the hands of powerful actors, allowing them to exercise greater control over the opium economy.

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

through higher profits on other sales.

While these confiscatory practices do not yet clearly amount to direct control over production, and farmers still appear to have choice as to where they can sell, the control over distribution and trade seems to have become tighter in Helmand, including with respect to where trade can take place. This may explain the tightening of networks, the shift to cash transactions, increasing harassment of marginal actors, and so forth. Greater concentration and control of the trade appears to be occurring in the current environment.

The scope for such action is less in Ghor, although it was consistently reported that key district authorities who had been in position since the fall of the Taliban were still in power (although sometimes moved around between districts). As with Helmand, an understanding of the way in which the opium trade system works, the protection systems provided, and the "taxes" levied requires a district-level analysis of key power holders and their wider networks. The recent appointment of a new provincial governor, who comes from Badakhshan and has no history of engagement in the opium trade or provincial-level political ties, has led to a re-ordering of affairs at the provincial level. But it is less clear that this has happened at the district level.

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

III. OPIUM TRADING SYSTEMS IN HELMAND

Helmand has been one of the core opium producing provinces in Afghanistan, with a history of production that has its origins at least from before the 1950s but which flourished and scaled up from the 1990s onward. During the 1990s Helmand accounted for 40-55% of the total national opium poppy area. Only since 2001 with the Taliban ban and then the spread of cultivation of opium poppy much more widely in Afghanistan since 2003 has its percentage contribution to the total national area dropped below 25%. Helmand's annual area of cultivation has remained remarkably stable at around 29-30,000 ha, (other than a temporary drop in 2003 due to eradication, which did not have a lasting impact), with a peak cultivation of over 40,000 ha in 1999/2000. On such a production base, Helmand has also come to occupy a pre-eminent position in opium trading systems, bolstered by its strategic location on the borders with Pakistan and Iran. Any study of opium trade systems in Afghanistan has to start with Helmand.

The data and analysis contained in this section are based on two field trips made to Helmand during May and June 2005. The first mainly looked at the effect of the decline in opium poppy cultivation on rural livelihoods and the rural economy and included field trips to Nawar, Sangin, and Kajaki. Interviews were held with farmers, some ex-opium traders,

and other key informants. On the basis of these discussions a national research assistant, using his own networks and connections, followed up with interviews of key active opium traders both at the provincial center and in key trading districts, building interviews around a key set of questions. Interview notes were written up after the interviews, and these provided the basis for an extensive de-briefing during the June visit.

The research was carried out at a time of contention over the legitimacy of the opium market, including eradication and interdiction campaigns and serious security incidents. Nevertheless, it was possible to interview a total of 12 active opium traders as well as other key local informants. Summary profiles of the informants are given in Table 4.3 along with a coded identity

Table 4.3: Profile of Key Helmand Informants

H1	Small Trader 1
H2	Large Trader 1
H3	Small Trader 2
H4	Large Trader 2
H5	Large Trader 3 District
H6	Large Trader 4 District
H7	Large Trader 5 District
H8	Small Trader 3
H9	Small Trader 4
H10	Large Trader 5
H11	Small Trader 5
H12	Motorbike Trader, Lash
H13	General Trader, Lash
H14	General Trader, Lash, Mechanic
H15	Motorbike Trader, Sangin
H16	Trader, Kajiki
H17	Farmers, Kajiki
H18	Farmer, Lash
H19	Landlord, Nawar
H20	Farmers, Nawar
H21	Agency worker
H22	Agency worker
H23	UNODC Official

Context and History of Opium Poppy Cultivation in Helmand

Helmand is essentially an economy of arid plains structured around a major valley irrigation system. The Helmand River and its associated irrigation structures are the defining feature of the landscape, with a green ribbon of agricultural lands and dense settlements clustered along the river's length, which runs mainly north-east to south-west through Helmand before exiting into Nimroz. Outside the river valley, the area south of Lashkar Gah is essentially desert, while to the north and on higher altitude lands on the edges of the western reaches of the Hindu Kush, small villages located around karez irrigation systems, very limited amounts of rain-fed land, and livestock production systems can be found. Overlaying this dualistic agricultural economy (areas of grain surplus in the river valley, areas of grain deficit in the northern foothills) are two important aspects of social identity. The first is that of the geography and spatial distribution of Pushtun tribal identity, which as we will see constitutes an important aspect of social networks and power structures. The second is more one of economic class, with major differences in land ownership between a landlord class with substantial land holdings and a multitude of people with limited or no land who subsist in sharecropping arrangements with the major land-holders. Around these natural and social structures, the location of Helmand as a border economy within Afghanistan and with a long history of smuggling and trade to Pakistan and Iran has to be recognized. This inevitably places Helmand in a position of comparative advantage with respect to trade in non-legal commodities.

The history of opium poppy cultivation in Helmand dates back to before the start of the Helmand Arghandab Valley Authority (HAVA). Informant H22 recounted how in his childhood in Nawar during the early 1950s, most households in the district were growing a small area of opium poppy, and he remembers himself harvesting the opium resin. Traders used to come on camels from Pakistan and Iran to buy opium after the harvest. In his view, the major reason for the cultivation of opium poppy at that time was the unreliable water supplies and a cropping pattern limited to wheat and maize.

With the development of HAVA and the expansion of irrigation, the government prohibited cultivation of opium poppy, and it largely died out in the main irrigated areas, although it persisted in the upper districts of Helmand where not only was the climate more favourable to opium poppy but water and land resources were also limited. Under such conditions opium provided a unique opportunity for households to maintain their traditional land-based economy.

HAVA continued to function into the period of the Soviet occupation, but from the mid-1980s, as the management and maintenance structures began to break down, opium poppy cultivation re-emerged, although subsidised inputs (fertiliser and seed) continued to be provided through HAVA. By 1992, however, with the fall of the Najibullah Government, the prices of inputs rose rapidly, market networks began to deteriorate, maintenance of the irrigation system declined, and water shortages began to worsen. These provided considerable push factors to move back into opium production. Moreover, after the fall of the Najibullah government in 1992 there was a sharp decline in the demand for guns on which a thriving smuggling operation from Pakistan had been based, and for the gun smugglers the opium market was the market of choice to move into. Combined with the need for revenue by local commanders, conditions were ripe for expansion of opium poppy cultivation.

Official statistics on the cultivation of opium poppy in Helmand have been collected by UNODC starting from 1994 and are summarised by district for selected years up to 2003 in Table 4.4. District-level data was not collected by UNODC in 2004, and in 2001 (the year of the Taliban ban) no opium poppy was recorded as being cultivated, so this year also is omitted.

Table 4.4: Opium Poppy Area (ha) by District and Year in Helmand.

District		Percent Provincial Irrigated Land (ha)			Percent Province Poppy Area*					
		A	B	C	1994	1996	1998	2000	2002	2003
A	Nad Ali	63	12.9	2.5	42.4	16.2	16.8	19.4	19.6	5.7
A	Nawayi I Barakzayi	37	19.1	1.4	20.5	2.0	3.7	7.6	9.1	8.1
Group % of total					62.9	18.2	20.5	27	28.7	13.8
B	Garmser		14.3	7.4	2.6	3.4	3.9	6.4	6.7	3.0
B	Lashkar Gah		5.9	6.5	7.6	4.2	6.1	7.3	3.8	3.9
B	Nahri Sarraj		16.5	11.5	1.9	17.3	7.9	10.2	6.1	10.2
B	Sangin		5.5	2.0	9.6	7.7	5.6	4.0	9.3	5.1
Group % of total					21.7	32.6	23.5	27.9	25.9	22.2
C	Dishu		0	5.5	0	0	0	0	0	0
C	Reg		5.0	11.1	0	0	0	0.5	6.5	0
Group % of total					0	0	0	0.5	6.5	0
D	Baghran		4.4	5.5	0	5.1	9.5	6.2	6.0	15.0
D	Kajaki		4.6	14.7	3.3	11.3	12.9	10.8	9.8	9.1
D	Musa Qala		7.3	6.9	3.9	15.7	18.2	13.3	12.3	16.0
D	Naw Zad		3.2	21.3	7.9	14.4	11.7	11.9	8.8	20.1
D	Washer		1.1	3.4	0	2.2	3.5	2.4	2.7	3.8
Group % of total					15.1	48.7	55.8	44.6	39.6	64.0
Total (HA)		13452	105588	117515	29579	24910	30672	42853	29950	15371

1: FAO, 1999. Provincial Land Cover Atlas: A: Irrigated–Double Cropped Intensive Irrigation; B: Irrigated–Single Crop Intensive; C: Irrigated–Intermittent

* There are no district statistics for 2004.

The 1994 data record a very high concentration of opium poppy cultivation in the well-irrigated areas (Districts A), but the results of the 1994 survey are seen as questionable by many observers. From 1995 until recently, cultivation has been concentrated more in the single-crop irrigated (Districts B) and intermittently irrigated (Districts C) areas of the province, and there has not been any major shift between the different agro-ecological zones.²⁰ The 2004 survey which did not provide district level data (UNODC, 2004, p. 31) indicated from field

reports that higher levels of cultivation were found in the northern parts of the province, and this seems to be a pattern that has persisted in the 2004/05 cultivation season with the estimated 10% decline in area (UNODC, 2005). In part, at least in 2005, this has been reinforced by the province-led eradication strategy that has sought to restrict opium poppy cultivation in the more visible and accessible areas. It will be interesting to follow the spatial distribution of opium poppy area in the coming years as it responds to eradication pressures.

Yield and Production

First, it should be noted that greater certainty can be attached to the area statistics at provincial level than to the production statistics. Provincial statistics for area have been determined on a provincial basis, although the method by which this has been done has varied over the years. On the other hand, estimates of yields and therefore estimates of opium production levels have been done on a regional basis,²¹ and the means by which this has been done has also varied over the years.²² Helmand has been included in the Southern region that also contains Uruzgan, Kandahar, Zabul, Ghazni, and Paktika.

On the basis of an indicated yield for 2004 for the region of 27.8 kg per ha of dry opium, Helmand's opium production can be estimated at roughly 1,300 tons in 2002, 650 tons in 2003, and 816 tons in 2004.

However, by virtue of Helmand's historical and geographical position (as major producer and bordering with Pakistan, providing a channel for onward trade to Iran), the province is also the major conduit for opium trade from other provinces. Assessing what these flows of opium traded into Helmand are takes us into the realm of "guesstimates," but from discussions with key UNODC officials, the following estimates have been made of possible levels of opium flows from other provinces.

- Possibly up to 100% of the production of Ghor, Bamiyan and Uruzgan (note should be made of the strategic position of Sangin, a key trading center in Helmand at the border with Uruzgan).
- Maybe 50% of the production from Mazar (Balkh).
- 30% of the production from Badakhshan.
- 30-40% of the production from Nangarhar.

All sorts of qualifications must be attached to these figures. There are reports that some of the opium production from Ghor is traded directly to Herat and then exported. It may well be that none of Badakhshan's production is now traded through Helmand, since with established processing facilities in the province a more direct export route is available to the north. A similar issue could be raised about Nangarhar. But as emphasised earlier, these figures are intended to be indicative and have been constructed to generate an argument.

These considerations indicate a potential flow of opium through Helmand trading systems from the production of other provinces on the order of around 1,000 tons per year (based on 2004 figures for area and yield). This makes the potential total volume of opium traded in Helmand during 2004 on the order of 2,000 tons, which amounts to just under half of Afghanistan's estimated total opium production in that year.

²¹ "Opium production was estimated by multiplying the average dry opium yield per region by the cultivation level per region and adding up the results to arrive at a national total." UNDCP (2004, p. 57).

²² Yield estimates have largely been based on what farmers reported, disaggregated by irrigated / rain-fed, perhaps with a limited sample framework at least in the past. It might be that an altitudinally based sample frame on a provincial basis could provide a more accurate assessment, but it is recognised that for a crop where agricultural practice and in particular harvesting technique is as much a determinant of yield as climatic conditions, this would not be easy.

It should be stressed that these are ballpark figures and estimates of orders of magnitude. They should not be taken as authoritative and have been constructed to assess consistency with estimates based on the number of traders, trading volumes, and links to production (discussed below).

Opium Trading Systems

How many opium traders are there and what are their characteristics? All informants agreed that the number of people engaged in the trade has increased since Taliban times, largely as a result of the sharp rise in prices in 2001 and continuing high prices during the 2002-2004 period. Many of the longer-term traders looked back to the Taliban period as the golden period of trade compared to the more competitive and risky environment now. There is also a question of knowledge and numbers. In Helmand there are so many opium traders that estimates of numbers are likely to be more speculative and based on hearsay, particularly for the smaller traders. It was often not clear, for example, how much smaller traders in Musa Qala knew of trading in Kajaki. In the past when trade was open, estimates of numbers based on a count of shops in the bazaar may well have been useful (see UNDCP, 1998), but this is less likely to be the case now. Larger traders on the other hand possibly had a clearer picture at the district and provincial level and of their immediate competitors or trading partners, but it is a moot point as to how accurate their estimates would have been.

Estimates of the numbers of traders therefore varied considerably according to source (Table 4.5), with provincial totals varying from 600 to 6,000, and with a variable distribution in terms of the breakdown between district and provincial centers and the balance between small and large traders.

Table 4.5: Estimates of Numbers of Opium Traders in Helmand by 10 Informants

Source	Lashkar Gah City				Districts				All			
	S	M	L	All	S	M	L	All	S	M	L	All
H1	100	100	50	250	60	60	50	170				400
H2									300	250	150	700
H3		600	150			0	150		100	600	300	1000
H4			1000								200	5000
H5					800		100					6000
H6					100		3-400	500				
H7					100		40	140				
H8	300		100	400								
H9	50		50									
H10	100		50	150	500		50	550	600		100	700

What defines a small, medium, or large trader? Here there was considerable consistency across informants (see Table 4.6). Small traders are essentially part-time traders on a seasonal basis, dealing perhaps with 10 to 15 kg per month (2-3 mauns) during the main trading months (June to September), and possibly half that amount for another six months of the year. They are often small shopkeepers selling cloth or essential commodities, or government servants. Medium-sized traders also tend to be largely seasonal, but dealing with

larger amounts of opium (50 to 100 kg per month) and involved more in selling imported goods such as motorbikes. Most of the informants, however, did not identify a medium-sized category, possibly indicating that their location was mainly restricted to the provincial center.

Table 4.6: Characteristics (Assets and Trading) of Opium Traders in Helmand
(Maun = 4.5 kg)

Source	Small		IV. Medium		Large	
	Trade /month	Assets	Trade /month	Assets	Trade /month	Assets
H1	2-3 Mauns	Work in government Offices	20 Mauns	Shops	100 Mauns	Cash, >100 jeribs 5% importers care, motorbikes
H2	1-2 M and sell all; no agents	Buy and sell clothes	7 no agents	Trade motorbikes	60-65; Use agents 60-65;Use agents	Markets. Houses, plots; Cash 30 - 80 jeribs; motorbikes, car trade
H3	2-3 M	Clothes shops	Medicine LKG		70 - 100 M	Cars, 50-70 j land, markets; import Mb & Cars
H4						2 landcruisers. 3 houses Kabul in MK, 150 j land; buy and sell cars
H5	1-2 0.3 - 5g	Petty trade, tea, sugar			50 - 100; Agents	Cars , >100 j; Houses in cities; store & supply op
H6	2-3	Small shops,			50 - 100 Use agents	Markets, houses in cities, lands, cars
H7	2-3	Gov officials Shops 3-4 j			40 - 100, agents / brokers	30 - 35 j, houses, cars, cash
H8	1-2	Shop motorcycle parts Shops			40 - 80; agents, accountants, store poppy	Markets, houses cars > 30 j land Kabul houses, \$100K Kabul
H9	1-3	Gov officials Shops Clothes			20-80	4 big traders stock of 350 maun each, cars houses, cash
H10	1-3	Shops, Gov Officials			20-50	20 j lands, Shop Agric Equip

With respect to the larger traders, there was considerable unanimity about both their trading volumes and their assets. Such people are likely to trade throughout the year, dealing in peak months with up to 500 kg of opium per month. They usually have their own accountants and hired agents to work for them. They have considerable assets in the form of land, vehicles, and cash. Some are also running legal businesses including importing motorbikes and cars. The very biggest traders also have substantial property assets, including markets in Lashkar Gah and key district centers and houses both in Lashkar Gah and Kabul. One large trader was reported to have recently bought a house in Kabul for over US\$100,000. A number of large opium traders reportedly have gone on Hajj, one apparently having gone seven times (Anthony Fitzherbert, personal communication).

Trading volumes, turnover, and stocks. Working with the larger estimates of the number of small traders (1,000-1,500) and assuming that for the whole year they might trade 100-200 kg (25-45 mauns, see Table 4.7) the total amount of opium that these small traders might deal in ranges from 100 to 300 tons in total. This constitutes 10 to 30% of estimated Helmand opium production of 1,000 tons. What is clear from all informants is that these small traders simply sell on to larger traders either within their district or within the province, and are not involved farther up the market chain in transporting opium out of the province.

Table 4.7: Monthly Opium Trading Volumes by Informant and Trader Category (in Mauns)

		Small			Medium			Large		
		Buy	Sell	Store	Buy	Sell	Store	Buy	Sell	Store
H1	05	3-4	3-4		10	6	4	100		
	Tb	400	400							
H2	05	1-2	1-2	0	7	4	3 , 2-3M	60-65		100+ 1-2 yr
H3	05	2-3	2-3							
H4								50 - 100 upto 200 in M/ J	30-50	20 - 30
H5	05	30	33-34	No				20-25		Yes
H6	05							10-15 / m		Yes 100-200
H10	05	2-3						20-50		

These figures suggest that the bigger traders are directly dealing with farmers for the bulk of Helmand's opium production. This conclusion is borne out from a number of sources. First, farmers themselves reported that unknown people arriving on motorbikes came to the farm directly to seek opium for purchase, and that more of them were coming in 2005 than in the past. Second, traders themselves, both small and large, reported on the extensive use of agents or brokers by large traders. This is supported by the UNDCP (1998) study on farm-gate opium trade, which refers to the particular use of commission agents by large traders in Helmand. Third, the increasing control of opium production by key local authorities (discussed below) and the double taxation (both not to eradicate and on the crop once it is harvested) mean that key big traders are very well informed on the location of production.

If we take the direct estimates of opium traded by larger traders, these varied considerably but during the main season might range from 450 kg (100 mauns) per month upwards, with total annual trading volumes of 1,750-2,000 kg at least. A significant number of the larger traders are dealing in more than this, and UNDCP (1998) reported one trader purchasing 20 metric tons in a year. If we assume around 300-500 big traders purchasing 2-5 tons each, this gives an annual purchase of between 600 and 2,500 tons, which although a wide range is consistent with the estimates of the range of opium traded in Helmand from both provincial production and opium brought from other provinces.

The seasonal dimension of the opium trade is important. The key period for selling from the farm is during the months of harvest—from May probably through to July, a three-month period. However, it is clear from farmer and small trader interviews that there are farmers who keep back small stocks—of up to around 1-5 mauns—as reserves that are slowly traded through the year in small amounts according to need. Such farmers also reported reserves built up over several years. Small traders are less likely to keep much stock, particularly under current conditions when all reported that they were being particularly targeted by the police. In part the use by big traders of commission agents and brokers is necessitated by supply drying up after the main trading period and having to search for opium to purchase (UNDCP, 1998). The lowest period of trade is from December to April.

This points to the need for larger traders to keep stocks in order to be able to respond to orders and demand as they come in, when prices will rise, making holding for sale at such times profitable. Various sources suggested that perhaps 40% of the annual purchase would be kept as stock to tide over trading during the year before the next harvest, and also to be able to respond opportunistically to short-term price rises. However, it is clear that some of these holdings were not intentional, as it was also reported that the age of some stocks goes back further than this, and that they were acquired when prices were at their peak. The holding of stock from the years of high prices in the hope that prices will recover is likely to be limited to those who can afford to have capital tied up in this way. One source estimated that possibly about 10% of a trader's purchases for each year from 2000-2002 was being held, with perhaps 20% of 2003 and 2004 purchases also as reserve. While recognising that 2001 was not a production year, nevertheless this indicates possible stock for a trader purchasing two metric tons per year of at least a ton of opium built up over a four to five year period. This is consistent with various newspaper reports. Note should also be made of between-trader dealing—one informant reported on the exchange of a land cruiser for opium in order to maintain his reserve stock.²³

Patterns of demand and how Helmand-based traders link with external actors are largely unknown. UNDCP (1998) reported outsiders coming to Helmand from Pakistan, Iran, and even Central Asia and visiting the various opium bazaars in Helmand to purchase opium. Many informants reported continued visits by what are now termed "smugglers", although it is mainly people from Pakistan who come in disguise to known Lashkar Gah traders. It was not possible to collect information on the frequency or timing, numbers, or seasonality of these visits. Many informants also made reference to the trafficking routes to trade points close to the Pakistan or Iranian border, reached either through Helmand or Farah. Opium trade flowed when travel routes were seen to be relatively open, and at such times market prices for opium rose. However, when transit routes were seen to be under threat or monitored, prices in Helmand fell (see also UNDCP, 1998, p. 10). Some traders reported combining together to transport opium to the border points under such circumstances.

The value chain. Preliminary analysis of the value chain data that has been put together indicates a margin of 7-10% for the farm-gate / small trader margin, but from the limited data a rather larger margin (50%) for the other traders, consistent with the UNODC (2004) report of a shift of the balance of advantage to the traders.

²³ UNDCP (1998) also reported a similar example of a deal between Musa Qala and Sangin traders when Balochi traders did not pay in time.

Trading risks. There is no doubt that the risks associated with the opium trade in Helmand have increased for all actors, but for different reasons. For opium poppy cultivators there is now both a risk of their crop being eradicated, or if not eradicated an increased risk of informal taxation first in order to prevent the crop from being eradicated and second at time of harvest. One farmer reported how he had grown his crop within his compound and carried out all the work within the family, thus evading these "taxes"; he nevertheless voluntarily paid *ushr* (a religious levy) to the local mullah. Another problem is that credit for opium poppy cultivation has also become more difficult to obtain.

Turning to the small traders, many reported higher risks due to being targeted by the police, who confiscated opium reportedly to sell it on to the bigger traders. During the fieldwork the district market in Musa Qala was targeted in this manner.

For the bigger traders there are also a number of risks. One is losses due to loans advanced to farmers not being repaid. Available evidence indicates substantial indebtedness among opium poppy farmers with significant amounts of overdue unrepaid debts outstanding. However, the provision of credit for production seems to have declined, so losses on this account may have been reduced more recently. UNDCP (1998) suggests that at least in Helmand, the provision of credit often did not cover more than 5-10% of a trader's turnover, although with the price increases of 2000/01 there may well have been an increase in the amount of credit provided since then. The risk of adulteration of opium by farmers and small traders remains, and one informant commented that this was still common practice in the market. Traders are also susceptible to the influence of key power holders with respect to where and how they trade. One informant reported on how the brother of a district governor (the latter had been a key provincial figure) had threatened closure of existing opium trade centers unless they moved into new market buildings that he controlled.

New risks also relate to seizure of the crop either by rival networks (the militia of one former governor of a southern district lost a major consignment in this way) or by the central counter-narcotics force as happened in late May 2005. However, these losses may induce a response through price rises. Conversely, threats of seizure may act to keep price down through the temporary closing of trade routes.

Overall, what appears to have happened is a shift in trust. Earlier, opium trade across provinces had operated apparently in a way not dissimilar from the *hawala*, and within the province based on personal credit and reputation. It was reported that the opium trade has now shifted entirely to cash transactions only, across provinces and within the province as well as across the border. Personal networks seem to have closed in, with communication being largely undertaken through satellite phone.

One might expect some of these risks to be reflected in rising prices or greater volatility in prices. In fact, beyond the normal seasonal pattern (lower at harvest time, higher in winter) prices in 2005 have remained comparable to the previous year's prices, although there are substantial short-term fluctuations due to appearance of buyers in the market. One noteworthy point is that during the 2003 season Helmand prices were higher than Nangarhar's, which has not been the historical pattern.²⁴ In 2005 it was the reverse, reverting back to the pattern seen in the 1990s, but now reflecting the largely successful ban on opium poppy cultivation in Nangarhar (see also Chapter 5). These shifts and provincial dif-

ferences in prices tend to suggest regional and fragmented markets rather than a national unified one.

Involvement of key government authorities in the opium economy. A major factor in many of the shifts identified above is the central role of government authorities in the opium economy. Existing tribal divisions and their geographical structure already provide the basis for competition for power. The extent to which trader networks cross geographical and tribal affiliations and provide a basis for cooperation or conflict is not clear. What is clear is that eradication and possibly interdiction as well have played into the hands of powerful provincial actors, enabling them to exercise greater control over the opium economy. While this does not yet amount to direct control over production, and farmers appear still to have choices as to where they can sell, the control over distribution and trade seems tighter, including as noted above control over where trade can take place (see also Chapter 7). Concentration of the trade appears to be occurring, and there is potential for a cartel in the making.

IV. OPIUM TRADING SYSTEMS IN GHOR

Ghor was selected as the second province for this study of opium trading, and as a contrast with Helmand, for two main reasons. First, opium poppy cultivation is relatively recent in Ghor, with the official UNODC surveys recording its cultivation for the first time in 2002 on an area of 2,200 ha, although small areas are likely to have been cultivated before then. However, even in 2004 the area of opium poppy cultivation in Ghor comprised a relatively small part of the arable area—about 13% of the wheat area and about 2% of the arable area (UNODC, 2004). During 2005 there has according to all reports been a sharp drop in the opium area. This raises questions about how opium trading systems established themselves in new areas of opium poppy cultivation. Did existing Ghor traders simply move into opium trading, establishing contacts with outside markets, or was it more a case of outside traders expanding their trading networks into Ghor? Second, and in partial answer to the above questions, based on the work in Helmand it appears that opium from Ghor is traded into Helmand. Thus the selection of Ghor as the second province for study offered the possibility of exploring how trading systems in Ghor might be linked to those of Helmand, and what has driven the development of these trade networks.

The data and analysis contained in this annex are the result of fieldwork in three areas. The first was in western Sharak in the Dar-I-tak area on the Herat provincial border, where discussions were held with general market traders, opium poppy cultivators, and group discussions in various villages in the surrounding area. The second area was in Chaghcharan town and surrounding villages and included interviews with opium traders and various other key informants. The third area was in Tulaq district, where interviews with a key district opium trader and a group meeting in a village with a history of opium poppy cultivation were undertaken. These specific site discussions were complemented with more general discussions with key people who were knowledgeable about the province. Summary profiles of the informants are included in Table 4.8 along with coded identity.

Table 4.8: Profile of Ghor Key Informants

G1	Large Opium Trader, Chaghcharan, Haji
G2	Large Opium Trader, Village outside Chaghcharan
G3	Small Younger Opium Trader, Chaghcharan
G4	Medium Size Opium Trader
G5	Livestock Trader, Chaghcharan - former/ current opium trader ?
G6	Farmers Village 1, Chaghcharan
G7	Farmers Village 2, Chaghcharan
g7	Sharecropper from Helmand, Sharak District
G8	Shop Trader, Dar-I-tak
G9	Shop Trader, Dar-I-tak
G10	Farmers Village 1, Tulaq
G11	Opium Trader, Tulaq
G12	Agency Employee, Former Opium Smuggler in Helmand
G13	Agency Employee,
G14	Agency Employee, Influential Person
G15	UNODC Employee
G16	Farmers, Sharak Villages

Context and History of Opium Production

Ghor displays classic features of a remote mountain economy. The province is poorly served by infrastructure. In winter the central high plains and provincial center are cut off by snow for between four and six months. Settlement tends to be highly dispersed and opportunistic around localised small-scale water sources, rather than densely settled along river basins.

Ghor is largely a rain-based economy from which surplus is extracted. This is well illustrated by the seasonal movement of Kuchis (nomads) into Ghor during the summer months from the surrounding plain provinces. The Kuchis not only own the bulk of the provincial livestock population but also appear to control access to large areas of natural pasture as well. Key natural products—such as livestock, walnuts, dried apricots, qorut (dried yoghurt), kurk (fine wool from the ear of the goat), and black cumin (gathered from common lands)—have traditionally been exported, along with rainfed grain in good years. Historically, the major traders at the district centers were from outside of Ghor. Traders from Kabul dominated trade in Chaghcharan, and Herati traders tended to manage trade in the district centers. Outside traders from Helmand, Kandahar, and Kabul largely controlled the livestock export trade and dealt directly with the Kuchis in their key seasonal markets around Chaghcharan. One former livestock trader (Informant G7) remarked on how cheap livestock had been in Ghor before the drought (in contrast to the present),²⁵ and the considerable profits to be derived from the trade. Where there were people from Ghor engaged in the livestock trade, they largely acted as agents for the external traders in the main trading season and traded livestock locally between villages during the rest of the year.

Seasonality in terms of both physical access and productive activity is a defining feature of Ghor's economy. The collection of fuel and fodder during the summer months is a major activity, requiring two to three months of labour. These are combined with transhumance and the seasonal movement of livestock out of villages to higher summer settlements. The significantly higher price of wheat in Ghor (estimated to be at least 30% higher than in Herat) and the difficulties of winter access must play a critical role in the calculus of decisions on opium planting in relation to the risks of failing to achieve food security for the winter period. This as will be seen may explain the sharp fall in opium cultivation in 2005 following poor production in 2004. Ghor has also historically been a labour reserve. With a highly seasonal economy, and significant areas of grain deficit during years when the rainfed component of production failed, movement of male labour out of Ghor during the winter period has been a major component of livelihood strategies, dating from several decades back but of variable importance according to location.

Two significant transformations of the economy of Ghor have taken place in the recent past. The first is the improvement of access through the building of a bridge across the Hari Rud and the development of roads that provide a direct route through to Chaghcharan via the northern route from Herat along the Hari Rud. This work, which started during the drought which hit hard the rainfed-based economy of Ghor, has also contributed to a second transformation—the significance of cash-based labour work through NGO investments in road and snow clearance. Catholic Relief Services and partners estimate that in 2002 cash for work may have provided overall about 27% of household income in the areas in which they are working.²⁶ The share is unlikely to have decreased since then.

Opium cultivation in Ghor started no later than 2002, fuelled from all accounts by the experience of labour from Ghor working in Helmand's opium poppy fields during the years of drought. This experience provided skills and seed and some knowledge of the market. However, the limited significance of the crop in Ghor should be emphasized. Starting according to UNODC survey records in 2002 with an estimated area of 2,200 ha (7% of the wheat area), opium poppy cultivation increased to an estimated 4,983 ha in 2004, largely through expansion into rain-fed areas, before falling significantly in 2005, according to all reports because of widespread crop failure in 2004. Preliminary figures for 2005 (UNODC, 2005) report that the provincial opium poppy area has dropped to 2,689 ha, a decline of 46%. Villagers in one valley in Tulaq (Informant G10) estimated that about 20-30% of the 1,000 jeribs of irrigated land in the valley had been planted with opium poppy in 2003; it expanded to 90% of the area in 2004 and then declined in 2005 to about 10% of the area. The main reason given for the fall in production was the reported crop failure in 2004, which discouraged farmers from planting in the subsequent year.

Elsewhere in Ghor, the expansion of opium poppy cultivation in 2004 was largely rainfed based—cultivation was even attempted in the main Shahrak valley at 2,400 meters altitude—and failed. Cultivation in 2005 by all accounts has come to be concentrated in the lower-lying valleys with secure irrigation and is fairly dispersed. Although Ghor farmers have done much of the cultivation, Helmandi cultivators are also coming in to cultivate on a sharecropping or tenancy basis.

²⁶ Paul Hicks, Catholic Relief Services, personal communication.

Table 4.9 summarises on a district basis the area of opium poppy cultivation recorded in the UNODC surveys since 2002. District-wise data was not collected in 2004, and with the short run of historical data, meaningful trends are not discernible. Moreover, it is unclear what the relative allocation of poppy between irrigated and rainfed land has been. It would also be important to distinguish between the autumn planted and spring planted crop, the latter (largely rain-fed) taking place at higher altitudes and therefore more dependent on spring rains. Most informants stated that the expansion of opium poppy cultivation particularly in 2004 was into rain-fed areas where production largely failed in that year as the spring rains were poor. Informant G14, whose brother has lands in Sharak at high altitude (over 2,000 meters above sea level), reported how his brother had been approached in successive years by some Kuchis and a man from Shindand (in Herat) to rent land for opium poppy cultivation. In both cases they had completely lost their investments as the crop failed, the former in terms of money and the latter who paid with a new motorbike (about \$450-500). Observations during fieldwork in Chaghcharan, Shahrak, and Tulak indicated that opium poppy cultivation is now entirely restricted to well-irrigated areas.

Table 4.9: Cultivated Area of Opium Poppy in Ghor (Ha)

District ²⁷	Percent Provincial Irrigated Land (ha)		Percent Provincial Rainfed Land (ha)	Percent Province Poppy Area		
	B*	C		2002	2003	2004
Chaghcharan	13.9	24.1	54.9	700	1189	
Lal Wa Sarja	0.4	15.0	10.5			
Pasaband	8.0	23.1	15.3	700	805	
Saghar	6.7	1.6	0.8	300	256	
Shahrak	25.7	20.8	4.5		640	
Taywara	24.7	12.8	3.3	500	808	
Tulak	20.5	2.5	10.7		84	
Total (ha)	29761	41202	134963	2200	3782	4983

Source: UNODC (2004).

* FAO, 1999. Provincial Land Cover Atlas: A: Irrigated - Double Cropped Intensive Irrigation; B: Irrigated - Single Crop Intensive; C: Irrigated - Intermittent

On the basis of the 2002 and 2003 area statistics, production has been largely confined to four districts, three of them (Pasaband, Shahrak, and Taywara) border districts, and probably cultivated within the limited area of single-crop intensive irrigation in each. UNODC (2004) estimated that the opium poppy area is equal to about 13% of the wheat area in the province.

Yield and Production

UNODC (2004) uses a yield of 34.9 kg/ha to calculate production for the western region of Ghor, Hirat, Farah, and Nimroz. While this seems on the high side for Ghor given what many informants reported (but noting a tendency for production to be under-reported and also highly variable conditions), it results in estimated provincial output for 2004 of about 175 metric tons of opium. If a yield range of 25-30 kg/ha of opium poppy is used, and

given the provincial area statistics from 2002, an indicative range of opium production might be from 55-65 tons in 2002 to 125-150 tons in 2004. If area has declined by as much as 50% in the 2004/05 season as many observers have reported, production may well have returned to 2002 levels.

Opium Trading Systems

The development of the transit trade. Although significant opium production in Ghor appears to have developed only since 2002, a transit trade in opium has been operating for rather longer, dating back at least to 1998 (Informant G1). At that time a group of Helmandi traders, variously reported to number from 10 to 20 (Informants G1, G2, G13, and G14), appeared in the Chaghcharan marketplace during the summer months (July-August) and began to establish connections with local Ghor traders. Where these Helmandi traders came from is not entirely clear, but references by informants to visits to Musa Qala and Sangin and the naming of key opium traders from the latter suggest their likely origins. It seems that the Helmandi traders were largely principals acting in their own right rather than agents for principals based in Helmand, and that there was a fairly solid core of them who established their base in Chaghcharan during the opium trading season (June to September).

These Helmandi traders appear to have sought out connections with key Ghor traders who had well-established provincial linkages developed out of the livestock trade. Indeed, a characteristic of almost all of the Ghor opium traders who were interviewed was that they had previously been livestock traders. Informant G1, for example, reported that he had well-established trading networks for sheep and goats in the north of Ghor, and that his assistance in helping his livestock trading friends sell opium in Chaghcharan had helped establish his relations with the Helmandi opium traders.

The Helmandi traders were interested in gaining access to the opium produced in the northern provinces of Balkh and Badakhshan (Faryab, Samangan, and Saripul were not to move into production until a few years later), which appears to have been largely traded through Mazar at that time.²⁸ The chief obstacle they faced was that they did not have networks within Ghor to establish trading routes.²⁹ This was primarily related to networks guaranteeing security and protection rather than establishing points of supply and transit. Ghor-based traders were recruited to provide such a linkage up to the northern parts of Chaghcharan district, particularly the regions of Murqab and Charsadah. These areas were under the sway of various Murqab commanders who had become influential and key power holders in Chaghcharan district. The number of Ghor traders who worked for the Helmandi traders was probably in the range of 20-30 (Informants G1, G2, G4, G13, and G14), none of whom seemed to be exclusively tied to any one Helmandi trader.

Transit trade volume. The opium trade in Ghor is highly seasonal, operating over a 3-4 month period. Informant G1 indicated that he normally purchased about 500 kg at a time (one pickup load) and did this about 10 times during the trading season. He claimed that his annual trading of about five tons put him in the middle rank of opium traders, and that there were others who were trading bigger amounts. Informant G2 talked about 5-6 trade trips of about 500 kg a time. He also noted that prior to 2004 the transit trade had probably constituted about 80% of the total opium trade in the province, and that this had increased to about 90% with the decline in Ghor's own production.

²⁸ Informant G1 noted that although much of the opium trading he had been involved in had been as an intermediary within Ghor, on the two occasions that he had gone outside the province, it had been to Mazaar.

²⁹ It should be noted that the Helmandi traders were Pushtun while the population of Ghor is largely Tajik; the nomadic Pushtun population (Kuchis) do not appear to have been seen to provide a basis for building networks to the north.

On the basis of the figures for the number of Ghor opium traders and the number of trading trips they said were made, an indicative estimate for the transit trade might range from 60 to 150 tons of opium per year. If we take into account the estimates of the relative importance of the transit trade to Ghor production, and take a low figure of 55 tons of opium production in Ghor in 2002, this would indicate a transit trade of about 220 tons, some 25% higher than that based on traders' estimates.

If we then look at the supply side and take the area statistics for 2003 for the northern provinces but exclude Badghis (the production of which by all accounts was directly traded to Herat) and Bamiyan, then this region had an area of about 5,000 ha of opium poppy in 2003 (UNODC, 2004, p. 115, Annex 2). Based on average yields of 35 kg/ha, this gives a northern production figure of around 175 tons.

According to different methods and points of departure for calculations and various assumptions, we therefore have a set of figures for the size of transit trade that are of the same order of magnitude and range between 100-200 tons per year. There is little point in seeking greater precision than this given annual fluctuations in production and the changing conditions under which the opium market operates. Much would depend on the contribution of Badakhshan production, its trading routes, and alternative routes for trade for northern production. There are indications, for example (Informant G15), that trading of opium into Tajikistan became widespread after the replacement of Russian border guards with Tajiks on the border and that some 30-50% of Badakhshan's production may now flow through this route, although others would claim that the border has always been permeable to opium flows.

Trade in provincial production—emergence of motorbike traders. The establishment of provincial opium production subsequent to the development of the transit trade in opium seems to have led to the emergence of a different group of Ghor agents for the Helmandi traders. This group appears to be distinct from the original "transit trade" Ghor opium traders and can be characterised more as shopkeepers and small-scale petty traders, rather than having a history as larger livestock traders. This may well also reflect the location pattern of Ghor's production, which has been highly localised, small-scale, and dispersed, with fairly high costs of time for collection, lending itself to smaller dealers on motorbikes who would collect amounts of 10-25 kg from a village. Informants G10 described in detail how different agents on motorbikes would come to their village to collect the opium harvest.

In Chaghcharan these motorbike traders would work directly with the Helmandi traders, perhaps trading 100-200 kg in a season. On the basis of Chaghcharan District's poppy area of 1,000 ha in 2003 and (estimating a yield of 30 kg/ha of opium poppy cultivated) production of 30 tons, this would suggest that the number of small traders is in the region of 100 to 150, consistent with the numbers given by informant G3.

However, opium production in some of the border districts of Ghor has not been handled through the Helmandi traders of Chaghcharan, although informant G11 described how he had gone with Helmandi traders to purchase 60 kg of opium in Chaghcharan in an earlier year, for which he was paid a commission of Afs 20,000. This same informant (G11) described how he had become involved in the trade starting from his own production and using this to build up capital to purchase other stocks. These he sold on through a cousin

directly to the opium market in Herat province, to which there is a direct route from Tulaq. In his view there were about three traders like himself in Tulaq district center, who resold opium through trading networks developed around other commodities. They all had their own transport, and it was easy for them to send small amounts of opium to the market in Herat. He estimated his annual turnover at about 50 kg. Many of the other shopkeepers in the Tulaq bazaar have also been engaged in the trade but in much smaller amounts—one or two kg at a time—using it primarily to gain credit from Herati traders bringing other stock to their shops. Opium appears to have provided the currency of exchange and was used to repay loans.

Partnerships of convenience or equality? While the Helmandi traders worked hard to build connections with Ghor traders in order to establish the transit trade, it would appear that the former remained very much in control. Indeed, as informant G14 noted, the one case of a Ghor trader who had prospered in the opium trade had been accomplished entirely based on provincial production and not through the transit trade. But this was very much an exception. As informant G8 put it with respect to the Helmandi traders: "The opium is theirs, the money is theirs, the trading is theirs, the skills are theirs."

While the Helmandi traders needed the Ghor traders up to a point, the ability of Ghor traders to operate in the opium markets in Helmand and elsewhere was dependent on connections with the Helmandi traders. Moreover, the Helmandi traders were not unwilling to drop their Ghor connections once they had made the necessary trading linkages themselves. Informants in two Chaghcharan villages (G6 and G7) noted how originally Ghor traders had come, but once the Helmandis had become familiar with the area, they came directly.

Where partnerships were established (as in the case of G2), the Ghor traders were very much the junior partner, not least because of the limited capital that they had.³⁰ Informant G2 had been able to build up sufficient capital to trade in partnership and accompanied Helmandi partners to Helmand in order to sell in the Sangin markets (as he put it, he had to go with Helmandi traders for protection). But many of the intermediaries in the transit trade operated on short-term contracts with the Helmandi traders who advanced capital for purchase for delivery within a 6-10 day period. Their margin depended on being able to purchase stock relatively quickly and at a price lower than the contract price, and being able to deliver it in a very timely manner. Informant G1 recalled that on one occasion he had lost nearly Afs 300,000 on a contract for 400 kg because he had not been able to deliver it quickly enough to the market, and the price had dropped in the meantime.

The smaller motorbike traders preferred to work on a commission basis (Informant G3); while it provided a lower return, working on a profit basis was less certain. Even the bigger Ghor traders made reference to the fact that if they did trade on their own account and sold on to Helmandi traders in Chaghcharan, while profits could be made (informant G1 reported on two trading events which he had done without contract which netted him in one case a profit margin of Afs 300,000 and in another Afs 200,000), there were also major risks of losing money.

Trading risks. In discussions on risks associated with trading, it was striking that all of the Ghor opium traders ranked the risk associated with price fluctuations as the greatest risk that they faced. Informant G11 estimated that in five out of ten transactions he would

³⁰ Several informants suggested that trading capital of Afs 500,000 was needed to be able to trade about 100 kg of opium

either break even or lose money, with a lower chance (less than 1 out of 10) of losses due to either theft or (more recently) actions by local authorities. Informant G2 agreed and noted the fact that last year a number of the Ghor traders lost all of their capital in trading. Informant G1 also said that market risks were the greatest ones that they had faced until recently, estimating that in 40% of his transactions he had either broken even or lost money. It is clear that there are short-term (within 24 hours) fluctuations in prices that may be on the order of 20-30% according to various informants. Informant G11 from Tulaq reported that his cousin based in Shindand would ring him instructing him to buy at a given rate; even if he bought at that rate and delivered it to the market within 24 hours, the price might have declined in the meantime.

What appears to be driving these short-term but sizable fluctuations is that when it is known that outside buyers who tend to come in quickly and buy large quantities are in the market, the price quickly rises. No doubt some collusion on the part of key traders holding stocks is taking place, but once the buyers have satisfied their demand the price quickly drops again, sometimes in a matter of hours. This price behaviour does not appear to be confined just to the opium market. It has also been reported in the case of the raisin market (Lister and Brown, 2004), and the Dar-I-tak traders (Informants G8 and G9) also reported it for the kurk markets as well, noting that it is primarily associated with commodities for export.

This degree of price fluctuation is regarded as acceptable, however. Informant G11 regarded the opium market as much more open than the currency market with which he compared it, arguing that there was much greater competition in the opium market. Compounding the potential risk of losses in the market is the apparent behaviour by many of the traders to venture substantial proportions of their liquid capital in a single transaction in the hope of earning substantial profits, but at the risk of exposing themselves to considerable losses.

Nevertheless, the fact that Helmandi traders have strong control over the market is not in doubt (Informant G15 and others), and their ability to manipulate prices must be a strong contributory factor in keeping non-Helmandi opium traders in a position of relative weakness.

Price is not the only risk faced by opium traders, whether those from Ghor or the Helmandi opium traders operating in Ghor. Indeed, the whole process of building networks to provide protection against theft and looting of opium cargoes was a critical part of the Helmandi traders' strategy in networking with Ghor intermediaries. However, protection came at a price. During the time when opium was relatively openly traded, it was accepted that pay-offs had to be made not only to local commanders but also to key provincial authorities to guarantee security of transit. Such relations were not without risks. One informant reported how two key government and security officials lost their posts and demanded higher payments from the next opium trade convoy. This was refused, a gun battle ensued, and two Helmandi traders lost their lives and one of their convoy vehicles was seized.

Travelling in convoy has been one of the ways of reducing the risk of banditry and theft, with reportedly lead vehicles travelling empty and acting as decoys in case of ambushes, allowing other vehicles with opium poppy to escape. If an opium trader were powerful

enough or paid enough money to key provincial authorities though, he could be officially escorted along the main roads. While in the past much of the opium traffic passed through the main routes out of Ghor, now the trade is much more small-scale, using minor routes and back roads down through the southern districts of Ghor, leading directly into the northern districts (Baghran) of Helmand.

With the progressive shift from what was seen to be an open and legal market to one that is less legal, ensuring protection has become even more risky. Several informants reported that official government action had captured various trading convoys, taken half the opium, and sold this on directly to other traders while releasing the other part back to the owners for a further payment. In one case a seizure of over a ton of opium went through the public spectacle of burning, although in actuality a substitute was burned, with the seized opium being sold on to other traders. While in the past key traders could secure reasonable protection from random robbery through the networks that they had established, more recently it has been less easy. Transport of opium has been scaled down to individual pick-up trucks³¹ and even motorbikes, a strategy of dispersing the risks. However, one trader (Informant G4) reported that relatives of his were ambushing the motorbike traders, because these traders were not in a position to make complaints about theft to the authorities.

Involvement of authorities in opium trade. According to all informants and consistent with the means by which risks of theft were reduced, many key government officials have been closely linked with the opium trade in the recent past and have made personal fortunes out of the "taxes" they levied on it. As in the case of Helmand, an understanding of the way in which the opium trading systems work, the protection systems provided, and the taxes levied requires a district-level analysis of key power holders and their wider networks. While the recent appointment of a provincial governor who comes from Badakhshan, has no legacy of engagement in the opium trade, and no provincial political ties has led to a re-ordering of affairs at the provincial level, it is less clear what has happened at the district level. It was consistently reported that key district authorities who had been in position since the fall of the Taliban were still on the scene, although they might have been moved between districts. One had recently confiscated 15 kg of opium from a group of farmers, but one trader commented, "we were told it would be burnt but who knows."

Prices, margins, and value chains. Finally, there is the issue of margins at each stage of the transfer of opium. While these are confounded by the rapid changes in market prices which can lead to windfall profits or severe losses for those in the trade, several generalisations can be made:

- Price differences as between farmers and small local traders at the village level are about \$10 (Afs 500) per kg, with farmers selling at about \$80 to \$100 (Afs 4,000-5,000) per kg.
- Village traders could sometimes sell on with a margin of \$20 to \$40.
- Informant G11 would pay \$60 to farmers and sell on for \$80 to \$100; traders would sell for \$200 at the border because of the risks of getting it over the border, a premium based on having good information on prices and good connections; it is easier to get opium from a village or town in Ghor to Shindand than from Shindand across the border.
- Between Mazar and Chaghcharan a price difference of Afs 3,000-4,000 (\$60-80) per kg is common, and a slightly greater margin of \$80 to \$100 is likely between Chaghcharan and Helmand.

³¹ During the research one pickup truck carrying opium crashed its way through a checkpoint and escaped in Dolainah between Chaghcharan and Sharak.

V. CONCLUSIONS

The first point to consider given the evidence presented in this chapter is the extent to which trading systems at this "middle-market" level have changed since the UNDCP (1998) study. In many respects, there are remarkable similarities in terms of actors, differentiation between types of traders, and the nature of the risks that they face. Indeed, it is possible that the trading systems in Ghor closely resemble those described in Nangarhar in 1998, with the domination of a central bazaar and evidence of a somewhat vertically integrated trading structure. However, details on differential price structures were not collected in this study, so it is not clear how far the comparison can be pursued.

One should not ignore, however, the extent to which the context has changed, including the increase in the number of traders since 1998 driven by dramatic price increases and shifting production levels. While the number of traders has probably increased much more at the bottom level and may well be in decline by now, the role of credit in a total trading portfolio may have changed and possibly increased from the modest levels (10-20%) reported in UNDCP (1998).

A key conclusion from the UNDCP (1998) study was of rather distinct regional markets reflecting a fragmented rather than unitary market in Afghanistan. The evidence presented here appears rather consistent with this story, and with evidence of market networks increasingly working through bounded relations of trust, there is clearly some caution required in terms of assuming a national market, and some degree of market segmentation seems equally possible.³²

Indeed, and this leads to a second area of consideration, what lessons might be drawn from this evidence? There are indications that processes of interdiction and eradication are leading to increasing concentration and control of the opium trade at least in Helmand. While it might be too strong to apply labels of cartel formation and "mafiazation" at this stage, nevertheless at the very least it is clear that current pressures and enforcement practices against opium have played into the hands of key actors in the opium economy, allowing them to consolidate and even strengthen their positions.

While there is some evidence that interdiction measures and policing of transit routes may lead to a lowering of prices in the market for opium at specific times, it is also likely that seizures could lead to greater price rises when trading is possible, reinforcing the market position of opium traders with stocks. Market mechanisms may therefore provide higher potential profits to traders in compensation for the risk of losses due to seizure.

Note should be made of the HAVA experience in Helmand and measures taken to achieve a large reduction in Helmand's opium poppy area during the 1960s to 1980s. It is clear that this was not just about law enforcement but also about the delivery of a whole range of farm services, ranging from extension to other inputs and combined with an assured market around cotton processing. Current conditions for cotton production and processing described in this chapter (and there have also been recent protests by Helmandi farmers about prices)³³ indicate that addressing the informal regulation of markets, not just around opium but for other crops as well, is a critical issue.

³² The technical analysis in Chapter 5 supports the argument that opium markets in Afghanistan have become less integrated in the last half-decade, although it suggests that in the 1990s the two markets for which long time series price data are available (Nangarhar and Kandahar) were integrated.

³³ See Pajhwak Afghan News October 14-2005, "Afghan Cotton Farmers Blast Govt for Failing to Keep Promises".

The articulation of Ghor's opium economy with that of Helmand is clear from this study. If pressures to reduce opium poppy cultivation in Helmand increase, it is evident that production could be shifted more into Ghor, facilitated by credit and trade arrangements and potentially stimulated if prices rise. Anticipatory action and development in this remoter province might do much to prevent this from happening, as well as addressing the significant levels of poverty found in Ghor. The move of traders from opium back to livestock trade could surely be assisted.

Looking beyond Afghanistan, it is striking how similar many of the issues discussed here are to studies on middle markets (positioned broadly between wholesale supply and individual purchase) for drug distribution in the west. Work in the UK by Pearson and Hobbs (2001) noted just how small and flexible trading networks were; emphasized that transactions involved market-defined roles of responsibility, risk, and reward; and found little evidence of organised crime groups with extensive tentacles. Instead they emphasized the distinct regional nature of drug markets in the UK. Rather than consider a national drugs market, they argued that it should be thought of more as a series of local and regional markets in which kinship and ethnic identity remain important. The need is to think more of contingent and context-specific opium trading systems in Afghanistan, which in some ways may be more amenable to effective interventions, rather than to work through a model of a national market. This would, however, require a greater depth of understanding than currently exists.

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