

**Understanding the Garment Sector in Afghanistan's
regional markets: a preliminary assessment of Herat.**

A Report to Zardozi

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I Background

1. This report is the third in a series of studies¹ of regional fabric and garment markets in Afghanistan. These studies have aimed, through providing a better understanding of the ways in which the garment markets work, to inform Zardozi's strategy of strengthening the engagement of women in the Afghanistan clothing sector.
2. The terms of reference for this third study differs from the first two in that Zardozi has long been working in the Mazaar and Jalalabad garment markets and the research focused on the specific products in which Zardozi has an interest. However Zardozi had had no operational experience within Herat and is in the process of establishing a programme within the city. Accordingly it has sought a broad understanding of the fabric and garment markets in the city prior to starting its programme. Accordingly the research has responded to one broad question:

What are the structures and dynamics of the overall fabric and garment market in Herat and what is the role of this market in regional, national markets and international markets?

3. While the research has responded to this question it also specifically examined the markets in Peron Tambon and Embroidered products to provide points of contrast with the markets for these products in Mazaar and Jalalabad.
4. The report first briefly reports on the methods used in the study and identifies the informants. Drawing on these and other information it then outlines what are seen to be the key characteristics of the political economy of markets in Herat and points of contrast with Mazaar and Jalalabad. In the fourth section there is a discussion, drawing on the evidence, of the three tier structure of Herat's garment market. The final section concludes drawing out the contrasts between the three cities, the implications of the findings for Zardozi and the areas in which greater information is needed.

II Methods of Study

5. As noted above in contrast to the earlier two studies no specific review of cloth products related to zardozi's activities was undertaken and the focus of the study was on trying to identify the broad structures and sub-sectors of the garment market. Drawing on a preliminary study of the physical markets in which cloth products are traded in Herat undertaken by Zardozi's Market Development manager², a preliminary tracing of the market system was done

¹ Adam Pain (2012a). Understanding the Mazaar Garment Market: An Analytical Report to Zardozi; Adam Pain (2012b) Understanding the Garment Sector in Afghanistan's regional markets: a preliminary assessment of Jalalabad

² Shafiqullah Shahir, Herat Market Report, June 2012. Zardozi internal document

working upwards from the retailers. This enabled the upper trading levels to be identified and focused on.

6. In addition to interviewing traders directly involved in the market for cloth and cloth products additional informants on the nature of Herat's markets were also looked for. This included both the formal organisational structures concerned with representing the interesting of Herat's business and trading community (The Chamber of Commerce and Industry; The National Traders Union representing the craftsmen and small producers), a member of Herat's major business house (Safi) as well as other informed sources. The list of informants is given in table 1.

Table 1 Key Informants identified by Informant Number, Characteristic, Company or Market location and nature of cloth dealt in.

H26	O	Abdul Nasim	Manager, Safi Company	
H12	O	Rafiq Shaher	Head Professional Shura	
H25	O	Tarmand	Chamber of Commerce	
H5	O	Sadiqa Tamasuki	Manager Khadija-tul-kobra	
H6	O	Abdul Wodud Faiz-zada	Manager Traders Union	
H10	T1	Abdullah	Kuchi Market	Male
H9	T1	Haji Abdul Ahmad	Kuchi Market	Male & Female
H11	T1	Giholam Sakhi	Kuchi Market	Male & Female
H14	T1	Asseluddin	Qamar Market	Male & Female
H15	T1	Haji Turab Shah	Qamar Market	Male & Female
H19	T1	Abdul Wasi / Gul Ahmed	Brotheran Market	Ready Made
H8	T2	Trader	Omid Market	Female Cloth
H13	T2	Haji Saki	Afghan Market	Male & Female
H7	T2	Abdjl Kaziq	Omid Market	Male Cloth
H1	T3	Abdul Gihari Esmali	Jad-e-Lilami	Embroidery
H2	T3	Abdul Salam	Jad-e-Lilami	Embroidery
H23	T3	Retail 1	Jad-e-Lilami	Embroidery
H24	T3	Retail 2	Jad-e-Lilami	Embroidery
H16	T3	Sharif	SHakabi Market	Female ready made
H20	T3	Trader 1	PT Line	Peron Tambon
H21	T3	Trader 2	PT Line	Peron Tambon
H22	T3	Taylors	Near PT line	Peron Tambon
H3	T3	Amanulallah	Shar-e-naw	Retailer
H17	T3	Ahmadi	Jad-e-Jonibi (Silk)	Silk
H18	T3	Abdul Manan	Jad-e-Jonibi (Silk)	Silk
H4	T3	Female Retailer	Khadija-tul-kobra	Silk & Taylor

7. In passing it is noted that the official bodies established to represent the interests of the business community in Herat (The Chamber of Commerce, The Trader's Union) appeared unable to provide much understanding of the dynamics of Herat's economy and seemed to be more focused on seeking donor support for project activities and investments. In contrast the one leading business manager who was interviewed showed a much greater knowledge of what was happening in the city.

III Herat City and the political economy of its markets

8. Herat city shares with the cities of Jalalabad and Mazaar (and also Kandahar) a set of distinctive features. They are cities of the plains surrounded by a historically rich irrigated agricultural hinterland that has generated the surplus to support the growth of the cities and their trading communities. They are all also located on the borders of Afghanistan and are essentially 'port' cities oriented to trading with the outer world although Herat has borders with two countries (Iran and Turkmenistan). In this sense Kabul is the exception being located inland and without a surrounding plain economy.
9. However in that these 'port' cities of Afghanistan have all been affected by or are part of the wider cross-border cultural zone with which they trade they are similar. However the distinctive nature of these wider cultural zones have shaped the culture of these cities and made each of them different. Thus the culture of Herat, a city which was once part of Iran, remains deeply influenced by the rich and sophisticated culture of Iran. The contrast with Jalalabad and the effects on it of both Pushtun culture, tribal identities and a deeply dysfunctional Pakistan state are striking.
10. As with all of Afghanistan's cities, Herat is ethnically diverse but the boundaries between ethnic groups are less sharply drawn than in other cities and there is greater integration. As informant H12 commented there are Pashtuns in the city who have long lost facility to speak Pashtun. In this sense there is an Herati identity that overrides others. This is reflected in the ways in which social or ethnic identities are not so strongly tied up with specific market segments as in the other cities, although as will be seen there are more recent immigrant enclaves.
11. There remains in Herat a large non Hazara Shia population with strong cultural links to Iran that had traditionally been involved in the gold and jewelry business. There is also a large Norzaie grouping that was more involved in oil and gas trading as well as the garment sector. Herat's location, its trading history and its ethnic integration have given rise to a substantial business community and a relatively large middle class based on the significance of trading and manufacture in the city.
12. There are two other dimensions that reflect the relatively liberal nature of society in Herat. First and in strong contrast to Pashtun communities of the south, family structures are relatively less hierarchical. In contrast to the trading families of Jalalabad, for example, there is an early division of the household and once sons are married they are likely to live separately and the household capital be divided to allow them to operate independently in business. This may allow a greater independence of action and diversification of businesses. Second there is a much stronger presence of educated women in health and education although social restrictions on the engagement of women in commerce are still exist.

13. In terms of recent history and again in contrast to the other 'port' cities of Afghanistan, while there was a period under Ishmael Khan after 2001 when there was a strong link between political and economic power in the city and of rule by a warlord, Ishmael Khan's removal allowed the reemergence of a civil society within the city and a greater division between political and economic power than in other cities. The city has for the last three years had a technocratic governor appointed by Karzai who has interfered less in economic life or NGO activities and supported a relatively free media. One example of the relative richness of Herat's civil society is the presence of the Professional Shura, a grouping of educated professionals who lobby government on aspects related to city governance.
14. It also should be noted that Herat has a better provision of public goods and infrastructure in contrast to other cities, creating a more favourable environment for manufacturing and trade. These include a reliable and 24 hours electricity supply, water, roads and good external road connections to Iran. It has a renovated airport that is likely to open air links to Iran in the near future.
15. Although no trade statistics could be found an assessment by one source (H26) suggested that trade in textiles ranked second after agriculture in terms of cross border trade. This is certainly consistent with the large number of physical markets (at least 26) and traders engaged that in cloth products. It is also the case that the Safi Company was itself heavily involved in textile trade until 2001 when it diversified out and away into more profitable sectors.
16. All the above observations point to the positive factors in relation to Herat's economy. Note however should be made of various less positive ones. First there was a persistent comment across of informants about the recent decline in the city economy affected by the withdrawal of the foreign presence and international forces in the country. Trade and prices of land for example have declined giving weight to the concerns of the World Bank³.
17. Second and again a common comment made by most traders was of the level of corruption within government in Herat. While all wholesalers and retailers pay taxes to the Municipality, the dependence on informal credit to finance trading and the need to minimise engagement with the authorities, keep the bulk of the trading economy firmly in the informal sector.
18. Third, while there has been a marked improvement under the current governor, wealthy traders have been vulnerable to criminal gangs that capture family members for ransom. A second meeting with H25 was cut short because he had to attend a meeting with the Chief of Police over a current kidnapping.

³ World Bank Ref

19. Fourth and this comment was made by H28, the interests of Afghanistan's powerful neighbours – Pakistan and Iran – in keeping Afghanistan as a captive market is a major constraint on the development of Afghanistan's own productive capacity. He cited how Safi had established a gypsum factory but its viability had been deliberately undermined by Iranian companies that had lowered their prices to render it uneconomical. Again this has parallels with the ways in which cement producers in Pakistan had undermined cement production in Jalalabad⁴. In addition Iran restricts Afghan imports through high tariff barriers limiting market expansion and such exports as are made to Iran are done informally – a case in point being the informal export by H19 of ready made jeans from China to his brother who has a shop in Iran. According to a trader in Ganjina most exports from Afghanistan flow through Pakistan which has a more porous border than Iran even if it also operates an official policy of restricting Afghan imports.
20. Third international economic sanctions against Iran and restrictions on bank transfers through Iranian banks are also affecting business and informal ways around these restrictions have to be found. More generally government attempts to restrict outflows of US dollars from the country are causing bureaucratic barriers for traders attempting to transfer US\$ for payments of consignments from China or elsewhere. One trader (H10) specifically asked if I could help in trying to get a payment sent through the bank to pay for an order from China and complained that the banks were creating great difficulties over documentation on dollar transfers.

IV Key Dimensions of the Herat textile sector

21. It rapidly became clear, and consistent with reports from Mazaar, that the cross border trade in fabrics and garments based in Herat reaches both a national market as well as the markets of city and surrounding provinces. It also became evident that there were two categories of wholesale importers in addition to the cloth and garment retailers. There are those importers who trade both within Herat and with other cities in Afghanistan and there are those that serve only the market of Herat and its surrounding regions. This division between two groups of wholesalers based on whether or not they supply the national market was not found in Mazaar and Jalalabad both of which had essentially a two tier structure – wholesale importers and retailers.
22. Accordingly the structure of the Herat garment market was divided into three tiers. Tier 1 traders covers those wholesale importers who supply both the national and Herat market; tier 2 traders deal as secondary wholesalers and sell to the retail trade in Herat and the surrounding districts and provinces. They obtain their cloth from tier 1 traders. Tier 3 covers the retail trade which is divided between the trade in cloth, ready made clothes, peron tambons, embroidery and silk. Each of these tiers are discussed separately.

⁴ Cusack, J and Malmstrom, E. 2011. Bactrian Gold: Challenges and Hope for Private-Sector Development in Afghanistan,

Tier 1 Wholesale Importers of Cloth and Garments

23. As noted above there is a group of traders in cloth and cloth products who import from suppliers overseas and sell them on to both to tier 2 wholesalers in Herat and to traders in Mazaar, Kabul, Jalalabad and Kandahar. Five such traders were interviewed, three (H9, H10 and H11) in the Kuchi Market and two (H14 and H15) in Qamar Market. In addition there was a sixth (H19) who had diversified into the import of ready made jeans (although his brothers still worked in Qamar market in a separate enterprise importing cloth). Kuchi and Qamar markets appeared to be the most important wholesale markets with Kuchi market according to informants containing about 30 traders and Qamar market, the older of the two markets, about 40.
24. These tier 1 importers reported that they dealt in a range of cloth for both men and womens' clothing. The cloth came primarily from China, Indonesia and India. The cloth from China was primarily for women (H9 was importing 20-25 types) but there was also some cloth for mens garments. While the Chinese cloth included a range of velvets, significantly they reported that no velvet was now imported from Korea although it has been imported in the past. The reason given for stopping the import of Korean velvet was that it had become too expensive and there was not sufficient demand. However a retailer (H3) reported that he obtained Korean velvet from Omid market so there is clearly someone importing this cloth but possibly at a low volume. H9 was importing cloth for Chaderis, most of which was for the Herat market but he was also exporting through informal channels some to Iran, and sending a small volume to Herat. The cloth from Indonesia and India is synthetic fabric and destined for mens clothing, with the Indonesian cloth being of better quality (about \$1.50 per metre in comparison with Indian cloth at \$1.25 per metre). It is worth noting that none of these tier 1 traders dealt in cloth from Pakistan.
25. There were various degree of specialisation between the traders with some (e.g. H10) almost exclusively importing Indonesian cloth, others specialising in Indian cloth while others imported a range of Chinese, Indonesian and Indian cloth. One informant (H7) a tier 2 wholesaler, had said that there was a monopoly on the import of cloth from Indonesia by one company but market observations suggested that a number of traders were importing Indonesian cloth.
26. However it is also clear that there is a degree of differentiation within these tier 1 traders based on their relative capitalisation, between those who traded directly with the cloth manufacturer in the source country (China, Indonesia etc.) and those who bought their cloth through intermediaries based in Dubai. Both groups however traded exclusively in US dollar currency both in their external dealings with suppliers and in their dealings with tier 2 wholesalers in the Herat markets. Tier 2 wholesalers had to pay (although as will be discussed they are mainly supplied on a credit basis) Tier

1 suppliers in US \$ even though they dealt in Afghani with their retail customers (tier 3).

27. The tier 1 traders with more capital (estimated by H7 to be \$500,000 or more) were in a position to import directly from the source countries and in some cases maintain a member of the family firm (a son or brother) in country. This allowed them to have an input into the design of the cloth. Informant H10 for example who traded almost entirely in Indonesian cloth had a son permanently stationed in Indonesia who oversaw the design, ordering, manufacturing and despatch of the cloth. H9 had a brother who regularly went to China to oversee the ordering. Characteristic of those able to import from the source country was that they had the capital to fill one container with cloth from one source.
28. However those tier 1 traders who had slightly less capital (\$ 200 – 300,000?) did not buy direct from the source country but purchased their cloth from Dubai. They noted (e.g. H19) that this was slightly more expensive way to purchase (H11 estimated a \$3000 difference in the cost of cloth per container imported from Dubai in comparison with one imported from China) since they were paying commission to the Dubai based intermediaries. On the other hand it allowed them to fill a container with a range of cloth sourced from different countries.
29. One key difference between the larger tier 1 traders and the smaller tier 1 traders appears to that of ethnic identity. Over this last decade a group of Kandahari traders have moved from Kandahar to Herat on account of better security and trading conditions in Herat and they appear to be the major players in the upper level of tier 1. Kuchi market appears to be occupied exclusively by these Kandahari traders and they also have a major presence in Qamar market. H8 observed that most of them had two passports (the second being a Pakistani one) that made it easier for them to travel. They have formed essentially an immigrant ethnic enclave in the city. Several of these Kandahari traders (e.g. H9, H11 and H14) have maintained a trading branch of the family company operating in Kandahar staffed by a son or brother of the Herat based family. This evidence of traders having branches in other cities was not found in Mazaar or Jalalabad. The smaller tier 1 traders appear to be more mixed with both Kandahari and Herati traders. The Herati traders do not have branches of the family firm in other cities.
30. All tier 1 traders obtained their supplies through a mixture of cash and credit (from China and Indonesia) although cash based payment were necessary in establishing new supplier relationships. Purchases from India were reported (H14) to be on a cash basis only.
31. Shipments of cloth from China and Indonesia were reported to come via Dubai and then transported across land through either Iran or Turkmenistan. However a number of traders also reported that importing through Iran had become more difficult in the last year and some shipments were now coming via Karachi apparently raising costs. With respect to the importation of Indian

cloth there were reports of this coming both via Dubai (H11) as well as via Karachi (H14).

32. The volumes of imports are difficult to estimate and trade statistics are lacking. Most of the tier 1 traders reported importing one container of cloth every one to two months and some more frequently but it varies according to market conditions. The volume of cloth is however very variable and rolls come in different lengths. A 40 foot container can for example contain 1000 roles of cloth, each of about 40-50 m of Chinese velvet, 3000 rolls of Indian fabric and 4000 of Pakistani cloth. Some however import cloth in smaller 20 foot containers (e.g. H19).
33. What ever their capitalisation, common to all the tier 1 traders is the fact that they supply both the Herat and national market. Estimates varied but most reported that at least 40% of their cloth was sold to traders in other Afghan cities. H11 reported the lowest trade to Herat with only 20% of his trade being located in the city, 20% going to Kabul, 30% to Mazaar and 30% to Kandahar. Trade both to the tier 2 traders in the city and nationally characteristically operated on the basis of informal credit. These tier 1 traders reported that they had credit relations with between 40 – 50 tier 2 traders.
34. An observation made by several of these tier 1 traders (e.g H11) was that there was a declining demand for cloth in Herat particularly in the female clothing sector and that this was due to the rising demand for ready made clothes by women in the city. Evidence on the scale of demand for ready made clothes for women is discussed below but an interview with H19 is supportive of this picture. H19, one of a group of brothers who traded in imported cloth for women had decided to diversity out of this trade and move into the import of ready made jeans from China. His family had put up half of the starting capital of US\$50,000 and the other half had come from a close friend with whom he had established a partnership. They had just received their first consignment of fashion jeans and using existing connections, he saw himself being in a position to supply both Herat and the rest of the country. He also considered that there was both an urban and rural market for these jeans. He said that he was the first to diversity into the import of jeans but other tier 1 traders were also beginning to think of diversification both within and out of the clothing sector.

Tier 2 Wholesale Dealers

35. Three tier 2 wholesale traders (H7, H8 and H13) were interviewed. What they had in common is that they obtained their Chinese, Indonesian and Indian cloth on credit from the tier 1 traders. The cloth from Pakistan that they traded in they obtained directly from the factories in Pakistan. These wholesale traders however sold only to cloth retailers in Herat city and from the districts and provinces surrounding the city. As noted above the credit they obtained was in US\$ and had to be repaid in US\$. They however traded on a credit basis in Afghani with their customers. The imports of Pakistani

cloth were quoted in terms of US\$ although it is not clear if this is how they were paid for. From the information supplied in terms of trading volume it is likely that they would have a capitalisation of upto US\$100,000 but this is an estimate.

36. The three traders dealt in a variable mixture of cloth for men and women and from different sources (China, Indonesia, India and Pakistan) and this appeared to be characteristic from observations of other tier 2 traders with shops close to them. However some were also stocked with ready made clothes including computer embroidered peron tambons from Mazaar and dresses from India and Pakistan. It is possible that there are some tier 2 traders who specialise in importing ready made clothes from Iran, India and Pakistan.
37. The bulk of the trade of the tier 2 wholesalers traders interviewed appears to be within the city. H7 for example reported that he dealt with about 50 – 60 retailers in the city and had credit relations with 4 traders from Bagdhis. H8 who dealt in cloth for women only had 2-3 dealers from the neighbouring districts that he dealt with and about 2-3 from the surrounding provinces. In addition he had credit relations with about 40 retailers from the city.

Tier 3 Retailers

38. The retail sector in garments and fabrics in Herat shows a degree of specialisation and five distinct sub-specialisations were identified. These were general retailers in cloth, retailers for ready made clothes (divided between those that sell womens' clothes and those that sell mens' clothes), retailers of ready made peron tambons who also manage the production of PTs, retailers of embroidery who also organise production and retailers of silk products who are also engaged in the production of their silk products. These are discussed separately.

Tier 3 Retailers: General

39. Two retailers who concentrated on the sale of fabrics were interviewed. One was H3 who had a shop in a street and who had been in the trade for 30 years. He commented that before he had dealt more in fabrics for women but with the development of the ready made markets in women's clothes he had concentrated more on fabric for men. He was selling mainly cloth from Pakistan with a limited amount of cloth from India. He also reported that of the cloth for women that he was dealing with (he had not got new stock in the last six months) was mostly Chinese with a small amount of Korean fabric which he said he had got from Omid Market. About 50% of his customers were from the city and the other half came from the districts.
40. Observations on other general retailers indicated that many of them, in addition to selling fabric for both men and women, were also selling computer embroidered peron tambons as well as ready made garments from India or Pakistan for women.

41. The second retailer was a woman (H4) located in the women's market (Khadija-tul-kobra). She combines working as a taylor in the shop for women clothes with selling hand embroidered peron tambons and a few ready made dresses. She shares the rent on the shop with two other people: a friend who is selling cosmetics and a male trader from the districts for whom she acts as the agent for selling the embriodered peron tambons. In fact it was the man who originally rented the shop but she was introduced to him by a friend who had the shop oppostite in the market and they came to an arrangement over the shop whereby she acts as his agent. She commented that 60% of the consignment that she gets she passed on to male traders who are selling embroidered products in Jad-e-Lilami market. She said she had support from her family to do this business and was one of six women in the market who had got a business licence. According to the manager of the market (H5), the maximum profit that any of the shops were making during a month was \$200. Further comment on this women's market is made in section V.

Tier 3 Retailers: Ready Made Clothes

42. Although ready made clothes are sold by many cloth retailers from observation these clothes were mainly imported from India and Pakistan and and these were more traditional female clothing. However a number of markets appear to have been established (e.g Shakabi market and Brotheran market) that have shops specialising in more westernised ready made clothing. This is consistent with the comments made by tier 1 wholesalers on the rise in demand for ready made clothes. The retailers of ready made mens clothes appeared to be concentrated in the outer part of the Shakabi and Brotheran market and in the inner section there were mainly shops selling clothes for women. One shopkeeper (H16) specialising in such clothes for women was interviewed.

43. H16 had moved from rural Herat on account of the drought and had first worked as a grocer. He had then moved about five years ago into retailing ready made garments for women where he saw there was more profit. He thought that there were about 100 retailers like him in Shakabi market and the neighbouring Brotheran market specialising either in male or female ready more clothes. His clothes, which were distinctly western in style were imported from China, Pakistan and Iran with the majority (70%) coming from China, 20% from Pakistan and 10% from Iran. He sourced them from wholesalers who were located on the second floor of Shakabi and Brotheran market (a spatial arrangement that is different for the fabrics where wholesalers are physically located in separate markets from the retailers). He estimated that there were about 25 wholesalers of ready made clothes in the two markets

44. He saw his market as an urban market – rural women still bought cloth - and primarily for women aged between 18 to 30 years old. Retail prices ranged from Afs 800 (Iranian dress) to Afs 500 (Chinese) and he estimated that each week he was selling about Afs 20,000 although last year he claimed that

weekly sales were higher at Afs 50,000. He had credit relations with about 10 wholesalers and restocked he said on a weekly basis. He also reported that there was an informal agreement between neighbouring shops that they would sell different styles of clothing so that they did not compete.

Tier 3 Retailers: Peron Tambon

45. Located in a street near the main mosque, there is a line of about 20 – 25 shops selling ready made peron tambon. According to one informant (H21) who had started his business 18 years ago (his father had been a mullah) there were about 50 shops at that time. Since then the number had decreased due to the rising demand for trousers and shirts in urban areas (H20). Along with H21 a second PT trader (H20) was interviewed.
46. Both PT traders moved into the business from other activities; H20 had previously been spinning wool but demand for this had dropped and his uncle, who was in the PT trade helped him get established through connecting him to wholesalers of cloth and taylor. He started with an initial capital of \$4000 and has clearly done well in that he now buys all his cloth on a cash basis as it is cheaper.
47. H20 gets his fabric from Tokhi market buying mainly Pakistan cloth (70%) and the balance from Indonesia although he stated that some of this came from Japan. He purchases about 25 rolls of cloth a week (1000 m to 1500 m a week, higher during EID) indicating a turnover of ready made PTs of 250 to 400 a week. PTs sell from between 150 to 500 Afs each. He also sells computer embroidered PTs which he gets mainly from Mazaar because they are cheaper by about Afs 50 from the ones made in Herat.
48. H20 has 5 male taylor working for him on a piece rate of Afs 50 per peron tambon. A taylor can stitch upto 20 pieces of PT per day giving a potential gross income of Afs 1000 per day. However with a turnover of a maximum of 400 PTs per week and with five taylor with a potential rate of 20 each per day it would appear that the taylor are not kept fully employed with this work, a fact that was confirmed by an interview with a taylor (H22) who also took in individual commissions that paid better. When asked why there were no women doing the tayloring H20 commented that women could get better paid work doing embroidery.
49. H21 account of his business was very similar to that of H20, with respect to the type of cloth and its relative proportions. He had also been helped into the business and reported a lower turn over in cloth (400 -500 m of cloth). He appears not to be as successful as H20 since he gets his cloth on credit from the wholesalers and was also selling bags that he had imported from Pakistan. He also reported that he had 5 taylor working for him and in addition to this five machine embroiderers, two of whom were women. The embroiders were paid 30 – 50 Afs per piece depending on the size. He also sold computerised embroidered PTs, most of which were obtained from Mazaar.

50. A number of short interviews were held with taylor and male embroiders in the neighbouring streets who largely confirmed the details given by H20 and H21 although piece rates for stitching a PT they reported to be lower (30 – 35 Afs). One taylor had previously been selling sweets but the work got too hard and his son, who was an apprentice taylor for women's clothes taught him to stitch clothes. His son who works in a neighbouring shop cuts the clothes for his father who then stitches them. The son on the other hand reported that working as a taylor for womens clothes was better paid and he could earn 400 per piece and complete upto three pieces a day.
51. The narrow back street in which these taylor shops were located contained many other taylor shops, some working in embroidery, others as bespoke taylor for mens peron tambon. One young man had diversified into doing embroidery for the Italian Isaf forces providing individualised tags for uniforms. On a good day he can earn about \$50 and worries that his business will collapse once the troops go. Various of the informants commented that there were also a number of women taylor working in the neighbourhood but they worked inside their houses.

Tier 3 Retailers: Embroidery

52. Jad-e-Lilami was during the Taliban times a low value market that sold second hand clothes. Today it is probably one of the most expensive areas in Herat in which to rent a shop and rents are reported at Afs 75,000 to Afs 100,000 (US\$1500 – US\$2000 per month). This is the area in which an estimated 200 shops specialised in the sale of hand embroidered cloth have established themselves. From all the accounts of the four traders in embroidery that were interviewed (H1, H2, H23 and H24) this is a market that is prospering. A key part of that prosperity appears to be driven by an export market linked to the Afghan diaspora, but one that operates on individual purchase rather than bulk exports. However it also appears that there is a substantial urban demand for this hand embroidered work on both mens and womens clothing and at least a couple of the traders (H24) are selling to traders who comes from Mazaar and elsewhere in Afghanistan. H1 reported that he was sending pieces to Mazaar and Kabul. As H23 put it 'demand is getting better and better'.
53. The account given by H1 of his rise to prosperity. He originally came from Shindand district and migrated after 2002 because of the insecurity. His mother and sister both did embroidery and since this was a product he knew he set himself up selling embroidery on the street. Realising that it would take him a long time to accumulate sufficient capital to set up a shop, he migrated to Iran for a year and accumulated capital of US\$12000. With an additional \$4000 capital borrowed from his family he rented a shop in Jad-e-Lilami four years ago and now is selling on a monthly basis at least 50 – 60 Herati embroidered PTs costing a minimum of US\$ 200 each. To this minimum value of turnover of US\$12,000 per month should be added sales of individual pieces of embroidery for womens trousers. H23 reported that

10 years ago he started with a capital of US\$10,000 which had now grown to \$100,000. Entry costs to the market were now estimated at about US\$50000 (H24).

54. The production process of the embroidered pieces was described by H1. When he set up his shop he was approached by women asking for work and since he did not know them, he asked and received a deposit of Afs 500 for the giving out of the raw material to them for the embroidery work. Over time he had established good working relationships with a small group of 10 women who could now take as much material as they wanted on credit. In addition he worked with a further 40 -50 women whom he provided raw materials for one piece of embroidery. He estimated that working just four hours a day over two months from a piece of Herati embroidered PT that retailed at Afs 10,000 a woman could earn Afs 7000 (equivalent to US\$ 140 per month) while he took a gross margin of Afs 3000. H1 obtains his cloth on a cash and credit basis from Omid market. It is likely therefore that he is gaining net margins of about 15 – 20%. Comments from other informants are consistent with this. H23 showed embroidered PTs costing at least \$500 for which he had regular buyers.
55. The women embroiderers are mainly Hazara and come from both urban and rural areas and may come from as far away as 60 – 100 km. In the view of H2 given the level of demand, traders were actively seeking out the best embroiders and finding ways to keep them as suppliers, including advance or timely payments. But it was also clear from simply being present in the market place that there are many women coming to the market each day to offer embroidered pieces to shopkeepers. During a short 20 minute discussion with one informant (H23) at least 3 women approached him offering to sell pieces. He pointed to a pile of 8 pieces that he had already bought that morning.
56. This is clearly a sub-sector which is likely to be of interest to Zardozi both for the reason of womens' engagement in it but also because of the evidence that it is a sub-sector which is prospering and where there is potential scope to increase the returns to women working within it. However a more detailed analysis of the value chain, costs and return will be required starting with the producers.

Tier 3 Retailers: Silk

57. By way of comparison with the market for embroidery, the market for silk, a traditional product from Herat seems to be in severe decline and unless there is a substantial change in the market in the near future, the decline could be terminal. This is surprising in a way because the two producer/ retailers who were talked to (H17 and H18) reported that they could sell whatever they produced. As described in an earlier Zardozi report⁵ there has been a long tradition of silk production, processing and weaving in Herat but problems

⁵ Zardozi, Silk Report

both in the production and processing and in demand have led to a decline in the cottage industry.

58. H18 reported that when he joined his father's business more than 20 years ago, which in turn had been inherited from the grandfather, there had been about 50 – 60,000 producers of silk cocoons and about 1000 traders directly involved in the weaving of silk scarves, turbans and wedding clothes. Now he reported there were only about 20 traders left and there were only six like him who were directly weaving and selling silk products from the shop. H17 reported that he had about 15 weavers working for him but the weaving and sale of silk products now accounted for only part of his business and he saw no future in it for his children.
59. H17 attributed the decline in the market to the influx of cheaper cotton products from Pakistan and synthetic silk from China and elsewhere. While he said a small demand still existed and he could sell the scarves he produced, the sale was seasonal and linked strongly to EID.
60. Perhaps no stronger comparison could be made between the prosperity of the embroidery market in comparison with that of the silk market than through the rental costs of shops. While rents in the embroidery market started at Afs 75,000 per month, the silk producers and retailers were renting their premises for Afs 4-5000 from the municipality.

V: Conclusions

61. In response then to the question of the nature of the structure, dynamics and role of the Herat fabric and garment trade in the regional and national market a number of summary points can be made:
 - The trade in fabric and garments from China, Indonesia and India through Herat is probably greater than in any of the other three Afghan cities (Mazaar, Kabul and Jalalabad) as evidenced by both the number of physical markets trading in cloth, the number of traders and the role of Herat in supplying the cloth that is imported to other Afghan cities;
 - Consistent with this is that fact that the market structure is more complicated with a two tier structure of wholesalers, one importing and serving the national market with cloth from China, Indonesia and India (with small volumes from Korea) and a second serving the city and regional market. On the other hand each city appears to directly import cloth from Pakistan and Herat has no role in supply the national market for this fabric;
 - There is a limited amount of trade in the international markets, most notably in the embroidered products and ready made clothes but it operates informally and small scale;

- The fabric market as found in the other city studies is dynamic and a number of recent trends can be identified:
 - A rise in the market for western style ready made garments both for men and women leading to a decline in demand for fabrics; this may be more of an urban than rural market but it is evidenced both in the decline of the ready made peron tambon market and the decline in market for fabric for women and men in the city; this trend is supported by national level statistics (see Annex 1, Table 1) which point to the rise
 - A dynamic rise in the market for hand embroidered products driven by both an international market as well as a domestic one;
 - A long term decline in the historic production and trade of silk and silk products;
 - The import from Mazaar on computer designed PTs which are cheaper than those produced in Herat;
 - Overall demand is seen to be under threat from the economic effects of Western withdrawal from Afghanistan

 - In relation to the structure of the market, the social regulation of the market both in relation to the way that family firms operate and the ethnic stratification of markets, is different from other cities. While there are immigrant enclaves – most notably in the occupation by immigrant Kandahari traders of the upper levels of the cloth trading community – and Hazara women are notably involved in the hand embroidery market, Herat has less of a divided society along lines of ethnic identity than other cities.

 - Market conditions, reflected in Herat's geographical location, its cultural linkages to Iran, the size of its urban middle class population, the level of public good provision, its relative security and comparatively good governance environment may offer some real opportunities for Zardozi;

 - This is reinforced by the relatively liberal environment for women in the city and the large number of women already engaged in the relatively high value embroidery market; of note is the relative absence of womens' engagement in the relatively lower value and poorer paid Peron Tambon market (in comparison with Mazaar); in contrast to the womens' market in Mazaar, the Khadija-tul-kobra market has not only been well located and used but appears well managed , even if the retailing may not be well focused : many shops sell multiple products.
62. In summary potential opportunities for Zardozi may lie in the embroidery market where the evidence suggests not only a growing market with a strong demand including an export element, but also the fact that traders are making higher margins than traders in other parts of the fabric and garment sector. However greater understanding of costs and returns, volumes and the value chain are needed to help Zardozi to fine tune its approach.

63. In contrast to Mazaar and Jalalabad the PT market may give fewer opportunities; the evidence points to it being in decline; in addition the relatively low wages of it in comparison with embroidery suggests it is not likely to be attractive to women.
64. The only other retail sector that could be of interest is the silk one but as Zardozi knows there are multiple challenges to be addressed here and the particular scope for women to be engaged in it as producers is not clear.

Annex 1:

Table 1 provides estimates of Fabric and Garment imports sourced from the Afghanistan Statistical Yearbook. There are clearly some anomalies in the figures– for example the value of polyester fabric imports is half that for the volume of fabric imported in 2007-08 even through the volume of imports has grown threefold over the period. However the figures show a sharp rise in the import of new clothes for women. Also to be noted is the reported rise in imports of used clothes.

However taking into account the above comments, and bearing in mind it is difficult to know whether trends reflect improved reporting rather than any real change, these figures at best are indicative.

Table 1 Estimates of Fabric and Garment Imports

	2007-08		2008-09		2009-10	
	Vol	'000\$	Vol	'000\$	Vol	'000\$
Polyester Fabric ('000 m)	53657	232519	98127	69920	135949	108603
Men New clothes ('000 no.)	1362	5027	5137	4401	1643	4827
Women New Clothes ('000 no.)	448	3093	1052	3186	1526	5182
Children New Clothes ('000 no)	892	796	1584	1940	870	1346
Used clothes (tons)	117	759	397	296	2661	2498

Source: Afghanistan Statistical Yearbook 2009-10