

Who benefits from the Afghan Opium Trade?

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The United Nations has announced that opium poppy cultivation in Afghanistan has soared and is expected to increase by 59% in 2006. The production of opium is estimated to have increased by 49% in relation to 2005.

The Western media in chorus blame the Taliban and the warlords. The Bush administration is said to be committed to curbing the Afghan drug trade: "The US is the main backer of a huge drive to rid Afghanistan of opium... "

Yet in a bitter irony, US military presence has served to restore rather than eradicate the drug trade.

What the reports fail to acknowledge is that the Taliban government was instrumental in implementing a successful drug eradication program, with the support and collaboration of the UN.

Implemented in 2000-2001, the Taliban's drug eradication program led to a 94 percent decline in opium cultivation. In 2001, according to UN figures, opium production had fallen to 185 tons. Immediately following the October 2001 US led invasion, production increased dramatically, regaining its historical levels.

The Vienna based UN Office on Drugs and Crime estimates that the 2006 harvest will be of the order of 6,100 tonnes, 33 times its production levels in 2001 under the Taliban government (3200 % increase in 5 years).

Cultivation in 2006 reached a record 165,000 hectares compared with 104,000 in 2005 and 7,606 in 2001 under the Taliban (See table below).

Multibillion dollar trade

According to the UN, Afghanistan supplies in 2006 some 92 percent of the world's supply of opium, which is used to make heroin.

The UN estimates that for 2006, the contribution of the drug trade to the Afghan economy is of the order of 2.7 billion. What it fails to mention is the fact that more than 95 percent of the revenues generated by this lucrative contraband accrues to business syndicates, organized crime and banking and financial institutions. A very small percentage accrues to farmers and traders in the producing country.

(See also UNODC, The Opium Economy in Afghanistan,

http://www.unodc.org/pdf/publications/afg_opium_economy_www.pdf , Vienna, 2003, p. 7-8)

“Afghan heroin sells on the international narcotics market for 100 times the price farmers get for their opium right out of the field”.(US State Department quoted by the Voice of America (VOA), 27 February 2004).

Based on wholesale and retail prices in Western markets, the earnings generated by the Afghan drug trade are colossal. In July 2006, street prices in Britain for heroin were of the order of Pound Sterling 54, or \$102 a gram.

Narcotics On the Streets of Western Europe

One kilo of opium produces approximately 100 grams of (pure) heroin. 6100 tons of opium allows the production of 1220 tons of heroin with a 50 percent purity ratio.

The average purity of retailed heroin can vary. It is on average 36%. In Britain, the purity is rarely in excess of 50 percent, while in the US it can be of the order of 50-60 percent.

Based on the structure of British retail prices for heroin, the total proceeds of the Afghan heroin trade would be of the order of 124.4 billion dollars, assuming a 50 percent purity ratio. Assuming an average purity ratio of 36 percent and the average British price, the cash value of Afghan heroin sales would be of the order of 194.4 billion dollars.

While these figures do not constitute precise estimates, they nonetheless convey the sheer magnitude of this multibillion dollar narcotics trade out of Afghanistan. Based on the first figure which provides a conservative estimate, the cash value of these sales, once they reach Western retail markets are in excess of 120 billion dollars a year.

(See also our detailed estimates for 2003 in [The Spoils of War: Afghanistan's Multibillion Dollar Heroin Trade, by Michel Chossudovsky](#), The UNODC estimates the average retail price of heroin for 2004 to be of the order of \$157 per gram, based on the average purity ratio).

Narcotics: Second to Oil and the Arms Trade

The foregoing estimates are consistent with the UN's assessment concerning the size and magnitude of the global drug trade.

The Afghan trade in opiates (92 percent of total World production of opiates) constitutes a large share of the worldwide annual turnover of narcotics, which was estimated by the United Nations to be of the order of \$400-500 billion.

(Douglas Keh, Drug Money in a Changing World, Technical document No. 4, 1998, Vienna UNDCP, p. 4. See also United Nations Drug Control Program, Report of the International Narcotics Control Board for 1999, E/INCB/1999/1 United Nations, Vienna 1999, p. 49-51, and Richard Lapper, UN Fears Growth of Heroin Trade, Financial Times, 24 February 2000).

Based on 2003 figures, drug trafficking constitutes “the third biggest global commodity in cash terms after oil and the arms trade.” (The Independent, 29 February 2004).

Afghanistan and Colombia are the largest drug producing economies in the world, which feed a flourishing criminal economy. These countries are heavily militarized. The drug trade is protected. Amply documented the CIA has played a central role in the development of both the Latin American and Asian drug triangles.

The IMF estimated global money laundering to be between 590 billion and 1.5 trillion dollars a year, representing 2-5 percent of global GDP. (Asian Banker, 15 August 2003). A large share of global money laundering as estimated by the IMF is linked to the trade in narcotics.

Legal Business and Illicit Trade are Intertwined

There are powerful business and financial interests behind narcotics. From this standpoint, geopolitical and military control over the drug routes is as strategic as oil and oil pipelines.

Moreover, the above figures including those on money laundering, confirm that the bulk of the revenues associated with the global trade in narcotics are *not* appropriated by terrorist groups and warlords, as suggested by the UNODC report. In the case of Afghanistan, the UN Office on Drugs and Crime estimates that a mere 2.7 billion accrues as revenue within Afghanistan. According to the US State department “Afghanistan drug profits support the Taliban and their terrorism efforts against the United States, its allies and the Afghan government.” (statement, the House Appropriations foreign operations, export financing and related programs subcommittee. September 12, 2006)

However, what distinguishes narcotics from legal commodity trade is that narcotics constitutes a major source of wealth formation not only for organized crime but also for the US intelligence apparatus, which increasingly constitutes a powerful actor in the spheres of finance and banking. This relationship has been documented by several studies including the writings of Alfred McCoy. (Drug Fallout: the CIA’s Forty Year Complicity in the Narcotics Trade. The Progressive, 1 August 1997).

In other words, intelligence agencies, powerful business, drug traders and organized crime are competing for the strategic control over the heroin routes. A large share of this multi-billion dollar revenues of narcotics are deposited in the Western banking system. Most of the large international banks together with their affiliates in the offshore banking havens launder large amounts of narco-dollars.

This trade can only prosper if the main actors involved in narcotics have “political friends in high places.” Legal and illegal undertakings are increasingly intertwined, the dividing line between “businesspeople” and criminals is blurred. In turn, the relationship among criminals, politicians and members of the intelligence establishment has tainted the structures of the state and the role of its institutions including the Military.

Related Article: [The Spoils of War: Afghanistan’s Multibillion Dollar Heroin Trade, by Michel Chossudovsky, July 2005](#)

Table 1

Opium Poppy Cultivation in Afghanistan

Year	Cultivation in hectares	Production (tons)
1994	71,470	3,400
1995	53,759	2,300
1996	56,824	2,200

1997	58,416	2,800
1998	63,674	2,700
1999	90,983	4,600
2000	82,172	3,300
2001	7,606	185
2002	74,000	3400
2003	80,000	3600
2004	131,000	4200
2005	104,000	3800
2006	165,000**	6100**

Source: United Nations,
http://www.unodc.org/pdf/afg/afghanistan_opium_survey_2004.pdf,

** estimates.



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