

# The 'Bazaar Economy' of Afghanistan

## A Comprehensive Approach

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### 1. Introduction

Following the guiding question of this book and analysing the current economic situation of Afghanistan, this article will come to the conclusion that *Afghanistan is a country without a state*. The essential argument is that the mere existence of a 'war economy' can be considered as a salient indication of the erosion of state structures and the disappearance of state order. Thus, there is a close coherence between the decline of state structures and the emergence of a 'war economy'.<sup>1</sup> Or, in terms of a market economy: in a world which is entirely made up of states and which, in the political sense, is only conceivable in terms of states, the disappearance of state structures and the absence of an internationally recognized government in a particular country result in some respect in an economic advantage for this country. It offers opportunities for economic practices which are not available or authorized in any internationally recognized and responsibly acting state of the world.

It is true that the war which has been going on for more than twenty years has left Afghanistan as one of the most destroyed countries in the world. But the other side of the coin has to be borne in mind as well: some branches of the Afghan economy are alive and have been booming for several years. Most of these branches may be labelled as belonging to the 'war economy'.<sup>2</sup>

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<sup>1</sup> It has to be taken into consideration that there are also a few exemptions such as Sierra Leone, in which a war economy has emerged, but government structures have remained more or less intact (Reno 1997).

<sup>2</sup> The general criticism of the term 'war economy' must be taken into account (e.g. Duffield 2000). The distinction between 'war economy' and 'peace economy' is tied to the Hobbesian credo, that a strong nation-state guarantees peace and that the absence of state authority mean a state of disorder, chaos and war. However, due to the lack of an adequate term, I will denote the economic situation in Afghanistan as

However, in the following approach the term 'war economy' will embrace not only illegal or illicit economic actions, such as drug traffic or smuggling (Rubin 1999).<sup>3</sup> Rather, the term 'war economy' will refer to the economic actions of an entire society under the conditions of war. I pursue a comprehensive approach. With respect to the endemic Afghan terminology I define the economic practices in Afghanistan as a 'bazaar economy'. The general framework of the Afghan 'bazaar economy' is that the capitalistic free-market economy regulates all economic activities in the absence of any state regulation. Private trade constitutes the most important economic activity, while the production of real goods and the influence of a public sphere almost completely disappear. Furthermore the 'bazaar economy' on the Afghan territory is not contained by its national borders, but interwoven with the world market through an informal transnational network (Duffield 2000).

I will first demonstrate how the erosion of the state enabled the emergence of bazaar economy activities. Subsequently I will deal with the main branches of the Afghan 'bazaar economy'. In addition to kinds of illicit economic activities like drug traffic and smuggling, I will draw the attention to the 'market of violence', as elaborated on a theoretical level by Elwert (1999), and I will emphasize that a symbiosis of interests between the war parties and traders characterizes the 'bazaar economy' of Afghanistan. On the one hand the traders show interest in particular military and political decisions, on the other hand the combat units behave like economic actors. In the last part of this article I will scrutinize how the 'bazaar economy' has changed Afghan society and indicate how the 'bazaar economy' is leading to a disintegration of Afghanistan.

## **2. The Vanishing of State Structure**

Almost all published development reports rate Afghanistan as one of the poorest countries in the world. Prior to the coup d'etat of the communist People's Democratic Party of Afghanistan (PDPA)

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a 'war economy'.

<sup>3</sup> The equating of 'war economy' with illegal economy seems to be problematic. Economic activities are seldom isolated phenomena, due to the fact that illegal and legal economic activities are generally interwoven (Keen 2000).

in 1978, the Afghan economy was characterized by rural subsistence agriculture and pastoral nomadism. According to Grötzbach (1990), approximately 60 per cent of the national GDP came from agriculture and pastoralism, with 80 to 85 per cent of the Afghan population directly depending on the rural economy (Rubin 1995). In the non-agricultural sector most jobs were concentrated in the state-run administration and in the military. The Afghan state received the bulk of its budget (40 per cent) from development aid, supported by opponents on both sides of the Cold War (e.g. USA, Germany, Soviet Union). Thence Afghanistan was characterized as a 'rentier state' (see Rubin 1992).

The absence of modern industries and the economic weakness of the state were reflected in the Afghan politics. The history of modern Afghanistan can be characterized as a power struggle between decentralized tribes and the central state. This struggle involved persistent arguments between proponents of tradition and modernity, and it determined the Afghan political setting throughout the twentieth century (Grevemeyer 1987). However, in the 1970s Afghanistan was ruled by a more or less functioning government. Even when the physical presence of state officers in the countryside was rare, the central government maintained supremacy over Afghan territory. At that time only the Pashtun tribes of the border area with Pakistan opposed violently the exertion of any state influence. Hence this area was the only region where illicit economic activities were recorded on a large scale. The smuggling of timber across the border into Pakistan turned out to be a profitable business. Although the planting of opium and other drugs occurred in climatically advantageous regions of Afghanistan (e.g. Hilmand), it took place only on a small scale. Drugs were primarily produced for domestic consumption, and rarely for export.

State control, which was arduously and slowly installed during the twentieth century against the will of the ordinary people, eroded with the outbreak of the Afghan War in 1979. The war, which has been going on for more than twenty years, completely changed the society. Approximately two million fatalities and the exodus of more than six million Afghans to neighbouring Pakistan and Iran – the largest forced migration in numbers on a global scale during the last 50 years – were obvious results of the

ongoing war. I would like to draw attention to other consequences of the war which are worth specifying:

- The ongoing war led to a devastation of large regions. Especially in the vicinity of the cities and of the grand Afghan circular road, large parts of settlements as well as agricultural and pastoral land were razed to the ground in the aftermath of fighting. In several provinces, such as Paktia, Herat or Kandahar, almost each village was affected by war destruction. Furthermore large areas of cultivated land were contaminated with land mines. It is estimated that more than ten million mines were scattered in Afghanistan.
- The destruction of the agricultural and pastoral basis of the ordinary Afghan who remained in Afghanistan led to an economic dependence on staple food supply by the Afghan government. Due to the lack of any revenues, this situation fostered the Afghan government's dependence on foreign aid. Thus, in the 1980s the Afghan government was completely dependent on the supply of military equipment and of food from the Soviet Union.
- The continuance of the military activities resulted in the transfer of power from state institutions to war factions. This development started in the early 1980s. Against the background of the regular Afghan army being increasingly ineffective and deeply affected by mass desertion, the Afghan government supported the establishment of ethnically or tribal based militia organizations (Giustozzi 2000). The most notorious and powerful militias were the Jauzjan militia in northern Afghanistan and the Ismailia militia in Baghlan. In the late 1980s several regions were completely controlled by these militias. Most of the other regions of the country were under the control of a multitude of locally or tribal based combat groups, who were related to the resistance parties based in Peshawar or Mashhad. Owing to the lack of a 'counter-government' which directly controlled the 'liberated areas', these regions were, like the regions controlled by the pro-governmental militias, affected by the arbitrariness of the combat groups and resistance parties. The state authority was only maintained on a small scale and was concentrated in main urban areas such as Kabul, Mazar-i Sharif and Kandahar.

To bring these strands together, during the Afghan War the state lost its economic as well as political power and thus, what was perhaps much more important, its legitimacy to rule the country. The consequence of this development was the shift of power to 'military entrepreneurs', most of them organized on a local basis and using communal networks (*qaum*). The wide destruction of the rural economy was compensated by foreign aid either from the Soviet Union or the Western allies of the resistance parties.

The collapse of the Najibullah regime and the seizure of power by the Mujahidin parties in 1992 highlighted the end of all state structures. On the one hand the new government had to deal with a state apparatus which lacked legitimacy as well as economic resources. On the other hand, the resistance parties were not able to establish a functioning government. They expelled the bureaucrats of the PDPA regime, but they could not replace them with qualified civil servants from their own ranks. In addition, the continuing state of war between the remaining war factions led to a situation in which the hands of the government were tied. Between 1992 and 1994, myriads of belligerent groups related to one or other party controlled parts of the country, yet often not beyond the territory of a village or a valley. Only warlords such as Rashid Dostum in north Afghanistan or Isma'il Khan in west Afghanistan were able to establish fragile administrative structures on a regional level between 1992 and 1996.

The appearance of the Taliban in 1994, their successful expansion and their control of nearly 90 per cent of the country from 1998 did not lead to re-establishment of a strong state. The governmental activities of the Taliban were limited to the provision of security by incorporating local combatants into their own military structure and to the introduction of a bizarre and harsh version of Islamic law. The political decision-making of the Taliban revealed their lack of state legitimacy: all decisions are made by the closed and opaque leadership of the movement in Kandahar, and not by their government in Kabul. The Taliban use positions in the government (such as the rank of minister) as rewards for martial bravery. They do not link them to governmental duties. With regard to the economic situation, it is safe to say that the Taliban allow all kinds of activity, provided that these do not affect either their supremacy or their interpretation of Islamic law.

To summarize: the ongoing protracted Afghan War entailed the vanishing of state structures. The state lost its legitimacy to rule the country and its responsibility for the Afghan people and country. Power shifted to 'military entrepreneurs' who only have responsibility for their own clientele. To maintain their own clientelistic networks these 'military entrepreneurs' need inescapably economic means and thus became the main players in the Afghan 'bazaar economy'. This will be elaborated in the next section.

### **3. Important Sectors of the Afghan 'Bazaar Economy'**

Since Berthold Brecht's novel *Mutter Courage*, we are familiar with the economic side of war. In Afghanistan the conditions of war also resulted directly in the emergence of economic services that supplied the war factions. In once remote areas, such as Nuristan or the southern rim of the Hazarajat, a new infrastructure including roads, hotels and bazaars developed, due to the need for secure supply routes for the resistance. Moreover, private truck and bus drivers profited from transporting *mujahidin* to the frontlines.

The fighting parties, each of them more or less headed by a powerful 'military entrepreneur', were the major economic winners throughout the time when the Afghan War was defined in the terms of the Cold War (1979–89). At the height of the war, the Afghan government as well as the resistance parties received armaments for their combat units and food for the people to an annual value of approximately US\$3 billion (Rubin 1995). The main sponsors were on the one hand the USSR and on the other hand the USA and Saudi Arabia. It is an open secret that, after supplying certain combat units, the parties sold the bulk of foreign aid and armaments in the bazaars to obtain liquid funds. Particularly the Jabha-i Milli of Sibghatullah Mujaddidi and the Harakat-i Inqilab of Muhammad Muhammadi were notorious for selling weapons instead of directing them against the communist enemy (Roy 1986). The end of the Cold War brought an abrupt end to the channelling of aid to the resistance parties as well as to the Najibullah regime in Kabul. The lack of external patronage caused a slow disbandment of the relations between the combat units on the one side and the resistance parties as well as the Afghan government on the other side, because the latter were not

able to open up new resources. Only those political parties which developed and controlled new means to gain economic profit (e.g. opium trade, exploitation of natural resources) were able to survive. The fact that the Najibullah regime was no longer able to pay for the militias was the main reason for the breakdown of the government in 1992.

The above-mentioned economic activities and actors were directly linked to the acts of war. In the following sections I will focus on some important features of economic activities in Afghanistan:

- economy of violence
- training of militant Islamists
- exploitation of natural and cultural resources
- cultivation of opium poppies
- trans-border trade

These fields of the Afghan 'bazaar economy' resulted from the combination of a collapse of state structures and destruction of traditional economic resources.

### *Economy of Violence*

The term 'economy of violence' focuses on a self-perpetuating system, in which violence itself emerges as a marketable good. From an economic point of view the immense number of combat groups which existed at least until the appearance of the Taliban in 1994 can be regarded as 'war enterprises' adapted to a 'market of violence'. Their main capital was their armaments and their main business was the maintenance of security for a certain territory and its inhabitants.

It has to be stressed that, through the emergence of these combat groups, the vocational training of an entire society changed drastically. Due to the devastation of agricultural resources, the inclination to be trained in agricultural or pastoral techniques declined. The ordinary Afghan adapted his labour to the shifting economic situation in Afghanistan. Membership in a combat unit was much more profitable and even more secure than a civil occupation, such as being a farmer, with the daily risk of stepping on a land mine and without adequate arms for self-defence. Membership in a combat unit was not as precarious as it seems at

first glance. The main tasks of these units were to collect taxes from the inhabitants in return for ensuring security and to take tolls from foreigners crossing their checkpoints. The militias were the largest and best-paying employers. The guarantee of security was the fundamental reason for the existence of these combat units. Thus, generation or maintenance of a feeling of general insecurity was the driving force which made the combat units indispensable. Lootings, raids and plundering of rival villages, as well as the occupation of third-party property, not only promised a material profit, but were also the main strategies in upholding a general feeling of insecurity. Impending danger underlined the necessity for the existence of combat units. As long as the inhabitants of an area were in fear of raids by neighbouring enemies, they would support the militia.

Only the Taliban, which emerged in 1994, managed to monopolize the 'economy of security'. In other words, one of the essential reasons for the emergence and the success of the Taliban was the initial lack of security, which particularly affected the traders. Rashid (2000) highlighted the alliance between the Taliban and the Pashtun trade networks. The traders expected high profits from the re-establishing of secure trade routes through Afghanistan. Previously the traders had to pay various combat units at dozens of checkpoints. Through the emergence of a transit trade, the Taliban received a profitable source of revenue. The Taliban required these revenues to bribe and employ the previously independent combat units. Thus, the strategy of the Taliban was to absorb the combat units, who directly profited from the security business in the past, into their own ranks. The maintenance of the state of belligerency as well as the omnipresence of the Taliban guaranteed the sustained employment of these warriors. Nevertheless, due to several defeats of the Taliban with high casualties (e.g. in Mazar-i Sharif, 1997, and in Shomali, 1999), being a soldier lost its attractiveness for many combatants, who increasingly preferred to accept a more secure occupation (e.g. in trade or opium cultivation) than to risk their lives on the frontline. The Taliban met the resulting shortage of warriors by recruiting enflamed and indoctrinated students of the Pakistani *madaris*.<sup>4</sup> At the time of writing from one quarter to one third of all Taliban are Pakistanis or Arabs.

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<sup>4</sup> For the problem of the 'mushrooming' of *madaris* in Pakistan refer to Malik (1989)



### *Training of Militant Islamists*

The 'market of violence' in Afghanistan includes an international dimension. In the eyes of Western observers Afghanistan appears to be a stronghold of an international Islamic militancy (Borke 1999). Indeed, there are indications that the Taliban and, prior to the emergence of the Taliban, Islamic parties such as the Ittihad-i Islami of Sayyaf or the Hizb-i Islami of Hikmatyar incorporated or tolerated groups of militant Muslims from the entire Islamic world. Osama Bin Ladin is the most notorious of these militant Muslims, suspected of being the mastermind behind the bombing of the American embassies in Nairobi and Dar es Salaam in 1998. Nevertheless, many other radical Islamic groups, among them Harakat al-Ansar, Harakat-i Islami-i Uzbekistan and Abu Sayyaf, have training camps in Afghanistan preparing men to fight in Kashmir, Chechnya, Central Asia, West China or the Philippines (Rashid 1999). The lack of state structures is an essential advantage for the establishment of training camps for militant Islamists. Afghanistan offers excellent training conditions: a strictly religious daily life, possibilities of practising war techniques by participating in the Afghan civil war, and security against persecution by enemies from outside the country. In return, the hosting Afghan war parties receive financial supplies from the Islamic militants. For example, it is well known that Osama Bin Ladin not only supported the Mujahidin resistance parties with military equipment and money, but also built a hospital and imported bulldozers to help in reconstructing the infrastructure (Davis 1994).

### *Exploitation of Natural and Cultural Resources*

The exploitation and sale of resources which once were state property or under state protection is an obvious strategy for gaining profit. The smuggling of timber, which already occurred before the Afghan War, increased again from the end of the 1980s, when the Soviet troops withdrew from Afghanistan and when transport into Pakistan became easier. In particular, Nuristan, a once thickly forested region, is affected by heavy deforestation and denudation. The combat units involved in the

smuggling of timber became prosperous. As a result they are now well supplied with military equipment. Neither the Taliban nor the Northern Alliance have attempted to extend their authority into Nuristan. Thus, this region is still under control of independent combat units (see the contribution by Klimburg).

The main revenue of Massoud, the strong military leader of the Northern Alliance, derived from the exploitation of emerald and lapis-lazuli mines in Badakhshan. Massoud started this business in the 1980s. When his party, the Jam'iyat-i Islami, came to power in 1992, he made sure that the mines were nationalized and came under his control. Since then he had exploited the mines with the assistance of a Polish company. It is estimate that Massoud collected up to US\$200 million per year from the trade in gemstones.

Ruins and remains of the former Afghan infrastructure were also exploited. For example, all products made out of steel (e.g. rusting factories, destroyed tanks, electricity and telephone poles) were shipped to Pakistan and were recycled in the steel mills of Lahore, as is discussed by Rashid (2000). The sale of Afghan culture is another economic strategy. Since 1992, when state structures broke down in Kabul, the national Afghan museum has been robbed several times. Its antiquities have been sold to traders in Pakistan and elsewhere.

### *Cultivation of Opium Poppies*

Probably the most prominent branch of the Afghan war economy is the cultivation of opium. Already in the 1980s some combat units started to plant opium on a large scale in the Hilmand valley. Combat units allied with the resistance parties (e.g. Harakat-i Inqilab) as well as with the Afghan government were involved in this business. The cultivation of opium increased and spread steadily. In many places the agricultural land which was cleared of mines was immediately cultivated to grow opium. Although the profit of the opium business lies almost exclusively in its trade, as expounded in the contribution by Schulenburg, farmers gain a much more regular and higher profit from opium than from cultivating other crops. The war parties also gained from the opium cultivation by collecting a tax of 20 per cent on harvested opium from the dealers (Rashid 1999). In 1999, the peak of the Afghan opium production was reached: in that year 75

per cent of all global seizures of opiates were produced in Afghanistan.

Pressure from the UN resulted in a ban on the cultivation of opium which was imposed by the Taliban in 2000. According to a recent UNDCP report (<http://www.undcp.org>), the planting of opium almost came to a complete stop in 2001. It is difficult to comprehend why the Taliban decided to abolish the cultivation and production of opium. It is probably too early to give a satisfying answer. The decision can be interpreted as an attempt to obtain international recognition for the Taliban's government. Other arguments are that the Taliban found a way to substitute their profits from the drug fees, or that the decline in production is simply a market strategy. However, the producers and traders of the drug should be taken into consideration too. What would be the incentive for the farmers to abolish opium cultivation, and where will the traders find ways of gaining sufficient profits with the trade of other goods? It seems as if the Taliban must have entered into economic arrangements with opium producers and traders. Otherwise they will face fundamental problems in the future. Reported riots against the Taliban in poppy cultivation areas of southern Afghanistan in June 2001 may be connected to the prohibition of cultivation and trade of drugs.

### *Trans-Border Trade*

The collapse of the Soviet Union led to a new geopolitical interest of several countries in the Central Asian states, known as the New Great Game. In this context Afghanistan, situated on the southern rim of the Central Asian states, gained an enormous geo-economic importance. Under the rule of the Taliban south and west Afghanistan became the turnstile of smuggling between Pakistan, Dubai, Iran and Turkmenistan.

Based on the Afghan Transit Trade Agreement (ATTA) dating back to the 1950s, goods were permitted to be imported tax-free via Pakistan (Karachi) into landlocked Afghanistan. Already in the 1970s the ATTA was misused for smuggling: goods arriving in Afghanistan via Pakistan were smuggled back to the Federally Administered Tribal Area (FATA) of Pakistan, where they were sold in open bazaars. While this smuggling decreased in the period of the Soviet occupation, it emerged again with the advent

of the Taliban, but this time on a larger scale and via several trade routes.

Afghanistan has taken advantage of enormous disparities in trade policies between the countries in its vicinity. From Dubai, the largest free port in the world, consumer goods (e.g. video recorders, television sets) were imported by air to Kandahar and Jalalabad. Fuel from Iran, where oil products are heavily subsidized and where fuel costs less than US\$0.04 per litre, enters Afghanistan via Herat. From Turkmenistan a range of goods, such as automobile spare parts, are imported into Afghanistan. Most of these goods are destined to be smuggled into Pakistan. Goods from Pakistan are also imported into Afghanistan. Rashid (2000) stressed the steady increase in car-theft in Pakistan, where 63,000 cars were stolen in Karachi alone in 1992–8. Most stolen vehicles are transferred to Afghanistan. The required transportation network, which integrates Afghanistan into the regional economic structure, is used for drug traffic, too. To sum up, all goods traded in Afghanistan are either produced or consumed in the region. Drugs and emeralds are exported from the region to developed countries. To a large extent war materials, fuel and manufactured consumer goods are imported into Afghanistan from global markets. Today's Afghanistan is at the crossroads of an international trade with an immense variety of products: 'The consignments range from Japanese camcorders to English underwear and Earl Grey tea, Chinese silk to American computer parts, Afghan heroin to Pakistani wheat and sugar, East European kalashnikovs to Iranian petroleum' (Rashid 2000: 189).

At the same time as this transnational trade increased, state borders became permeable. According to Rashid (2000) the Taliban are interwoven in a trading network of smugglers, transporters, drug barons, bureaucrats, politicians, police and army officers, not only in Pakistan, but also in Iran, Turkmenistan and Dubai. This trading network was conducive to the breakdown of state authority on the borders and to the abrogation of toll duties and taxes. As pointed out above, this trading network affected political decisions: it not only gave financial support to the Taliban from the beginning, but it also triggered the Taliban's offensive against Herat in 1995 – against the vote of the Taliban's Pakistani military advisers. The basis for this trading network are Pashtun tribal connections. The border between Pakistan and Afghanistan criss-crosses the Pashtun tribal area; large Pashtun

communities are economic pillars in Dubai and Karachi. Kandahar and Quetta, cities which are situated in the heartland of the Pashtun tribal belt, are the hometowns of most of the traders and not by accident the strongholds of the Taliban. Like traders and bribed officials, the Taliban directly profit from the trade. They make an effective charge of 6 per cent on each item imported into Afghanistan (Naqvi 1999). The Taliban earned US\$2.1 billion from trade in 1997. Many Taliban, also, personally profit from the trans-border trade. They put up service stations, restaurants and garages along the highways between the border-crossing checkpoints of Spin Buldak, Islam Qal'a and Torgundi.

#### **4. Social Consequences of the 'Bazaar Economy'**

The collapse of the state and the emergence of the 'bazaar economy', controlled only by the rules of the market, caused profound changes in Afghan society. The most salient problem of the 'bazaar economy' is that it is based solely on trade and the production of 'violence'. Besides agricultural production, which was highly linked to the 'bazaar economy' due to the opium production until recently, no other real goods are produced in the country. Furthermore a state apparatus is absent, which might give economic impetus, establish producing industries, regulate market mechanisms or transfer a surplus to Afghans who are not gaining from the 'bazaar economy'. Therefore, only the Afghans who are engaged in trade and are integrated in the above-mentioned trading networks profit from the 'bazaar economy'. In contrast, the majority of the Afghan people suffers enormously from the 'bazaar economy'. The gap between the handful of people who make an enormous profit by trading and the ordinary Afghans who depend on the low and uncertain crops of the subsistence economy and on the help of the NGOs is immense. The Taliban as well as the Northern Alliance have transferred responsibility concerning, for example, education, training, occupation, agriculture, irrigation systems, to various NGOs. By outsourcing these tiresome and expensive tasks, which are usually undertaken or stimulated by the state, in the eyes of the ordinary Afghan inhabitants the war parties lost their justification for ruling in a civil government. The war parties concentrate solely on the fixing of conditions under which the NGOs are allowed to

operate in Afghanistan (e.g. the employment of women, the location of NGO offices).

The continuing Afghan War has fostered the emergence of a Kalashnikov culture not only in Afghanistan, but also in the bordering areas of the neighbouring countries. The serious effect of this culture is the collapse of traditional social structures (see the contribution by Goodhand). In the past each Afghan community was characterized by a highly fragile balance of power between various representatives (e.g. *malik*, *mirab*) and groups of interest. Old men (*rish safid*) had an enormous social status owing to their generally presumed experience and wisdom. Usually conflicts were mediated in a peaceful way by codes of conduct (e.g. the *hamsaya* system) and informal gatherings (e.g. *jirga*, *majlis*). With the war, the balance of power between various actors and groups has been replaced by warlordism. Nowadays young men with arms are the 'big men' in their communities. They make most decisions. In solving conflicts the persuasion of arms has replaced traditional peaceful means. The Kalashnikov culture may be considered as a strong indicator of the brutalization of the Afghan society – a phenomenon which is usually observed in countries under the conditions of a protracted war. More seriously, arbitrary decisions by the warlords, based on the power of arms, enlarge the gap between today's Afghan society and the ideal of a state which regulates conflicts by law and in a civil way. Another social consequence which has to be mentioned is that the number of people addicted to drugs has increased due to the cultivation of poppies.

A problem directly deriving from the conditions of war is the insecurity of property rights. The shift of political power and the arbitrariness of the warlords were accompanied by a redistribution of real estate, such as agricultural land and houses. Until 1978, the Afghan economy was characterized by a subsistence economy. Insecurity regarding real estate as well as the destruction of subsistence economy and the rapid increase in export-oriented poppy cultivation has resulted in a monetization of the Afghan economy (Rubin 1999). This monetization of the Afghan economy is a strong incentive for the involvement of the Afghan economy in the global economy.

## 5. International Dimension of the Afghan War Economy

The ruin of the Afghan currency (Rubin 1999) and the dissolution of a national market reflect the regional disintegration of Afghanistan. Since 1992 the national integration of Afghanistan has been replaced by the inclusion of the main Afghan regions in the economic circles of its neighbours: for example, the Herat region under the rule of Isma'il Khan was interlinked with Iran. Trans-border trade has increased, regular flights between Herat and Mashhad have been installed, and agreements for a close cooperation between the Iranian province of Khurasan and the Herat region were concluded. The dependence of north Afghanistan on the Central Asian States, particularly on Uzbekistan, also increased. Since the early 1980s Uzbekistan had supplied north Afghanistan with electricity and received natural gas in return. From 1992, when Dostum controlled north Afghanistan, the trade and transport system of this region was fully integrated into the economic circle of Uzbekistan. The economy of north-east Afghanistan (e.g. Badakhshan), which was mainly under the rule of Massoud, was oriented to Tajikistan. Massoud received military supplies via Tajikistan and the trade of drugs, gemstones, etc. from Badakhshan went via Tajikistan. The trade and transportation system of south and south-east Afghanistan was strongly related to Pakistan. Especially since the rise of the Taliban, the state boundary between Pakistan and Afghanistan has been blurred. The connection of the western region to Iran, and of the south and south-eastern regions to Pakistan, was strengthened by the fact that some millions of Afghan refugees have been living in both neighbouring countries for many years, and a frequent cross-border trade has been established.

Obviously, the ongoing war and the 'bazaar economy' in Afghanistan affect the economic and state structures of the entire region. Political and economic destabilization in Pakistan is unquestionable. Not only have state revenues suffered from the ATTA, but Pakistani society faces a sneaking talibanization. It has to be taken into account that the Pakistanis are the most important 'foreign workers' in the Afghan 'market of violence', and the *madaris*, scattered all over Pakistan, are the most important education and recruitment fields for the Taliban.

The war in Afghanistan also has had a strong impact on the economic prosperity of the Central Asian States. While at the beginning of the 1990s some observers declared Central Asia would be a booming zone in the future, the war situation in Afghanistan is still a major obstacle to foreign investment in this region. Thus the war in Afghanistan is perceived as an outstanding threat to the political order of Central Asia. Central Asian governments are particularly worried that the war activities in Afghanistan will extend into the region north of the Oxus, and militant Islamists, trained in Afghanistan, will gain influence in Central Asia.

Besides the regional impact of the Afghan 'bazaar economy', the global dimension has to be taken into consideration. Western observers assess the Afghan 'bazaar economy' as a salient threat to the world order and to international security. The cultivation of poppies and the training of militant Islamists are usually considered to be the most dangerous threats of all.

## **6. Conclusion**

In this article I elaborated different schemes of the 'bazaar economy' in Afghanistan. It can be concluded that the destruction of the traditional economy (agrarian land, pastures) and the collapse of the state structures are the main reasons for the emergence of the 'bazaar economy'. The destruction of the traditional economic basis of the ordinary Afghan people led to a drastic change in the labour market. In order to survive in a devastated country the people have been forced to accept work related to the business of war (e.g. militias) or to illegal economic actions (e.g. smuggling, drug production and traffic). The collapse of the state is the clear reason for the emergence of the 'bazaar economy' in Afghanistan. On the one hand, economic activities which are ostracized by international agreements are mushrooming in the absence of a state authority which recognizes the international standards of law. Since the outbreak of the Afghan War, economic fields (e.g. monopoly of security, trade, drug production and traffic), controlled or prohibited by the state in the past, were established as branches regulated only by the terms of a free market. On the other hand, the lack of state structures meant that impulses to establish productive industries or a social infrastructure are disappearing. Moreover, the non-



existence of state structures means that not even a social and economic minimum standard for the majority of the indigent Afghan people is guaranteed. This article has clarified and underlined that the re-establishment of state structures has to be considered as the first and major step towards overcoming the 'bazaar economy' and thus the global menaces proceeding from Afghanistan.

Even though I have drawn a picture of an unbridled and in some respects alarming 'Wild East' economy in this article, it can be assumed that the (first) peak of the 'bazaar economy' has been reached and that there is now a slight decline. This development is less an indication of the re-establishment of state structures than of international pressure and changing economic conditions in the neighbouring countries and the world market. The endeavours by the Taliban to receive international recognition led to a decrease in poppy cultivation. The reform of Pakistani import law as well as international sanctions against Afghanistan's international flights resulted in a dampening down of the ATTA. The Taliban's profit from the ATTA decreased from US\$3 billion in 1999 to US\$900 million in 2000 (Naqvi 1999).

But even if some branches of the Afghan 'bazaar economy' disappeared, the state vacuum in Afghanistan will still offer unprecedented opportunities for economic activities. Possibly the economy of smuggling people will turn out to be the most profitable business in the future. Natural catastrophes, such as several heavy earthquakes in north-west Afghanistan in recent years or the countrywide droughts in 2000 and 2001, further weakened the poor living conditions in Afghanistan. Under these circumstances the situation of the ordinary Afghans, excluded from the benefits of the 'bazaar economy', in Afghanistan itself, but also in Pakistan and Iran, which are still harbouring several million Afghan refugees, deteriorated. The inhuman situation in the Maslakh camp near Herat and in the Jalozi camp near Peshawar was recognized worldwide. Under the compulsion of dire living conditions, many Afghans consider the request for asylum or the illegal migration into Europe as the very last resort to survive. From all the approximately 300,000 to 500,000 illegal immigrants smuggled annually into Europe, it is estimated that Afghans and Kurds compose the largest nationalities numerically (<http://www.demographie.de>). The hijacking of an Afghan aircraft and its forced landing in London to apply for asylum in February

2000 and the Australian rejection of Afghan refugees, rescued on a Norwegian tanker, in September 2001 clearly illustrate the new dimension of the migration problem. By smuggling Afghans, unscrupulous hauliers earn a lot of money (see Maley 2001). However, the business of smuggling people has just commenced. What dimension this 'new economy' will reach in the future is still uncertain.

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