

DISEASE OR SYMPTOM? AFGHANISTAN'S BURGEONING OPIUM ECONOMY IN 2017

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Just days after the United Nations Organization on Drugs and Crime (UNODC) reported extraordinary increases in Afghanistan's opium cultivation and production in 2017,¹ the US military initiated a number of airstrikes against heroin processing labs and storage facilities purported to belong to the Taliban, as part of a new strategy to deprive the insurgency of funding.² With these developments, what has often seemed to be a neglected area for policymakers³ in recent years has come roaring back into the public sphere.

What Happened in 2017?

Opium poppy cultivation soared by an estimated 63 percent in 2017, increasing by 127,000 hectares from 2016's already high level to an unprecedented 328,000 hectares. This blows away all previous cultivation records, exceeding the previous record (in 2014) by an astonishing 46 percent, and coming in at more than three and a half times the peak level of poppy cultivation in the 1990s when the Taliban regime was in charge of the country. In fact, just the *increase* in cultivation in 2017 exceeds *total* poppy cultivation in Afghanistan in all years prior to 2004 and, indeed, in the majority of all years since 1995.

Based on a 15 percent increase in the estimated yield, opium production grew even more rapidly than cultivation, reaching a new record of 9,000 metric tons—nearly doubling 2016's level of 4,800 tons. This exceeded the previous peak of estimated opium production (in 2007) by 22 percent. With the huge increase in production, opium prices declined, though only modestly, by 14 percent. As a result of these production and price trends, the estimated total value of opium production (measured at the farm-gate) increased from 900 million USD in 2016 to 1.4 billion USD in 2017.

Half of the total increase in national poppy cultivation occurred in Helmand province, which remains far and away the country's largest opium producer, now accounting for 44 percent of the national total. Five other provinces (Kandahar, Badghis, Faryab, Uruzgan, and Nangarhar) account for most of the rest. Also noteworthy is the near-sextupling of poppy cultivation in Balkh province, which as recently as 2014 had been labeled "poppy-free". Opium production became more widespread in 2017, encompassing 24 of Afghanistan's 34 provinces compared to 21 the previous year, and some smaller producers such as Jawzjan, Herat, Dai Kundi, and Ghor provinces saw their cultivation up by several hundred percent.

Though opium cultivation and production have always been volatile, what happened in 2017 goes well beyond normal year-to-year fluctuations. Something has changed. Nevertheless, it is a continuation of the expanding trend since the most recent low-point in 2009-2010, as well as over the longer-term since the mid-1990s. So the trend is not surprising, even if the magnitude of the increase is unprecedented.

Unquestionably, the burgeoning opium economy compounds Afghanistan's problems—fueling corruption, supporting power-holders and insurgents, undermining good governance, infecting politics through drug financing and etc. However, it also provides some benefits from a short-run perspective. Most notably, opium poppy cultivation generates large numbers of rural livelihoods and jobs in a weak economy that desperately, needs them. Poppy cultivation alone provides around 590,000 full time equivalent (FTE) on-farm jobs.⁴ The opium economy also provides a much-needed stimulus to demand in the rural economy and, at least indirectly and to some extent, supports Afghanistan's balance of payments.

1 UNODC, *Afghanistan Opium Survey 2017: Cultivation and Production* (https://www.unodc.org/documents/crop-monitoring/Afghanistan/Afghan_opium_survey_2017_cult_prod_web.pdf).

2 See, among others, NBC News, "U.S. on track to triple bombs dropped on Afghanistan against Taliban" (<https://www.nbcnews.com/news/world/u-s-bombs-afghan-opium-plants-new-strategy-cut-taliban-n822506>).

3 For example, drugs and the opium economy received almost no attention at the recent high-level Senior Officials meeting held in Kabul during October 4-5, 2017, and were not mentioned in prepared remarks of the two co-chairs and President Ghani (see <http://mof.gov.af/en/page/6022>). For an earlier perspective see also William Byrd and David Mansfield, "Drugs in Afghanistan—A Forgotten Issue? Implications and Risks for Transition" (USIP Peace Brief No.126, 18 May 2012, <https://www.usip.org/sites/default/files/drugs%20in%20afghanistan.pdf>).

4 This is based on 2017 cultivation data, an estimate of 360 days of labor inputs per hectare of poppy, and the assumption that one FTE is 200 days per year. For further discussion on the estimate and assumption, see Mansfield, David, "The Economic Superiority of Illicit Drug Production: Myth and Reality – Opium Poppy cultivation in Afghanistan" (Paper prepared for the International Conference on Alternative Development in Drug Control and Cooperation, Feldafing, 7-12 January 2002).

Regardless of the balance of costs and benefits, the opium economy is far from the “disease” at the heart of the story in Afghanistan, and must not be seen as the cause of the country’s problems. It is rather much more a symptom of other things going wrong and deeper underlying problems.

Why Such a Large Expansion?

What confluence of contributing factors came together to result in the astonishing increase in opium poppy cultivation in 2017? In other words, what is the burgeoning of the opium economy, most dramatically in 2017, a symptom of?

It is first and foremost symptomatic of the progressive erosion of Afghan government control, influence, and presence in recent years, even in more centrally located and well-irrigated localities in provinces such as Nangarhar and Helmand, where poppy is beginning to make a comeback. David Mansfield has documented these trends, using evidence on tax collection by the Taliban to buttress his argument.⁵

This slippage has been occurring for at least the past five years, in parallel with and following the withdrawal of most foreign combat troops from Afghanistan; it is *not* the result of the expansion of the opium economy, which is much more a symptom that has been enabled by the shrinkage of government reach. However, what appears to have been a gradual erosion of government control/influence/presence may well have sped up in the past year or two, or may have reached a “tipping point”—snowballing into the sharp expansion in poppy cultivation during 2017.

In addition to the international military exit on the ground and associated progressive deterioration in security, political uncertainty around the 2014 presidential election and its aftermath, and subsequent political infighting and paralysis—notably in terms of government appointments, but also in other respects—during the early years of the National Unity Government’s tenure, may have played a role in helping provide an opening for expansion of the opium economy. Not least, these other problems may have distracted attention from the drugs issue.

A key enabling factor in the expansion of the opium economy in recent years was mistakes made in counter-narcotics approaches that not only turned out to be unsustainable, but inadvertently had the effect of *increasing* Afghanistan’s potential opium production capacity over the medium term. The Helmand Food Zone initiative,⁶ initiated in 2008, sharply reduced opium poppy cultivation in the well-irrigated canal command area of central Helmand province, but did so, to a large extent, by getting landowners to substitute wheat for poppy on their lands. As a result, sharecroppers and wage laborers who had been involved in labor-intensive opium poppy cultivation were left without livelihoods, as landowners did not need much labor beyond household labor to cultivate wheat. Forced off the land and without local livelihoods, many households that had been dependent on sharecropping and/or wage labor associated with poppy moved to desert areas north of the Boghra Canal, where they engaged in opium poppy cultivation under difficult conditions, relying on expensive tubewell irrigation to water their fields. Other southwestern provinces (such as Farah, Kandahar, and Nimroz) also saw “blooming of poppy flowers” in their desert areas.⁷

Though Helmand plays an outsized role in the opium economy, the problem is much bigger. Opium bans in Nangarhar province,⁸ a major past opium-producer, had effectively and, until recently on a sustainable basis, eliminated poppy cultivation in centrally-located, well-irrigated parts of the province. The local population successfully shifted to a range of other income-generating activities. However, imposed province-wide, the bans had problematic and counterproductive impacts in more remote, poorly-resourced areas where household assets and other opportunities were limited, and the only alternative to opium was wheat—a low-value, low labor intensity, relatively water-intensive crop that fell far short of providing viable livelihoods. As a result, households in those areas suffered severely and had to make drastic choices, including a significant outflow of labor, whose skills in poppy cultivation and harvesting could be and were employed in other parts of the country. Thus, overreach in striving to eliminate opium poppy cultivation in areas where the economic conditions and

5 Mansfield, David, *Understanding Control and Influence: What Opium Poppy and Tax Reveal about the Writ of the Afghan State* (AREU, August 2017, <https://areu.org.af/wp-content/uploads/2017/08/1724E-Understanding-Control-and-Influence1.pdf>). As Mansfield notes, though the loss of government control and influence does provide an opening to the Taliban which they have taken advantage of in places, it does not automatically translate into the Taliban taking control—there are a range of gradations and local power-holders and outcomes are far from just binary Taliban versus government.

6 The experience with the Helmand Food Zone, and its ultimate impact of actually increasing the long-term production capacity for opium of the province, is well documented by David Mansfield. See “Truly Unprecedented: How the Helmand Food Zone supported an increase in the province’s capacity to produce opium” (AREU, October 2017, <https://areu.org.af/wp-content/uploads/2017/10/1728E-TRULY-UNPRECEDENTED-How-the-Helmand-Food-Zone-supported-an-increase-in-the-province%E2%80%99s-capacity-to-produce-opium.pdf>).

7 Mansfield, David, “Ready to Burst? Examining the role of the ‘balloon effect’ in the expansion of opium poppy into the desert frontiers of Afghanistan” (Unpublished paper for EU LINKSCH project Unintended Consequences”, 23 March 2015, <http://www.davidmansfield.org/home/docs/field/70.pdf>).

8 Mansfield has thoroughly analyzed and drawn lessons from the experience with opium bans in Nangarhar, in *A State Built on Sand: How Opium Undermined Afghanistan*, chapters 7-8 (<http://www.hurstpublishers.com/book/a-state-built-on-sand/>), as well as in other publications.

resource base were not conducive to viable, sustainable household livelihoods achieved at most only temporary reductions. Cultivation shifted elsewhere, sometimes on existing agricultural land and sometimes by bringing new land under cultivation. Moreover, poppy tended to spring back in these parts of Nangarhar within a few years, as maintaining the ban became increasingly untenable due to popular discontent, resulting insecurity hindering or preventing eradication efforts, and political backlash. Therefore, any impact of the Nangarhar bans in reducing total national opium poppy cultivation was eroded over time by increases in other provinces and the return of poppy to areas where the ban was economically unsustainable in the first place. Moreover, total national cultivation and production capacity for opium was increased, since the risk that poppy would return to the localities where it had been sustainably eliminated was always present (if government control and credibility deteriorated), a risk that has begun to materialize over the past year or two.

More generally, ill-conceived counter-narcotics efforts and unsustainable bans resulted in gaining of experience with opium poppy cultivation in numerous far-flung parts of the country, with much “learning by doing” occurring. They also, at least in part, stimulated significant technological development and modernization of poppy cultivation techniques. For example, use of solar panels to run tube-wells has burgeoned in the former desert areas, dramatically reducing their operating costs. Use of herbicides (to reduce labor requirements for weeding) and pesticides also has become widespread in provinces like Helmand, Farah, and Kandahar. Double and even triple cropping of poppy has been introduced in some areas where this is climatically feasible.⁹

In sum, the opium economy has long been “footloose” in that cultivation can occur in the many parts of Afghanistan where climatic conditions are conducive, resulting in what is termed the “balloon effect”—when poppy cultivation is reduced or eliminated in one area, mobile skilled labor and trading networks don’t stop their activities but move elsewhere, so cultivation springs up and/or surges in other localities.¹⁰ But when new land is brought under cultivation, and/or know-how and experience spread to more segments of the rural population, it becomes something more, and worse, than the balloon effect: total national opium production capacity actually grows—the “balloon” gets bigger. Poppy has also become increasingly entrenched in areas lacking viable non opium-based livelihoods for rural households—whether in remote areas with limited water resources, little market access, and high person-land ratios or, more recently, in newly cultivated desert areas where farming is unviable in the absence of poppy.

What to Do (and What Not)?

What to do? As has all along been the case with Afghanistan’s opium economy, there are no easy answers or simplistic solutions—and this is even truer in the face of 2017 developments.

First, don’t overreact. While alarming, 2017 represents a continuation, albeit with great accentuation, of the expanding trend of the past 7-8 years. Panicked, drastic, knee-jerk reaction such as attempts at massive eradication of poppy fields, let alone aerial spraying, would lead to worse problems than the expansion of the drug industry itself. It is important to avoid overreaction and mistakes in response to what admittedly is a serious and worsening problem.

Second, don’t treat only the symptoms without addressing the underlying disease. Attacking the “easiest” targets in the drug industry—farmers cultivating opium poppy, and destroying their standing crop—has been and will continue to be counterproductive. When effectively implemented it breeds popular resentment and is used as a recruitment tool by insurgents, whereas if it fails, it strongly signals the government’s weakness while still spurring popular resentment. Interdiction efforts against transport, trade, and processing of opiates would be much more sensible, but this approach faces limits, and could risk political backlash from power-holders and interest groups—inside and outside of government—that currently reap major benefits from the drug industry. And in any case, interdiction, even if successful, can only somewhat contain, not make deep inroads against, the drug industry, which can flexibly and effectively respond to such measures—not least by shifting locations—and has a strong incentive to do so, given the lucrative profits at the processing and export stages.

Third, don’t equate the drug industry with the Taliban. The Taliban have diverse sources of funding, with drug profits comprising only one of them, so disrupting opium processing and transport/trade will not grievously damage let alone on its own defeat them. Though some Taliban local and regional/national leaders by all accounts are involved in trading and processing of illicit narcotic drugs, the Taliban are not anything like a monolithic cartel—implying coordinated decision-making on illicit narcotics activities in the areas they control/influence.¹¹ The profits individuals and small groups of Taliban leaders and members earn from drugs (and go into their personal wealth) should be differentiated from the revenues from the opium economy that accrue

9 See Mansfield, David and Paul Fishstein, “Time to Move on: Developing an Informed Development Response to Opium Poppy Cultivation in Afghanistan,” p. 27 (AREU, October 2016, <https://areu.org.af/wp-content/uploads/2016/12/1623E-Time-to-Move-on-Developing-an-Informed-Development-Response-to-Opium-Poppy-Cultivation-in-Afghanistan.pdf>).

10 Processing of opium into heroin or morphine is low cost and low tech, and if destroyed facilities can soon be reestablished with what would appear to be little overall effect on processing capacity or the price of opiates.

11 The first thing any cartel worthy of the name does is control and limit production in the interest of maximizing prices and profits, of which there is no sign at all in Afghanistan.

to the Taliban as a movement—mainly comprised of fairly modest agricultural “taxation” that goes into the Taliban coffers.

Fourth, keep to very modest expectations in the short run. As long as the current security situation and trends remain what they are, and resources for development are constrained (and largely committed to other extremely high priorities such as education and health), it must be recognized that not much can be done in the short run. Moreover, with the next election cycle approaching (parliamentary elections are scheduled for 2018 and the next presidential election for 2019), it will be very difficult for the government to consider politically-sensitive actions against the drug industry, and against farmers in particular. Preventing or slowing the resurgence of poppy cultivation in areas where it had already been sustainably eliminated, such as central, well-irrigated localities in Nangarhar and around Lashkar Gah in Helmand, sounds like a very modest objective. However, in the current situation, achieving it would be no mean task.

Fifth, development is the only sustainable remedy, but it is complex and takes a long time. As demonstrated by experience both in other countries and in Afghanistan, it is possible to eliminate rural dependence on illicit narcotic drug production. But except in areas where the conditions are already in place to replace opium with diverse sustainable livelihoods (in particular good water and land resources, adequate transport infrastructure, and access to markets), it will take multi-faceted development interventions and a long time to accomplish this, measured in decades rather than years.

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