

Case Studies Series

UNDERSTANDING MARKETS IN AFGHANISTAN: A Case Study of Carpets and the Andkhoy Carpet Market

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by Adam Pain & Moharram Ali

Understanding markets in Afghanistan: a case study of carpets and the Andkhoy carpet market

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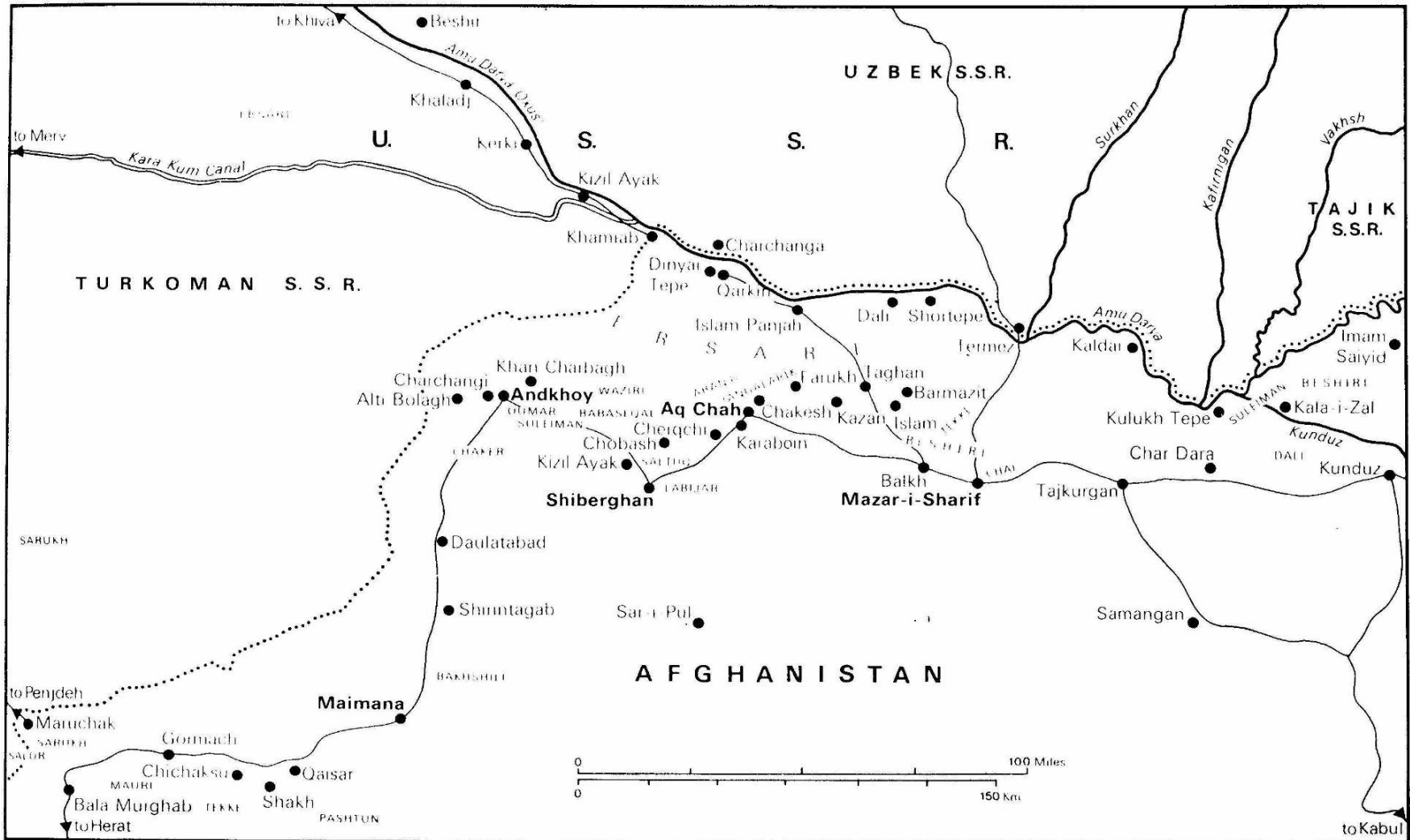
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Photographs by Adam Pain.

Figure 1. Map of Northern Afghanistan



1. Introduction

This study is one of three case studies funded by the World Bank and conducted under the Political Economy and Markets Programme of the Afghanistan Research and Evaluation Unit (AREU).¹ The case studies cover three activities important to the Afghan economy: raisins, carpets, and construction materials. The aim of the studies is to enhance understanding of the role of markets in affecting the prospects for growth, and the distribution of the benefits of growth, in Afghanistan. They explore the structures and functioning of markets in Afghanistan and thereby aim to assist in the formulation of government policies aimed at enhancing broad-based growth and poverty reduction in a market environment. The studies are designed to stand alone, but should be read together to gain a fuller picture of markets and the political economy of Afghanistan. A short synthesis paper provides information and discussion relevant to all three studies, as well as preliminary analysis of the salient points emerging from the three studies.

There is a widespread view that the carpet market is largely dysfunctional in Afghanistan, an opinion that the following extract from a Los Angeles Times article illustrates well:

Rug dealers and government officials in Kabul hope that .. weaver's skills will once again bolster the country's dismal economy, now sustained primarily by aid from abroad .. reviving the country's long dormant rug-exporting engine could improve the threadbare existence of thousands of peasants in northern Afghanistan²

This study looks at how carpet markets operate in Afghanistan and beyond. It specifically looks at a particular type of carpet or rug³, namely a carpet consisting of a pile (the soft projecting surface of a carpet made up of many small threads) knotted into a textile backing, and the trading systems around it in Andkhoy in Jawzjan province, Northern Afghanistan. It does not address the production of felted wool carpet products, or *namads*, which are widely produced in Afghanistan or the pileless flat woven fabrics or *kilims*.

The paper is divided into the following sections. First the sources and methods used in the study are presented. Second there is a summary discussion on the nature of the carpet as a commodity and its production structure (Annex 1 has a more detailed discussion of this). Carpets are a complex and highly differentiated commodity and if the tradition of hand knotted Afghan carpets is to contribute to Afghanistan's overall economy, then it is essential to understand how materials, workmanship and design contribute to that tradition. This is followed by a summary of key historical events that explain the current configuration of carpet production in northern Afghanistan. There is then a detailed exploration of changes in this carpet market since 2001, looking at key actors (producers and traders) and the social structures in which production and exchange take place. The paper then briefly looks at the carpet market and trading systems beyond Andkhoy and the conditions and constraints that they operate under, tracing the added value in carpets to the point of retail sale in the UK. There is a final summary discussion which considers where entry points might lie to respond to some of the issues identified in the workings of the carpet market.

¹ These three studies were produced by an AREU research team consisting of: Mohammad Moharram Ali (consultant), Tom Brown (consultant), Zainiddin Karaev (Research Intern, AREU) Jamal Khan (consultant), Sarah Lister, (Team Leader -consultant), Adam Pain (consultant). For more details on the studies, contact Sarah Lister: sarah@areu.org.pk.

We are grateful for the logistical and other support given by Save the Children US at various stages of this study.

² Valerie Reitman, 2003. Los Angeles Times, 30/11/2003.

³ The term carpet or rug is used interchangeably in this paper. In the American market the term rug is applied universally to carpets of Oriental origin; elsewhere rugs and carpets are sometimes differentiated by size, with carpets being larger.

Methods and Sources

The material used in this study is drawn from a number of sources. There appears to be very little secondary material on carpet markets or trading systems for Afghanistan, reflecting an astonishing lack of interest in markets and trade given their economic significance to the country. The 1970s did see a number of specific studies, largely by German geographers⁴ on the markets of Northern Afghanistan but these are essentially framed in a specific tradition of description of spatial patterns of organisation of economic activity with the town bazaars, with little analysis of market institutions or relations. One paper alone⁵ focuses on carpet production and its organisation in two northern villages. Key sources in relation to carpet designs in Afghanistan and in general are those of R.D Parsons⁶ which contains some historical material on production levels and P.J.R Ford⁷ which is more of a comparative guide to patterns and designs of carpet in oriental carpet production.

Much of this study draws, therefore, on primary material collected in Andkhoy since mid-2001. An initial study on livelihoods in this area stimulated interest in the working of the carpet market in relation to rural livelihoods and support by Save the Children US through a group guaranteed lending scheme (GGLS) for women carpet producers.⁸ On the basis of field observations, GGLS data and initial discussions with traders a set of preliminary conclusions with respect to the 'long-term decline in the relative profitability and control of the carpet market by producers'⁹ were made. These contributed to a chapter in a volume recently published by ODI.¹⁰ However understanding of how the market worked was relatively limited and some follow up was needed. By 2002 of course the context had changed substantially, with the lifting of the drought and a changed political environment. A follow up visit to the Andkhoy carpet market in 2002 allowed some deeper reflection on and understanding of longer term processes of structural change in the carpet market. This led to a more detailed study in the summer of 2003, which combined interviews with a range of different traders, (some 15 interviews), groups of producers (four discussions), related market actors (wool merchants, dyeing operations, *hawalla* operatives) and market observation. Key questions that were investigated at this time included:

- a. Is and if so how, is the carpet market differentiated by product (with respect to the inter-relation between materials used, design, quality of weaving, final destination)?
- b. How are the traders in the market differentiated (numbers, market share, product, entry requirements and barriers; trader assets, other activities) with respect to (a) in terms the nature of their engagement in the market. (The carpet market needs to be

⁴ For example see Erwin Grötzbach, 1979. Städte und Basare in Afghanistan. Eine satadtgeographische Untersuchung. Beihefte Zum Tubinger Atlas Des Vorderen Orients. Reihe B (Geisteswissenschaften) Nr. 16. Weisbaden, Dr Ludwig Reichert.

⁵ G. Schweizer, W Fischer und Albrecht Tübingen. 1981. Wiftschafts und sozialgeographische Untersuchungen zum ländlichen Heimgewerbe in Nord-Afghanistan. In: Neve Forschungen in Afghanistan. Schuften des Deutshcer Orient-Instituts. Leste Verlag.

⁶ R.D.Parsons. 1983. The Carpets of Afghanistan. Volume 3. Oriental Rugs. Woodbridge, Suffolk. The Antique Collectors Club Ltd.

⁷ P.J. Ford . 1981 Oriental Carpet Design. A Guide to Traditional Motifs, Patterns and Symbols. London, Thames and Hudson.

⁸ Adam Pain, 2001. Livelihoods under stress in Faryab Province, Northern Afghanistan. Opportunities for Support. A Report to Save the Children (USA).

⁹ Ibid. P58

¹⁰ Michael Bhatia, & Jonathan Goodhand with Haneef Atmar, Adam Pain and Mohammed Suleman, 2003. Profits and poverty: aid, livelihoods and conflict in Afghanistan. In Sarah Collinson (ed) Power, livelihoods and conflict: case studies in political economy analysis for humanitarian action. HPG Report 13, Overseas Development Institute, London.

seen as a market for credit, product acquisition, leasing, labour, processing and transportation; thus carpet traders may buy, sell, broker, store, transport, process, produce, finance the production of others and finance trade). How therefore is the market organised with respect to contractual forms, activity combinations, commodities traded, exchange relation, location and processes, structural configuration and seasonality.

- c. What have been the changes in (a) and (b) since 2001 and how do these relate to changes in prices, volume and trade structures?
- d. How have the terms of trade changed for producers¹¹ both with respect to the production process and the selling, remembering the highly differentiated gender basis of these two activities? ; what is the nature of the transaction at the point of primary exchange, the extent of price setting, taking etc and how does this relate to product differentiation? What are the rates of return and margins on secondary and subsequent transactions up to the point of the final consumer?
- e. How has the position of Andkhoy changed versus other Afghan carpet markets (Aq Char, Shebergan, Daulatabad) and how does relate to their relative articulation with regional and global markets?

A small survey of about 20 carpet traders to gain empirical information on trading volume, carpet type and turnover to deepen initial observations was carried out over three market days during August to September 2003. This was followed up with interviews of these traders during further visits in the autumn of 2003 and March 2004. Additional information has been drawn from carpet trader interviews in Mazar-e-Sharif, Kabul and in the UK (London and Norwich). In addition the setting up of a carpet trading company with two Afghan carpet traders has provided a unique opportunity for direct participant observation, both in the functioning of the carpet market in Andkhoy, transport and processing of carpets from Andkhoy to Peshawar and their subsequent export to the UK. Supplementary material on selected aspects of the working of the Peshawar carpet market in Pakistan has been collected by Jamal Khan.¹²

A note on carpet names

Traditionally carpet names were either specifically identified with particular locations e.g. Bokhara or used to describe particular designs e.g. Waziri. However with the commercialisation of production from the 1960s onwards, labels were applied fairly indiscriminately. A case in point was the use of the name Daulatabad carpets; there was a period when Daulatabad in Faryab did produce particularly fine carpets and as a result the name began to be used widely (even for those carpets not produced in Daulatabad) to confer an aura of quality. Now Daulatabad has all but disappeared off the quality carpet map. Some villages e.g. Alti Bolaq, as Ersari Turkmen village, have however retained their distinctive identity, although the description of the Alti Bolaq Mauri gol is inaccurate since the Mauri gol is actually a Tekke design and not an Ersari tribal design.

¹¹ Remembering the gendered nature of production and physical access to market, the distinction is made between the producer - usually a woman - and the seller - usually a man. However it should not be assumed that women have no control over either the selling price or the management of proceeds.

¹² Jamal Khan. 2004 Carpet Study. Peshawar. Mimeo

In the Andkhoy carpet bazaar today a range of designs are on sale - ranging from Bokhara to Karachi, Russian, Iranian, Jerhogi, Fils Pai. Many carpets in Andkhoy are generally called Khol Mohammadi, which is in fact not a design but implies the use of a particular dye introduced during the 1970s.

2. The carpet as a commodity: the product

2.1 The socially ascribed value of carpets

Carpets, as do many commodities, have properties that are defined both by their physical characteristics and by their socially given meaning. Carpets have a functional value and in that sense a limited life - however good the carpet in terms of material under use it does not last forever. However, a carpet is a commodity that has always had very strong social meanings too. For example, Turkmen carpets¹³ had deep symbolic meaning attached to the status of the new bride and the skills and goods that she brought to marriage. Indeed, the gift of carpets at the time of marriage today remains an important social ritual in Afghanistan.

Historically carpets have also been important symbols of status, and a significant asset both in strategies of surviving and thriving. Wellbeing in many rural households today is defined in terms of the ownership of carpets and kilims. Significantly for many rural households emerging out of long years of asset depletion, the first asset of accumulation may well be the carpet¹⁴, even if it is only a machine made Iranian one.

Carpets, at least in the international market, have a complex set of values. For some they have a value more as a work of art, an aesthetic value that can never be fully measured in money terms. This artistic value may be at odds with the functional value, and may often blur into a consideration of the carpet as an investment. This, however, is problematic since carpets do not pay an annual dividend, take time for appreciation in value to cover transaction costs of purchase and may depreciate in price through use.

2.2 Product differentiation

Annex 1 describes in detail the ways in which carpets as a product can be differentiated with respect to the material of production, the colours, the structure, design and methods of production. The key features are summarised below:

- **Material of production:** Carpets are constructed from the knotting of threads around longitudinal threads (or warps) and held in place by latitudinal threads (the weft). There is considerable choice over which materials can be used for the knotted threads, wefts and warps. Silk has fineness and brilliance that can lead to a fine weave but silk carpets are not hardwearing. Cotton warps and wefts can be used but lead to a very rigid structure. Carpets made of woollen warps, wefts and tufts are the most widespread but their properties vary according to the quality of wool that is used.

Traditionally the wool of the Qaraqul sheep was used. This was carefully sorted and hand spun leading to the highest of wool qualities for carpets. These have largely been

¹³ The term is used here to describe the range of types from door covering, to inner lining to storage devices designed to occupy a traditional Turkmen yurt

¹⁴ Pain, A. 2004. "The Impact of the Opium Poppy Economy on Household Livelihoods: Evidence from the Wakhan Corridor and Khustak Valley in Badakhshan." A study for the AKDN Badakhshan Programme. Mimeo

replaced by machine spun wool. Wool from Pakistan is of the lowest quality and contains many impurities but is the most widely used. Wool derived from the carpet industry of Belgium is used for the finest quality of carpets currently being produced - the 'Belgique' carpets. Wool from the Middle East, which is white, is largely being used for the 'Chob Rang' carpets.

- **Dyes:** the wool of most carpets are now coloured with semi-fast chemical dyes. These vary in quality but the best have the same properties as vegetable dyes, which are not widely used now except for the *Chob Rang* carpet. The key properties of good dyes are the softening and mellowing with age. Good chemical dyes cannot be easily distinguished from vegetable dyes except through chemical analysis
- **The structure:** the structure of the carpet is determined by the way in which the loops of wool are tied or knotted around the warp strings and anchored in place by a weft string. Characteristic of the Turkmen carpets is the Turkish knot. A key element of the structure is the knot count and the more counts per unit area the finer the weave is.

Figure 2 summarises by knot count the various qualities of weaving that are associated with the various carpets to be found in the Andkhoy carpet market.

Figure 2: Knot range for different wool types.

Knots /m ²	Knots / 10 cm	Knots / in ²	Local Wool*	Pakistan	<i>Chob Rang</i>	<i>Belgique</i>
40000	20	25				
90000	30	60			Coarse	
100000	32	65	Coarse			
110000	33	70		Coarse		
164000	40	106			Fine	
171000	41	110	Fine			Coarse
200000	45	130		Fine		
230000	48	150				
250000	50	160				Fine
300,000	55	194				
320000	57	206				
460000	68	300				
1000000	100	650				

* Local wool is usually not wool from Qaraqul and is usually machine spun and can contain many impurities.

- **Design:** Afghan Turkmen carpets are generally characterised by geometric patterns and motifs. In the past these were associated with particular tribes and locations and were part of distinctive weaving traditions. Up until the early 1980s it was still possible to clearly identify carpets with particular locations in Northern Afghanistan. Increasingly though, and particularly in the case of *Chob Rang*, designs have been created overseas thus undermining the local development of patterns.
- **Conditions of production:** Carpet production has traditionally been a home-based operation, and it remains so although increasingly weavers work on contract to traders. Before 1978 there were few examples of weavers being brought together into a factory to work under supervision on hand knotted carpets. As a result of the refugee experience the amount of carpet being produced under factory conditions increased, although this is largely an urban phenomenon. While supervision may lead to a

uniformity of quality, it often leads to a product that lacks inspiration. Moreover, conditions of employment are not necessarily beneficial to the producer.

Carpets can therefore be differentiated in terms of quality but what defines quality depends on a number of inter-related elements. The position¹⁵ has been summarised well:

In tribal production such as is found in Afghanistan, where yard is hand spun, the knot count of any given piece should never be equated with quality. The combination of colour, design and material is far more important than the number of knots in a given area. This does not mean that the standard of knotting is unimportant, for obviously the regularity and tightness, or density, of the fabric are important factors yet one cannot ignore the fact that in the last analysis it is the yarn count of the warp, weft and pile which very largely predetermines the knot count.

Parsons was writing of an era where hand based processing and production dominated, where the individual weaver worked as an independent producer and was largely responsible for the design, and where design would allow identification of the village from where the carpet had been produced. Carpet production has largely remained home based, although increasingly not as independent producers. However Parson's era has gone and it is the changes that have taken place that are now briefly summarised.

3. Historical changes in production and trading patterns, to Sept 2001

3.1 Up to the Soviet invasion

Settlement by the Turkmen in northern Afghanistan is of relatively recent origin, largely dating from the late 19th century and with a major final influx from Bokhara after the Russian revolution in the 1920s. Turkmen of Tekke origin largely settled around Herat while those of the Ersari tribe settled in the northern belt running from Andkhoy across to Kunduz. By the 1930s, Turkmen carpet production was a significant export and Daulatabad south of Andkhoy was noted for the quality of its production.

Prior to the 1950s, Afghanistan was largely a closed country and not much is known about the Afghan carpet trade. However from this time effective commercialisation took place and gave rise to the widespread use of chemical dyes. According to Parsons "During the 1950s the quality of Andkhoy was amongst the poorest in Afghanistan. Excluding Tekke goods, the standing was Kunduz, Mazar, Aq Chah and lastly Andkhoy and Quarqeen".¹⁶

By the late 1970s, the Andkhoy carpet had risen to the first rank along with Kunduz in terms of quality, although the means by which it did this are unclear. It is also evident that designs evolved as carpet production became increasingly linked into international markets. For example in Andkhoy Parsons estimated that the Bokhara design comprised only about 25% of production in 1968 but by 1978 this had risen to 70% (see figure 3). In Ag Char from 1975 to 1978 over 70% of the production was the Kar-I-Sefide work (white work) which is a small Bokhara type gol with secondary motifs in white; twenty percent of the production was in Kar-I-Surkh (red work) or elephant foot design and ten percent in various other

¹⁵ Parsons, op.cit. p. 14

¹⁶ ibid. p. 111

designs. In less than a year the red work had risen to nearly 40% of production with white work falling to about 50%¹⁷.

Figure 3. Change in Designs (% of carpets) in the Andkhoy Market 1968 - 1978¹⁸

Design	1968	1978
Elephant's Foot (Fils Pai)	65	25
Bokhara or Kar-I-Sefide	25	70
Other: Andkhoy Saruq, Waziri, Naksha Gashtai, Caucasian, Bashiri alma gul, Bashiri botteh etc.	10	5

Parsons noted that cotton wefts had been introduced from 1971 onwards for some of the carpets and although woollen wefts continued to be used, these changed from being undyed wool to ones which were frequently dyed red. Indeed, changes in the raw materials of carpets have been a key dynamic and there have been a number of reasons for this. The decimation of the Qaraqul sheep herd during a severe winter in 1970 and the collapse of local wool supply led to the import of both Pakistani and foreign wool and the increasing use of cheaper dyes smuggled in from Pakistan and Iran. Wool had been largely processed through a locally made belt machine, which allowed adulteration, mixing in 'dead' wool from dead sheep. To combat this, in 1977 the Afghanistan government banned the use of these machines and as a result of this restriction a large amount of machine-spun yarn was imported from Pakistan. A significant portion of this was cheap and of low quality being 'dry and dull wool of short staple resulting in much fibre shedding'.¹⁹ As Parsons feared, this led to the gradual introduction of machine spun yarn in Afghan wools.

Data on the organisation of the markets up to the 1980s is scarce, but tend to suggest that the marketing systems were small scale and local, working through a network of predominantly Uzbek and Turkmen producers and merchants, linked through Mazar and Kabul to external markets. One old Mazar carpet trader describes his experience in the 1960s and 1970s in Box 1.

There is also mention²⁰ of how a group of Tekke Turkmen producers around Herat organised their own representative to market their carpets. In Aq Chah, which during the 1970s was the largest and most important carpet bazaar in Afghanistan²¹, there was a bi-weekly bazaar at which every major exporter had a manager or representative who attended the carpet market. Around Maimana the British Company Oriental Carpet Manufactory had posted agents who contracted directly with producers to the extent that few carpets were directly traded in the town's carpet bazaar.²²

According to Parsons, in the early 1970s there were only about six carpet exporters (largely acting for specific companies in Germany and London) of any significance in the Kabul Carpet Bazaar, which was largely located in the Chaman Khzuri in Kabul. However after a boom in the international market in 1972 and 1973, the world market slackened and business became more competitive. Some of the middlemen who were left with stock decided to export in their own right and sent carpets to Hamburg and London and profited from the slight upturn in the market and established contacts. As a result others moved into

¹⁷ *ibid.* p. 87

¹⁸ *ibid.* p. 188

¹⁹ *ibid.* p. 32

²⁰ George Bannon, 1983. *The Peace Corps and the Making of a Dealer.* *Oriental Rug Review*

²¹ Parsons, *op. cit.* p. 87

²² Bannon, *op. cit.*

this market so that by 1978 there were about 40 exporters in Kabul largely based around Chaman Khzuri.

Box 1: Interview with 75 year old Mazar Carpet Trader

Now 75, he started trading in the 1960s and his father had traded before him. In 1960 transportation was entirely by camels - the carpets came from Cha Bulagh (in Balkh), Daulatabad, and Andkhoy. Then the best design - Mauri Sha came from a village south of Maimana. Others took up the pattern - for example Tagah Siri, outside Balkh. Before the Mauri, some carpets also used to come from Iran. The most famous place, Aq Cha in Jawzjan, was famous for both quantity and quality - and the Mauri was also famous for quality.

Carpets would take 9 months to weave and middlemen would collect 4-5 of them and bring them to Mazar or Kabul for sale. Traders came from Shah near Maimana with 4-5 pieces. It would have been difficult for him to gather them together from Shah on his own given the small volume of production - but it was easier to go to Andkhoy.

Before 1978 he travelled to Andkhoy to pack carpets according to orders from partners in Germany. He bought either directly from the producers at the bazaar or went to the villages. Normally there was little competition, sometimes there were a few traders which put up the prices but the trade was not well organised. Local traders would bring a few pieces, not more. He needed 40 pieces to make a bundle - he might get 25 on one trading trip and then would have to ask someone else to collect to his order of size and pattern etc. 40 pieces was about an average collection - most people would travel with about 1.5 lakh of Afghanis but there was also trust between the producer and the buyer so payment would not necessarily be made immediately - it could be collected later, 2 months may be. It was hard to collect carpets and it was not really competitive.

Data on production is also scarce. Parsons estimates that in the late 1970s Aq Chah marketed somewhere between 150,000 - 200,000 m² of carpet and Shebergan a further 60,000 m² although what portion of this was exported remains unclear.²³ In 1979 apparently 17250 m² of carpet was exported from Kabul suggesting that exports (at least official ones through Kabul) were a relatively small component of overall production.

It is clear that production largely remained household based. However, there are some references to more organised forms of production in factories - there is mention, for example, of a Kabul based Afghan Government Carpet Company, CREPCA which was 80% government and 20% privately owned, although the date of its formation and size remains unknown.²⁴ Ford, in reference to the production of panel designs of carpets, states that "the finest examples of all are made in factories in Kabul" although no further details on this are provided.²⁵ Presumably all of this factory production was wage based and female although this is not stated.

The extent to which home based production was independent remains unclear, but one source indicates that home based production by the 1970s was not always independent. A detailed case study on the organisation of carpet production prior to 1978 in one village north of Sherbegan where 90% of families were involved in weaving, showed (box 2) not only the extent to which wage based production had established itself, arising from the 1971-72 drought, but also the extent to which machine spun wool was used.²⁶

²³ Parsons, op. cit p. 87

²⁴ Bannon, op. cit.

²⁵ Ford, op. cit. p153

²⁶ G. Schweizer, W Fischer und Albrecht Tübingen, op. cit.

3.2 From the Soviets to the fall of the Taliban

The Soviet invasion and resulting war had a number of major effects on the market, illustrated by the decline in exports from Kabul to 13,000 m² in 1982/83. Flocks of sheep declined, the number of weavers also reduced as they fled as refugees to neighbouring countries, and weavers became reluctant to make the larger size of carpets as soldiers had the habit of slashing unfinished carpets from the loom. There was an overall shift of production to Kabul and, as a result of a road container service established by the Soviets to London and other European destinations, overall exports rose again slightly to 14800 m² by 1988.

Box 2: Terms of production in a village north of Shebergan, 1978

The village produces carpet of lower to medium grade carpets (1000 - 1600 knots 10 cm²). They are made from one third hand spun wool and two thirds machine made wool bought from traders. The purchase of raw material is expensive and has to be done on credit.

In the village there are three types of homework:

The first group (about 50% of weaving households) are weavers who work independently with their own loom. They can purchase wool on credit which costs an extra 5 Afs per *pau* over and above the 65 Afs per *pau* which is the market price. Handspun wool can be bought at 75 Afs per *pau*. If they are self financed and producing at their own risk they can achieve an average income of 12-18,000 Afs per year (equivalent to 600 - 900 DM in 1981).

The second group (47% of weaving households) is those who work on a wage labour basis which first came into being in 1971-72. Local agents receive contracts from exporters agents based in Aq Cha, Andkhoy, Balkh and Mazaar or from big export merchants based in Kabul. In 1977 there were 5 agents based in the village with each agent working with 50 - 60 families from the village as well as others in neighbouring villages. The agents supply the dyed wool at an equivalent of 75 Afs per *pau*, give the design, the form and size and may make an advance payment. Credit is given on the basis of the value of the raw material. The price paid for the carpet, after deduction of costs is some 100 - 300 Afs less than the market price and if the carpet is badly woven the agent will not take the carpet. The agent makes 25 - 33% of the market price.

The third group (3% of weaving households), who are characterised as totally indebted, work for 50% of the carpet price with all the raw materials being provided to them.

Source: Schweizer et al, op cit

However as overall access to external markets began to decline and with the difficulties of agricultural markets, more households began to move into carpet production for its relative security. This had already started after the 1972 drought as many non-Turkmen turned to carpet weaving, increasing the volume of carpets at the lower end of the market. However the major effect of political changes was migration to Pakistan, which led to a major expansion of carpet production in Peshawar and elsewhere.

For the carpet producers who remained in Andkhoy and northern Afghanistan life became increasingly difficult. The chaos that emerged after the Soviet withdrawal, combined with price inflation, insecurity and the collapse of infrastructure, led to a progressive isolation of the north from the carpet markets, combined with an increasing control from Peshawar of the market trade, including increasingly the setting of prices and designs. Data on carpet production in Pakistan indicates a considerable expansion until 2001 (figure 4) although care should be taken (as discussed later) given various incentives to overvalue exports during the 1990s and under invoice thereafter.

However, with the drought and under the Taliban, Andkhoy households as a coping strategy expanded carpet production. Production expanded from an estimated 500 m² per month in the 1970s to over 5000 m² per month in 2001.²⁷ The thirty or so traders that had been based in Andkhoy increased to over 200, and for the first time Pashtun traders were evident in the market. The carpets being sent south not only experienced many difficulties with customs and payments but were often delayed for several months crippling small traders. Many of the carpets were reportedly relabelled as products of Pakistan.

Figure 4. Average annual carpet and rug exports (m²) from for 1975/76 - 1999/00 and annual exports thereafter:

Period	Average area (m ²)	Value US\$ M	% Change
1975/76 - 1979/80	2.24		
1980/81 - 1984/85	2.68		
1985/86 - 1989/90	3.00		
1990/91 - 1994/95	3.44		
1995/96 - 1999/00	3.96		
2000 - 2001	6.3	290	6%
2001 - 2002	5.1	233	- 28% ²⁸
2002 - 2003	3.2	209	- 10%

(Source: www.finance.gov.pk/survey/chapters/09-trade.pdf)

All the evidence points to a decline in the terms of trade at this time for the carpet producers (figure 5), which their own experience confirmed.²⁹ Household responses to the drought deepened market inequalities. Weaving households became increasingly dependent on credit for raw materials for weaving and food supplies in order to survive. While the margins of the local carpet traders might have been under pressure, the returns to the producers were reduced even more.

Figure 5 Summary of prices changes for key commodities and labour wage rates for Andkhoy from 1998 - 2001. Prices standardised to April 2000.

	1998	1999	2000	2001			% change
	Apr	Apr	Apr	Jan	Apr	Jun	
<i>Afs against Apr 2000</i>	1.86	1.36	1.0	0.86	0.89	0.88	
Wheat per 7 kg	2.23	1.29	2.25	1.89	1.78	1.63	- 27
Daily Labour + food			0.6	0.52	0.53	0.70	+ 16
Daily Labour - food			0.9	1.03	1.07	1.06	+ 17
Carpets Prices							
3 M Belgium wool			450	258	400.5	353	- 22
3 M Pakistan wool			180	103.2	160.2	132	- 27
3 M Local wool			110	81.7	97.9	85.36	- 22

Source: adapted from Pain, 2001.

²⁷ Pain, 2001.

²⁸ The 28% decline from 2001-01 undoubtedly relates to the effects of September 11th 2001 and the subsequent refugee returns to Afghanistan.

²⁹ Ibid.

However not all traders stayed in Andkhoy. Many moved to Peshawar and through links with local traders - they were not allowed to trade in their own right - established crucial connections to both external markets and credit and capital. Under these conditions, some traders prospered. One such example is described in box 3.³⁰

Box 3: Habibulah Kerimi

Habibullah comes from Keki near Andkhoy. During the 1970s his major role was as a vegetable dyer of wool supplying naturally dyed wools to weavers in Andkhoy and beyond. He was also involved in weaving the Saiyuk designs, Alhal Gul and Ali Mahal, meeting the demands of the market at that time. He fled the north in early 1980s and in 1984 set up business in Lahore, importing carpets from Andkhoy. By 1988 he was overseeing carpet and kilim production in 6 different refugee camps and a total of 2000 looms.

4. The development of Andkhoy carpet market since 2001.

This paper now turns to examine in more detail the changes that have taken place in the carpet market in Andkhoy since September 2001, how this has affected the various actors and their responses to these changes. It also investigates the engagement of the Andkhoy carpet market in the international carpet market.

4.1 Background

Since 2001, there have been two years of highly favourable conditions for agricultural production in the Andkhoy region. This has generated both agricultural surplus and a substantial amount of on-farm labour opportunities from which many rural households have benefited either directly or indirectly. One group of men reported that during 2003 farm labour had been available at up to 150 Afs per day (US\$ 2-3) with 3 meals per day providing up to four months of agricultural work in addition to the carpet weaving.³¹ A second group reported that there had been up to 8 months of work starting with work in the brick fields, working as masons, to sewing of wheat, harvesting and straw stacking.³² This revival of agricultural production and its knock on effects in terms of the labour market, continuing into 2004 has had a significant effect on reducing the pressure of distress movement into carpet production.

The carpet market has however continued to expand in both volume and prices as will be discussed later. The major *hawalla* operator in Andkhoy was of the view that currency flows in relation to the carpet trade had increased by at least 50% from September 2001, rising from about US\$200,000 per month to about US\$500,000 per month and mostly associated with the big carpet dealers.³³ The general opinion is that the number of traders working in the market has increased; for certain several of the big traders who had been based in Peshawar have now returned to Andkhoy. Andkhoy is clearly prospering, as judged by the number of new 2 stroke Minsk motorbikes beetling around the rutted roads and the availability of commodities in the market.

Figure 6 provides a summary of the major flows in the carpet commodity chain and these are discussed in more detail in the following sections.

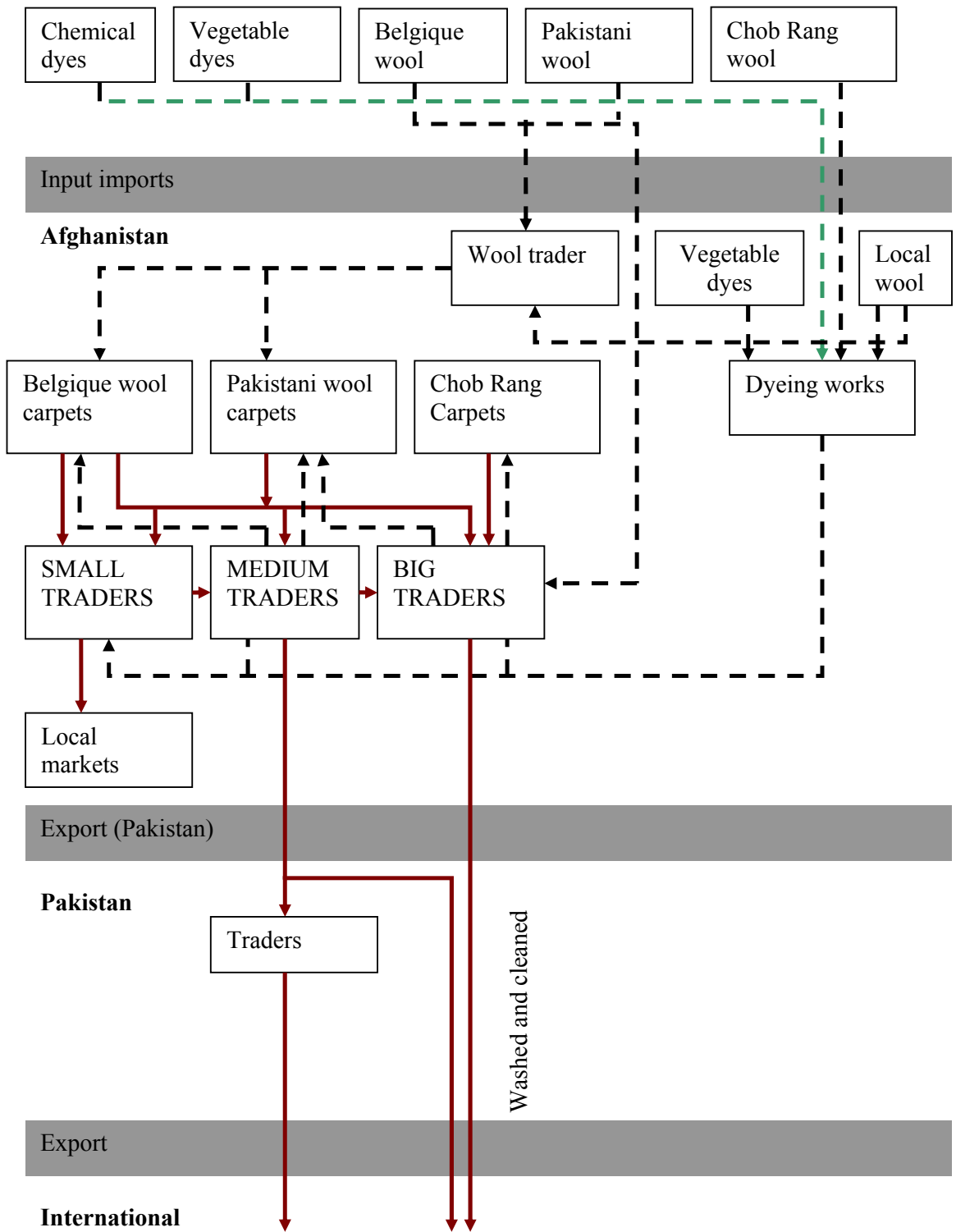
³⁰ Derived from Chris Walter, 1995. Habibullah Kerimi Making a Life and Rugs in Exile. Oriental Rug Review, Volume 15/3.

³¹ Interview, Qaramqol July 2003.

³² Interview, Qarqan, July 2003.

³³ Interview, Andkhoy, July 2003.

Figure 6 The Carpet Commodity Chain.



4.2 The bazaar

The carpet bazaar is in the 'new' town of Andkhoy - the old city of Andkhoy having been substantially rebuilt since the 1930. The municipality owns the carpet bazaar. It has about 120 individual booths, no more than small square cubicles, stacked in a double storey, lining the four edges of the rectangular courtyard. In the centre of the courtyard there is another two-storey block of booths. These booths, which were originally owned by one man but later sold off by his sons, are either owned or rented by individuals or groups of traders who share the premises. Between the outer perimeter of booths and the inner square a 5 metre wide band of uneven earth runs and on the two days a week that trading occurs (Monday and Thursday, although increasingly trade starts on the previous evening) the men of carpet producing families come in with carpets and line the sides of the bazaar floor with their carpets. In one corner of the carpet market, sellers from Alti Bolaq maintain a special space for their carpets, largely of the Mauri gol design, noted for weave quality. Although one is used to seeing public places as largely male preserves in Afghanistan, the carpet bazaar appears to be exclusively male, and the few women who do sell carpets, largely widows and the elderly, do so outside the bazaar.

Observation of the carpet bazaar shows that traders do not largely discriminate between wool type, size or design for carpets offered for sale. All carpets are unceremoniously thrown to the dusty ground and their backs carefully and quickly inspected for knot density, evenness of weave, regularity of tension through careful measurement of length and width at various points, and flaws. The uncut top of the carpet is of no interest. Provided weave quality is acceptable a price will be offered consistent with size and wool type. In this sense carpet traders will buy anything that they think they can sell on for a profit and do not appear to specialise in particular types.



Box 4 summarises the actions of one seller in the market. One trader³⁴ described the transaction as follows

Producers will base their asking price on what others have got, prices in the previous market, and will try several traders on the way in and judge what the current price is and possibly settle after 2-3 negotiations. There are two types of

³⁴ Trader Interview, July 2003.

producers - those that are not familiar with the market and come irregularly - often demand too high a price, double what the market will bear and those that ask nearer to the market price and can be negotiated down'

Box 4: Trying to sell a carpet in Andkhoy carpet bazaar.

A carpet seller has just thrown down his carpet for inspection and the trader goes through the rituals - turning the carpet over onto its back, folding the edges to see if the edges meet evenly in the middle, measuring the length and width, bending the corners to inspect the quality and evenness of the knots, tracing and scratching the back for irregularities and so forth. An offer of US\$75 is forthcoming. This is not considered and this is gradually raised to about US\$85. The seller is exhorted by various onlookers to accept the offer - the trader grabs the hand of the seller and tries to pump his hand to get agreement on the price. The seller is unconvinced and states that his asking price is US\$120 - some gap here. A third party intercedes, perhaps an agent of the trader, maybe someone trying to find favour with him, to try to broker agreement. This fails and finally the seller picks up his carpet and walks off.

Another trader stops the seller, the carpet is inspected and an offer of \$70 is made. The carpet is quickly picked up and the seller follows the wool cart into the thick of the entrance to the carpet bazaar. He looks at various transactions going on and makes his way first to hand some wool he is carrying into a trader. He then walks somewhat purposively around the market. Another trader stops the seller. Again the carpet is thrown onto the ground, the trader asks him what he wants. The seller asks for US\$120 again - the trader throws up his hands in disgust and this time it is the trader who walks away. The seller picks his carpet up and continues his round of the market and stops to watch a negotiation in progress. The trader is pressing a seller, trying to shake his hand to get agreement on a price that the seller is clearly not happy with. The carpet is folded up, the seller turns to go, the trader offers another dollar and the seller agree to a price of US\$79 and the carpet is stacked on the traders growing stock. Our seller takes his turn and throws his carpet down for inspection, a crowd gathers. The trader's inspection takes place. He offers US\$80. The seller picks up his carpet and leaves the carpet bazaar. No sale today.

However the trade within the carpet bazaar is actually only a part of the carpet trade. What one sees being argued over in the carpet bazaar are the carpets traded by independent producers. What is not traded are the 'traditional carpets' that have been produced under 'profit share' or wage arrangement whereby the trader provides the raw materials and collects the carpet on completion. What are also visibly absent from the bazaar are the *Chob Rang* carpets, which are not traded within it or even within Andkhoy. The development and expansion of the *Chob Rang* carpet type, originating before 2001 and brought in from Peshawar largely since 2001, is a key element of change in the market.

4.3 The carpet producers

The identity of the carpet producers can be looked at in three ways - with respect to class, gender and ethnicity. With respect to class (as defined by ownership of a bundle of assets, particularly land and livestock), evidence from Andkhoy (see figure 7) indicates that while carpet weaving is undertaken by all households in all land asset classes, its pre-eminent economic role is to be found among those families without land and with limited livestock. This relates in part to the settlement history of the Turkmen when they moved into Northern Afghanistan and settled, acquiring land from Uzbeks who had long been living there.³⁵ Those Turkmen who have prospered, and who were able to transform livestock

³⁵ Indeed, the name *Alti Bolaq* means four blocks and this refers to the four blocks of land acquired from the Uzbeks at the time of settlement.

wealth into land have been able to diversify their asset base. Many have not been able to do so and thus with limited livestock holdings, further depleted by the drought, they have become increasingly dependent on carpet production. Uzbeks living in Andkhoy largely own the land in Qaramqol, a village outside Andkhoy. The mainly Turkmen population living in the village are landless, either sharecropping or working as agricultural labour combined with carpet production.

Class identity thus overlaps with ethnicity, although not completely. As a result of the drought, many households that had in the past been largely agricultural producers and who had remained in Andkhoy - mainly Uzbek but also a small portion of Turkmen as well - shifted into carpet production, working on the production of the poorer quality carpets. However for the many households who left as refugees for Pakistan, their only source of income as refugees was as carpet producers and many who had not previously had production skills acquired these skills in Pakistan. In this way the general skills of carpet production, although expanded during the 1970s amongst the Uzbeks as a result of the drought, moved even further beyond a specific Turkmen identity as a result of both the drought and the refugee experience. Nevertheless the finer skills of production, and the embodied knowledge of traditional designs, at least within the Andkhoy area, have remained with the Turkmen population.

Figure 7: Reported mean income (Lakh Afs; 1 Lakh Afs = US\$ 1.25 on average 1998 exchange rates), income sources & contribution to household income pre-drought (1998) by Qaramqol sample households

	All households	Rich	Middle	Poor
(a) Alti Bolaq				
Sample Size	10	1	1	8
Mean Income	1506	6800	2400	733
% crop	35.8	79.4	0	0
% livestock	1.7	2.9	0	1.0
% carpet	39.4	0	100	60.3
% trade	4.5	0	0	11.4
% transport	8.0	17.6	0	0
% farm labour	1.6	0	0	4.3
% non-farm labour	8.9	0	0	22.9
% begging	0	0	0	0
(b) Qaramqol				
Sample Size	9	1	3*	5
Mean Income	2230	3120	4589	636
% crop	30.9	86.5	25.4	0
% livestock	28.6	12.8	36.3	10.4
% carpet	28.7	0.6	23.6	78.6
% trade	1.1	0	0.1	6.3
% transport	9.9	0	14.5	0
% farm labour	0.8	0	0	4.7
% non-farm labour	0	0	0	0
% begging	0	0	0	0

Source: Pain, 2001.

As already noted earlier, it is largely with women that the production skills lie, although men have also been seen to be involved in production, both in the setting up of the warp on

the loom and in the tufting of the carpet.³⁶ Both the drought and the refugee experience have contributed to an increasing involvement of men in the production side. This applies particularly to the production of *Chob Rang* which does not require the fineness of skill (it is a thicker wool and as a result is more difficult to knot) than the traditional carpets do. Many men were involved in *Chob Rang* production in Peshawar and in moving back to Andkhoy brought this skill with them. Interviews in Qargan village indicated that some 20 - 30% of weavers on *Chob Rang* are men but perhaps no more than 5% of weavers on *Belgique* and Pakistani wool carpets are male.³⁷ There is therefore a distinctive gender element to the expansion of *Chob Rang* carpet production.

However it should be noted that carpet weaving is rarely an individual activity and usually involves shared labour. One male weaver in Kancharbag reported that he worked with his three brothers and his wife on *Chob Rang* carpet production, weaving together for 3 months to produce a 12 m² carpet.³⁸ Two other men whose households produced Pakistani or *Belgique* wool carpets reported that in one case a wife and 2 daughters wove together, in another there were 4 weavers, his sister-in-law, his wife and 2 daughters.

However, the sale of carpets and transactions with traders associated with carpet production remain exclusively male. What remains very unclear is the gendered basis of decisions and power in relation to sale price and decision-making power over cash generated from cash sales. There is evidence from a Group Guaranteed Lending Scheme in Andkhoy that while access to credit for women provided the means to continue weaving, the fact that they continued to do so under terms of deteriorating terms of trade, forced them into longer and longer working hours and forms of self exploitation.³⁹ Grace reports a similar story with respect to carpet production by women in Turkmen villages surrounding Daulatabad (see box 5).⁴⁰ Anecdotal evidence reported by men (but also observed with respect to women⁴¹) was that women do have a say on both the price to be gained from the sale of the carpet and how the proceeds are to be spent. Much however depends on the terms under which production takes place.

Box 5: The Gendered nature of carpet production.

In two villages in Daulatabad, women are heavily involved in carpet weaving. Girls begin carpet weaving from as young as eleven. The majority of women from all wealth groups in both villages weave carpets as an income-generating activity. There may be some difference, however, between wealth groups in the number of hours women work in carpet weaving, with richer women working fewer hours than poorer women. Women said they currently weave carpets more than before the drought as increased poverty during the drought made families more dependent on income from carpet weaving. For some landless households carpet weaving is the main source of income.

Whilst women said they had always weaved carpets they also said they weave them more now than in the past. It is unclear whether this increased level of carpet weaving will continue in the future. For some poor households, indebtedness to traders will mean that women have to continue to weave to pay off the debts owed.

³⁶ Personal observation, Andkhoy, October 2003.

³⁷ July 2003

³⁸ Interview, July 2003.

³⁹ Pain, 2001.

⁴⁰ Jo Grace, 2004. Gender Roles in Agriculture. Case Studies of five villages in Northern Afghanistan. Case Study Series, Kabul. Afghanistan Research & Evaluation Unit.

⁴¹ *ibid.*

While the economic contribution these women are making to the household is high, it is unclear whether this increase in carpet weaving benefits these women. It may be that benefits to the household, and not individual benefits, are people's main concern. This is not known, however.

Carpet weaving is still a very lengthy and physically difficult process. It takes on average two people six to seven months to make a nine-metre carpet and one person one year to make the same. The amount of time taken will obviously differ depending on the style and quality of the carpet. Some women have reportedly started eating opium because it helps to lessen pain and enables them to stay awake. Whether this is a new phenomenon is, however, questionable. The number and age of females in a household affects which women do which activities. For example, in a household with only one woman, that woman may have to weave carpets as well as do housework, often weaving late at night by oil lamp. This may even mean she is unable to weave altogether. By comparison, where a family has several female members of different ages, the older women will often carry out the housework tasks, look after the children and spin the wool to free up the labour of the most productive women – those young enough to weave for long periods of time. Whilst older women are involved in some carpet weaving many can only do this for short periods of time, due to both poor eyesight and body pain. The ability to generate income from carpet weaving will therefore depend on the age and size composition of the household.

Carpet weaving also has a seasonal dimension. Some women are less able to weave carpets in the winter due to the cold, as they often have no room warm enough to weave in, whilst other women may not be able to weave as much during the spring if they have agricultural tasks to do. One woman, however, said that during the spring when her family goes to their orchard she takes her loom there and continues to weave.

Depending on the wealth of the household, some women can use the income from carpet weaving to buy items for themselves. One woman from a richer household gave the money from the carpet she weaved during the day to her husband for household expenses and kept the money from the smaller carpet she weaved at night. She used this money to buy herself jewellery and clothes. Another woman from a poorer household complained that women often weave carpets day and night "but do not even get given new clothes." The poorer households often said that all income is spent only on necessary daily items such as food and so there are few decisions to be made with regards to how money is spent.

Source: adapted from Grace (2004)

4.4 Terms of production and exchange

Relations of production

Three groups of producers can be identified according to the relations of production under which they work. These appear to be largely exclusive categories.

(a) The first category is the independent producer. These are families who have sufficient capital (which means with a minimum capital base of \$200-300) to pay for carpet raw materials and sufficient funds for feeding the households during the period of production and marketing) to be independent of trader credit. Such households in fact appear to be characterised by at least one other source of income that may be agricultural production (land/livestock) or some other form of trading or skill (a small shop or tailoring, for example). Both of the independent carpet producing families in one group interview had male members with an additional income source, from a small shop and a tailoring business respectively.⁴²

⁴² Interview, Andkhoy, July 2003

There are also examples of households in which returning household members from Peshawar have brought sufficient capital to set themselves up independently. One informant reported that he had worked on *Chob Rang* when he lived in Peshawar. He had accumulated sufficient capital so that when his family moved back he was able to work on the production of *Belgique* carpets and also to do a limited amount of trading in them (50 - 100 m² per market day). He noted 'that he would not have been able to build up the capital to work independently if he had stayed in Andkhoy'.⁴³

The exact proportion of independent producer families is not clearly known but all respondents indicated that it was a minority of households, ranging from 10-20% maximum in the locality around Andkhoy. However the male members all face the experience of having to sell the carpet in the Andkhoy bazaar. Usually if they are going to sell a carpet, they go to the market one week before and do a survey of the prices to get some sense of what the going rate is; often they will ask a friend or a neighbour to go with them to help with the sale.

(b) The second group of producers work on credit on traditional carpets. These are those families who do not have sufficient capital to work independently of credit and are engaged in some sort of profit sharing arrangement either with a trader or a wool merchant (whose main business is in the wool and dye trade). This operates on the basis that the trader provides the raw material and usually the design, the producer weaves the carpet and then the trader takes the finished carpet and sells it, and the profit is divided between the producer and the trader.

This system of profit sharing is a feature of post-revolution Andkhoy. All informants were clear that it did not exist prior to 1978. According to one trader who played a prominent role in its introduction during the later periods of Najibullah's rule, it came about because of market disruption. It was, he claimed, very popular with producers because it reduced their risks, and presumably of course their returns to labour invested.⁴⁴ By the time of the drought in early 2000, the profit share arrangement was operating on a 60:40 basis to the trader's advantage. However as was clear from earlier work in Faryab many producers were in debt to the traders in other ways, particularly with respect to advance loans of food against future profits so the profit share was for many probably considerably even worse than this.⁴⁵ Since 2001, however, the profit share basis has improved to a 50:50 basis, and there are increased levels of waged production, largely because of the influence of *Chob Rang* on the market and the structure of market trading. The proportion of producers working on this basis was estimated by the various producer groups to range between 20 and 30%.

The sale price of the carpet on a profit-share basis largely depends on the prevalent market price on the market day that the completed carpet is handed in, influenced by the carpet quality and workmanship. A sub-group of these producers may also work directly for wages rather than on a profit share basis. The rate for carpets produced under a wage rate (a piece rate per m²) was reported to be based both on previous relations between the producing family and the trader, the level of advance taken by the producing family and market trends.

(c) The third group of producers are those who work exclusively on *Chob Rang* carpets. This work is done on a piece rate basis ranging from US\$30-80 per m² according to the quality and knot density. The raw materials (dyed wool and pattern) is provided up front along with

⁴³ Khancharbag, July 2003.

⁴⁴ Trader Interview, Andkhoy, July 2003.

⁴⁵ Pain, 2001

50-60% of the payment, and carpets have to be delivered within a specified period. Although *Chob Rang* production was apparently taking place on a small scale in Andkhoy during the time of the Taliban, it has greatly expanded since the beginning of 2002 with the movement back to Andkhoy of some of the bigger traders. Between 50 to 70% of producers are believed to have moved into *Chob Rang* production.

The reasons for this large number of producers moving into *Chob Rang* production, mainly away from profit sharing arrangements, is largely because the piece rate for *Chob Rang* was felt to be advantageous to them. Being paid on a piece rate basis means that they receive cash up front, and have none of the uncertainty over marketing and final price associated with profit sharing arrangements.

However *Chob Rang* producers all indicate a certain disquiet over the *Chob Rang* production terms, associated with the fact that traders exhaustively check finished carpets against the specific design, check closely for apparent weaving flaws and measure minutely for variation in dimensions. In that sense the quality standards being set for these carpets are seen to be much more demanding (or it could be argued the setting of standards of uniformity run contrary to traditional individuality) than for the traditional carpets. This is often used to reduce the final payment to the carpet seller (see box 6), the trader knowing full well that the producer cannot sell the carpet independently in the market. Anecdotal evidence also suggests that producers may move out of *Chob Rang* back into profit sharing because they do not find the arrangements of the former congenial.

Box 6: Trader producer relations in Chob Rang Production.

(i) *Observations in trader's shop:* a man comes in with a complete *Chob Rang* carpet. The carpet is unrolled and the pattern carefully checked against the original design, measured against the required size - it appears that it is slightly under the contracted size), weighed and the weight of the remaining wool checked. The man is not happy. He says that the design which is a 35 knot weave per 10cm took 2 people 25 days to weave at 7.5 hours per day. They were paid at the rate of \$30 per m², a total of \$68 for the 2.25m² carpet. This works out at \$34 per person for about a month's work and he fears that there will be deductions from the final payment.

(ii) *A weaver from Andkhoy* He was working on wages for a trader and produced a 13m² *Chob Rang* carpet for him. The wages were fixed at \$30 per meter and it took him 3-5 months to finish it. Four persons worked on it. When he came to the trader with the carpet the trader looked at it and became very upset and started shouting at him. According to the trader, he did not follow the design and there were some serious mistakes. The trader was asking him to sell the carpet in the market and pay his cost of raw materials, although he knows that there is no customer for this type of carpet. At the end the trader did not pay him the rest of his wages, which were \$224; he had had an advance of \$36. While he was begging the trader not to forfeit his wages, as he is poor the trader made a comment "all poor should die". Now his family is working for another trader on a 13m² carpet and doesn't know what will happen at the end of that process.

(iii) *A weaver from Khancharbag:* He was working for a trader and wages were fixed at \$30 per metre in the beginning. He produced a six-meter carpet and came to the trader with the carpet. But he was paid \$24 per meter instead of \$30. According to him it was the trader's choice and he can't say anything. According to the trader he did not follow the design 100% and the trader is going to incur a loss.

Returns to labour.

Determination of the relative returns to the producer at the point of primary exchange (between producer and the first trader) are difficult to make because one is not necessarily

comparing design, quality and labour effort. Comparisons between the ‘traditional’ carpets and *Chob Rang* are also not precise since working with different wools and number of colours increases weaving labour demand. The amount of time taken depends on the number of weavers and the amount of time spent per day weaving.

Figure 8 summarises for a range of qualities and size the range of returns to labour that might be expected under different contractual arrangements.

Wool quality and terms of production all do make a difference to returns to weavers, even if the differences are small. At best in weaving a *Belgique* wool carpet a monthly gross income of US\$21-35 (annual equivalent \$252- 420) can be gained by independent weavers. Returns decline with wool quality and are marginal in difference between profit share and waged work. Presumably waged work, clearly advantageous to the trader, has advantages for the producer too. While the returns to waged labour on *Chob Rang* are clearly greater to producers in comparison with wage labour on other wool types, the trader margin is greatest for *Chob Rang* carpets (and see 5.2 for further details).

Figure 8 : Returns to labour by wool type, carpet area, quality (Q1 = quality 1, Q2 = quality 2) and by terms of production.

(a) Pakistan Wool Carpets (All values in US dollars)

	3 m ² , Q1	3 m ² , Q2	6 m ² , Q1	6 m ² , Q2
Cost of production	35-40	30-40	70-80	70-80
Person Months Weaving	4-6	3-5	8-12	6-10
Andkhoy Sale Price	115-125	87-100	222-25-	175-210
(a) Independent Producer				
Returns to labour total	75-90	47-70	142-180	95-140
Returns to labour / month	12.5-22	9-23	12-22.5	10-23
Gross Trader Margin ¹	11.5-12.5	8.7-10	22-25	17-21
(b) Profit-Share basis ²				
Returns to labour total	58-63	44-50	111-125	88-105
Returns to labour / month	10-16	9-17	9-16	9-17
Gross Trader Margin	33-34	20-22	63-70	35-46
(c) Wage basis ³				
Returns to labour total	60	60	120	120
Returns to labour / month	10-15	12-20	10-15	12-20
Gross Trader Margin	31-37	6-10	54-75	3-31

(b) *Belgique* Wool Carpets (All values in US dollars)

	3 m ² , Q1	3 m ² , Q2	6 m ² , Q1	6 m ² , Q2
Cost of production	75 - 80	50 - 80	150 - 160	100 - 160
Person Months Weaving	6 - 8	4 - 5.5	12 - 16	12
Andkhoy Sale Price	245 - 265	190	490 - 575	370 - 405
(a) Independent Producer				
Returns to labour total	175 - 185	110 - 140	340 - 415	245 - 270
Returns to labour / month	22 - 31	25 - 27	21 - 35	20 - 22
Gross Trader Margin	24 - 26	19	49 - 57	37 - 40
(b) Profit-Share basis ²				
Returns to labour total	122-132	95	245-287	185-202
Returns to labour / month	15-22	17-24	15-24	15-17
Gross Trader Margin	58-94	34-64	92-237	62-160
(c) Wage basis ⁴				
Returns to labour total	90	90	180	180
Returns to labour / month	11-15	16-22	11-15	15
Gross Trader Margin	100-125	40-70	200-300	70-165

(c) Chob Rang Wool Carpets (All values in US dollars)

	3 m ² , Q1	3 m ² , Q2	6 m ² , Q1	6 m ² , Q2
Cost of production	130-258	48-178	200-220	100-160
Person Months Weaving	4-6	2.5-5	12	6-10
Andkhoy Sale Price	250-360	200-240	500-720	400-480
(c) Wage basis ⁵				
Returns to labour total	105	90	210	180
Returns to labour / month	17-26	18-36	18	18-30
Gross Trader Margin ⁶	140 - 160	120 - 150	120 - 380	100- 230

¹ An averaged margin of 10% on price paid to seller; ² Assumed to be 50:50; ³ Assumed to be \$20 per m²; ⁴ Assumed to be \$30 per m²; ⁵ Assumed to be \$35 per m² for Q1 and \$30 per m² for Q2; ⁶ This is on the basis of an estimated Andkhoy price and is minimum value.

4.5 The traders

As with the carpet weavers, the identity of traders can be looked at in three ways - with respect to class or asset base, gender and ethnicity. With respect to gender they are exclusively male and the majority of them are Turkmen. Indeed of the approximately 1000 traders that are estimated to be working in the Andkhoy carpet market, only a small percent (estimated by one source as 10 only) are non Turkmen - and they are Uzbek.

Three major groups were identified by a number of informants - essentially small, medium and big traders, containing respectively up to 1000, 50-100 and 4-5 in each group. What divides the small from the middle and the middle from the big is a combination of capital resources, diversity of assets, trading volume, degree of vertical integration and the market sectors in which they work. Within each of these broad groups are a number of sub-categories. These categories were tested in the analysis of the market survey of trading patterns, evidence from which is presented next.

Trading patterns

The small market survey conducted on three market days in July, August and September 2003⁴⁶ shows that there were fluctuations in the volume of carpets traded during the different dates - the volume in August was about half that of July and September, and in part this reflects various seasonal dimensions. The Peshawar carpet market has its low period during the summer months and, around Andkhoy, farm labour from June onwards can compete for labour particularly for men working on the *Chob Rang* carpets. Additionally, traders with landed assets invest time managing their agricultural operations. In addition the amount of carpets woven by women during the winter months is reduced, for reasons of light and also the cold.

A number of general conclusions can be drawn from the survey, remembering that this relates only to the traded carpets in the bazaar. Conclusions drawn from the data have been supplemented with further discussions with traders on initial survey conclusions.

- Across the three market days, there were consistent differences between the big and small carpet traders with the larger traders trading more carpets, a greater area of carpets and bigger carpets than small traders (see figure 9 a,b,f,g).

⁴⁶ Data was collected on information on stock, methods of acquisition, turnover and destination of carpet was collected and is summarised in table 7 (a-j).

- The position of the medium and seasonal traders is less clear with respect to volume and areas although they do appear to occupy an intermediate position between the big and small traders. The position of the seasonal traders (a relatively small group of traders) puts them closer to the larger traders, reflecting a larger capital base drawn from seasonal shifts between the karakul trade (which is in revival), the grain trade etc.
- It is striking how large the percentage of Pakistan wool carpets is in relation to the total volume of the carpet traded. There is some evidence that small traders (see figure 9 b) trade more in *Belgique* wool carpets as a percentage of their traded volume than do the other traders. This is probably because there is local market demand for *Belgique* while the Pakistan wool carpet is essentially an export and large volume market;

Figure 9 Sample survey of carpet trading in Andkhoy Carpet Bazaar

(a) Start Stock: number of carpets by wool quality

Trader Size	Pakistan	Belgique	Total Number	Average/trader
Large (3)	153	5	158	52.7
Medium (2)	92	18	110	55
Seasonal (2)	109	7	116	58
Small (12)	108	35	143	11.9

(b): Start stock: area (m²) by wool quality

Trader Size	Pakistan	Belgique	Total Area	Mean Area	Average Area /trader
Large (3)	97.8	2.2	954	6.0	318
Medium (2)	78.6	21.3	206	1.9	103
Seasonal (2)	95.8	4.2	506	4.4	253
Small (12)	83	17	613.8	4.3	51.2

(c): Start stock: Method of acquisition of carpet by % of total area acquired

Trader Size	Buy	Wages	Profit Share	Total Area
Large (3)	67.9	29.9	2.2	954
Medium (2)	80.0	19.9	0	206
Seasonal (2)	92.3	5.9	1.7	506
Small (12)	86.8	10.5	2.6	614

(d): Start stock: Percent of carpet area sold during market day

Trader Size	To stock	Sold Same Day	Total Area
Large (3)	97.8	2.2	954
Medium (2)	97.1	2.9	206
Seasonal (2)	100	0	506
Small (12)	67.7	32.3	614

(e): Start stock: Final destination of carpet - percent of area

Trader Size	For export	Sold to other trader	Total Area
Large (3)	100	0	954
Medium (2)	65	35	206
Seasonal (2)	70.8	29.2	506
Small (12)	13.4	86.6	614

(f) Gained Stock: number of carpets by wool quality

Trader Size	Pakistan	Belgique	Total Number	Average/trader
Large (3)	71	13	84	28
Medium (2)	5	6	11	5.5
Seasonal (2)	12	1	13	6.5
Small (12)	82	28	110	9.2

(g): Gained Stock: area (m²) by wool quality

Trader Size	Pakistan	Belgique	Total	Mean Area Carpet	Average Area /trader
Large (3)	70.5	29.5	291	3.5	97
Medium (2)	41.7	58.3	52.3	4.8	26.1
Seasonal (2)	92.7	7.3	123	9.5	61.5
Small (12)	76.1	23.9	290.7	2.64	24.2

(h): Gained Stock: Method of acquisition of carpet by % of total area acquired

Trader Size	Buy	Wages	Profit Share	Total
Large (3)	70.8	12.4	13.8	291
Medium (2)	56.0	44.0	0	52.3
Seasonal (2)	48.8	51.2	0	123
Small (12)	64.2	32.0	3.4	290.7

(i): Gained Stock: Percent of carpet area sold during market day

Trader Size	To stock	Sold Same Day	Total Area
Large (3)	100	0	291
Medium (2)	55.4	44.6	52.3
Seasonal (2)	100	0	123
Small (12)	44.6	55.4	290.7

(j): Gained Stock: Final destination of carpet - percent of area

Trader Size	For export	Sold to other trader	Total Area
Large (3)	100	0	291
Medium (2)	55.5	44.6	52.3
Seasonal (2)	73.0	27.0	123
Small (12)	15.1	84.9	290.7

- Carpets bought directly are the most important means by which carpets are acquired, followed by those produced under wage agreement and profit sharing (figure 9 c & h). The high percentage of carpets that are acquired on trading days are done so on a wage basis and this reflects that fact that the carpets can be sold on quickly by the smaller traders to the bigger traders, allowing turnover of capital. The big traders reputedly gain about 30% of their stock from other traders, particularly for carpets of the smaller size, while their agents acquire the other 70% directly in the market.
- When traders reported that they were buying, in the case of the small traders, this generally meant that they were paying direct cash, as were the seasonal and medium size traders; in the case of the large traders about 80% of acquisition was done on credit (which leads to an additional 10% payment) and about 20% were on a cash basis.
- Smaller traders sell more of their stock and carpets acquired during the day's trading on the same day than do the other traders. All is sold within Andkhoy. Medium and seasonal traders both export and sell to other traders but with rather less turnover during the days trading. Big traders export everything.
- Consistent with the above, the stock gained during a trading day is a higher portion of total stock for the small trader than for the others. In other words small traders carry forward a relatively small portion of their stock (in contrast to the other traders) from one trading day to another, reflecting both issues of storage space and the need to turn over capital.

In summary the evidence from the market survey is consistent with the three categories of traders and these are now discussed in more general terms.

The small traders

What characterises this group of traders is the fact that they trade exclusively within the Andkhoy carpet market. They sell on from carpet sellers to larger traders and have a relatively small turnover of 2-10 carpets per market day, with probably a trading capital ranging from a few US\$ up to a maximum of US\$5,000 dollars. It is possible that the bigger of the small traders may have some other income source or assets. They may have a few producers - from 10 to 50 working for them on a profit share basis, and possibly a few on a wage basis as well. Box 7 briefly profiles two small traders.

The medium-sized traders.

The common feature of the middle band of traders (see box 8 for summary description of two such traders) is that they trade to Peshawar, where many of them established contacts as refugees. They have capital assets ranging from US\$10,000 up to perhaps US\$300,000 and may handle 20-30 carpets per trading day through direct purchase, contract labour and some profit sharing arrangements. They are likely to have land or other agricultural assets and some degree of vertical integration in relation to wool supply and dyeing operations. At the top end are those who through family members have offices and have been able to secure access to the *Chob Rang* market, although they are unlikely to be an international operation. They will also trade in the traditional carpet market.

Box 7: Two small carpet traders.

Small trader 1: He has been trading in the Andkhoy market for about 6 years and is in his early 30s. Before he was a soldier and worked as a daily labourer. Six years ago he had no money, and was brokering carpets for another trader (B); he manages to broker about 1-3 carpets per bazaar day but still not enough capital to buy carpets. He basically takes carpets from trader B, agrees what prices trader B will want and if he can sell it for more than that, he can keep the difference. There are about 50-60 like him with no capital who are working as brokers in the carpet market; they have some relatives whom they can trust and other support networks - so that he is able to work with most people. His maximum profit is probably \$2-3 per carpet - basically daily labour and very difficult to build up trading capital.

Small trader 2: Originally a teacher at Qaramqol school, he moved to Kabul in the 1980s and because he could not find any other work started carpet trading on a capital of 130,000 Afs from his father. His father had also done a small amount of trading earlier. He used to bring carpets from Andkhoy and using the premises of a cousin (because he could not afford his own) he just about survived. Three years after that he was recruited into the army for a three year period and from 1367 restarted trading in Kabul. He moved back to Andkhoy 13 years ago (now 1382) and has been trading continuously since then. He is essentially a part time trader - he has some livestock but has not had much income from these over these last years. He doesn't have much capital - it is difficult to build up and sometimes he has had to eat into his capital. He is basically trading within Andkhoy acting as a broker between the big traders and the producers. At best he might trade 2-3 carpets on a trading day - a large trader cannot afford the time for the bargaining/transaction - they are looking for 80 carpets a day - so he buys and sells them on.

Box 8: Two medium- sized traders.

Medium Trader 1: Started trading about 45 years ago and has lands in Andkhoy. Since 2001 he has been buying in the Andkhoy market and his brother has been taking them to Kabul or to Peshawar. He has 15 producers in Andkhoy working on a profit sharing basis - he gives the materials. His son (they are now working as a partnership of three - him, his son and his brother) has started travelling more widely into Faryab to find more producers to work on this basis as there is so much competition in Andkhoy. Three or four other traders have been doing this. Each month he has been getting about 20m from his producers and buying another 50-60 m in the market. He son hopes to sign up another 100 producers in Faryab, but he started doing this only about 2 months ago.

They have lost producers to *Chob Rang* because the terms are better than on a profit sharing basis. He stated that the profit margin had gone down, the amount of profit sharing had gone down and the number of independent producers had also declined. He has 120 jeribs of land, has his own stall in the market (on the second floor), shared with his brother. He thinks that about 30 traders are in his position. If he had more capital he would begin exporting to the outside world.

Medium Trader 2. His grandfather started business as a small trader some 40 years ago, buying in Andkhoy and taking to Kabul, possibly 35-75 m² at a time. The frequency of the trips depended on the demand, market and the price. Mostly traders from here were taking carpets. Since then there has been a 50 fold increase in weavers. 40 years ago they spun their own wool, dyed their own wool and it was very labour intensive. His father went to Lahore about 15 years ago with a few carpets and rented a shop and gradually increased his capital base and built up contacts and the business from there. Their firm has moved into *Chob Rang* - he has a brother in Lahore where he sends all the carpets - his brother then sells them to an exporter in Lahore. They have about 100 weavers who work for them. 95% of their carpet trade is in *Chob Rang* - they were doing it during the Taliban but after the fall of the Taliban they got seriously involved in it; they have a factory in Attok in Peshawar where his uncle is based; 5% of the carpets are bought in locally. They slowly want to build up their capital base in order to trade abroad in their own right.

The large traders

The big traders are divided between the old guard with landed wealth and the new. The former trade in large volumes of carpets (50 carpets per trading day), but by not moving to Peshawar during the 80s and 90s they have not established external connections. Their capital base in trading may be in the order of US\$500,000, in addition to other land-based assets. The biggest traders who did move out and established an office and factories in Peshawar are multi-million dollar trading operations and are heavily into the production of *Chob Rang*, although they also trade in traditional carpets. They run integrated operations of wool import, wool dyeing and carpet exports. However, carpets are only one of their trading sectors and they are heavily into the import of raw materials from Europe, medicines, vehicle parts, electrical goods and so forth. Box 9 describes two of the large traders.

Box 9: Portrait of two large traders

Large Trader 1 He first started work in the bazaar when he was 17 (40 years ago) for his uncle who was a rich carpet trader. Gradually he built up his capital - he also had income from land that was leased so he had income from two sources. His family was also weaving and this is how he built up his business before the revolution. He used to buy directly - and then sell on to big traders - he did not have enough capital to export. Some 8 years ago he started sending carpets to Peshawar - where he has a partner who comes from the same tribe and village but is not closely related; he takes the carpets to Peshawar. One of his nephews is settled in Turkey and established connections with America from where he got commissions - this was from the late 1980s. He started working with 600-700 producers on a commission basis - he provided the design (Iranian design, flower design), the raw materials (dyed wool) etc. He was the first to move into a commission/profit-sharing basis. He had to stop this though after the fall of Najibullah because of the instability.

He stayed in Andkhoy and did not go to Peshawar - this means that he has lost out with the making of new contacts which has taken other traders into Chob Rang; he has stayed working with Khol Mohammadi which he both buys direct from the market and works on a profit share basis as well. Many people have made the move into Chob Rang rather than making on their own as it has the advantage of wages and they do not have to lay out the capital. Those producers with multiple sources of income do not work on Chob Rang but as 90% producers do not have land, they prefer Chob Rang. Under the Taliban he was working with 500m² per year - this has now increased to about 900 m².

Large Trader 2 He is one of the largest traders with extensive contacts overseas. He trades in Andkhoy in engine oil, carpet material, medicine, the sending of carpets, chemical dyes and the importing of Belgique wool. He exports a container of carpets 1-2 times every two months to Germany and this contains about 10,000m². From Mazar and Andkhoy they send about 1000m² per month - Andkhoy provides about 500m². There are 200 looms in Andkhoy, a further 1000 looms in Kabul and about 100 in Peshawar. They are slowly moving their main business back from Peshawar. The wool (70-90,000 kg) comes from Southern Germany (originally from Belgium) every month. They have been importing wool for perhaps 25 years. Medicines also come from Germany - 4-5 years ago they started this but not in large volumes as it is expensive. On importing they rank their order as oil, then carpet material and then medicine. 15 years ago they started the dealership with Addinoil - the oil comes by road from Germany via Khazkstan and Uzbekistan in a 40 ft container containing 1500 boxes each with 4 5 litres containers of oil. They are supplying to the German forces in Kabul.

This is a family business - 50 people from the family and 200 salaried employees. They operate in the following locations: *Lahore*: for Chob Rang, dyeing of wool and exporting; *Peshawar* for the weaving of Kholi Mohammadi carpets; *Kabul* - gradually moving back there and will hope to gradually close down Lahore and Peshawar (maybe keep Peshawar for the dyeing and treatment of carpets); *Mazar* - for imports of cement and iron rods from Uzbekistan; *Germany* - Hamburg for sale of carpets and arranging imports; *Uzbekistan* - just for the arranging of imports



Carpet trading in Andkhoy

Other players

The fourth players in the market place, although like the *Chob Rang* dealers, they are not visible inside the carpet bazaar as they have their premises elsewhere in the town, are the wool merchants and dyers. In Andkhoy there are about 30 major players in the wool market. The big 10 deal in all the wools - *Chob Rang*, *Belgique* and Pakistani Wool. The smaller merchants deal in just *Belgique* and Pakistani wool. One big merchant brings in about 25,000 kg of wool per month - about double the amount imported during 2001.⁴⁷ About 70% of this wool is for *Chob Rang*, about 20% is *Belgique* and 10% is Pakistani wool. Thirty to forty percent of the wool they sell to traders, both middle and small and mostly for cash. The rest goes to 300 weavers linked to them on a profit sharing basis mainly for the traditional carpets. They do not sell wool to independent producers. The wool merchants own most of the big dyeing works and the few independent dyers operating around Andkhoy largely work on a contract or wage basis.

In summary although wool, dyeing, carpet weaving and trading might be seen as separate and distinctive operations, in practice the high degree of vertical integration operated by the big players in the overall carpet market in Andkhoy imposes major restrictions on competition, a point which is returned to later.

4.6 Traded carpet volumes

Drawing from the evidence of the relative portions of wool imported (70% *Chob Rang*) and the relative portions of weavers engaged in the different types of carpets (50-70% of weavers) it is clear that the production of *Chob Rang* dominates the overall carpet market.

An estimate of the total volume of *Chob Rang* carpets can be made on the basis of the numbers of traders working with *Chob Rang* production, estimated to be about 15. Drawing from several interviews, figure 10 summarises the volume of *Chob Rang* carpets being produced each month.

⁴⁷ Interview, Andkhoy Carpet Bazaar, July 2003.

Figure 10. Estimated volume of monthly exports of *Chob Rang* carpets from Andkhoy

Number of traders	Number of contract weavers	Monthly area of carpet.(m ²)
1	300	200
1	250	165
3	150	300
10	50	350
Total		1015

At a final sale price of around US\$800-900 per 6 m² in Peshawar (after transport and final processing) this works out at about a monthly trading value of about \$145,000 or \$1.75 million per year. On the assumption that *Chob Rang* comprises 70% of the traded volume by value, this suggest Andkhoy carpet market could be exporting up to \$2.5 million of carpets each year. If the official statistics on carpet exports from Afghanistan are to be believed - an estimated 124,000 m² exported in 2002⁴⁸ - then the export of carpets from Andkhoy may amount to about one sixth of the total exports of carpets. However it is not clear to what extent carpets exported from Andkhoy to Peshawar, which is the main route of export, are officially recorded.

4.6 Market structures and power

The operative word is 'dominate' with respect to the *Chob Rang*. Most small traders talked to displayed deep disquiet over what was happening within the carpet market (see box 10). *Chob Rang* is openly referred to as 'the secret market' because the carpets are not traded through the bazaar and final prices are unknown. This lack of market trading quite clearly, as has been seen, works to the disadvantage of the producer.

Box 10: Comments on the effect of Chob Rang on small traders.

Small Trader 1: He had materials which he had been trying to give out on a profit-share basis but had not been able to find any weavers because so many had moved in Chob Rang

Small Trader 2: The big traders have moved into Chob Rang and are contracting weavers. If the whole market moves this way, he will be out of a job.

Medium Trader: He has lost producers to Chob Rang because the terms are better than on a profit sharing basis. He had been working with 15 producers in Andkhoy but his son has started travelling more widely into Faryab to find producers to work on this basis because there is so much competition in Andkhoy.

It is also clear that gaining access to the market as a new trader is highly restricted both through passive and active measures. The comments by small traders on how difficult it is to build up a capital base are a persistent theme of the discussions. Indeed some of the smaller traders were quite clear on how bigger traders manipulated the market in order to make it difficult for others to increase their shares. They talked of price manipulation and the control that the big traders have over the supply of wool and dyeing process. They also talked of the way in which the big traders dominate through their capital assets, deliberately keeping small traders small, splitting orders between small traders in order to keep them small and thus not allowing them to grow.

⁴⁸ Central Statistics Office (CSO) Afghanistan Statistical Yearbook, 2003.

If anything the market could be characterised by the absence of competition. Small traders are locked into relational trade with bigger traders. This operates on the basis of repeated informal contracts and the need to maintain trust and reputation within the market. As a result dependent relations are extremely difficult to break out of. Even where access to capital can be obtained, traders have to tread carefully in order not to jeopardise existing relations. An Uzbek carpet trader, one of the few in the market talked of his inability to directly contact carpet weavers and commission work because of the importance of the need to maintain his reputation within the market.

It is possible to make the break but only under conditions of patronage that carry with them various forms of social obligation. One trader who has managed to make a move described the process.⁴⁹ He had started trading over 20 years ago, inheriting his shop from his father and sharing it with his brothers. He started trading 5-10 carpets a day and gradually over time has been able to build this up to 20-25 carpets per bazaar day, but just on a buying and selling basis. He had over this time assiduously cultivated a relationship with a larger trader, through the giving of gifts and regular social visits. As a result some 10 years after establishing this relationship he was introduced to someone in Peshawar who was willing to provide some operating capital for the purchase of material and dyes and he has now gone into partnership with this individual on the basis of a profit share of 75:25. As a result he has now distributed material for 600 m of carpet over the last 2 months but has had to go to Faryab in order to make these contract relations. On the process of building his business he had the following comment:

it was a matter of building reputation - and through reputation gaining access to increasing credit - rather than getting capital generated from the business. The important aspects for building reputation was good character and good relations and working to maintain these through a clear strategy - through gifts, invitations, visits and mutual help

The building of reputation - in essence a trader with reputation is one who will behave reliably within the rules of the market - is fundamental to being able to trade in the carpet market. It provides the only mechanism through which access to credit can be gained and maintained. And of course, the requirement to maintain it exerts an important social sanction on behaviour and acts as a form of informal regulation within the market, limiting competitive practices in a prescribed way.

In sum, the position is much as Harris-White⁵⁰ has described for the informal economy of India:

Market structures that constrain competition are ubiquitous, masked by the appearance of crowding. Commercial capital is more highly concentrated than are agricultural assets. An oligopolistic elite coexists with petty trade in complex marketing systems littered with brokers and giving a superficial impression of competitiveness. In reality significant capital barriers as well as social barriers deter entry to key points in these marketing systems. Large firms start large. Traders compete over the exclusion of others, the defence of market shares. Non-competition is effected by many other means. Network contracts, co-ordinated and repeated over time, lower risk and reduce the quantities of working capital needed. They are non-competitive forms of exchange. Sellers can be tied to credit obligations and by spatial micro-monopolies. Interlocked contracts limit or exclude choice in the markets that are linked in this way. Large firms may keep petty ones

⁴⁹ Interview, Andkhoy, July 2003.

⁵⁰ Barbara Harriss-White. 2003. *India Working. Essays on Society and Economy*. Cambridge. Cambridge University Press. P 50.

alive while at the same time preventing them from accumulating by controlling the terms and conditions of their acquisition of information, contacts, credit and storage. Firms also reduce the transaction costs of making contacts by vertically integrating activities needed for input into the company. While the vernacular classification of firms according to their function might suggest that the activities fall into standard patterns, this tends not to be the case. Instead what is found is diversity, complexity and a tendency to uniqueness, so that the very notion of a 'market system' composed of comparable units becomes problematic.

5 The carpet market beyond Andkhoy

5.1 Export to Pakistan

The primary exchange between carpet producer and trader takes place within Andkhoy, although not necessarily within the market place. Few sales to the final customer take place here. Initial processing, the trimming or shearing of carpets and the tying of the ends of the warp threads is done locally. Washing and final processing is not done because neither the facilities nor the water are available in Andkhoy. A carpet washing plant has recently been opened in Mazar-e-Sharif but the majority of carpets are packed and sent to Peshawar for processing, trading on and export.

Transport is by road, and one of the four transport companies, all owned by Pashtuns, is used to transport the carpets first to Kabul, and from Kabul to Peshawar in Pakistan. Some Andkhoy carpets are then re-imported for sale in Kabul. None of the informants reported sending carpets north through Uzbekistan or Tajikistan although it is understood that some consignments do go that way. For many traders issues of insecurity still remain a major issue and there are stories of whole consignments being lost or payments being required for safe passage. All traders expressed a strong preference to be able to export through Kabul but agreed that the facilities to do so do not exist.

None of the traders reported any export tax on carpets out of Afghanistan through to Peshawar. Indeed on the other side of the border, there is also no documentation largely because official procedures require considerable form filling and supporting documentation. The result is that import of carpets from Afghanistan into Pakistan is informal and achieved through informal payments to key customs officials.⁵¹ There is therefore no official data on imports of Afghan carpets into Pakistan.

Once the carpets have reached Peshawar, they are handed over to a Pakistani agent who is responsible for the processing and cleaning of the carpets, packing them for export and seeing the carpets through the export process.

For those Andkhoy traders whose trading connections stop in Peshawar, they will sell on their carpets to a trader, usually at a mark-up of 10-20% of the purchase price of the carpet in Andkhoy. For those in a partnership and able to export directly, the mark up to a third party buyer in a second country can be considerable. In the case of the *Chob Rang* carpets for example, that might have a notional market price in Andkhoy of \$500-700, (for a top quality *Chob Rang* 6m² carpet), the price of selling on for export is at least another 50%.

However many traditional carpets are at this point relabelled as made in Pakistan. Furthermore, in order to minimise taxation, there is a systematic practice of under-invoicing with exports being sent to a third party (commonly a relation with a carpet

⁵¹ Jamal Khan, op. cit

business in tax-free Dubai) at nominal rates of \$20-40 per m².⁵² This is about 20% of the actual value and is done to establish a transfer pricing mechanism so that most of the profits are recorded outside Pakistan. In the past there was a rebate system in place in Pakistan, which if anything encouraged the reverse e.g. over-invoicing in order to be able to maximise the rebate, paid on export. For the purposes of the argument here, the important point is that it is difficult to put much credence on any official statistics on carpet exports from Pakistan. Moreover, in the interests of establishing the identity of Afghanistan carpets, it is clearly not to its advantage for them to be relabelled as made in Pakistan.

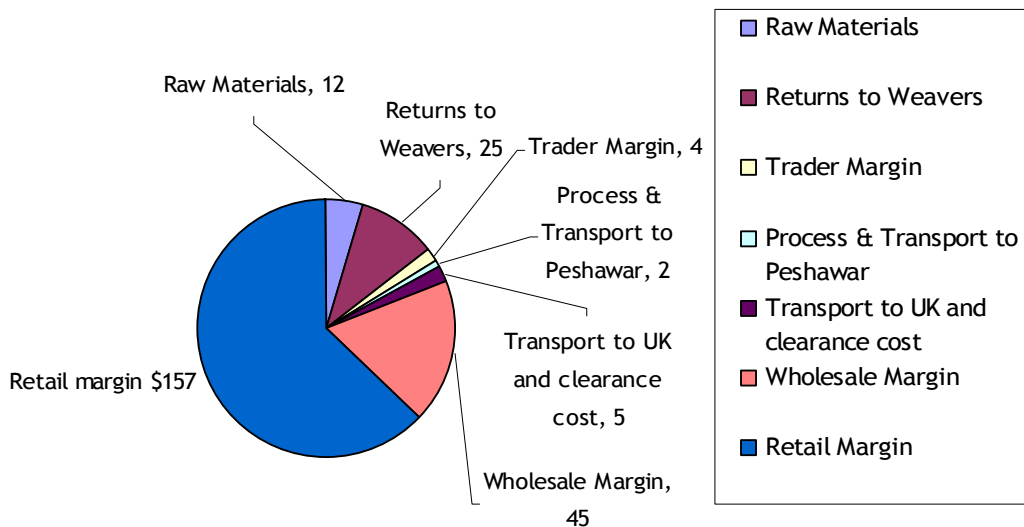
5.2 Costs to the final point of sale.

Based on data collected on the transport and processing of carpets to Peshawar, their export to the UK and the final retail price of Afghan carpets in the UK, a summary analysis of the shares in the final traded price (in the UK) are presented in figure 11 a-c. Note that the returns for the Pakistani and Belgique wool carpets are based on returns to independent producers. For those working on a profit share or wage labour basis, the returns will be lower.

It is clear that the major mark up in price occurs in the third country and is undertaken at the wholesale and retail level. The return to the producer can be up to 15% for those who are independent producers (in the case of Pakistani and *Belgique* wool carpets); under conditions of waged labour that may halve to about 6-8% of the final price. Thus although the *Chob Rang* producers may be better paid than those working on carpets made with other wools, they achieve overall a smaller percentage of the final sale price. The trader margin on the other hand is greatest with the *Chob Rang* carpets.

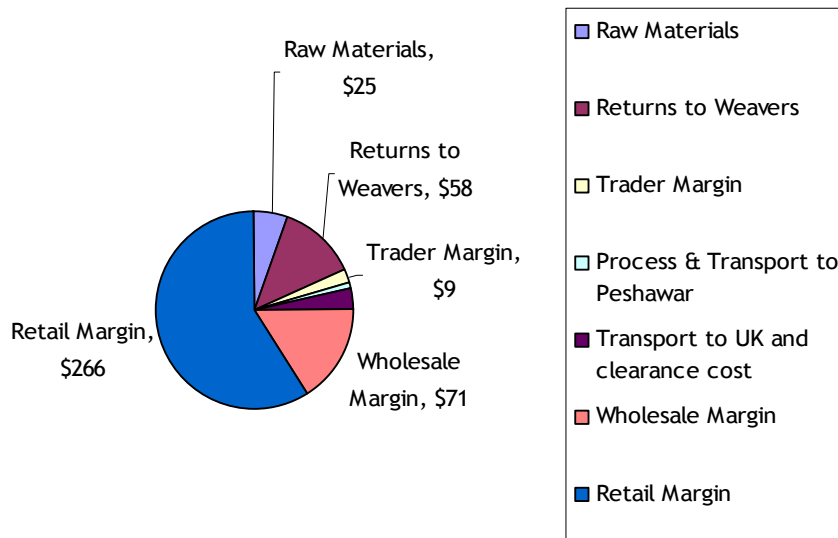
Figure 11. Shares in the final retail price of carpets (US \$ /m²) by stage in the commodity chain in relation to final retail price* in the UK, by wool type.

(a) Pakistani Wool Carpets

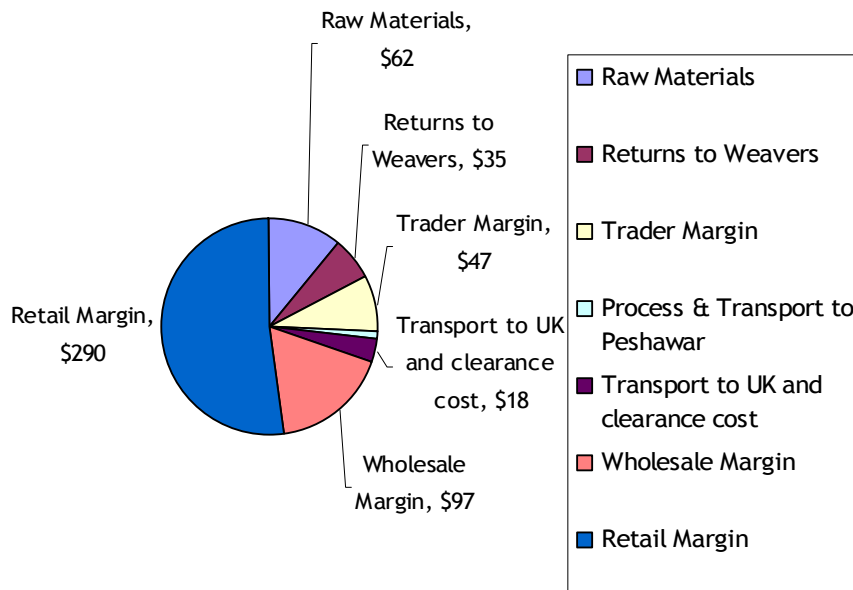


⁵² *ibid.*

(b) Belgique Wool Carpets



(c) Chob Rang carpets



*For the Pakistani and *Belgique* wool carpets, returns to weavers are calculated for independent producers; those working on a profit share or on a wage labour basis (as with the *Chob Rang* carpets), get at least 20% less than those working on their own account. Retail price data based on information collected in two carpet shops in Norwich, UK and known mark up rates between the retailer and wholesaler in London.

5.3 The international carpet market.

A final comment needs to be made about the international carpet market. The leading import market for carpets is the European Union, which bought about 63% (US\$370 million) of the total value of world imports in 1997. The major importers within the EU were

Germany, Italy and the United Kingdom, accounting for more than 45% of the total value of imports in 1997.⁵³ North America takes a further 19.5% share. Competing for these markets are six main producing countries - the Islamic Republic of Iran (24.7%), India (21.3%), China (13.9%), Nepal (8.4%), Pakistan (8.3%) and Turkey (7.1%).

While care should be taken in interpreting these statistics, both for the reasons identified in relation to carpet exports and the inaccuracy of trade data for hand-made, hand knotted carpets, they give some sense of the market in which Afghan carpets will have to compete.

A case has been made⁵⁴ that traditional exporters of carpets need to reposition their products and market them as products or token of an artistic heritage. There is a position in the upper market segments for fine carpets to sell on the basis of their aesthetic value as well as hard-wearing qualities, and acceptance by consumers of the contribution that they can make towards preserving local artisanal traditions and use of local materials. As the carpet market is currently going in Andkhoy, with the dominating position of *Chob Rang* carpets, there is little hope at present that Afghanistan carpets will be able to achieve that position.

6. Summary discussion

All the evidence is that growth is taking place in the market place of Andkhoy. However this is largely being driven by a re-location of big traders back into Afghanistan and their linkage to an international carpet market. This market appears to be largely geared to a product that is based more on Western consumer culture, style perceptions and marketing strategy than a tradition that draws on the creativity and materials of the Turkmen weavers. The benefits from the growth in the *Chob Rang* market have largely flowed to the big traders, not by accident but by design given their dominance and tactics within the market place. Where might opportunities lie to broaden the benefits of growth and secure a future for traditional carpet production that draws and develops the skills of the producers? Without deliberate action producers may be progressively relegated to rote wage labour that in the long run will result in an erosion of the traditional artisanal skills of both design and execution.⁵⁵

Two interlinked actions are required. The first relates to interventions to support the development of traditional designs and materials. The establishment and application of quality standards through perhaps labelling and certification could assist this, both with respect to the raw materials (the use of hand spun qaraqul wool, for example) and the final product. This could be linked with a strategy that deliberately positions a product in relation to a niche in the upper market segment in international markets where a price premium can be commanded. However if the benefits of such a connection are to be realised by the producer then this production and marketing strategy has to be linked with mechanisms that improve returns to the producers. This could be based on efforts to build

⁵³ See <http://www.intracen.org>

⁵⁴ Ibid.

⁵⁵ If this seems to be an overly gloomy prognostication, note should be made of history. According to Ford, op. cit. p 6. "in the early 1920s.. the local representative (in Sultanabad, Iran) of K.S. Taushandjian of New York produced a pattern that perfectly suited the American demand for thick-piled carpets in an all-over style: a sort of imitation Axminster design, just simple sprays of inconsequential flowers strewn more or less at random all over the carpet. This great abortion of oriental carpet design, which [was] the direct responsibility of buyers and manufacturers for the North American Market led to the total corruption of the ancient design traditions of the Saruq/Ferahan region of Iran."

producer associations, linked to access to and provision of credit, but with connections to trade systems build on fair trade principles.⁵⁶

Central to this must be an explicit recognition of the role that women play in carpet production and their current position of power. While gender relations as currently constructed will remain pervasive, this is no excuse to ignore and fail to address market structures that may reinforce or deepen the inequalities. Deliberate action is required to address gender inequalities in the development of the product.

The second dimension would be to aim to help support the smaller traders, through mechanisms that would give them access to external markets. Part of this would be through access to formal credit. However, it would also mean working with them, possibly through support for associational activities, to build linkages with potential outside parties and opportunities. There are potential synergies between providing support for the traditional carpet product and supporting small traders. Responding to the opportunities of niche markets will require local level action and strong connections between producers and traders which will have fairly high transaction costs which large traders may be unwilling to invest in.

While there are certainly opportunities and entry points, a degree of realism is required. Existing social structures that have a strong tendency towards promoting non-competitive market behaviour are unlikely to wither, or remain passive if under attack. A broader agenda of building accountability of the market to the state (and of the state to a wider Afghan society) will be a precondition to interventions in the carpet market delivering pro-poor benefits.

⁵⁶ See for example the work of the Step organisation, www.label-step.org

Annex 1: Differentiating carpet quality

Material of production

Design, materials, colour, workmanship and expressive capacity are all elements that serve to differentiate quality in carpets. Some of these dimension are readily assessed, other are more open to interpretation.

First there is a choice of materials with respect to the warp (the longitudinal threads of the textile backing), the weft (the latitudinal threads of the textile backing) and the pile. Silk has a fineness and brilliance to it that allows suppleness in the final product and an intricacy of design consistent with a high knot count (see below) and these may be the most expensive of carpets. However they are not hard wearing (particularly if silk is used warp, weft and pile⁵⁷) and therefore are limited in their functional value. Silk carpets are produced in the Andkhoy region, most notably by weavers in Alti Bolaq village but it is a very small proportion (2%) of weavers who have the skills and capital to produce these carpets.

Wool particularly if used throughout the carpet gives distinctive qualities that enhance fluidity of design and tonal warmth related to the dyes (Ford, 1981: 16). Wool however has particular qualities that make it susceptible to damage or stretching that can distort the shape of the carpet - for some this can be accepted as a distinctive feature of the handmade carpet and to be celebrated. For international markets that seek uniformity and product certainty it is a flaw. For these reasons cotton, which has more stable and reliable properties, can be used for the warp and the weft but this gives rigidity to the structure of the carpet that may well be reflected in the design outcome. Parson (1983:?) bemoaned the extent to which cotton warp and wefts were being used in carpet production in northern Afghanistan from the 1970s onwards regarding it as a degeneration in quality. However the carpets being traded in the Andkhoy carpet market today are largely made with woollen warp and wefts.

However wool itself has important qualities that not only affect the lustre of the carpet but also how the wool interacts and takes dyes, either chemical or natural. The traditional wool used in Afghan carpet production comes from the Qaraqul breed of sheep and it is characterised by the length of the staple (the fibre of wool which defines its length and degree of fineness), the large fibre diameter, its high lustre, its 'handle' (the absence of scratchiness) and its crimp (a high number of waves per 10 cm). In addition the quality of the wool is affected by part of the body from which it comes, the time of year at which it is sheared and the nutrition of the sheep.

Traditional practice with respect to the processing of the Qaraqul wool led to careful separation out of wool collected at different times of the year and the sorting of wool according to the portion of the fleece from which it came.

However as described in the main body of the report, the Qaraqul sheep population in Afghanistan collapsed after a severe winter in early 1970 and although it was to largely recover before, the years of conflict and drought (which led to a second collapse of the sheep population), has led to a penetration of the wool market by wool from other sources. These most notable of these are wool from Pakistan, widely labelled as Pakistan (and pejoratively labelled as 'the wrong sort' of wool), wool from Iran, wool from the middle

⁵⁷ Carpets can be made with silk warp and wefts and woollen pile but not vice versa

east which is being used for the *Chob Rang* carpets, and wool from Belgium⁵⁸, widely known as *Belgique*. Each of these has different qualities.

What characterises them all (possibly with the exception of some of the *Chob Rang* wool) is the fact they are machine spun, homogenising wools of different quality. Pakistan wool is largely believed to be of the lowest quality, and is often contaminated with synthetic fibers (which can be determined by the distinctive smell from the burning of the wool). The Iranian wool appears to contain significant amounts of merino wool which has a short staple, a lower lustre and reputedly low durability. The *Belgique* which is regarded as highest quality of wool currently available in the market is liked both by consumer and weaver for its softer qualities and abilities to provide a tighter knot carpet. It remains unclear exactly what breed of sheep (or what combination of breeds) this wool is derived from. It should be remembered that worldwide there are over some 200 breeds of sheep each with distinctive qualities but largely bred for meat and fine wool production, which are not qualities favourable to wool for carpets.

However the qualities of wool associated with the traditional Afghan carpet, notably the discriminate selection of wool, purity of source and hand spinning have largely gone from current carpet production.

The colours

The colours of a carpet are determined by the dyestuffs that are used, the type of wool that is used, the dyeing process and the kind of wash that is applied after the carpet is finished. Up until 1850, natural vegetable dyes used from a wide range of plants and minerals were used exclusively for the dyeing of wool. The best quality dyes produced subtle and harmonious colours that were not fully fast to either light or washing. As the carpets aged, the colours gradually changed, if anything becoming richer and mellower in hue. Vegetable dyes continued to be used both among the Mauri rugs (see later) and also with the *Chob Rang*⁵⁹ carpets.

From the 1850s onwards chemical dyes started to be used. Initially the dyes were of poor quality and were fugitive, neither fast to light or washing. However since the 1920s and onwards the chemical dyes have been developed and two of the important colours - indigo blue and madder red can now be reproduced exactly by chemical means. There are two basic types of chemical dyes - those that are fast and do not fade or mellow, thus removing the ageing process that is associated with the best quality dyes. The second type, semi-fast dyes soften with age and mellow and are often difficult to distinguish from the vegetable dyes. Indeed in the view of Ford⁶⁰ it is almost impossible in practice to distinguish between good semi-fast chemical dyes and vegetable dyes by the eye and this can only be done through chemical analysis. Nevertheless vegetable dyed wool commands a price premium, not least for the work involved in the dyeing process. Specialists traditionally undertook this. However the use of vegetable dyes in contrast to chemical dyes on a commercial scale requires high labour inputs and is therefore expensive. Variations in the shades of colour are determined by both the dyeing process and the type of wool. Different shades of red, often found in the Afghan carpets are often achieved by using the dyestuff on different shades of yarn.

⁵⁸ It might appear the Belgium as a source of wool for Afghanistan is extremely unlikely but it should not be forgotten that the Low Countries of Europe were the centre the wool industry in the 14th century and Belgium has a long history of carpet production.

⁵⁹ Chob Rang literally means 'wood colour'.

⁶⁰ Ford, 1981.

The final part of the production process is the washing which is essentially a finishing process that helps remove any excess dye, washed out the loose fibres and brings out the sheen or lustre of the carpet. The type of washing that is used can contribute towards the development and induce ageing effects through the toning of colour. For example bright reds can be toned down to any shade from rust, rose, copper to brown, gold or beige.

The structure

The structure of the carpet is determined by the way in which the loops of wool are tied or knotted around the warp strings and are anchored in place by a weft string. There are essentially two types of knots. The first is the Turkish knot which is symmetrical and, it is argued by some, contributes to the more angular geometric designs associated with Turkmen carpets⁶¹. The second is the Persian knot, which is an asymmetrical knot and here the warps are half staggered. A weft string holds the loops of wool in. The knotting can either be single wefted with a single row of knots per single pass of the warp thread or double wefted where the weft thread is passed twice per row of knots. Double wefting completely covers the warp threads.

For double wefting there is also choice as to whether the wefts are of equal or different thickness and this affects the pattern of the weave. If a different thickness of weft is used, one thick weft thread and one thin one under looser tension, this sets up the warps in two different planes; this is known as the ridge backed technique which is one of the best structures to be used. A distinctive feature of the double weft is that the knots are basically square with as many knots per unit of length as there are per unit of width. Turkmen carpets largely are double wefted with wefts of equal weight. This means that the warps are all in the same plane and the back is flat and smooth.

Two types of tricks have been often found in carpets of Turkmen design produced in . The first is the use of what is known as the *jufti* knot where the knot is tied over four warp strings and this leads to half the knot number. This is relatively easy to detect. The second trick is to use very thin warps and wefts so that double the number of knots can be tied and this can give the appearance of four times the actual knot count. Such carpets are not durable, indicating the importance of the relative weight of the warp, weft and pile to structural quality.

The final dimension of the structure is the knot count, and the more counts per unit area, the finer the weave is. Table 1 summarises by knot count the various qualities of weaving that are associated with the various carpets to be found in the Andkhoy carpet market. The table does not include carpets made of silk which can achieve knot densities 1 million per m². (650 per inch²).

Table 1-1: Knot range for different wool types.

Knots /m2	Knots / 10 cm	Knots / in2	Local Wool	Pakistan	Chob Rang	Belgique
40000	20	25				
90000	30	60			Coarse	
100000	32	65	Coarse			

⁶¹ Ibid.

110000	33	70		Coarse		
164000	40	106			Fine	
171000	41	110	Fine			Coarse
200000	45	130		Fine		
230000	48	150				
250000	50	160				Fine
300,000	55	194				
320000	57	206				
460000	68	300				
1000000	100	650				

However higher knot count in itself does not necessarily mean a more durable carpet and well made lower knot count carpets can achieve better prices than higher knot carpets. Other features in the structure that can contribute to the quality of the carpet include the ending of the carpet - the kilim at both ends of the carpet, whether it is left, knotted, plaited or decorated and the selvedge or the side edge of the carpet formed by turning of the weft threads at the end of each row. These can either be decorated or under poor conditions of manufacture sown on afterwards.

Designs and Production

If design is reduced to its lowest common denominator, then a fundamental difference can be made between designs made up of rectilinear or geometric elements - they lie at 45,90 and 180 degrees to each other and those that are curvilinear or floral designs with genuine curved lines. The former are associated with the nomadic or tribal Turkmen and define a tradition when the weaver was also the designer of the carpet. The latter curvilinear designs, which are a finer weave, in order to be able to achieve their effect, need the pattern to be drawn out on graph paper and requires some kind of manufacturing organisation, since specialist skills were required to undertake the drawing out of the pattern. Here the designer is separate from the weaver and this also implies that carpets are made to order and for sale to designs set by the manufacturer or designer.

Note should be made that curvilinear designs date back to an explosion of floral designs around the Persian and Turkish Court Manufactories in the 16th Century and relate also to the emergence of an elite consumer market for luxuries in the western world during the 17th Century⁶². Although these court sponsored manufactories were to decline in the late 18th century, western interest in oriental carpets was to be revived in the 19th Century. A number of firms originating from the west including Ziegler (an Anglo-Swiss company) and Oriental Carpet Manufactory were to establish themselves in Persia, leading to a renewal of carpet production in Persia from 1880 onwards.

In contrast the geometric designs that dominate the Turkmen carpets are directly traceable to the carpets of Anatolia in the 13- 16th Century and although there are influence of the Persian manufactories on these a long tribal lineage in the design is evident. This is not the place to explore the significant designs and the details of the motifs known as *gols* (often called *guls* and interpreted as flowers) which probably have individual significance in terms of clan or tribal identity. Ford⁶³ presents a connoisseurs view of the classical Turkmen design:

⁶²Maxine Berg and Helen Clifford, (Eds) 1999. Consumers and Luxury; Consumer Culture in Europe, 1650-1850. Manchester, Manchester University Press.

⁶³ Ford, op.cit p. 175.

There is only one set layout for the traditional design of the whole Turkoman area: several rows of repeating octagonal or other polygonal motifs known as gols on a red or (occasionally) blue background, usually interspersed with another set of repeating motifs (secondary gols), the whole encased in a rich array of narrow geometric borders; what they illustrate is the magnificent variety that can be achieved within the confines of the one rigid formal layout. The essence of Turkoman design is restraint: the ability to make so much out of so little, to achieve a remarkable depth of expression combined and recombining little twists and odds and ends of design elements

Up until the early 1980s it was possible still to clearly identify carpets with particular locations in northern Afghanistan - designs had a distinctive spatial identity and summary details of these are presented in Table 2.

Table 2: Summary of most significant designs/ locations for carpet weaving up to 1980.

Bokhara	Any rug in Tekke design
Mauri	Mauri after the Merv oasis from where the weave originated
Mauri Zair Sha	From Heart region to a design created in the 1950s; associated with the Tekke tribe
Mauri Shakh	Group of distinctive Tekke designs, from Marmazit near Balkh and west of Shakh near Maimana
Kizil Atak	Kizil Atak, near Shebergang; inaccurately called Mauri as Ersari and not Tekke tribe
Alti Bolagh	Near Andkhoy; fine structure, Ersari tribe
Jangalarik	East of Aq Cha
Afghan Ersari	Andkhoy, Farukh, Taghan, Chakseh
Kazan	Aq Chah & Dali tribe from Kunduz
Waziri	Confederation of weaving groups
Daulatabad	Prayer mats

It must be clear now that carpets can be differentiated in terms of quality but what defines quality depends on a number of inter-related elements. Parsons⁶⁴ summarised the position well.

In tribal production such as is found in Afghanistan, where yarn is hand spun, the knot count of any given piece should never be equated with quality. The combination of colour, design and material is far more important than the number of knots in a given area. This does not mean that the standard of knotting is unimportant, for obviously the regularity and tightness, or density, of the fabric are important factors yet one cannot ignore the fact that in the last analysis it is the yarn count of the warp, weft and pile which very largely predetermines the knot count.

⁶⁴ Parsons, op. cit. p14.

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