KAS-OFFICE-KABUL 2005

Status and Prospects for Afghanistan's Industries:

Sectoral Study on Handy-crafts with Emphasis on Carpet Weaving

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Kabul, August, 2005

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1. Executive Summary

Craft-based enterprises have a long history and tradition in Afghanistan and constitute considerable employment opportunities for the work force of the country. In many sectors employment is particularly suited for women and youth and the enterprises exist in rural areas where economic development is generally lacking and increased employment opportunities are particularly crucial.

This study covers the following craft-based sectors:

1. Carpets
2. Kilims
3. Leather, skins, furs
4. Ornaments made of stone (incl. semi-precious stones and gemstones)
5. Rattan furniture, woven grass mats and similar items
6. Metal items (copper, brass, silver, gold)
7. Wooden items (carved ornaments and furniture)
8. Other products (ceramics and pottery; textiles and embroidery incl. embroidered traditional dresses etc.)

Out of the sectors analysed, carpet weaving appears to have the largest potential for contributing to economic recovery and structural changes that provide opportunities to disadvantaged groups within society. Other sectors may have some chance of revival as niche industries or when conditions for tourism improve to such an extent that it becomes feasible to concentrate on this market.

In 1975 up to 35 per cent of employed population in selected provinces were engaged in carpet weaving. Since then this industry has been disrupted in Afghanistan due to war and internal disturbances and new competition has been created by carpet weaving centres coming up in Pakistan where Afghan refugees have introduced it. However, during the past few years this sector has also recovered in Afghanistan and there appears to be good potential for further expansion. Four factors have been identified to establish the importance of this sector for future development:

- increased economic output through high-value products and substantial quantities;
- high rate of export share;
- employment generation through labour-intensive production methods that are particular suited for women and youth in rural areas; and
- little constraints regarding skills development.

This study suggests to promote carped weaving both as a cottage-based and commercial industry by adopting a dual strategy of encouraging and supporting the setting up of marketing service facilities either on a co-operative basis or as individual enterprises (wholesale/marketing units) in the main carpet weaving regions outside the capital city and by adjusting economic policy to fulfil a function of export promotion similar to that of the main competitors.

2. Introduction

Since the beginning of the 20th century the development of craft-based industries has progressed up to the time when the war against soviet occupation and internal disturbances interrupted all spheres of business activity. Particularly the carpet weaving industry that prospered up to the 1970s suffered during the time of war and unrest when millions of Afghans fled to neighbouring countries. And while the industry declined in Afghanistan, the refugees used their skills during the time in exile to support themselves and their families by continuing their trade in Iran and Pakistan. Particularly in Pakistan conditions were favourable to start carpet weaving as a new industry. During the last twenty years this sector has, mainly due to the "imported" skills from Afghanistan, grown to a considerable size and constitutes today the main competition for hand woven carpets from Afghanistan.

Other craft-based sectors have also declined during the period of war and internal unrest in Afghanistan, but they did not flourish in the refugee camps in neighbouring countries. Instead they largely dwindled away due to modern industrial production making them obsolete.

The last comprehensive survey of craft-based enterprises dates back to 1975. Although these data do hardly reflect the present situation, they are being used in this study to establish the relative importance of each craft-based sector. Developments since 1975 vary in each of the sectors covered in this report. Since 1975 the employable population is estimated to have increased from approx. 5.6 million to 6.5 million people today. These figures do not include women who are in Afghanistan not considered part of the labour force although they constitute a considerable number of people engaged in the carped weaving which is mostly a family-based industry and thus one of the subjects of study in this report.

Generally it is not expected that the increase in employment in the craft-based sector has increased at the same rate as the over-all labour force. That suggests that the relevance of this sector has declined within Afghanistan's economy during the past three decades.

While carped weaving is estimated to have increased in total (including production in Afghanistan itself and by Afghan refugees particularly in Pakistan), most other sectors have declined. With the return of refugees to Afghanistan some of the carped production has shifted back here but still there is large-scale competition from that country. The total world market for Afghan carpets whether produced in Afghanistan or Pakistan has expanded during the past decades giving sufficient opportunities for this sector to further expand in Afghanistan in spite of this new competition from Pakistan.

Beside carpet weaving, this study addresses the following sectors: kilims; leather, skins, furs; ornaments made of stone (incl. semi-precious stones and gemstones); rattan furniture, woven grass mats and similar items; metal items (copper, brass, silver, gold); wooden items (carved ornaments and furniture); and other products (ceramics and pottery; textiles and embroidery incl. embroidered traditional dresses etc.).

Some of these sector would have a potential for revival and growth if the general conditions for tourist industry would develop favourably. However, at present the largest potential for economic development is seen in the carpet weaving industry and this study strongly focuses on that particular craft.

3. Characteristics of the Sector and Scope of this Study

Since there is no uniform definition of the handy-craft sector that could be applied, some general characteristics and more specific features of Afghan enterprises are used to describe craft-based enterprises for the purpose of this study:

- Enterprises engaged in the production of handy-crafts are centred around the skills and experience of the craftsmen using mainly hand tools but not machinery. The craftsman is generally the owner of the enterprise, employed staff is mostly recruited from within the family.
- Skills are the basis for the survival of the enterprise and economic well-being of the family. Therefore, these skills are guarded and not passed on to outsiders. This attitude provides a certain degree of protection against competitors, at the same time it obstructs innovations and further development because there is a lack of exchange of knowledge.
- Craft-based enterprises generally sell their products directly to the final user; products are often made to order. There are, however, branches like carpet weaving that produce at an increasing rate for the market and not for an identified customer.
- Some handy-craft items are being produced for personal use. Such production is not recognised here because the focus of this study is on craft-based enterprises that have the aim of producing handy-craft items for sale with a view of generating income. Part-time engagement in income-generating production on the other hand is typical for carpet weaving and covered by this study.

Because most of the craft-based enterprises are small family businesses that operate in the informal sector, there are very few accurate statistics available. Data regarding the number of enterprises, their employment effect and volume of production is also mostly outdated. For these reasons, this study has to rely to a large extent on estimates.

The most reliable source of information are statistics for registered exports. In the case of carpets, for example, an estimated 90 per cent of production is for the export market. Export statistics thus cover a large part of over-all production and allow fairly reliable estimates of the importance of this sector. But even for this product no current statistics are available and a considerable part of exports is conducted in an informal and unregistered manner. In any case, in the absence of more recent data this report relies on statistics from the period before internal conflicts interrupted public record keeping of economic activities.

A survey of craft-based enterprises carried out by the Central Statistics Office in eleven provinces of Afghanistan in 1975 represents the latest available statistics for this sector. The survey covered 65,747 enterprises categorised into 120 different types of crafts and trades (see table 1 below).

Table 1: Total number of craft-based enterprises in selected provinces (1975)

Province	**Number of craft-based enterprises**
Kandahar	15,383
Hirat	14,014
Faryab	10,124
Balkh	8,467
Kabul	6,158
Kunduz	3,188
Nangarhar	2,631
Ghazni	2,118
Parwan	1,938
Farah	1,261
Hilmand	469
Total:	**65,747**

These 65,747 enterprises employed a total number of 136,542 persons bringing the average number of employees per enterprise to about two persons. It is estimated that this average number of employments has remained more or less the same.

Nation-wide statistics for the same year 1975 estimate total employment in craft-based enterprises at around 172,000. That number represents about half of all employments in the industrial sector (this sector comprises 'industry' and 'small industry') and around 3 per cent of the employed population of Afghanistan at the time.

Among the 120 different crafts and trades listed in the 1975 survey, there is a considerable number that is not related to the production of handy-crafts covered by this present study.

The sectors selected for further analysis are here grouped according to the following products:

1. Carpets
2. Kilims
3. Leather, skins, furs
4. Ornaments made of stone (incl. semi-precious stones and gemstones)
5. Rattan furniture, woven grass mats and similar items
6. Metal items (copper, brass, silver, gold)
7. Wooden items (carved ornaments and furniture)
8. Other products (ceramics and pottery; textiles and embroidery incl. embroidered traditional dresses etc.)

4. Sectoral Analyses

4.1 Carpets

Carpets are the most important and best known handy-craft items from Afghanistan and a major export article. The tradition of carpet weaving dates back to the time of the moguls. Carpets from Afghanistan were previously known as *Asfahan*, later as *Khurasan* and today as *Afghan*. Traditionally carpets were made from purely natural raw materials such as hand-spun wool and dyes that were extracted from plants. The high quality and uniqueness of Afghan carpets established the international reputation of this craft. Although carpets are still produced in the traditional fashion today, increasing demand has led to large-scale production requiring industrially manufactured ingredients.

4.1.1 Regional aspects and employment generation

Carpet weaving is most common in the Northern and North-Western provinces of Afghanistan with different patterns being typical for certain areas. Export markets are characterised by preferences for particular types of carpets. The following table 2 shows the types of carpets which are prefered in foreign countries.

Table 2: Prefered Afghan carpets for export markets

Inibolak	Daghan
Saroqi	Qazi Bafi
Daulat Abadi	Qalai-I-Zal
Aqcha	Chaker
Yaktara	Adraskani
Chakush	Shalerkhani
Dali	Jangir
Timori	Anchaguli
Qalamdani	Yamot
Korani	Sarteq
Shakh	Andkho-ie
Apendtab	Qarqeen
Farukhi	Yaaqubkhani
Balochi	

Resulting from the development of local skills and influenced by the demand for particular products, carpet weaving has reached different levels of importance for employment generation in the Northern and North-Western regions of the country. The following table 3 gives some indicators regarding the relevance of this sector in selected provinces.

Table 3: Key indicators for carpet weaving in selected provinces

Province	Total population [1]	Percentage of employed population that is active in this sector [2]	Local centres of carpet weaving (patterns are named after the area)
Faryab	794,100	25 %	Qaisar (Balochi), Daulatabad (Daulatadi), Sherintagab (Daulatabadi), Qaramqul (Ishbulak), Andkhoy (Andkhoyi), Khancharbagh (Andkhoyi)
Badghis	305,600	10 %	Qalay-i-Naw (Mori-i-Yaktara), Morichaq (Saroqi), Ghormach (Balochi)
Herat	1,208,000	10 %	Heart (mori-i-yaktara & Saroqi), Karokh (Balochi), Islaqala (Balochi)
Balkh	949,600	25 %	Balkh (Mori-i-Yaktara, Mori-i-dutara & Saroqi), Mazar-i-sharif (mori-i-yaktara,mori-i-dutara&Saroqi)
Farah	343,400	5 %	Shindand & Farah-City (Balochi)
Samangan	318,500	5 %	Kaldar (Aqcha-ie), Aibak (Aqcha-ie)
Kunduz	833,200	20 %	Charadara, Qalay-i-Zal & Kunduz City (Aqcha-ie)
Jawzjan	447,500	35 %	Qarqeen & Aqcha (Qarqeeni)
Sari Pul	474,800	25 %	[3]

[1] Population figures are taken from the latest available statistics (estimates according to Central Statistics Office, Kabul, for 2003/2004)

[2] Estimates according to survey by the Central Statistics Office, 1975.

[3] The province Sari Pul is a new administrative region created after 1975; local centres were part of the provinces Faryab and Balkh at the time of the survey.

Statistics from 1975 as cited in table 4 indicate that up to 35 per cent of the employed population in some provinces were engaged in carpet weaving, making this craft one of the most important economic activities.

4.1.2 Forward and backward linkages

Carpet weaving has direct linkages with the agricultural sector, specifically animal husbandry, in that it uses wool as the major raw material. The two decades long internal war has resulted in a depletion of the livestock population in Afghanistan and thus affected the raw material supply. Afghanistan now depends on imported wool if carpet-weaving is to regain its importance as a major export sector. Import of low-quality raw material poses a risk for the quality of the exported finished product that could result in disadvantages in competitiveness.

The second linkage is between carpet weavers and the trading sector, specifically for exports. As will be explained below, these traditional linkages are being affected by structural changes within the sector. Traders have come to play a major role in modernising the sector of carpet weaving by changing it partly from a traditional home-based craft into large-scale manufacturing.

4.1.3 Relevance for export

Export statistics from the time before the war in Afghanistan are shown in table 5 below. Since exports are estimated to amount to approximately 90 per cent of total production, the figures give some indication regarding the over-all importance of this sector. It should, however, be kept in mind that these official statistics may not be covering all exports.

Table 4: Export of hand-woven carpets (1956 – 1976)

Year	Quantity in m^2	Price in US $ / m^2	Total value in 1000 $
1956	178,227	18.79	3,348.9
1957	239,080	18.92	4,521.4
1958	138,163	19.40	2,680.3
1959	281,411	19.37	5,450.9
1960	372,391	19.30	6,978.1
1961	396,815	19.39	7,994.7
1962	439,182	17.31	7,602.2
1963	470,163	16.18	7,602.7
1964	503,809	16.39	8,257.4
1965	547,077	16.34	8,939.2
1966	447,721	18.78	8,408.5

Year	Quantity in m^2	Price in US $ / m^2	Total value in 1000 $
1967	327,212	17.10	5,595.3
1968	302,121	15.10	4,562.0
1969	400,366	16.29	6,511.7
1970	441,977	21.21	9,370.4
1971	486,703	16.57	8,068.4
1972	509,180	26.74	13,615.5
1973	470,215	28.26	13,288.3
1974	481,271	36.13	17,388.3
1975	370,152	38.38	14,196.9
1976	483,968	49.65	24,079.0

During the period covered by the statistics in table 5, Afghanistan's main competitors on the international market were Turkey and Iran. In 1965 these countries resorted to some unfair trading practices through flooding of foreign markets with low quality products of Afghan origin that resulted in a decline in demand for Afghan carpets from which it took about five years to recover. Afghanistan had then, and still has to some extent, the advantage of low labour cost which provides an increased competitiveness. Product quality must, however, remain a major concern.

The main export markets were in Germany, France, Soviet Union, USA, Pakistan and Arabic countries.Table 6 below shows the sizes of carpets that are preferred by selected foreign markets.

Table 5: Export of hand-woven carpets to selected countries according to size (1956 – 1965)

Exports to the United Kingdom	
Size	**Percentage of total exports**
1.5 – 2.0 m^2	30 %
2.0 – 3.0 m^2	20 %
4.0 – 8.0 m^2	40 %
9.0 – 10.0 m^2	10 %
Total	**100 %**

Exports to Germany	
Size	**Percentage of total exports**
1.5 – 2.5 m^2	5 %
3.0 – 4.0 m^2	5 %
6.0 m^2	20 %
7.0 – 8.0 m^2	30 %
10.0 – 11.0 m^2	20 %
12.0 m^2	20 %
Total	**100 %**

During the period 1956 to 1965 Afghanistan's recorded exports have steadily grown and, after overcoming the temporary decline due to quality-related problems, stabilized around half a million square meters per year by 1976 when official recordings ended. Allowing for some unrecorded exports and considering the fact that about 90 per cent of total production is exported, it may be fair to estimate total production in 1976 to have beenabout 600,000 square meters.

Although there are no statistics available for the two decades long period of internal war, it is unlikely that over-all production of Afghan carpets has shrunk since the mid-1970s. On the contrary, it could rather be expected that production has increased during the 1980s and 1990s because large numbers of refugees who settled in Pakistan and Iran took up carpet weaving as a means of generating income for their survival. Production during these years, however, did not result in export of goods from Afghanistan but had itself shifted to neighbouring countries.

4.1.4 Effects of the internal war in Afghanistan and Pakistan's new role in the international market

During the late 1970s and subsequent years, Pakistan has become a major competitor for Afghanistan on the international scene. The reason for this can easily be found in the effects of the war in Afghanistan. The war and the large-scale migration of Afghans to neighbouring Pakistan and Iran resulting from it have influenced the development of the trade in hand-woven Afghan carpets in different ways:

1. Refugees who originated from provinces where carpet weaving was a traditional trade used their skills to earn a living in the refugee camps in neighbouring countries.
2. International aid organisations encouraged other refugees to learn the skill of carpet weaving because this trade became a major income-earning activity for the Afghan refugee community abroad.
3. This was especially so in Pakistan, where conditions were generally better for this particular trade. Pakistani and Afghan business men started investing in large-scale weaving centres for hand-made carpets employing sometimes hundreds of refugees.

4. Through this development, Pakistan became a major carpet exporter and the sector was further promoted by export incentives provided by the Pakistani government. On the international scene Pakistan became a serious competitor for Afghan carpets.
5. Afghanistan's traditional linkages with export markets in the Western world had been severed during the communist rule. During that period Pakistan had a chance to step into this gap and Afghanistan is now faced with the task of winning these markets back. Increasing international demand has thus far allowed the sector to grow both in Afghanistan and Pakistan without major problems but competition may become more fierce when the demand in traditional export markets stagnates.

4.1.5 Structural changes within the sector

First experiences with large-scale carpet weaving centres in Pakistan have gradually introduced changes into the sector. When refugees from other provinces than those traditionally producing carpets returned to Afghanistan, some of them took up employment in newly established large-scale manufacturing places that had now also come up in Kabul. At present (March 2004) there are about 35 privately owned carpet-weaving places in Kabul employing nearly 3,300 people many of whom are returnees who learned their skills during the time in refugee camps in Pakistan.

From a craft in which traditionally mainly middle-aged women were engaged in their individual homes, carpet weaving has branched off into the development of an industry that employs a predominantly young, male labour force. Although most of the employment in this trade is still of the traditional type, the larger enterprises have better access to market information and are thus in a better position to arrange their production in accordance with international demand. It is mainly traders who are investing in the establishment of large-scale manufacturing places and take advantage of their strong position not only to promote the sale of their own products but to expand their dominance over the small-scale producers who depend on them for the marketing of their carpets.

With the spreading of modern technology, traders now receive via E-Mail drawings or photographs of products in demand in Europe or the USA and can adjust their production accordingly. Organised large-scale manufacturing with full-time employees allows not only faster reaction to changes in demand, it also facilitates faster production than the traditional part-time engagement of women who have to look after their households. Whereas weaving of a carpet of a given size in the traditional home-based fashion may take five to eight months, an employee on full-time basis can produce it in two to three months.

4.1.6 Current challenges and prospects for the future

Afghanistan faces disadvantages in international competitiveness due to the export tariff structure of the country and the lack of appropriate export promotion schemes. As long as exports from Pakistan are promoted through government incentives, smuggling of carpets from Afghanistan to Pakistan is an attractive alternative to direct exports from Afghanistan. Pakistan also offers better and cheaper transport facilities to reach foreign markets which makes smuggling a win-win situation for both the Afghan producer and the Pakistani middle-man. Air freight rates from Peshawar in Pakistan to Frankfurt in Germany, for example, are much lower than rates from Kabul to Frankfurt while the costs of transporting goods from Kabul to Peshawar are negligible.

As a result of the more than 20 years of war in Afghanistan there are now also some fairly large communities of relatively affluent Afghans in European countries, in the USA, and in other parts of the world. They are potential or actual buyers or even traders who can promote international sales. Furthermore, the most recent period of the war on terror has brought tens of thousands of foreign soldiers to Afghanistan, many of whom purchase hand-made carpets as souvenirs or gifts when ending their tour of duty. The purchases of these soldiers compensate for the loss in business due to the decline or virtual non-existence of tourism during the time of crisis.

The increase of pilgrimages to Mecca after the fall of the communist regime has somewhat increased informal exports in small quantities and introduced Afghan carpets to Arab countries. There is a potential for commercial exploitation of these markets.

4.1.7 Observations and recommendations

Carpet weaving is the most important craft in Afghanistan with a considerable potential for employment creation. It is also a craft that has its traditional basis in rural areas where it is, after agriculture, the most important economic activity involving in some areas up to 35 per cent of the locally employed population. Further growth of this sector could therefore contribute to a reduction of urban-rural disparities and lead to a more balanced economic development.

External factors have lead to structural changes within the sector that could threaten this rather optimistic outlook by shifting the focus of carpet weaving from the traditional rural home-based production to a modernised large-scale production in urban centres that are more suited to cater to the demands of export markets. Access to market information and flexibility of production are the advantages of the modernised segment of this sector. Exploiting these advantages increases competitiveness.

Concentration of carpet weaving in urban centres does not only take away employment opportunities from rural areas, it also creates new disadvantages for women. While the traditional sector is predominantly an area where women find employment, is the labour force in large-scale urban based weaving centres mainly male.

In order to counter such developments, access to market information should be improved for small-scale producers in rural areas. Marketing or service centres operating on a co-operative basis may be one way of serving rural carpet weavers and providing them with a direct link to foreign markets. Joint purchase of raw materials may be another means by which competitiveness of home-based carpet weavers could be enhanced.

With Pakistan having become a major exporter of Afghan carpets, tariff structures and export incentive schemes in Afghanistan should not be discriminating local products. Afghanistan may not be able to regain the full market share that Pakistan has taken up with the help of Afghanistan's own labour force in exile, but at least every effort should be made to remove disadvantages Afghan producers are facing. This would also apply to international transport links at competitive prices that are currently lacking in Afghanistan.

Exports are, and will remain, the most important market for hand-woven carpets from Afghanistan. On the local market low priced machine-made carpets have taken over a sizeable share. It must be expected this situation will remain so and expansion of the local market is limited. Depending largely on export makes it vital to concentrate on quality of the products. Experiences in the past have shown how sensible foreign markets react to low quality products. Quality control is presently carried out by the exporters themselves. Setting generally accepted standards and providing producers with access to neutral material testing and quality control facilities will help to establish and maintain the international reputation of Afghan products.

4.2 Kilims

Hand-woven kilims are another major handy-craft item from Afghanistan and have captured international markets. Kilims are mainly produced in Herat, Ghazni (Daisangi, Malestan, Behsud, Jaghori, Yakaorang), Faryah, Kunduz, Farah, Wardak and Helmand province and in some other regions of central Afghanistan.

The survey conducted by the Central Statistics Office in 1975 listed about 3,000 production units with nearly 12,000 employees. The types of kilim produced are Qaqma, Hasarat, Herat, and Moqori of which especially the two first named are locally and internationally well reputed.

Countries to which kilims are traditionally exported include the USA, United Kingdom, Germany, Denmark, France, Italy, Sweden, Belgium, Australia, Canada, Japan, Iran, and Pakistan. During the last 15 years Arab countries have also been buying kilims from Afghanistan.

Kilims made of wool were traditionally widely used in Afghanistan but have been mainly replaced by low-priced industrial carpets. About 80 per cent of over-all production is now being exported. Table 7 shows export statistics for the years 1959 – 1975.

Table 6: Export of hand-woven kilims
(1958 – 1975)

Year	Quantity in m^2	Price in US $ / m^2	Total value in 1000 $
1958	465	6.02	2.7
1959	-	-	
1960	300	7.15	2.1
1961	308	18.4	5.7
1962	73	16.9	1.2
1963	216	16.22	3.5
1964	6346	12.23	712.2
1965	1841	4.0	7.4
1966	1346	3.0	4.0
1967	7,079	4.52	31.99
1968	7,284	4.08	29.4
1969	8,766	4.08	625.9
1970	198,199	4.60	911.7
1971	42547	14.25	606.3
1972	61763	14.88	919.0
1973	66807	6.05	404.2
1974	295163	5.92	1747.4
1975	280650	6.0	1683.9

As can be seen from the statistics, prices for kilims fluctuate much more than, for example, those for carpets and export quantities have also been going up and down.

Kilims made from cotton (*Satrangi*) were traditionally produced and used as bed spreads or for similar purposes in Afghan households. In recent times they have, however, been replaced by industrial materials and the traditional products only find a limited market among tourists. People engaged in this trade have mostly lost their employment.

4.3 Leather, skins, furs

Leather is being produced from skins of sheep, goats, and cattle, and articles such as over coats, jackets, gloves, handbags and suitcases, belts, etc. are manufactured by mostly small enterprises. The 1975 survey counted 1,100 enterprises with an average of about 3 employees. Leather goods are being sold locally and exported.

Furs (karakul, fox, wild cat, etc.) are mainly exported without being further processed in Afghanistan because of the insufficient quality standards achieved by local manufacturers that do not meet requirements of foreign markets. Only a small portion is being manufactured into items for the local market and for tourists.

It is estimated that marketing in this sector is divided as follows:

20 % for local market
20 % for tourism (inside Afghanistan)
60 % for export to the USA, Europe, Russia.

Export statistics for furs are given in table 8 below.

Table 7: Export of furs (not processed) (1963 – 1971)

Year	Quantity in pieces	Total value in 1000 $
1963	327	1.2
1964	-	-
1965	-	-
1966	823	4.0
1967	1969	3.0
1968	2525	2.8
1969	524	1.0
1970	6510	21.2
1971	8684	20.8

Export of furs is presently of minor importance, mainly due to the lack of adherence to quality standards. There is, however, a potential demand if quality requirements could be met.

4.4 Ornaments made of stone (incl. semi-precious stones and gemstones)

There has been a long tradition of stone masons producing grindstones for flower mills and other tools that were exported from Afghanistan to Iran, Iraq, Lebanon, Pakistan and other countries but this industry has long since lost its importance. The skills were previously widely spread in Kabul, Kandahar, Ghazni, Laghman, Balkh, and Paktya provinces. Today only few enterprises still exist in Kandahar, Herat and Balkh.

Producing ornamental items from quartz, marble and other stones, and processing of precious and semi-precious stones has developed during the last 50 years and got some boost through use of modern tools. Precious and semi-precious stones that are found in Afghanistan include lapis lazuli, emerald, carnelian, agate, ruby, spinal ruby, and garnet. Ornaments and polished stones are mostly for export or for sale to tourists in Afghanistan since Afghans themselves hardly use gemstones for their jewellery.

There appears to be a fairly good foreign market for stone ornaments, items made from semi-precious stones and polished gemstones but products made in Afghanistan do not seem to meet requirements in design and quality to supply these markets. Total exports of manufactured items from precious and semi-precious stones shown in table 8 indicate that this sector has not utilized its potential.

Table 8: Export of processed precious and semi-precious stones (1963 – 1971)

Year	Total value in $
1959	1,730
1960	-
1961	-
1962	-
1963	4,863
1964	4,881

Year	Total value in $
1965	3,682
1966	4,338
1967	955
1968	11,003
1969	3,333
1970	5,015

Year	Total value in $
1971	795
1972	-
1973	-
1974	4,975
1975	7,085

Much larger quantities of precious and semi-precious stones than shown in official statistics as being exported in a processed state are being illegally exported as raw materials. It is estimated that legal exports amount to about 2 per cent of the total volume of trade while illegal exports are 98 per cent. High value and small size of the items makes smuggling easy.

It is not possible to estimate the labour forces and actual production in this sector since these enterprises are mostly operating from private dwelling places and exist in the informal sector that is not covered by official statistics.

4.5 Rattan furniture, woven grass mats and similar items

In areas with warm climate in the South of Afghanistan, raw material for these industries is available and the climate encourages the use of items falling into this category.

In 1975 about 150 manufacturing places with a total of 240 employees were counted who produced exclusively for the local market.

4.6 Metal items (copper, brass, silver, gold)

Copper, brass

This trade is mostly found in Kabul, Ghazni, and Kandahar provinces. The 1975 survey listed about 520 establishments with a total of close to 1,500 employees. Products in this sector include pots, water jars, wash basins, trays, etc.

Silver, gold

Concentration of this trade is found in Kabul, Kandahar, Herat and Ghazni provinces. More than 1,000 establishments with 2,500 employees were listed in 1975. Traditional production methods and designs are used for mainly manufacturing silver jewellery, to a lesser extent also ornaments and utility items made from silver.

hand-made silver jewellery is mostly exported, some is being sold to tourist in Afghanistan.

Gold jewellery is not being manufactured in any considerable quantities, these items are rather imported.

4.7 Wooden items (carved ornaments and furniture)

Wood carving is a trade that also developed during the past 50 years in Afghanistan. Suitable wood of good quality is found in the provinces in the East of the country.

Wooden ornaments and carved furniture do find buyers among tourists and also in the local market. Export potential has not yet been identified.

4.8 Other products (textiles and embroidery incl. embroidered traditional clothing etc.)

Embroidering textiles and traditional clothing is a craft mainly pursued by girls and women in their private homes as a part-time occupation. There are no detailed statistics about the production and labour force involved. Exports in 1975 amounted to about 200,000 pieces with a total value of 540,000 US $.

Around 1976 the Ministry of Trade established a marketing organisation and opened an exhibition and sales outlet ("Emporium") to promote the trade. In more recent times, several non-governmental organisations are also encouraging women to use their respective skills in order to generate incomes for themselves and their families.

5. Conclusions and Recommendations

5.1 General Observations

Craft-based enterprises have a long history and tradition in Afghanistan and constitute considerable employment opportunities for the work force of the country. In many sectors employment is particularly suited for women and youth and the enterprises exist in rural areas where economic development is generally lacking and increased employment opportunities are particularly crucial.

The general lack of skills and management capacity that is observed in Afghanistan applies to craft-based enterprises to a lesser extent than to other segments of the economy. Traditional skills are passed on within the family from generation to generation. Especially in carpet weaving, large numbers of workers have been trained and taken up employment in recent years. The requirement of management skills in family-operated and other small enterprises is fairly small and does not pose a major constraint.

Carpet weaving is by far the most important craft and the dimension of this sector is of national importance. The above remarks refer specifically to this sector. In the earlier section of this report (4.1.7) some observations and recommendations have been made with regard to the current constraints and future prospects of this sector. To some extent these recommendation do also apply to the weaving of kilims which are a related product. Although kilim weaving does not reach the magnitude of carpet weaving in terms of economic output and employment generation, this industry may have potential to gain access to additional export markets if and when appropriate assistance is provided in the form of better market information and other services.

Export of products from craft-based small enterprises amount to approximately 6 to 10 per cent of total exports from Afghanistan (during the war period the percentage was higher because total exports were less), and carpets and kilims account for about 85 per cent of this export share. These figures demonstrate the importance of the sector.

With Afghanistan's shift in economic policy and emphasis on the private sector operating in a free and market-oriented environment, small and medium-sized enterprises do have an important role to play. Economic policy should recognize this role and facilitate the development of the craft-based sector with emphasis on utilising and increasing the export potential.

As stated before, market information is one of the most crucial issues where small and medium enterprises, especially those located in remote rural areas, are at a disadvantage when compared with larger enterprises in urban centres. Supporting infrastructure could be provided by the state to give equal opportunities to the small producers. International trade missions or trade sections in Afghan embassies in the most important export markets could be directed toward providing this kind of service. Apart from market information and establishment of direct linkages between producers in Afghanistan and buyers in foreign countries, these mission could provide information about foreign innovations and inventions that may be of relevance to Afghan industries.

During the two decades of war many craft-based enterprises have been destroyed or gone out of business for different reasons. Rebuilding these establishments may require public credit schemes or access to other lending facilities that are at present not existent. A reconstruction fund specifically catering to the small and medium enterprises could fill this gap.

Communal, provincial and national planning, regulation and legislation should also take into consideration the need for suitable sites to situate small craft-based enterprises at affordable purchase prices or lease rent. Craft-based enterprises catering to local markets need to be closer to their potential customers than large-scale enterprises that supply in large quantities to remote markets.

5.2 Specific recommendations to focus on promotion of carpet weaving

While most craft-based enterprises may in future be limited to serving niche markets with restricted potential for expansion, carpet weaving has been identified as a sector having considerable potential to play an important role in economic development based on the following aspects:

- increased economic output through high-value products and substantial quantities;
- high rate of export share;
- employment generation through labour-intensive production methods that are particular suited for women and youth in rural areas; and
- little constraints regarding skills development.

The challenges this sector faces are mainly in the area of insufficient access to market information and disadvantages due to export promotion schemes for the main competitors from Pakistan.

In order to utilize the potential and overcome the constraints a dual strategy is recommended:

- encourage and support the setting up of marketing service facilities either on a co-operative basis or as individual enterprises (wholesale/marketing units) in the main carpet weaving regions outside the capital city;
- adjust economic policy to adopt a function of export promotion similar to that of the main competitors.

Marketing service facilities

Co-operative model

Carpet weavers in family-based production units within a district (or similar administrative unit) could be assisted to form a co-operative that maintains contacts through modern communication technology in order to obtain orders from wholesalers within the country (trading establishments in Kabul) or, at a later stage, directly from importers in foreign countries.

The buyers would be able to communicate through the co-operative their specific requirements regarding sizes, patterns, and quality giving the individual producers the benefit of keeping their production in line with market demands.

The co-operative could also serve as a common facility for purchasing raw materials giving additional benefits to the producers.

Gradually, these co-operatives may be transformed into production centres into which the local labour force can be absorbed and from which the industry receives new impulses within the region.

Private sector enterprise model

Instead of organising marketing service facilities in the provinces and districts on a co-operative basis, these units could also be founded as private enterprises. Possible investors could be carpet dealers already in business in the capital city who may expand their activities into provincial centres in order to be closer to the places where a skilled labour force is available. The local traders in the capital city do already have access to market information and could use such knowledge to strengthen their own market position. Such private sector units could combine a wholesale business with production facilities.

Pilot facilities

Both, the co-operative model and private enterprises could be set up as pilot projects in selected regions with support from governmental, non-governmental or international organisations to demonstrate possibilities for improving economic infrastructure in rural areas.