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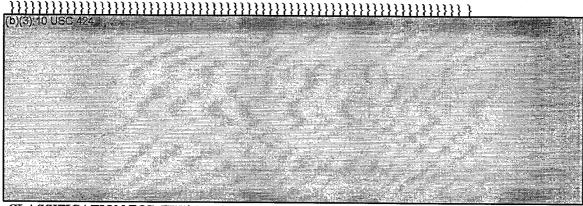
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CLASSIFICATION FOR THIS MESSAGE IS SECRET//X1.

SERIAL: MILITARY INTELLIGENCE DIGEST {MID} 131-2A

BODY

WORLDWIDE: MAJOR DROP IN OPIUM PRODUCTION

DOI: 9 JUL 01 {AS OF 1200EST}

TEXT: 1. (C) THE TALIBAN'S BAN ON POPPY CULTIVATION IN AFGHANISTAN WILL REDUCE WORLDWIDE OPIUM PRODUCTION BY AT LEAST 50 PERCENT. EXTENDING THE BAN BEYOND 2001 WILL CAUSE REGIONAL OPIUM AND HEROIN SHORTAGES AND SUBSEQUENT HIGHER PRICES IN EUROPE AND RUSSIA, SOUTHWEST ASIA'S KEY CONSUMERS. THIS STEEP DECLINE IN OPIUM SUPPLIES. HOWEVER, WILL HAVE LITTLE IMPACT ON THE UNITED STATES IN THE NEXT FEW MONTHS, BECAUSE ITS MAIN HEROIN SOURCES ARE IN LATIN AMERICA AND SOUTHEAST ASIA.

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2. (5) POPPY BAN EFFECTIVE. LAST JULY, THE TALIBAN PROHIBITED OPIUM POPPY CULTIVATION IN AFGHANISTAN. THE BAN WAS THE GROUP'S FIRST MAJOR EFFORT TO CURB OPIUM PRODUCTION, WHICH, APPROACHING 3,700 METRIC TONS IN 2000, ACCOUNTED FOR MORE THAN 70 PERCENT OF ILLICIT OPIUM PRODUCED WORLDWIDE. ALTHOUGH POPPY CULTIVATION PERSISTED IN AFGHAN AREAS BEYOND THE TALIBAN'S REACH, TALIBAN-CONTROLLED REGIONS MADE UP MORE THAN 90 PERCENT OF AFGHAN OPIUM PRODUCTION LAST YEAR. OFFICIALS WHO SURVEYED KEY GROWING AREAS THIS YEAR REPORTED VIRTUALLY NO POPPY CULTIVATION IN AREAS THEY INSPECTED. THE OVERALL EFFECT OF THE TALIBAN POPPY BAN ON 2001 OPIUM PRODUCTION WILL BE CLEARER LATER THIS

(b)(1),1.4 (c),1.4 (g)

- 3. (C) BUT NARCOTICS STILL FLOW. AFGHAN OPIUM AND HEROIN STOCKPILES PROBABLY WILL TEMPORARILY EASE SHORTAGES FROM A REDUCED OPIUM HARVEST. HIGH LEVELS OF NARCOTICS SEIZED IN MAJOR TRANSIT REGIONS, SUCH AS BULGARIA, CENTRAL ASIA, IRAN, AND TURKEY, SUGGEST THE POPPY BAN HAS NOT YET SUBSTANTIALLY REDUCED THE FLOW OF SOUTHWEST ASIAN NARCOTICS TO CONSUMER MARKETS. HOWEVER, AFGHAN PRICES FOR OPIUM, MORPHINE BASE, AND HEROIN AT RECORD LOWS LAST YEAR REPORTEDLY HAVE QUADRUPLED SINCE THE RESTRICTION.
- 4. (C) FACTORS INFLUENCING TALIBAN ON MAINTAINING THE BAN. THE TALIBAN STILL BENEFITS FROM SUBSTANTIAL DRUG REVENUES CHIEFLY FROM ITS TAXES ON CONTINUING NARCOTICS TRAFFICKING AND FROM TALIBAN-OWNED NARCOTICS STOCKPILES, WHOSE VALUE HAS INCREASED SUBSTANTIALLY. FROM THIS POSITION, THE GROUP CAN WAIT UNTIL NOVEMBER, WHEN THE NEXT GROWING SEASON BEGINS, TO DECIDE WHETHER TO EXTEND THE POPPY BAN. THE DECISION WILL BE BASED ON SEVERAL FACTORS, INCLUDING THE DEGREE OF INTERNATIONAL RECOGNITION AND ASSISTANCE RECEIVED THUS FAR AS A RESULT OF THE PROHIBITION. THE TALIBAN ALSO WILL ASSESS AFGHAN POPPY FARMERS' AND MAJOR NARCOTICS TRAFFICKERS' REACTIONS TO A POSSIBLE EXTENSION OF THE BAN; THE SIZE OF EXISTING NARCOTICS STOCKPILES; AND THE IMPACT OF CONTINUED PROHIBITION ON ITS OWN FINANCES.

 5. (C) IMPACT IF RESTRICTION PERSISTS. THE MID-TERM EFFECT, SHOULD
- THE TALIBAN EXTEND THE POPPY BAN, WOULD DEPEND ON THE SIZE OF ITS NARCOTICS STOCKPILE. ESTIMATES OF AFGHAN NARCOTICS STOCKPILES VARY WIDELY. SHOULD THE PROHIBITION REMAIN BEYOND 2001 AND STOCKPILES DWINDLE, SHIFTS IN POPPY CULTIVATION PATTERNS WITHIN THE REGION AND ACCOMPANYING CHANGES IN TRAFFICKING ROUTES AND METHODS ARE LIKELY. USERS IN REGIONAL MARKETS SUCH AS INDIA, IRAN, AND PAKISTAN, WHICH HAVE LARGE ADDICT POPULATIONS PROBABLY WOULD SUFFER FROM SHORTAGES BEFORE CONSUMERS IN EUROPE AND RUSSIA. AS SMUGGLERS DIVERT HEROIN SHIPMENTS TO MORE LUCRATIVE MARKETS, EUROPEAN AND RUSSIAN CONSUMERS

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WOULD SEE HIGHER HEROIN PRICES.

6. (C) IF THE TALIBAN'S POPPY BAN IS IN EFFECT BEYOND 2002, AND GLOBAL HEROIN DEMAND REMAINS CONSTANT, OPIUM PRODUCTION IN OTHER MAJOR SOURCE AREAS - SOUTHEAST ASIA AND LATIN AMERICA - COULD CHANGE MARKEDLY. UNSATISFIED DEMAND IN THE MAJOR EUROPEAN MARKET PROBABLY WOULD STIMULATE INCREASED PRODUCTION IN SOUTHEAST ASIA AND LATIN AMERICA. AS HEROIN FROM THESE SOURCES MAKES ITS WAY TO EUROPE, NEW OR SELDOM USED TRAFFICKING ROUTES WOULD COME INTO PLAY. MOREOVER, NEW RELATIONSHIPS MAY DEVELOP AMONG TRAFFICKERS FROM SOUTHWEST AND SOUTHEAST ASIA, LATIN AMERICA, AND EUROPE. OVER THE NEXT FEW YEARS, THESE DEVELOPMENTS WOULD HAVE ONLY A MODEST IMPACT ON THE US HEROIN MARKET, POSSIBLY REFLECTED IN CHANGES IN PRICE, PURITY, AND SUPPLIERS.

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