CHAPTER-I

INTRODUCTION

1.1 Background

Nepal is a federal democratic republic, small landlocked country situated in the southern slopes of Himalaya. It is multi cultural, multi ethnic, multi religious country. The Himalayan nation, the land of Buddha and the Everest made Nepal a unique sovereign nation. It is endowed with natural resources. Geographically, it lies in 26^o 22' North and 84^o 5' to 88^o 12' East latitude and elevation range from 305 meters to 8848 meters. Total area of 147,181 sq. km with length of 885 km and the with ranging from 144 km to 240 km having salient feature of landlocked, developing third pole non-aligned, peaceful and small country Nepal is also known as a nation of color and contrast of nature, culture and adventure all over the world.(MOF/NG:13).

Nepal is one of the developing countries in the world characterized by high population growth with low per capital income ($735-Economic survey) and low unit price of capital formation .Gross domestic saving is 10 percent of the GDP, and almost one third of the population (about 25.2 percent population-NISS-III) lie below the poverty line. Landlocked, unfavorable topography, absence of economic infrastructure, political instability in the past and lack of political commitment are some of the reasons behind the backward economic condition. (MOF/NG:2012)

Ironically, the country is under the vicious circle of poverty. More than 25.2% of population lies below poverty line. Agricultural is the backbone of Nepalese economy, means of livelihood for the majority of population and the main sources of gross domestic production, income and employment. But Nonagricultural sector have also significant contribution in the national economy.

Besides this, foreign trade between or among the country has important contribution in national economy. The importance of international trade, therefore, can't be overemphasized in a modern economy. International trade has important direct and indirect effects on national economy. On the one hand, export sparks additional economic activity in the domestic economy. But on the other hand, import can pressure domestic suppliers to cut their prices and improve their competitiveness. Failure to respond to foreign competition may lead to shout-down factories and unemployed the workers. Because of international trade's obvious significance, business and managers use them to identify promising markets and profitable internationalization strategies.

Today, the countries are more dependent upon each other with the increasing flow of trade. Market prices for many industrials products are determined globally. For many manufactured products like computers, TVs, VCRs, market prices are set by the lowest cost producers. The competitors must promptly match their prices or shut-down their production-lines. Global financial markets are more interdependent than ever before because financial capital can now be transferred abroad for more profitable opportunities. Thus, in past few years, there have been rapid changes in the international trading environment and a rapid process of globalization and regionalization has started. Exporting of goods and services is the way of entering foreign markets. The company may passively export its products from time to times or it may make and active commitment to expand exports. Many small firms are reluctant to export because of the problem involved. Export business is beneficial for a country not only in terms of trade, but also because it created export related jobs.

Nepal has a few numbers of products, which can be exported in foreign markets. The main export commodities of Nepal are Iron and steel articles, Yarns, Woolen Carpet, Garments, leather products and handicrafts. The other industry, which has export potential in Nepal, is computer software development. Nepal can increase its exportable items, which can compete in the international market. However, the experience shows that in spite of several efforts, Nepal's major exports have been limited to 3-4 items which are facing many problems in recent years (Pant, 2007:78)

Among all the exportable items, Pashmina is the 10th largest item. Pashmina industry in Nepal has a very short history. Nepal has started the mass export of pashmina since 1997/98 mainly to India, USA, Japan and European countries. As the pashmina product became famous worldwide; the pashmina industry began to flourish in Neal. Because of the availability and cheap labor and raw materials, the cost of production is very low as compared to other developed countries. Because of this high potentiality, mass production of pashmina has been started exportable business.

1.2 Introduction to Nepalese Pashmina Trade

Commercial production of Nepalese pashmina was started since 1970 (2026 BS), but the export was started only from the fiscal year 1991/92(2048/49). Even if we take the starting of pashmina trade since 2048/49, it is already 20 years that the Nepalese pashmina is in the international market. But on the basis of available evidences, the history of Nepalese pashmina trade is even shorter. Now it is found to be exported to more than 90 countries of the world. Most probably it is the first Nepalese product to be exported to so many countries. However, the trade started since 1991/92(2048/49), the actual record of the export of pashmina could be found since 1997/98(2054/55). On the basis of that records of Nepal Handicraft Association, in the year 1997/98(2054/55), it was exported to 18 different countries of the world.

Among these countries, the Jamaica of Africa, USA, Canada, Austria, Belgium, Denmark, France, Germany, Italy, Netherlands, Spain, Switzerland and England in Europe, and in Asia, Hong Kong, India, Israel, Japan & Taiwan. Next year the export of Nepalese pashmina extend to other 14 countries of the world. In the same way it kept increasing and now it is exported to more than 72 countries of the world (Smarika, 2006:12).

The sixteen major importer countries of Nepalese Pashmina are, Belgium, Austria, Canada, Denmark, France, Germany, Hongkong, India, Italy, Japan, Netherlands, Spain, Switzerland, Taiwan, England and America. India is the major importer and America, Japan, England, France, Germany, Canada, Italy respectively. Those after Switzerland, Hong Kong, Netherlands, Spain, Belgium and Austria are other importer countries. Similarly Australia. Finland, Greece, New Zeeland, Norway, Sweden, Turkey and United Arab Emirates (UAE) are other potential pashmina markets where, since 055/56, Nepal is exporting its pashmina on regular basis. But in the rest of the other countries, the export is not on regular and also not in substantial quantities.

1.2.1 Pashmina Industrial Scenarios:

Currently, the total numbers of pashmina industries are around 500. Out of which 157 industries are registered in NPIA. Whereas 80 formal units are said to be operational associating with Nepal Pashmina Industries Association and, are confined to Kathmandu, Lalitpur, and Bhaktapur to other nearby districts around the valley. About 80 percent of these units have productions facilities with approximately 2000 looms and 5000 weavers. Their production capacity is approximately 2 million standard sized shawls. However, on average about 50 percent of the capacities are being utilized.

Besides these, many units are operating informally at cottage level without registration. It is estimated that these units are providing employment opportunities to about 5,000 people. If the favorable conditions prevail, the volume of production can be doubled and thereby employment can also be doubled.

Apart from this, it is estimated that about 20,000 households in and around Kathmandu valley have one loom each and family members are capable of weaving shawls. In case the demand goes up, Nepal can easily mobilize required work force and utilize the available looms in the country to meet the demand. Production activities are mainly located in and near the Kathmandu valley.

Handlooms as well as power-looms are used in weaving shawls or fabrics. In practice, only handloom can easily manage highest quality cashmere yarn. Highest quality yarn cannot stand on power loom. Therefore, entrepreneur using powered loom have to seek for mixed or a little less than 100% cashmere yarn. Traditional processes of production are being gradually modernized. Warping, drafting, weaving, washing, drying, fringe making, embroidery beading, and finishing activities require heavy involvement of human labour. Most of the cashmere units are registered as Cottage and Small Industry and were set up in leased land and property, requiring minimum formalities and low investment. Material cost representing 50 to 80% depending on quality, is the highest part of total cost component (ITC, 2007:23).

1.3 Statement of the Problem

The share of most of the items in Nepal's total overseas export has been decreased considerably over the period of last ten years. Particularly, readymade garment, woolen carpet, pashmina goods, jute goods and vegetable ghee recorded sharp decline in their export. The commodities that had a slight increase in export were polyester yarn and handicrafts. The share of the exportable commodities in total export declined from 68.8% in 1997/98 to 46.4% in 2006/07 (Pant, 2007:101).

The domestic value addition by carpet and garment industries, the back bone of Nepal's export today, is extremely very low. After the expiry of the MFA- American Quota system in 2004, Nepal would be facing tough competition in relating its share of the American garment market. Likewise, the imposition of social and environmental clauses in the trade regime by Germany and other European countries has caused problems for the manufacturers of carpet. Even more serious concern is the creeping recession in Europe and America, which is detrimental to export growth of carpets. In this scenario, Nepal should increase its exportable items, which can compete in the international market. However, the experience shows that in spite of several efforts, Nepal's major export has been limited to 3-4 items.

Nepalese pashmina which is exported to more than 90 countries of the world is the 10th biggest product of Nepal during 2012 among the other products which are exported to overseas. In the past 20 years, Nepalese pashmina is not only introducing the Nepal, Nepalese skill, style and Nepalese technology to the arena of international market, but also playing a major role in strengthening the national economy, minimizing trade defect, creating employment and self-employment opportunities. Since FY 1997/98 to 2011/12 and especially from fiscal year 2001/02(058/59), Nepalese pashmina trade is passing through the grate difficulties and export has been drastically reduced because of big competition in the international market, demand for new cheap and attractive products. At present, Nepal is competing with economically strong and booming country like China and India. Also at the moment, the countries like India, Magnolia, Pakistan, Australia and Italy are computing hard in the international pashmina market to introduce and promote their own products.

As a result of which, Nepalese pashmina trade is facing great difficulties in keeping up its position in international market.

Main pashmina importing countries like, Japan, Italy, and Spain have warned of imposing ban on its import unless the manufacturers define the product. Given the trend, exporters said the product, on which Nepal is enjoying a special advantage in the international market, could face similar problem in other European countries as well. Japan is the sixth largest importer of Nepali pashmina & Italy is also the third largest buyer among European countries. Pashmina industries are already suffering from a constant drop in exports over the years because of emergence of new strong exporters like China, India and others. The industry has failed to secure its market when Indian and others manufacturers marketed similar items under the name of pashmina (DB Thapa, 2007:45).

On the other hand, pashmina industry, recognized as a top export oriented industry in Nepal, is losing its international market for lack of a marketing strategy in line with the changing trend. Nepali entrepreneurs lacked knowledge about the way the world pashmina market was moving forward. In the context, it should have to do a thorough study of the global market and the strategies pursued by its competitors to cope with the growing competition among exporters, and should launch entrepreneur enhancing programs. It should have need to explore new markets and come up with new national strategies for product promotion and market diversification to retain the international market marked by growing competition (P.R. Shakya, 2007:72).

According the latest research conducted by UNDP's Enhancing Nepal's trade Related Capacity (ENTREC) project and Nepal pashmina Industries Association (NPIA), the international market for Nepal shawls, scarves and other pashmina product shrank from 6.49 percent in 2001 to 3.57 percent in 2005. However, Nepal's share of the world market for woolen products like cardigans and pullovers went up to 0.1 percent in 2005 compared to 0.05 percent in 2001.

1.4 Objectives of the Study

The main objective of the study is to analyze the export trend of Nepalese pashmina trade; however, the specific objectives are as follows:

- ❖ To assess and measure strengths and weaknesses of Nepalese pashmina trade.
- ❖ To analyze the difficulties currently faced by foreign trade with particular reference to the pashmina industries.
- ❖ To identify and analyze the export trend of Nepalese pashmina products for around 12 years.

- To identify and evaluate current market of Nepalese pashmina products as well new potential market where pashmina export would increase and help to grow the GDP.

1.5 Significance of the Study

The present study will be significant on the following basis:

i) The study is helpful to find the trend of Nepalese pashmina trade for formulating competitive strategy in hypercompetitive market where pashmina trade would flourish.
ii) This study stresses the export problem and prospects regarding pashmina industries to concerned entrepreneurs.
iii) The study attempts to find out possible alternatives and strategies, so that the basis objectives of NPIA has realized for the betterment of exports and the country as a whole Pashmina entrepreneurs are supported to formulate broad strategies and long-term policies for their continued existence.
iv) This study provides the reliable information for students, professional research scholars and authorities concerned for further referrals.
v) This study also is supportive to policy maker regarding pashmina industries to formulate effective policy to enhance pashmina trade.

1.6 Limitation of the Study

This study is limited in its scope due to lack of adequate information and a limited time. However, following are the main limitations:

This study confines the pashmina industry, so it has little concern with the export of others goods from Nepal. The study is based on both primary and secondary data. Primary data is collected through questionnaires. Small sample size of pashmina entrepreneurs is selected only on Kathmandu Valley. Primary data is collected through sample questionnaires in Kathmandu valley however the secondary data is extracted from NFTS comprising the statistics of the whole country. This study is mainly based on descriptive type of analysis.

1.7 Organization of the Study

This study is organized into five chapters. The first chapter deals with background of the study, introduction to Nepalese pashmina trade, statement of the problem, objective of the study, significance of the study and finally limitation of the study.

The second chapter deals with review of literature including conceptual review and review of related studies.

This third chapter describes the methodological aspects of the study and it contains research design, nature and source of data, tools and techniques of data collection, analysis of collected data and statistical tools.

The fourth chapter includes data presentation and analysis, which comprises of trend analysis of pashmina product's export to overseas countries, analysis of problems faced by pashmina industries, prospects of pashmina industry and main market as well potential market for pashmina goods.

Finally, a summary, conclusions and recommendations is presented in the chapter five, which provides major findings and suggestions to enhance the PG export more successfully. In addition, an extensive bibliography, tables and sample of questionnaire is presented at the end in the appendices.

CHAPTER-II

LITRATURE REVIEW

2.1 Introduction

This chapter deals with the previous research on advertising related issues. To get knowledge about this research books, research articles, internet and other research studies has been consulted and find the following information in this area of research.

Review of literature is a stocktaking of available literature in the field of research. It supports the researcher to explore the relevant and true facts for the reporting purpose in the field of research study. Literature here means the related printed materials about the subject matter of the research work. It may be in various forms like book, booklet, thesis, reports etc. in the courses of research, review of existing literature would help to check the chance of duplication in the present study. One can find what study has been conducted and what remains to go with. Review of literature is vital while doing research work as it gives the finding of the previous study. It can be used as a secondary data; it gives the valuable information about the subject.

2.2 Conceptual Review

2.2.1 Theories of International Trade

Theories of international business attempt to answer two questions: Why nations trade and what determines the pattern of international investment? Trade theories are examined as (R. Bennett, 2002:102).

Adam smith (1776) may have been the first scholar to investigate formally the rationale behind foreign trade. In his book “Wealth of Nations”, Smith used the Principle of Absolute Advantage as the justification for international trade. Adam smith put forward the theory that international trade would occur in situations where nations had ‘absolute advantages’ over rival states, i.e. they could produce with a given amount of labour and capital larger outputs of certain items than any other country. According to this principle, a country should export a commodity that can be produced at a lower cost than nations. Conversely, it should import a commodity that can only be produced at a higher cost than nations. This would on one hand help to make optimum utilization of existing natural resources by a country and on the other hand, purchase rationally the goods which while producing in country would incur a huge amount of cost.

Alternatively, the flaw in this argument is that it fails to explain why countries with an absolute disadvantage in all their products (i.e. countries which produce less of everything made within the country, using a given amount of labors and capital, than other nations) still engage in international trade.

A possible resolution of this question was suggested by the eminent economist David Ricardo (1817), that is, trade among nations resulted from differences in the 'Comparative' advantage of countries in the production of various items, not differences in absolute advantage. Ricardo assumed that the cost of producing any good depended only on the amount of labour used in its production, and those firms and workers could not move freely between nations. Ricardo says that absolute production costs are irrelevant, more meaningful are relative production costs, which determine whether trade should take place and what items to export or import.

David Ricardo's Theory of Comparative Advantage is a demonstration (under assumptions) that a country can gain from trade even if it has an absolute disadvantage in the production of all goods, or, that it can gain from trade even if it has an absolute advantage in the production of all goods. Also, the theory does not explain why certain goods are cheaper in certain countries. The principles of absolute and relative advantage provide a primary basis for trade to occur, but the usefulness of these principles is limited by their assumptions. One basic assumption is that the advantage, whether absolute or relative, is solely determined by labour in terms of time and cost. But these theories fail to answer why do comparative cost difference arise and why such production ratio differ.

In this connection, Heckscher and Ohlin (1930) propounded Factor Endowment Theory. This theory has explained the basis of international trade in terms of factor endowments. According to this theory, comparative cost differences arise because of different goods require different input (factor); and different countries have different factor endowments.

This theory basically explains that a country will specialize in the production and export of these goods whose production requires a relatively large amount of factors with which the country is well endowed. Therefore, those countries which have an abundance of labour specializes in the production and export of 'labour-intensive products, countries which have an abundance of capital will specialize in the production and export of 'capital-intensive' products; and countries which have an abundance of land will specialize in the production and export of 'land-intensive' products.

In general, a country exports those items which incorporate relatively large amounts of its most abundant factor, and import those products which include relatively small amounts of the factor with which it is least endowed. This theory explains differences in factor endowments determine differences in comparative advantage, which themselves shape the pattern of international trade.

The major attack on the comparative cost theory was based on its assumption of the labour theory of value. The theory was entirely based on assuming labour as the only factor input. But in reality, and kind of production needs a combination of factors of production and the only difference is in factor proportion required for manufacturing different products. The variation in the factor proportions in different products makes it impossible to use the labour theory of value alone. To overcome this difficulty, Gottfried Haberler in 1933 developed a theory in terms of the opportunity costs by including all the factors in the valuation of goods. Haberler’s theory since then is called the opportunity cost theory of international trade.

Indeed, much empirical evidence flatly rejects the fundamental propositions of these theories. Extensions and modifications of conventional international trade theory have led to increasingly complex models, which themselves give rise to further problems and contradictory results.

Factors that might confound orthodox trade theories include:

- The rapid pace of technological development, which causes national advantage to shift frequently and in unpredictable ways.
- Skillful marketing that can increase foreign demand for relatively expensive exported goods.
- Governments regularly seeking to improve national balance of payments positions via the imposition of tariffs, import and exchange controls, etc.
- The fact that trade theories regard nation states as independent trading units. In reality large multinational companies shift goods, services and capital among their subsidiaries in various countries at prices quite different to those at which a firm in one country would sell to a customer in another.
- Poorer countries often having national economic development plans which encourage the importation of capital goods that otherwise would not have a market in these nations.
- Multinational companies frequently shifting from exporting to particular countries to local production in those countries.
- Scarcity and inaccuracy of the information upon which firms base their international trading decisions.

Most of the trade theories are based on national perspective, but decisions to trade are usually made by companies. Michael porter put forward a hypothesis concerning the basis determinants of the national competitive advantages that lead to international trade. Porter argues that firms need constantly to seek new sources of competitive advantage. In particular they need to operate internationally in order to fine-tune their competitive strengths and to identify and then remove weaknesses. Selling to the most demanding consumers causes a firm to achieve quality and service levels it would not otherwise attain. The key determinant of contemporary national competitive advantage, porter suggests, is product and process innovation not cheap labour or abundance of natural resources. Indeed, lack of the latter can actually spur a country to a high level of technological innovation.

According to porter, six sets of variables determine a nation's ability to compete internationally, namely:

Demand conditions, factor conditions, firm strategy, structure and rivalry, related and supporting industries, government policies, and luck and chance.

The limitations of the porter diamond are that the existence of favorable conditions is not sufficient to guarantee that an industry will start up and develop in a given locale. Likewise, the increased openness of countries to information, production factors, supplies and competition from abroad. Thus, the absence of any of the variables from the diamond domestically not inhibits companies and industries from becoming globally competitive. Finally, companies react not to domestic rivals, but also to foreign-based rivals with what they compete at home and aboard. In most industries there are competition but in various countries.

2.2.2 Causes of Firms Export

A substantial literature exists regarding the extents and importance of various incentives and impediments to export activity, although results are frequently contradictory. Reviewing 30 empirical studies completed from the 2960s onwards, Leonidou (1995) concluded that the main stimuli to export activity are: i) The personal characteristics of decision markers (style, competence, international orientation); ii) company objectives and resources; and iii) availability of export facilities and government support. Mixed evidence emerged regarding the influence of various triggers at particular stages of an enterprise's development as an exporting business, and whether firm size and/or degree of export experience affected specific motivators. Possibly, small to medium-sized enterprises (SMEs) are in general less aware of the potential benefits of exporting, less knowledgeable about how to export and where to find relevant information and less confident in their ability to export. The business systems of an SME are normally less elaborate than in a large firm, and employees have multiple responsibilities. SMEs many not have the organization to handle all the extra documentation that exporting evolves (R. Bennett. 2002;89).

Dicht et al (1990) suggested that the foreign market orientation of SME managers is a crucial determinant of the decision to ‘go international’. He gives more emphasis on ‘psychic distance’ that concerns matters such as differences in language, business practices, culture and level of economic development. Grispsrud (1990) found nevertheless that physically distant markets could become so important that certain firms would enter them anyhow. His survey concluded that this was more likely for larger than for smaller companies and that the greater the company’s general experience of exporting the less important was psychic distance. Several other studies support the latter proposition (Anderson 1993) and also the hypothesis that the majority of SMES with limited export experience do not approach foreign market selection in systematic manner. Sharkey et al (1989) examined groups of firms at three stages of the internationalization process (non-exporters, marginal exporters and active exporters), concluding that just two factors (perceived complexity of export procedures and perceived strategic limitations) significantly determined firms’ levels of export development; non-exporters and marginal exporters regarded these as more problematic than did active exporters.

Specific factors inhibiting exporting have been fund to include inadequate knowledge of i) export procedures and how to obtain information on foreign markets, and ii) how to communicate with foreign customers (Kedia and choker 1986). Other problems cited in the literature include transport difficulties, lack of exposure to foreign cultures, complex paperwork and lack of staff time, lack of skilled personnel to undertake the export function, expectations of high costs and low export sales, the need to modify products, distribution and foreign representation difficulties, and absence of foreign contacts (Ramaseshan and soutar 1996). Leonidou’s (1995) survey suggested that fear of intense competition in foreign markets was the biggest impediment to export activity, with attitudes towards risk and innovation also assuming importance. Note how these barriers to exporting might be considerably lessened by the use of the internet. A company’s web site offers information about the firms and its products to browsers throughout the world. Psychic distance might not be relevant for an internet user as for others, because such a firm communicates with the entire world’s markets simultaneously and regardless of economic, cultural and commercial differences.

2.2.3 Process of Entering Foreign Market

There are two basic ways of doing business in the foreign market-exporting to it or manufacturing in it (Donald B, 1982:190).

Exporting:

Probably most firms have first begun by exporting; that is, selling some of their regular production overseas. This method requires little in the way of investment and is relatively free of risk. It is an excellent means of getting a feel for international business without committing any great amount of human or financial resources. If management does decide to export, it must choose between doing so directly or indirectly.

Indirect Exporting: This is the simpler of the two. The indirect exporting firm markets its products through various types of foreign based exporters who either, 1) sell for the manufacturer (manufacturer's export agent), 2) buy for their overseas customer (export commission house), 3) buy and sell for their own account (export merchants), or 4) purchase for their own use overseas (petroleum, construction and mining companies). Although these indirect exporting methods permit the firms to set up an export program quickly with a minimum of cash outlay and minimum risk, there are disadvantages to this approach. The company is not in direct contact with foreign buyers; it cannot export on its own until the contract with the exporter has expired, and it is always in danger of losing its export business if the exporter should switch its customers to competing lines. For these reasons, many firms prefer to export directly.

Direct Export:

To export directly, an export organization must be set up within the firm. The simplest arrangement is to give someone, usually the sales manager, the responsibility for developing the export business. Domestic employees may handle the billing, credit, and shipping initially and if the business expands, a separate export department is set up. Frequently, a firm which has been exporting to wholesale importers in an area and servicing them either by visits from home-office personnel or foreign-based sales representatives, finds that sales have grown to a point that will support a complete marketing organization. Management may then decide to set up a sales company in that area which will import in its own name from the parent and will invoice in local currency. The same channels of distribution may be employed, although the new organization may permit the use of a more profitable arrangement.

2.2.4 Foreign Trade History of Nepal:

India and Tibet (China) are the traditional trading partners of Nepal from time immemorial. Before 1950, Nepal's foreign trade was confined only to India. Smaller business transactions had been in vogue between trading houses of Nepal and

Tibet(Pant, 2004). Till 1951, Nepal remained virtually in a state of isolation from the outside world (S.K. Shrestha, 1994).

Nepal's trade with overseas countries started only from 1956, with the launching of First Five Years Plan. Nepal pursued trade diversification policy since year plan (1970/75). Since Eighth Five Year Plan, Nepal turned to open market economy and since then Nepal has adopted the policy of liberalization of foreign trade (S. Joshi, 2001:132).

Today, Nepal has trade relations with many countries of the world. Nepal's foreign trade relations exist with more than 90 countries. The Nepalese exports reach to about 68 countries and the imports come from nearly 74 countries. The two way trade traffic exists with 61 countries (TPC, 1998). A chronic problem for Nepal has been its inadequate export performance. The trade deficit is growing at a very fast rate. Over the years, Nepal's foreign trade has operated at deficit, as Nepal's imports been outpacing its exports (imports exceed exports). And the deficit has been constantly going up, creating balance of payments problems.

2.2.5 Export business of Nepal:

Nepal has a narrow export base. The backbone of Nepal's export today is formed by two items i) woolen goods and carpets, and ii) cotton garments. The other export items are: hides and skin, jute and jute products, handicrafts, tea, leather goods, silverware and jewelry, pashmina products, vegetable ghee, paper and paper products and polyester yarn. On the other hand, the import items of Nepal are many. The basic feature of Nepal's current export has been its over dependency on a few products and a few countries.

During the last decade, there was a sharp decline in the export of rice, raw jute, pulses and other agro-based and forest based materials. Nepal, at present, does not have any surplus of many of these primary products to export. Traditionally these were the major items of Nepal's export. At present, the major items of Nepal's exports are hand knotted woolen carpets and readymade garments. These two items together accounted for about 84 percent of Nepal's total export in 1997. However, it is now realized that the present performance of these two items is not likely to continue in future, because after the expiry of the MFA-American quota system in 2004, and due to creeping recession in Europe and America.

Over the last few years, Nepal has achieved some success in increasing its exports of handicrafts, silverware and jewelry, pashmina shawls, leather goods, hides and skin, Nepalese paper and paper products, etc. However, the performance of these exportable items cannot be considered as significant. Even a minor problem in the export of these limited items would change the export trade scenario of Nepal.

2.2.6 What Pashmina is:

'Pashmina' is the softest, exotically delicate, weightless and the finest, natural insulating fiber of the world. It is extracted from the inner coats of the hardy little mountain goats (Capra Hircus) locally called chyangra, which live at the altitude above 3000 meters in the Himalayas. Such wonderful and gossamer properties of pashmina have popularized it as the 'Diamond Fiber'. The outer layer fibers of chyangra are discarded as they are comparatively thicker and coarser. Thus only the inner layer measuring under 16.5 microns are specified for use as pashmina. These extraordinary qualities of pashmina fibers have encouraged weavers to produce various types of wraps for warmness.

The Fur combing process is performed every spring without harming the goats. Pashmina fibers thus obtained are spun into thin yarn which is woven to make different types of pashmina products like blankets, shawls, stoles, scarves as well as pullovers, cardigans, etc. This exquisite craftsmanship of Nepalese weavers has established 'Nepalese pashmina' worldwide as the most precious possession.

In ancient times, 'Pashmina' was use in unblended form but later combinations with wools, cotton etc. came in practice. In due course of time and after long years of experience and experiments, pashmina yarn and silk yarn were combined to get better fibre-strength, durability, colour-pleasantness and finish which has now become most popular all over the world and recognized as 'Nepalese Pashmina'.

2.2.7 Export Procedure and practices:

There are not specific rules on exporting pashmina except for obtaining certificate of origin from district chamber of commerce and valuation of export invoice by Federation of Handicraft Associations of Nepal.

Nepal Government has also made some arrangement about import of pashmina. It states that pashmina should be not more than 17.5 micron diameter. As to maintain quality of pashmina. Nepal Government has also started the provision of checking the quality at the customs point.

2.2.7.1 Export policy

As a major ingredient of commercial policy the following are the major points included in the Nepal's export policy (B.M. Shakya, 1998).

1) The export policy aims to raise the production and quality of exportable products to make them competitive in international market.
2) It aims to give efforts to increase and diversity export of goods and services, in terms of markets and products.
3) Export trade will be promoted by raising the quantity and quality of both new and traditional exportable products.
4) Emphasis will be given to export of processed and finished products. New markets will be identified for the promotion of such commodities.
5) Earning of foreign exchange will be increased and employment opportunities will be created by identifying and manufacturing new products for export.
6) Service oriented activities, which earn foreign currency, will be promoted.
7) Export of hydro-electricity will be encouraged on a profitable basis.
8) For the effective utilization of the manpower, stress will be given to the development of appropriate and potential skills to promote service sector.
9) Export of skilled manpower also enhanced in an organized way.
10) Appropriate monetary, fiscal and foreign exchange policies will be formulated for facilitating foreign trade.

2.2.7.2 Import policy

According to the trade policy, 1992, the imports will be planned as a medium of export development and promotion to create competitive industrial and trade environment and making easy supply of materials required for the country. The import policies as recommended by the Tenth plan are as follows:

1) As imports will be linked with exports. Locally available resources will be properly utilized for the production of exportable goods.
2) Imports of direct and indirect raw materials will be encouraged, and the supply of essential goods will be made simple.
3) The existing open import policy will be continued and the import procedures and documents will be made simpler and more systematic.
4) An effective monitoring system will be set up in order to prevent anomalies of imported goods.
5) The customs duty on imports will be adjusted as per the requirements and concepts of SAFTA and WTO.
6) Imports will be made completely open. However, imports against the interest of common people will be fully prohibited.

Nepal's trade and foreign exchange regime is already quite liberal. It substantially eliminates licensing, quantitative restrictions and other regulatory and discretionary controls. All goods, except the restricted ones, can be freely exported and imported.

2.2.7.3 Input Supplies

Most of the inputs, such as chyangra chashmere and silk yarns, dyestuffs etc. required for making products are imported from abroad. There are specialized importers of these inputs, which supply the cashmere and silk products factories. Some of the big manufacturers also import their raw material requirements directly from the exporters in the countries of origin.

2.2.8 Marketing Variables

Pricing:

The pricing of Nepali pashmina product basically depends upon its quality, ordering size, colour, design and size. Pricing for pashmina goods is settled between an exporter and importer as a term of contract. Once the price is fixed, exporter and importer must comply with it. The usual pricing method practiced by pashmina manufacturer is “Cost Plus” pricing.

Cost of raw materials+ (processing +labor + overhead) cost + profit = price offered.

Packaging:

In the case of packing, each pashmina item by folding properly, is kept in separate air tight-plastic bags and packed the same in cartoon boxes.

Transportation:

Almost all pashmina products do enter into international markets from international airport by air cargo and into India by land. However, it is also exported by post as well as courier in negligible number.

Terms of Payment:

According to the foreign exchange regulation Act 1962 and rules 1963, an exporter is responsible to receive the total payment for exported goods in terms of convertible currency within six months from the date of shipment from Nepal. No export transaction can effect on the consignment basis. Payment for the export of any product should be made either in advance of shipment or on the basis of irrevocable letter of credit. This rule applies to pashmina exporter too.

Sales Promotion:

The most commonly used tool for sales promotion is the trade fairs or exhibitions. Exports have been regularly participating in such fairs and exhibition. Exporters have to be recommended by NPIA in order to participate in the trade fairs or exhibitions.

From all the preceding review of literature, it is understood that researchers and scholars have analyzed many aspects of pashmina sector in the past. But the export problems and prospects of Nepalese pashmina still exist. Which have restricted Nepalese pashmina good from being competitive in terms of quality, price and time delivery in the international market.

Therefore, the present study has attempted to accord in-depth study to identify problems and prospects of Nepalese pashmina good and illustrate the trend of few years' exports with countries like USA, Canada, EU, Germany etc.

2.2.9 Nepal Pashmina Industries Association (NPIA):

Nepal Pashmina Industries Association (NPIA) is an autonomous, non-governmental, non-profit making organization as well as representative body under which all Nepalese Pashmina entrepreneurs such as manufacturer, exporters, raw materials importers and dyers are brought together to strengthen themselves for sustainable development of entire Nepalese pashmina sector. It was established in the year 2000 (2056 B.S.) and has been actively representing in different governmental and non-governmental organizations.

Nepal Pashmina Industries Association was established having the vision of progressive and sustainable development of pashmina sector with a mission that is, enhancing the quality of pashmina products and its competitiveness.

NPIA's main objectives are as follows:

- Unite all pashmina industries/sectors under one umbrella.
- Encourage and assist people residing in high hills for chyangra (Capra Hircus) farming for the production of top quality pashmina.
- Protect the rights and privileges of Nepalese pashmina sector.
- Coordinate organized efforts for the betterment of pashmina sector.
- Facilitate sourcing of raw materials and promoting national as well as international markets for pashmina products.
- Develop links between industrial, commercial, governmental and non-governmental organizations for the overall development of pashmina business.

- Lobby to the government to formulate policies and programs related to pashmina sector.
- Ensure quality of pashmina products by providing pashmina trademark.

NPIA has been carrying out various activities for the achievement of its objectives. Such activities are as follows:

❖ Training-

NPIA conducts various types of management and skill oriented trainings to entrepreneurs and their employees for enhancing their knowledge and capabilities.

❖ Workshop and seminar-
Such programs are conducted to create awareness in pashmina entrepreneurs about relevant development in policies, practices and trends and to share knowledge.

❖ Market promotion-
It facilitates to search and identify the potential international markets and assist in the participation of trade fairs, exhibitions and business to business (B2B) meetings both at national and international levels.

❖ Trade Delegation-
NPIA has organized trade delegations to explore pashmina markets in international level.

❖ Lobbying and Advocacy-
NPIA has been advocating and lobbying for various issues concerning pashmina sector especially its development and promotion in national and international markets.

❖ Publicity and Information Dissemination-
NPIA collects and disseminates useful information related to pashmina through its own publications i.e. bulletin and souvenir, and by using different electronic medias.

❖ Coordination-
NPIA is working as a bridge between pashmina entrepreneurs and other related organizations for overall development of pashmina promotion.

2.3 Review of Related Studies:

2.3.1. A study entitled "Market Intelligence and International Standards for Pashmina" was conducted by NCC (2007) with the objective of assessing international market trends for pashmina products and Nepal's position in the different world markets.

The study was mainly focused on identifying international market trends with reference to Nepal, world market for pashmina products and Nepal's position in different markets, technical standards for pashmina products, Nepalese pashmina export scenario, marketing elements for pashmina and market access requirements for pashmina.

The study has come up with the following findings:

- Though, pashmina is relatively new product in the world market, pashmina export from Nepal has gone down sharply over the years due to the confused identity of Nepalese pashmina.
- Nepal exports pashmina products mainly under two categories. They are:
    - HS 62.1420 deals with shawl, scarf and the like made from fine wool and animal hair, not knitted and crocheted.
    - HS 61.10.10 deals with cardigans, pullovers and the like made from fine wool and animal hair.
- Both product groups have similar growing trend since 2002. World import of pashmina cardigans, pullovers and sweaters was increased by 10.8% in 2005 as compared to 2001. Similarly world import of pashmina shawl, scarf etc. was increased by 20.9% in 2005 as compared to 2001.
- Nepal's share in world pashmina markets is marginal. Nepal's share is visible in the world import of shawl and scarf. Nepal's share is negligible in the pullover and cardigan market. Nepal's share in pullovers and cardigans market has improved substantially. USA and Germany have been major importing countries both in 2001/02 and 2005/06.
- There is no technical specification is mandatory in the markets. Buyer often do laboratory test in their home countries to ensure the actual composition of pashmina and silk. Other initiatives related about AZO free dyeing, regarding environmental issues and labour conditions, has increased the importance of various types of labeling.
- Most importing countries do not levy tariff on pashmina import from Nepal. In USA, the principal market for Nepalese pashmina, 16% import duty is levied as it is not covered by US GSP scheme.
- China has emerged as strong competitor for Nepalese pashmina. In one hand, Italy is emerging as supplier of high quality pashmina, and on the

other hand, China is the cheapest source for importers. Nepali pashmina users are in between these two types of products.

This study had attempted to identify the following major actions to be taken. Some are already in consideration.

- One study team of International Trade center has suggested using 'chyangra pashmina' as a new brand for Nepalese pashmina.
- Requirements of 'washing instruction' must cover dry cleaning that is arrived from the market practices however this is not a legal requirement.
- Nepal should be granted by US GSP facility in pashmina products, like wise most of other importing countries offer, also in case of USA.
- To establish the identity of Nepalese pashmina, NPIA is developing a code of conduct for the users of this label including maximum micron of fibre, minimum use of pashmina and commitment for caring environmental and other social aspects.
- Nepal can explore the possibility of pashmina made up dresses under HS 61.10.12 that attracts only 4% import tariff, otherwise there will be zero import duty, if GSP facilities can be availed. As to maintain the quality of pashmina, Nepal government has also started the provision of checking the quality at the customs point, that pashmina should be not more than 17.5 micron diameter.

2.3.2 The research was conducted by International Trade Center entitled "Chyangra Cashmere and Silk Products from Nepal: Export Performance and Potential" in 2007 had incorporated a brief history and current status of the industry focusing on supply side issues, backward and forward linkages, buyer requirements, trade data, obstacles and shortcomings for export, export support services, implication of regional and multilateral agreements and the recommendations with action plan.

The coverage of the study includes overview of the sector and opportunities, key obstacles and shortcomings for export, consequences of multilateral, regional and bilateral trade agreements on the sector, export services in Nepal of interest to the sector, action plan for further development of the sector and recommendations for future development of the sector and recommendations for future projects.

Key findings of this study are as follows:

- International demand for comfortable lightweight knitted as well as woven garments and accessories is consistently strong. The main reasons cited for such sudden decrease are the unhealthy competition from neighbouring and other countries, which used low quality fibre or fake raw materials to produce items similar to Nepalese chyangra cashmere shawls. Unhealthy competition in domestic market in lieu of earning more profit has a negative impact. This problem has been further aggravated by using low quality raw materials in the export goods.

- The world demand for the chyangra fibers is bigger than the world supply. In spite of great prospects for production development of high quality chyangra fibre (cashmere) and bi-voltine silk in Nepal, the manufacturers of chyangra chasmere and silk products are importing more than 95% of total yarn requirements from Mongolia, and China (Silk as well as cashmere) and India (Silk Yarns).
- The country's production capacities are heavily underutilized at present because of entrepreneur's awareness regarding quality and implementing the process of modernization of weaving and knitting mechanism, in spite of availability of well trained skilled and semi-skilled labor and supportive and logistic services.
- A concerted effort of all stakeholders is called for to increase chyangra cashmere products export, focusing on improving production, sourcing and testing of the quality of raw materials introducing innovative new items and registering chyangra chashmere as recognized or certified trade mark.
- Chyangra farmers in many parts of Nepal lack basic knowledge on way of harvesting the fibers, even they use traditional manual on hand processing system, but recently using a simple machine.
- The accepted international standard for cashmere includes anything less than 19 micron thick, at a minimum of 30 mm in length; no standards are set for a maximum length.
- According to recent estimation, 2, 00,000 adult chyangra goats and some 60,000 baby goats exists in Nepal, means a production potential of some 40,000 kilos raw fibre per year.
- There is the possibility to double the silkworm breeding capacity. The twisting machine is the biggest missing link in the silk processing unit of Itahari. Without twisting, the silk cannot be used by the weavers of the chyangra cashmere industry in Nepal.
- Though exports are declining, the exporters of chyangra cashmere product have shown an impressive talent for diversification of their product. Cashmere yarns are being used as warp yarn to produce 100% cashmere Ultra fine shawls without use of silk.
- There is the possibility of production and export of knitwear. It is expected that demand for cashmere knit wear will be particularly good during the fall/winter of 2008/09. However, information about the knitted cashmere business is not available in the structured manner in Nepal.

The problems confronted by Nepalese Pashmina Industry as projected and found out by study are as follows:

- Remoteness of the area in which chyangra goats are raised, Genetically deteriorating size of chyangra, lack of technical and information services, insufficient post harvesting infrastructures, and inadequate young workers, at farmer level.
- Inconsistency in the quality and grade of yarn supply, bad reputation of the world 'Pashmina' in the world markets, lack of entrepreneurs' unity, inadequate access to market information and market promotion program, at company level.
- Lack of sufficient government's strategic direction to development of production base of chyangra cashmere as well as silk.
- No. spinning mills for the chyangra cashmere weaving/knitting business in Nepal.
- No. test laboratory and testing experts in Nepal to verify the characteristics of the yarns.
- No quality label or certification for cashmere from Nepal.
- No. chyangra cashmere logo.
- Lack of research-based special marketing promotion effort.

Finally, this study suggests action plans for further growth and development in the pashmina industry which are as follows-

- To install a twisting machine in all viable silk units by government in a coordinate manner.
- Silk project managers need to be trained and need of further investigation to promote silk production.
- To set up separate yarn spinning mills for cashmere fibers and for silk fibers.
- To establish a testing laboratory,
- The logo for chyangra fibre products needs to be designed by an international graphic designer.
- New packaging for cashmere products.
- Need of a major marketing exercise.
- Set up pilot projects for chyangra development (farming).
- Training of professional abroad.
- The government is advised to launch a long-term integrated plan with clear sericulture development policies and strategies.

2.3.3 A.B. Manandhar (2006), in the article "Potentials of Cleaner Production in Pashmina Industries" give an opinion stressing in the concept of clear production as a good business tool.

Production is defined as creation of goods and services. In course of production, it is found that some wastes are generated and hazards also occur. Wastes consume additional inputs resulting in lower productivity and they are also the cause of environmental pollution. Hazards occurring from production process result poor occupational health and safety conditions at the workplace. Clearer production (CP) is an effective approach to eliminate or reduce such unwanted wastes as hazards.

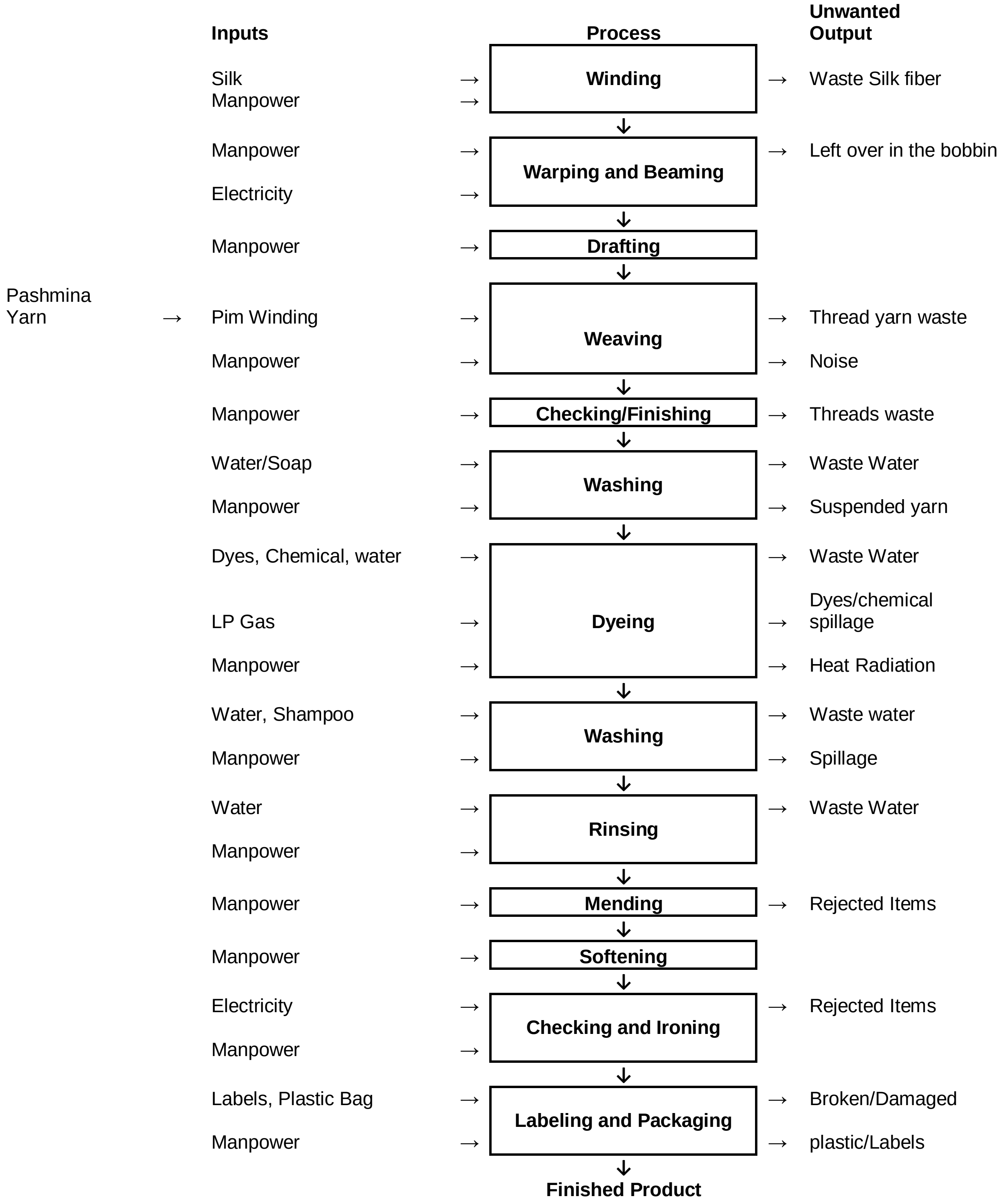
2.3.4 United Nations Environment Programme (UNEP) has defined cleaner production as the continuous application of preventive environmental strategy to processes, products and services to increase efficiency and to reduce the risk to human and environment.

Thus, CP is a preventive measure applied to eliminate or minimize the generation of the wastes and hazards as against the environmental treatment process, which acts only after the generation of the pollutants and hazards from the production process.

Implementation of CP enhances productivity by saving of valuable materials, energy and human resources, improves quality by follow up in standard operating practices, reduces the emission of pollutants to environment, improves working environment to effectively reduce the accidents and occupational diseases and thus, enhances the overall image of the industry. In case of pashmina industry, the industry had an annual production capacity of 1, 20,000 shawl (21.6 MT) but were producing only 45,000 pieces of shawl with the involvement of 23 persons (15 male and 8 female).

Figure 2.1

Process Flow Charts of Pashmina Industry



Sources: United Nations Environment Programme

The chart showed that inputs and outputs both desired as well as unwanted products meaning wastes and hazards were identified and analyzed.

Careful measurements and estimation of the wastes showed that the unit was having following wastes per annum:

- Pashmina waste in storing, winding, warping and weaving 340kg.
- Silk waste in storage, winding, warping and weaving 486kg.
- Rejection and damage of packaging materials 150kg.
- Dyes (30kg+3kg in re-dyeing) 33kg.
- Chemicals (819kg+551kg in re-dyeing) 1,370kg.
- Water 81 cu.m.
- Fuel kerosene 608 lit.
- Fuel LPG 1,452kg.

The estimated cost of these wastes was found to be Rs.4, 928,354. This observed quantity of waste is only for production operation and store. It does not include the time loss and loss due to low efficiency, high ratio of fixed cost due to low production volume and loss due to unsatisfactory Occupational Health and Safety (OHS) condition in the shop floor. The resulting pollution load from wastes was estimated as given in the table below.

Table - 2.1

SN	Type of Pollution	Source	Quantity
1	Solid Waste	Storing, warping, winding, weaving, packing etc.	976 kg
2	Effluent	Washing, Dyeing, finishing polluted waste water generated from washing, dyeing, cleaning etc.	4,500 m^3
3	Emission	Boiler and LPG burner in dyeing LPG=14,180 kg Kerosene-9600 litre	CO_2=73 MT SO_2=0.158 MT

Sources: United Nations Environment Programme

OSH aspects:

The occupational safety and health aspects seen in the pashmina industry was as follows:

- Dyeing areas had high temperature as well as high humidity.

- Weaving areas had more than 90 dBA of noise.
- Winding and waving processes were not ergonomically sound sitting on the floor without any back support for winding process and standing all the time in weaving resulted in health problems.
- Consideration of emergency preparedness was lacking.

Feasible options were selected for implementation. Some of the important CP options identified have been presented below:

- Improvement in the storage of pashmina and silk yarn and intermediate products.
- Awareness and evaluation of workers.
- Calculated length of warp to avoid waste.
- Timely and preventive maintenance of winding machines.
- Use of quality dye-stuff and controlled use of acetic acid.
- Standard operating practices including proper weighing.
- Prevention of leakages, spillages.
- Burner cleaning and encapsulation of stove.
- Waste heat recovery and use of low bath ratio.
- Proper insulation of steam lines.
- Replacement of electric ballast with electronic.
- Development and use of norms for all products and operations.
- Red and yellow line demarcation.
- Use of personal protective equipment to handle chemicals.
- Guards for moving parts.

Implementation of the above CP options is expected to save valuable resources raw materials, energy and human labour and at the same time reduce the emission to environment.

Manandhar further add the conclusion of the study as CP is thus a good business tool. Implementation of CP results in saving of valuable resources and ensures enhanced productivity. It also improves product quality and working environment. Ministry of Environment has promulgated effluent standards for wool processing industries. Therefore, pashmina industries have to comply with this standard. As the implementation of CP reduces the emissions, compliance to environmental standards will be easier. Thus, CP can also improve the corporate image of the industry.

2.3.5 S.P. Upadhyaya (2006), in the article ‘Pashmina Production and Quality Management’ give more emphasis on steps to pashmina production, international markets for Nepalese pashmina, types of Nepalese pashmina products and standardization and quality management.

According to him, there are generally 6 primary steps to pashmina production.

- Collection
- Sorting, scouring
- Dehairing
- Spinning
- Weaving or knitting
- Dyeing or finishing

Collection- Cashmere fibers are collected by either combing or shearing the animal hair.

Sorting and scouring- Hand sorting for coarse hair takes place. After sorting the fiber is washed to remove dirt, grease and any vegetable matter gathered in the collection process.

Dehairing- The scoured materials is then dehaired. This step removes vegetable matter, dandruff and the coarse outer guard hair. At the end of this process, the 4th and 5th steps.

Spinning- The fiber is carded and converted into yarn with the required twist in the spinning machine. The quality of yarn is very important for making fabric. The linear density of yarn (Tex) is the parameter to determine the thickness of yarn. Uniformity and twist of yarn is also important.

Weaving or knitting- The fabric is prepared by weaving in the looms or by knitting. In most of the products, the silk yarn is used as warp yarn and the pashmina yarn is used as weft (filling) yarn in the looms. The content of pashmina yarn in the fabric varies as per the requirement of the customers. Most of the Nepalese pashmina products are made by weaving in the looms.

Dyeing or finishing- The woven or knitted fabric is dyed or finished as per the customer requirement. The fabric is then ready for use.

In Nepal, the major raw material i.e. pashmina yarn is imported. Only two processing's (weaving and finishing) are done in the country before the export. United States of America is the largest overseas importer of Nepalese pashmina goods. The number of export markets of Nepali pashmina products exceeds 40 out of which, USA, Italy, Canada, UK, France, Japan, Germany and India are the major ones.

The Nepalese pashmina products are mostly woven fabrics produced by weaving in Handlooms or power looms. Based on fiber composition the pashmina products can be categorized as follows:

- Pashmina products made from 100% pashmina yarn
- Pashmina products with silk yarn as warp yarn and pashmina as weft.
    - 70% pashmina yarn and 30% silk yarn
    - 60% pashmina yarn and 40% silk yarn
    - 50% pashmina yarn and 50% silk yarn
- Products made from blended yarn (Bending of pashmina fiber with other wool fibers)

Among the above mentioned parameters, the fineness of the pashmina fiber and the contents of the pashmina fiber in the fabric are most important. The cost of pashmina mainly depends on the fineness (diameter) of the pashmina fiber. The most demanding pashmina items of different size in the international markets are:

1) Shawls- 36"x 80"
2) Stoles- 28"x 78", 28"x 72", 24"x72", 22"x72" and 20"x72"
3) Mufflers/Scarves- 18"x78", 18"x65"and 12"x60"
4) Blankets- 45"x72", 45"x90", 56"x96, 52"x110" and 60"x100".

According to Manandhar the quality of pashmina products heavily depends on quality of yarn and on quality of Fabric.

Quality of yarn: To maintain the quality of the pashmina products, it is necessary to control the quality of pashmina yarn to be used. Pashmina yarn is mainly imported from China. The importers/manufacturers should be aware of the quality requirements of pashmina yarn. The major quality requirements of pashmina yarn are as follows:

- Diameter of the fiber in the yarn (micron)
- Percentage of other coarse fibers in the yarn
- Count (Tex) of the yarn
- Uniformity of yarn
- Twist in the yarn
- Strength of yarn

The quality of silk yarn is also important if the fabric is made of silk and pashmina yarns. The count, twist and strength of silk yarn must be known before its use.

Quality of Fabric: Besides the quality of yarn, the following parameters determine the quality of pashmina fabrics.

- Threads per unit length (warp and weft)
- Weight of the fabric (gm/m^2)
- Weaving defects in the fabric
- Color fastness to
- Light, rubbing (wet and dry), washing and perspiration

During the manufacturing process, the weavers should be made aware of the quality requirements of the fabric. The quality of dyeing is also important. Care should be taken during dyeing process. The qualities of dyestuff, temperature of dyeing and dyeing time are the key things to be maintained for quality dyeing.

2.4 Review of Thesis

2.4.1 Similarly, a study entitled “Garment Industry in Nepal” conducted by K.B. Bista, (1998) has examined problems faced by the entrepreneurs of the GI and authorities concerned. The study attempted to examine the emergence and growth of garment industry, ascertain the role of garment industry in the context of industrialization process. Referring to the study, the main reason for the growth of garment industry in Nepal is attributed to the Indian entrepreneurs who shifted their enterprises in Nepal after the USA imposed quota on the import of RMG from India. The problems confronted by Nepalese GI as projected and found out by the study are as follows:

- Insufficient incentives and facilities
- Uncooperative attitude and behavior of the concerned authorities as well as their unwillingness on the part to render services to the industrialists.
- Improper and indiscriminate application of the control mechanism and action over those who are honest and those who are involved in malpractices or take undue advantage of the government loopholes.
- Absence of direct contact of the Nepalese enterprises with the importers of third country.
- Insufficient supply and delay in getting quality fabric and other raw materials.
- Lengthy bureaucratic procedures and delays in custom clearance.
- Imposition of minimum floor price system on garments for export from Nepal.
- Shortage of trained and skilled manpower.
- Inadequate financial support.
- Problems of transport.
- Heavy import duties on import of quality fabrics from the third country.

- Limited knowledge and ignorance on procedural matters and lack of interdepartmental co-ordination of Government of Nepal.

Finally, the study has recommended that if this industry is to be continued as one of the leading sector of export trade, a substantial incentive package has to be provided to the promoters of this industry and appropriate policies have to be formulated accordingly.

2.4.2 First a thesis entitled “Nepal’s Trade with SAARC countries” was submitted by Predip Kharel (2002). The general objective of this study was to present the Nepal’s trade scenario segregating trade with SAARC member countries and trade with non-SAARC member countries. This study was primarily based on secondary data and percentage, general trend, regression statistics are used. The major findings of this study were:

i) Nepal’s export to SMCs is increasing with the increase in Nepal’s export to non-SMCs and Nepal is putting more concentration towards exporting to SMCS. Likewise, Nepal’s import from SMCs did not increase as the imports from non SMCs increased.

ii) Nepal’s export and imports were found to be highly concentrated in India only in the region.

iii) Bilateral treaty with India showed helpfulness to Nepal. But bilateral treaties with non-Indian SMCs for Nepal are found to be unsupportive for Nepal.

iv) It is exported that there is a good competitive advantage potential for Nepal in the SAARC region. Likewise, there is a better product market opportunity for Nepal too. Similarly, there is a hopeful potentiality of market growth in the SAARC region for Nepal.

The study suggested to diversity trade in the whole SAARC region instead of focusing in India only to benefit from intra-SAARC trade in th perspective of declining world trade and WTO and Globalization. Nepal should focus in increase in trade with SMCs and search for better option to export-import to and from SMCs as SMCs are more competitive for Nepal as compared to non-SMCs with respect to transportation cost, logistics, and cultural similarities in the region and government is urged to improve legal framework, infrastructure support and bilateral trade treaty with the SMCs.

2.4.3 Likewise, “Basics of Trade and Transit- A Nepalese perspective”, has illustrated that selling the company’s products abroad is more complicated than selling them is the local market. Once the firm desires to sell its products in foreign markets, it has to follow up several export procedures as an obligation. The export procedure may require some preliminary steps like correspondence with foreign parties and export arrangements. After the conformation of export orders, a firm should follow up various stages for export execution regarding government's regulations, shipment of consignments and obtaining export payments. Prior to the export the firm has to fill up various types of export documents required by the banks, customs offices, forwarding agents, government etc (B.M. Shakya, 1998).

2.4.4 In the book "Business Environment in Nepal". Dr.Prem R. Pant has said that being a member of WTO, Nepal will not be able to export on preferential basis, as it should increase its exportable items which can compete in the international market. Only through careful and strategic planning that Nepal can get answer to what to do and where to concentrate.

2.5 Research Gap:

Research gap is the lacking part of previous studies made by other researchers. During the review of various literatures from earlier research weaknesses are highlighted but strengths are not given. This study shows both strengths and weaknesses of Pashmina export trade of Nepal. Similarly, this study has made available recent trend of pashmina export trade which are not available in previous studies made by the other researchers.

CHAPTER – III

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is the guideline of research. Research methodology is a plan to obtain the answer of research questions through the presentation and analysis of data.

“Research methodology is the way of to solve systematically about the research problem (Kothari, 1990). In other words, the systematic and well-organized way for solving the research problem can be referred to as research methodology.

Research methodology is a way to systematically solve research problem. It facilitates the research work and provides reliability and validity to it. The overall approach to the research process concerned to this study is presented in this chapter. The basic objective of this study is to sort out problems faced By Nepalese pashmina exporters, overview status of PI, and reviewing export situation. So to attain these objectives, the present study has adopted both field and desk researches. Field study has been adopted to collect information’s through questionnaires distribution, while desk research has been adopted to collect and review all relevant literature and writings of the reports.

3.2 Research Design

This study is based on both primary and secondary data and information. Primary data and information will collected from structured questionnaire whereas secondary data/information will be collected from different institutions, articles/journals etc. concerning to the sector. This study will also be based on survey research design. So this study will be exploratory as well as descriptive research design.

3.3 Nature and Sources of Data

The data will be used both primary and secondary.

3.3.1 Sources of Primary Data

Questionnaire will be personally administered in structured manner to collect data and information’s regarding pashmina trading activities. There will be total ten questions in the questionnaire. The structured questionnaires will be distributed to nine pashmina entrepreneurs around the Kathmandu valley as they are respondents for the study.

3.3.2 Sources of Secondary Data

The basis sources of secondary data are the publications of NPIA, TPC, Department of Small and Cottage Industry, websites, articles published in different newspaper and journals.

3.4 Tools and Techniques of Data Collection

Both the primary and secondary data/information will be collected for the purpose of this study. The study will however largely be based on secondary sources and information's. Primary data will be collected through questionnaire, which will be formed in structured manner.

A set of questionnaire will be farmed to collect the necessary data or to find out the exact problem of export of PG in Nepal. Prior to the survey, pre-test of the questionnaire will be done.

Likewise, secondary data will be collected from different sources such as NPIA, TPC, Department of Small and Cottage Industry, NPIA bulletins, websites, and article published in different newspaper and journals.

3.5 Analysis of Collected Data

Collected data will be classified and tabulated manually according to their attributes. For the purpose of this study, recent data published by concerned agencies will also be incorporated and analyzed to the extent possible, by using appropriate statistical methods. The data collected and tabulated will have been analyzed and presented using various tables and charts. Both pie charts and bar diagrams will have been used to present the facts whereas in cases of data related to time series, trends diagram will have been used. All the charts and tables will be constructed using the Software Microsoft Excel.

3.6 Statistical Tools Employed

Since, this study will basically be a descriptive one, simple statistical tools such as percentage, percentage change (increase/decrease), pie charts, general trends; bar diagram will be used for the analysis of data.

The percentage change is calculated as:

$$\frac{Current\ year's\ value}{Previous\ year's\ value} \times 100 - 100$$

Where, percentage change refers increased or decreased value in terms of percent.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

Presentation and analysis of data is very important stage of research study. Its main purpose is to change the unprocessed data into understandable form. It is the process of organizing the data by tabulating and then placing that data in presentable form by using various tables, figures and sources.

4.1 Exports of Major Commodities

This thesis contains data for the past twelve years (2000/01 – 2011/2012). These data has been analyzed regarding percentage share of major commodities in the overseas exports of Nepal, with specific reference to two major export commodities woolen carpets & readymade garments along with woolen and pashmina goods. Export has been focused in this thesis owing to the reason that export brings in positive changes in the economic development of the country. This helps in stabilizing the balance of payment situation.

4.1.1 Percentage share of major commodities in the overseas exports of Nepal

Here, an attempt has been made to analyze the percentage share of pashmina goods (woolen goods) with other major commodities in total export from Nepal. It has been observed that whether the share of woolen & pashmina goods in total export is in increasing trend or in decreasing trend, with comparison to major export commodities such as woolen carpets and readymade garments. Exports of woolen carpets and readymade garments have been considered here because for some years, these two categories of goods becoming leading exporting commodities. A glimpse of other export commodities has also been presented in Tables to signify the importance place held by pashmina exports from Nepal. The unit measures of some commodities was not found and kept as it is collected from the related organizations.

Table no-4.1
Percentage Share of Major Commodities in the Overseas Exports of Nepal (2000/01)

Value in '000 Rs

SN	Commodities	Unit	Quantity	Value	Share in %
1	Woolen Carpet	Sqm.	2623784	10404709	37.4
2	Readymade Garment	Pcs.	46836446	11082558	39.8
3	Hides & Goat Skin	Sqft.	4539806	193376	0.7
4	Tea	MT	81.6	25722	0.1
5	Pulses (Lentils)	MT	2365	77675	0.3
6	Handicrafts			309267	1.1
7	Silverware & Jewelry			120318	0.4
8	Woolen & Pashmina Goods			3877965	13.9
9	Towel			415851	1.5
10	Wood & Bamboo goods			2410	0.1
11	N. Paper & Paper Products			203734	0.7
12	Micro Transformer			55692	0.2
13	Miscellaneous			1036640	3.8
	Total			**27805917**	**100.0**

Source: Nepal Overseas Trade Statistics (2000/01), TEPC, Kathmandu

In the fiscal year 2000/01, of the total export of Rs. 27,80,59,17,000/- the share of woolen and pashmina goods was 13.9 percent in total export. Whereas woolen carpet & readymade garments contributed 37.4 and 39.8 percent respectively in total export from Nepal. There was huge demand of woolen carpets and readymade garments during that period. Pashmina good was also significant contributor in comparison to other commodities. The data shows high prospect of pashmina goods export in subsequent years provided the trend follows.

Moving to fiscal year 2001/02, there was change in percentage share of different commodities along with increase in percentage share of woolen and pashmina goods, which is presented below in the table 4.2.

Table no-4.2
Percentage Share of Major Commodities in the Overseas Exports of Nepal (2001/02)

Value in '000 Rs

SN	Commodities	Unit	Quantity	Value	Share in %
1	Woolen Carpet	Sqm.	229828	8603721	30.0
2	Readymade Garment	Pcs.	43430777	11431246	39.8
3	Hides & Goat Skin	Sqft.	14813144	668097	2.3
4	Tea	MT	69.5	23074	0.1
5	Pulses (Lentils)	MT	15094	510461	1.8
6	Handicrafts			284400	1.0
7	Silverware & Jewelry			188608	0.7
8	Woolen & Pashmina Goods			5269548	18.4
9	Towel			447517	1.5
10	Wood & Bamboo goods			30110	0.1
11	N. Paper & Paper Products			259805	0.9
12	Micro Transformer			57769	0.2
13	Miscellaneous			915943	3.2
	Total			**28690299**	**100.0**

Source: Nepal Overseas Trade Statistics (2001/02), TEPC, Kathmandu

From the above data presented in table no 4.2, there was a considerable increases in the percentage share of woolen and pashmina goods along with increase in total export in the year 2001/02. In the fiscal year 2001/02, of the total export of Rs. 28,69,02,99,000/- the contribution of woolen and pashmina goods was of Rs. 5,26,95,48,000/- i.e. 18.4 percent whereas the contribution of readymade garment and woolen carpet was 39.8 and 30 percent respectively in total exports.

Table no-4.3

Percentage Share of Major Commodities in the Overseas Exports of Nepal (2002/03)

Value in '000 Rs

SN	Commodities	Unit	Quantity	Value	Share in %
1	Woolen Carpet	Sqm.	1668379	6108635	33.2
2	Readymade Garment	Pcs.	32527652	7752296	42.1
3	Hides & Goat Skin	Sqft.	8429008	450797	2.4
4	Tea	MT	83.1	27988	0.2
5	Pulses (Lentils)	MT	6022	216402	1.2
6	Handicrafts			282770	1.5
7	Silverware & Jewelry			252643	1.4
8	Woolen & Pashmina Goods			1852220	10.1
9	Towel			318086	1.7
10	Wood & Bamboo goods			38005	0.2
11	N. Paper & Paper Products			249134	1.3
12	Micro Transformer			38766	0.2
13	Miscellaneous			821494	4.5
	Total			**18409236**	**100.0**

Source: Nepal Overseas Trade Statistics (2002/03), TEPC, Kathmandu

The performance of overseas exports of Nepal as shown by table no 4.3 presented that, the value of total export decreased in this fiscal year along with decrease in woolen and pashmina goods as the export of woolen and pashmina goods was decreased contributing 10.1 percent in total export. Similarly the export of woolen carpet was increase to 33.2 percent and the export of readymade garment increased contributing 42.1 percent in total export.

Table no-4.4
Percentage Share of Major Commodities in the Overseas Exports of Nepal (2003/04)

Value in '000 Rs

SN	Commodities	Unit	Quantity	Value	Share in %
1	Woolen Carpet	Sqm.	1606520	5317656	24.20
2	Readymade Garment	Pcs.	45854972	11613749	52.80
3	Hides & Goat Skin	Sqft.	5000333	239853	1.10
4	Tea	MT	193.1	53908	0.20
5	Pulses (Lentils)	MT	2.429	210465	1.00
6	Handicrafts			377944	1.57
7	Silverware & Jewelry			311636	1.50
8	Woolen & Pashmina Goods			1534081	7.00
9	Towel			388015	1.50
10	Wood & Bamboo goods			33690	0.20
11	N. Paper & Paper Products			269169	1.20
12	Micro Transformer			56148	0.30
13	Cardamom (Large)			127600	0.60
14	Sugar			38.6206	1.80
15	Yarn & Fibers			132460	0.60
16	Miscellaneous			958895	4.40
	Total			**21625307.62**	**100.0**

Source: Nepal Overseas Trade Statistics (2003/04), TEPC, Kathmandu

As revealed by the figure presented in Table no 4.4 above in fiscal year 2003/04, despite the increase in total export value, the percentage share of woolen and pashmina goods in total export continued decreasing. The share of woolen and pashmina goods was 7 percent. In the same way, the share of woolen carpet was 24.2 percent and share of readymade garment was 52.8 percent in total export.

Table no-4.5
Percentage Share of Major Commodities in the Overseas Exports of Nepal (2004/05)

Value in '000 Rs

SN	Commodities	Unit	Quantity	Value	Share in %
1	Woolen Carpet	Sqm.	1648918	5549705	23.90
2	Readymade Garment	Pcs.	38994326	9592690	41.40
3	Hides & Goat Skin	Sqft.	6627864	286117	1.20
4	Tea	MT	1002.2	121819	0.50
5	Pulses (Lentils)	MT	7590	294554	1.30
6	Cardamom (Large)	MT	1111	228963	1.60
7	Sugar	MT	9250	404065	1.70
8	Handicrafts			650377	2.80
9	Silverware & Jewelry			321569	1.40
10	Woolen & Pashmina Goods			1473675	6.40
11	Towel			249393	1.10
12	N. Paper & Paper Products			349667	1.50
13	Wooden Goods			55695	0.20
14	Miscellaneous			3593925	15.00
	Total			**23172214**	**100.0**

Source: Nepal Overseas Trade Statistics (2004/05), TEPC, Kathmandu

As from the data presented in the table no 4.5 above in fiscal year 2003/04, despite the increase in total export value, the percentage share of woolen and pashmina goods in total export continued decreasing. In this year, the woolen and pashmina goods contributed to 6.4 percent in total export. The share of readymade garment and woolen carpets was 41.4 and 23.9 percent respectively.

Table no-4.6

Percentage Share of Major Commodities in the Overseas Exports of Nepal (2005/06)

Value in '000 Rs

SN	Commodities	Unit	Quantity	Value	Share in %
1	Woolen Carpet	Sqm.	1657117	5996920	30.70
2	Readymade Garment	Pcs.	26951670	6355589	32.50
3	Hides & Goat Skin	Sqft.	4821324	225420	1.20
4	Tea	MT	707.3	120727	0.60
5	Pulses (Lentils)	MT	2708	103939	0.50
6	Cardamom (Large)	MT	1215	205212	1.10
7	Sugar	MT	9200	419566	2.10
8	Handicrafts			643136	3.30
9	Silverware & Jewelry			345286	1.80
10	Woolen & Pashmina Goods			1460411	7.50
11	Towel			135162	0.70
12	N. Paper & Paper Products			290937	1.50
13	Wooden Goods			69662	0.40
14	Miscellaneous			3154954	16.10
	Total			**19526921**	**100.0**

Source: Nepal Overseas Trade Statistics (2005/06), TEPC, Kathmandu

The performance of overseas exports of Nepal as shown by table no 4.6 presented that in spite of decrease in value of total overseas export, the percentage share of woolen and pashmina goods increased. The contribution of woolen and pashmina goods in total export was 7.5 percent whereas readymade garment and woolen carpet contributed by 32.5 and 30.7 percent respectively.

Table no-4.7
Percentage Share of Major Commodities in the Overseas Exports of Nepal (2006/07)

Value in '000 Rs

SN	Commodities	Unit	Quantity	Value	Share in %
1	Woolen Carpet	Sqm.	2167247	5916055	31.00
2	Readymade Garment	Pcs.	25207303	5443088	29.60
3	Hides & Goat Skin	Sqft.	6493273	292338	1.50
4	Tea	MT	833.5	99736	0.50
5	Pulses (Lentils)	MT	4680	191705	1.00
6	Cardamom (Large)	MT	677	114333	0.60
7	Cotton Sacks & Bags			349819	1.80
8	Handicrafts			699727	3.70
9	Silverware & Jewelry			298873	1.60
10	Woolen & Pashmina Goods			1665949	8.70
11	Towel			107256	0.60
12	N. Paper & Paper Products			379460	2.00
13	Wooden Goods			37447	0.20
14	Miscellaneous			3466388	17.20
	Total			**19062174**	**100.0**

Source: Nepal Overseas Trade Statistics (2006/07), TEPC, Kathmandu

The table no-4.7 shows the performance of different commodities in the total export. Despite the decrease in total export value, the percent share of woolen and pashmina goods in total exports has increased by contributing 8.7 percent. Likewise readymade garment and woolen carpet contributed by 29.6 and 31 percent respectively.

Table no-4.8
Percentage Share of Major Commodities in the Overseas Exports of Nepal (2007/08)

Value in '000 Rs

SN	Commodities	Unit	Quantity	Value	Share in %
1	Woolen Carpet	Sqm.	1409406	5303238	30.80
2	Readymade Garment	cs.	17151357	3947490	23.00
3	Hides & Goat Skin	Sqft.	4709026	274616	1.60
4	Tea	MT	832.2	123642	0.70
5	Pulses (Lentils)	MT	8212	454189	2.60
6	Cardamom (Large)	MT	637	114792	0.70
7	Coffee	MT	100.1	40117	0.20
8	Handicrafts			421493	2.50
9	Silverware & Jewelry			387909	2.30
10	Woolen & Pashmina Goods			1789507	10.40
11	Towel			64244	0.40
12	N. Paper & Paper Products			360510	2.10
13	Cotton Sacks & bags			331218	1.90
14	Micro Transformer			79014	0.50
15	Vegetable Ghee			80601	0.50
16	Noodles			79750	0.50
17	Medical Herbs			47066	0.30
18	Miscellaneous			3298901	19.00
	Total			**17198297**	**100.0**

Source: Nepal Overseas Trade Statistics (2007/08), TEPC, Kathmandu

The performance of overseas exports of Nepal as shown by table no 4.8 presented that despite the decrease in the total export the percentage share of woolen and pashmina good in total export continued increasing. The share of woolen and pashmina goods was 10.4 percent in total export. Similarly, the share of woolen carpet and readymade garment was 30.8 and 23 percent.

Table no-4.9

Percentage Share of Major Commodities in the Overseas Exports of Nepal (2008/09)

Value in '000 Rs

SN	Commodities	Unit	Quantity	Value	Share in %
1	Woolen Carpet	Sqm.	1171033	5578860	28.00
2	Readymade Garment	Pcs.	12989073	2837302	14.20
3	Hides & Goat Skin	Sqft.	5168632	310211	1.60
4	Wheat	MT	144426	3428538	17.20
5	Tea	MT	454	58047	0.30
6	Pulses (Lentils)	MT	18356	1310055	6.60
7	Cardamom (Large)	MT	360	57736	0.30
8	Coffee		55	22046	0.10
9	Handicrafts			347156	1.70
10	Silverware & Jewelry			298099	1.50
11	Woolen & Pashmina Goods			1635343	8.20
12	Towel			68361	0.30
13	N. Paper & Paper Products			408309	2.00
14	Cotton Sacks & bags			415552	2.10
15	Micro Transformer			45196	0.20
16	Noodles			314157	1.60
17	Jute Sacks and Bags			154226	0.80
18	Miscellaneous			2629465	13.30
	Total			**19918659**	**100.0**

Source: Nepal Overseas Trade Statistics (2008/09), TEPC, Kathmandu

As demonstrated by the figure presented in table no 4.9 above in fiscal year 2008/09 despite the increase in total export value, the percentage share of woolen and pashmina goods decreased. The share of woolen carpet and readymade garment also decreased. The share of woolen and pashmina goods in this year was 8.2 percent whereas share of woolen carpet and readymade garment was 28 and 14.2 percent respectively.

Table no-4.10

Percentage Share of Major Commodities in the Overseas Exports of Nepal (2009/10)

Value in '000 Rs

SN	Commodities	Unit	Quantity	Value	Share in %
1	Iron & Steel Articles			10016265	29.95
2	Yarns (Polyster, Cotton & Oth)			4681476	14
3	Woolen Carpet	Sqm.	805530	4256171	12.73
4	Textiles			4156080	12.43
5	Readymade Garment	Pcs.	17425264	3758161	11.24
6	Woolen & Pashmina Goods			1317065	3.94
7	Tea	Kg	8497656	1195318	3.57
8	Juice			1071517	3.2
9	Noodle, Pasta & Like			675005	2.02
10	Hides & Goat Skin	Sqft.	14848485	627434	1.88
11	Handicraft (Painting, Sculpture)			560029	1.67
12	Medicinal Herbs	Kg	7140623	440463	1.32
13	Nepalese Paper & Paper Product			404977	1.21
14	Miscellaneous			286027	0.84
	Total			**33445988**	**100**

Source: Nepal Overseas Trade Statistics (2009/10), TEPC, Kathmandu

As clarified by the figure presented in table no 4.10 above in fiscal year 2009/10 despite the increase in total export value, the percentage share of woolen and pashmina goods decreased. The share of woolen carpet and readymade garment also decreased. The share of woolen and pashmina goods in this year was 3.94 percent whereas share of woolen carpet and readymade garment was 12.73 and 11.24 percent respectively.

Table no-4.11

Percentage Share of Major Commodities in the Overseas Exports of Nepal (2010/11)

Value in '000 Rs

SN	Commodities	Unit	Quantity	Value	Share in %
1	Iron & Steel Articles			10120304	27.44
2	Yarns (Polyster, Cotton & Oth)			5542425	15.03
3	Woolen Carpet	Sqm.	833410	4920085	13.34
4	Readymade Garment	Pcs.	17084926	4084040	11.07
5	Textiles			3701261	10.04
6	Woolen & Pashmina Goods			1635629	4.43
7	Tea	Kg	10532634	1549891	4.2
8	Juice			1348507	3.66
9	Hides & Goat Skin	Sqft.	16759064	801648	2.17
10	Medicinal Herbs	Kg	9424396	710593	1.93
11	Noodle, Pasta & Like			702567	1.9
12	Handicraft (Painting, Sculpture)			521929	1.42
13	Nepalese Paper & Paper Product			456214	1.24
14	Miscelleanous			788261	2.13
	Total			**36883354**	**100**

Source: Nepal Overseas Trade Statistics (2010/11), TEPC, Kathmandu

As demonstrated by the figure presented in table no 4.11 above in fiscal year 2010/11 despite the increase in total export value, the percentage share of woolen and pashmina goods increased. The share of woolen carpet and readymade garment decreased. The share of woolen and pashmina goods in this year was 4.43 percent whereas share of woolen carpet and readymade garment was 13.34 and 11.07 percent respectively.

Table no-4.12
Percentage Share of Major Commodities in the Overseas Exports of Nepal (2011/12)

Value in '000 Rs

SN	Commodities	Unit	Quantity	Value	Share in %
1	Iron & Steel Articles			11319821	15.28
2	Yarns (Polyster, Cottons)			6320684	8.53
3	Woolen Carpet	Sq met	684455	6001657	8.10
4	Textiles			5217213	7.04
5	Readymade Garments	Pcs	13263015	4059964	5.48
6	Cardamom	Kg	5311393	3496733	4.72
7	Juices			3072512	4.15
8	Lentils	Kg	33151322	2677970	3.61
9	Juts Bags and Sacks			2342476	3.16
10	Woolen & Pashmina Goods			1908766	2.58
11	Copper & Articles thereof			1691689	2.28
12	Tea	Kg	9198080	1573651	2.12
13	Miscellaneous			24405924	32.90
	Total			**74089060**	**100.0**

Source: Nepal Overseas Trade Statistics (2011/12), TEPC, Kathmandu

As demonstrated by the figure presented in table no 4.12 above in fiscal year 2011/12 despite the increase in total export value, the percentage share of woolen and pashmina goods decreased. The share of woolen carpet decreased but readymade garment increased. The share of woolen and pashmina goods in this year was 2.58 percent whereas share of woolen carpet and readymade garment was 8.10 and 5.48 percent respectively.

Table-4.13

Percentage Share of Overseas Export of Pashmina Good of Nepal (2000/01 - 2011/12)

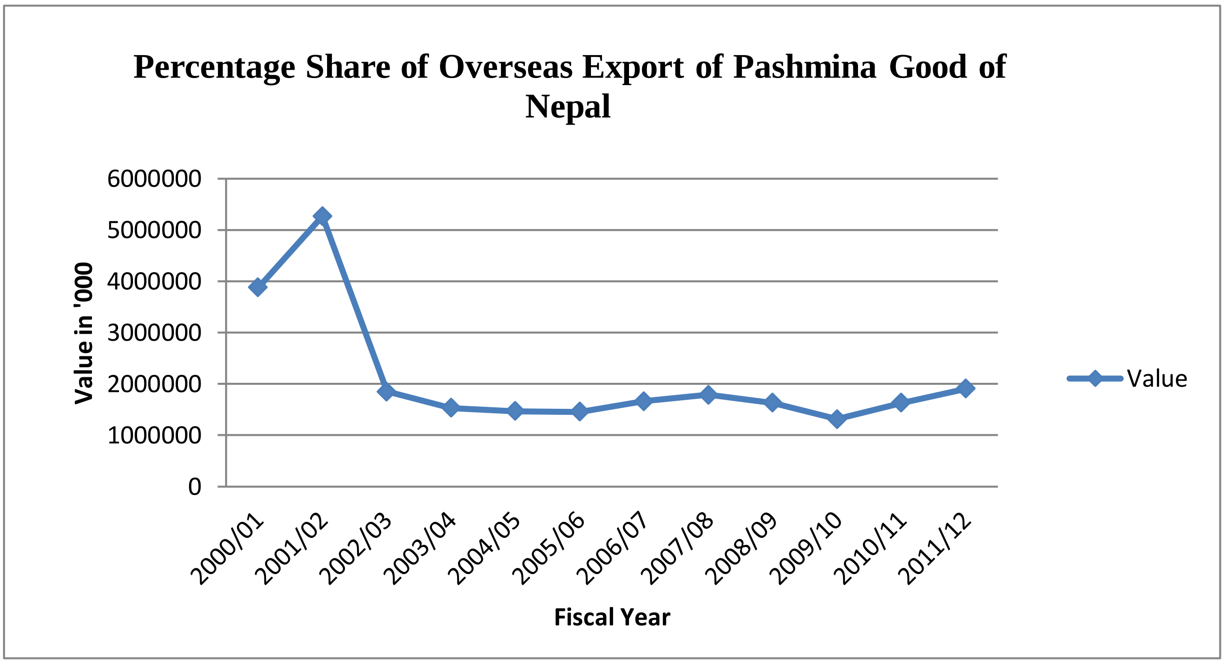
Value in '000 Rs

Fiscal Year	Value	Increase/Decrease %
2000/01	3877965	-
2001/02	5269548	35.88
2002/03	1852220	-64.85
2003/04	1534081	-17.17
2004/05	1473675	-3.93
2005/06	1460411	-0.9
2006/07	1665949	14.07
2007/08	1789507	7.42
2008/09	1635343	-8.61
2009/10	1317065	-19.46
2010/11	1635629	24.19
2011/12	1908766	16.7

Source: Nepal Overseas Trade Statistics (2000/01 to 2011/12), TEPC, Kathmandu

From the above data, the researcher has analyzed the increase or decrease trend of woolen and pashmina good in total overseas exports. In fiscal year 2000/01 the export value of woolen and pashmina good was Rs.3,87,79,65,000/- which was 13.9 percent in total export to overseas. In 2001/02 the share of WPG in total export to overseas increased by 35.88 percent as compared to last year, which stood 18.4 percent in total export. In 2001/02, as compared to 2001/02 the percent share decrease by 64.85 percent contributing 10.1 percent in total export. Likewise, the share decreased by 17.17 percent as compared to last year's figure in the year2003/04 contributing 7 percent in total exports. Similarly, there was also decrease of percent 3.93 in the year 2004/05, contributing 6.4 percent in total export. In 2005/06 the share in total export decreased by 0.9 percent contributing 7.5 percent in total export. In 2006/07 the share of WPG increased by 14.7 percent as compared to last year's figure, as it contributes 8.7 percent in total export. In fiscal year-2007/08, the share of WPG further increased by7.41 percent and contributes 10.4 percent in total overseas export. But in FY 2008/09, the share of WPG decreased 8.61 percent in total export, as it contributes 8.2 percent. The contribution of WPG was significant in the FY 2001/02, as it contributed by 18.4 percent in total export, which is the highest share of WPG in total overseas export. In the fiscal year 2009/10 the contribution of very poor as it was a negative contributor with a negative value. But the year 2010/11 was a golden period for WPG as there is a positive value of 24.19. The trend could not be carried to the preceding year as there was slight decreased in the contribution of WPG in 2011/12.

Figure 4.1



From the above trend analysis, it is revealed that, the export of Nepalese WPG to overseas showed a decreasing trend.

From this overall analysis, during the period of observation, the pashmina products are found to be the third largest exportable commodities as compared to other exportable items, except for the period of 2008/09 and 2009/10. The current (FY-2011/12) situation of pashmina export is 10^{th} largest exportable commodities with 2.58% share of total export of Nepal.

4.1.2 Exports of Woolen and Pashmina Goods to Overseas from Nepal

Here the study tried to analyze the export of woolen and pashmina goods from Nepal to selected overseas countries individually. However the number of international export markets of Nepali pashmina goods exceeds 40 out of which, USA, Italy, Canada, France, Japan, Germany are the major ones. Hence, export of Nepalese pashmina goods in those countries has been analyzed. These countries are:

1 USA
2 UK
3 Germany
4 Italy
5 Canada
6 Japan
7 France
8 UAE
9 Switzerland

Due to limitation of data, the study attempted the analysis of the export trend of WPG from FY 2000/01 to 2011/12.

Table no-4.14

Total Export of WPG to USA

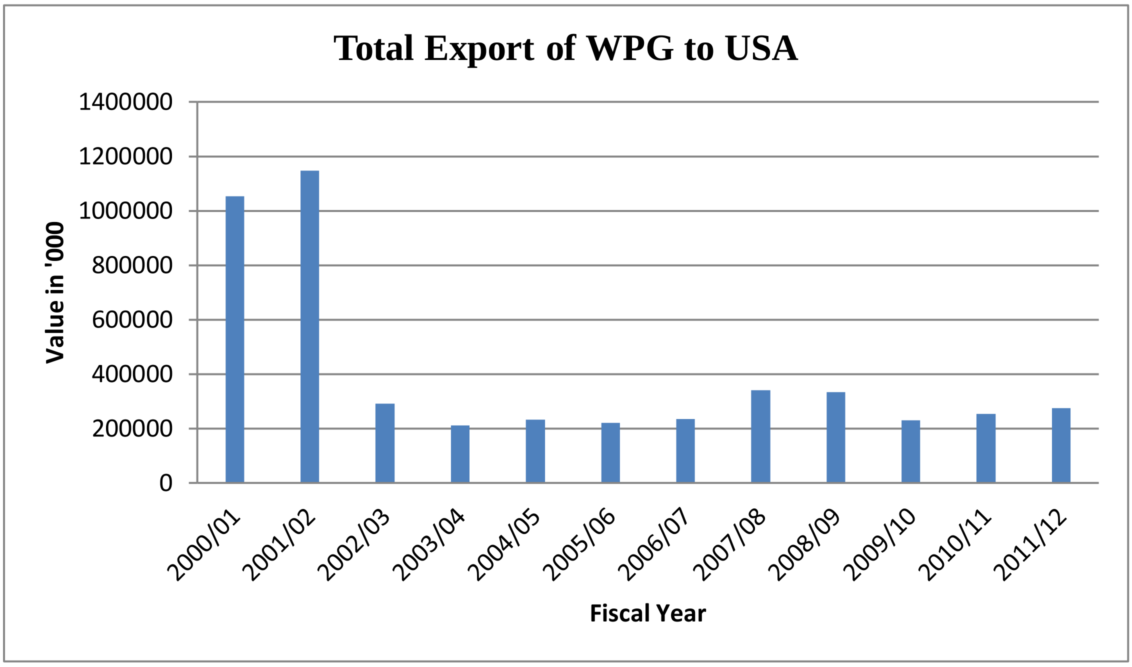
Value in '000 Rs

Fiscal Year	Value	Increase/Decrease %
2000/01	1054308	-
2001/02	1146917	8.78
2002/03	291065	-74.62
2003/04	212283	-27.07
2004/05	231559	9.08
2005/06	220640	-4.7
2006/07	234659	6.4
2007/08	341226	45.41
2008/09	332456	-2.6
2009/10	229022	-31.11
2010/11	254005	10.91
2011/12	274804	8.19

Source: Nepal Overseas Trade Statistics (2000/01 - 2011/12), TEPC, Kathmandu

From the above table no 4.14, the increase or decreased trend of WPG exports to USA can be observed. In FY 2000/01, the export value was Rs. 1,05,43,08,522/-. In FY 2000/01, while comparing to last year's export value, the export increased by 8.79 percent. But in FY 2001/02, the export decreased by 74.62 percent as compared to last year's export. This is heavily decreased value of WPG. Similarly, in FY 2003/04, the export decreased by 27.67 percent. But in FY 2004/05 the export increased by 9.08 percent. Then in FY 2005/06, the export again decreased by 4.7 percent while comparing to the last year's export. Coming to FY 2006/07, the export value increased by 6.4 percent and in FY 2007/08, increased by 45.4 percent comparing to the value of previous year's export. But in FY 2008/09, the export value decreased by 2.6 percent. There is a high decrement in the export with US value standing a negative. This is mainly due to quota system implied by US. However, year 2010/11 and 2011/12 the trend is observed increasing. This increment is really a boon to country's economic condition in terms of generating foreign currency.

Figure no-4.2



From this, the export trend of Nepalese WPG to USA can be analyzed. The highest export was in FY 2001/02, when Nepalese WPG industries were in prime and exploited the US market. Even though recently the average trend of WPG exports to USA is not satisfactorily increased slight increment in the current and a previous year has been evidenced through the above diagram.

Table no-4.15

Total Export of WPG to UK

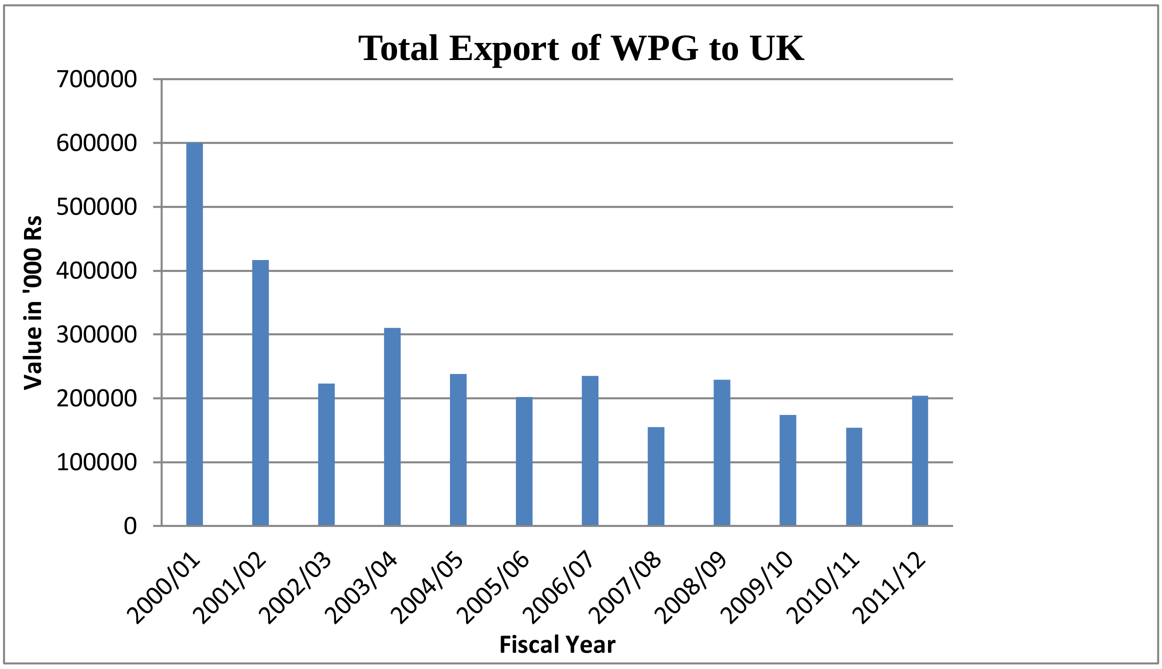
Value in '000 Rs

Fiscal Year	Value	Increase/Decrease %
2000/01	599773	-
2001/02	416145	-30.62
2002/03	223353	-46.33
2003/04	310045	38.81
2004/05	238261	-23.16
2005/06	201858	-15.28
2006/07	235347	16.6
2007/08	155167	-34.1
2008/09	229187	47.7
2009/10	173423	-24.33
2010/11	153446	-11.52
2011/12	204147	33.04

Source: Nepal Overseas Trade Statistics (2000/01 - 2011/12), TEPC, Kathmandu

From table no 4.15 above present, the increase or decrease trend of WPG export in UK can be observed. In fiscal year 2000/01, the export value was Rs.5997733881/-. In FY 2001/02, the WPG export to UK decreased by 30.62 percent while comparing to export value of last year. Then after in FY 2001/02 the export decreased by 46.33 percent. But in FY 2003/04, the export increased by 34.83 percent as compared to last year. Again in FY 2004/05 the export decreased by 23.16 percent, then after decreased by 15.3 percent in FY 2005/06. In FY 2006/07 the export increased by 16.6 percent. But the export was decreased by 34.1 percent in FY 2007/08. Lastly, the export was increased by 47.7 percent in FY 2008/09. Trade with UK in the year 2010/11 and 2011/12 is highly negative. Silver lining has been seen in the year 2011/12 with a positive increment in value of 33.04 despite of negative values in previous years. The same trend is anticipated in the years to come.

Figure no- 4.3



From this, export trend of Nepalese WPG to UK can be observed. The average trend of WPG to UK is increasing. The increasing trend though not satisfactory this trend, if can be enhanced, would be beneficial.

Table no-4.16

Total Export of WPG to Germany

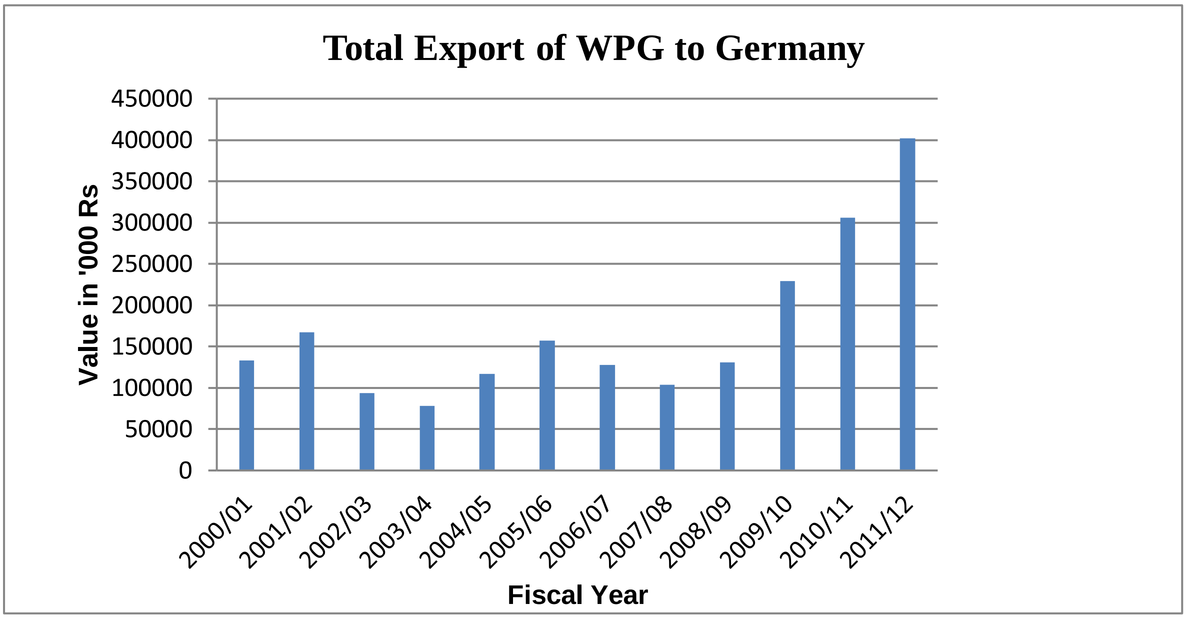
Value in '000 Rs

Fiscal Year	Value	Increase/Decrease %
2000/01	132857	-
2001/02	167255	25.9
2002/03	93679	-44.0
2003/04	77913	-16.8
2004/05	116859	50.0
2005/06	157292	34.6
2006/07	127817	-18.7
2007/08	103555	-19.0
2008/09	130547	26.1
2009/10	228870	75.3
2010/11	305571	33.5
2011/12	401789	31.5

Source: Nepal Overseas Trade Statistics (2000/01 - 2011/12), TEPC, Kathmandu

From the table above presents the export trend of WPG in Germany can be observed. In fiscal year 2000/01, the export value was Rs. 13,28,57,941/-. In fiscal year 2001/02, the export of WPG increased by 25.9 percent in comparison to last year. But in 2001/02, the export decreased by 43.9 percent, then after decreased by 16.8 percent in FY 2003/04. But in FY 2004/05, the export increased by 49.9 percent then after increased by 34.6 percent in FY 2005/06. But in FY 2006/07, the export of WPG to Germany decreased by 18.7 percent while comparing to last year’s export. Further the export decreased by 19 percent in FY 2007/08. But, finally the export of WPG increased by 26.1 percent in fiscal year 2001/08. Year 2009/11 was the year of highest increment in the export of WPG. The above data shows positive decrease in the export.

Figure no- 4.4



From this export trend of Nepalese WPG to Germany can be observed. So the export trend of WPG to Germany is on decreasing trend as well in an increasing trend. In FY 2001/02 and FY 2005/06, it has increased significantly. The export-trend of WPG to Germany is satisfactorily increasing.

Table no-4.17

Total Export of WPG to Italy

Value in '000 Rs

Fiscal Year	Value	Increase/Decrease %
2000/01	99228	-
2001/02	149581	50.7
2002/03	73493	-50.8
2003/04	86043	17.0
2004/05	109339	27.0
2005/06	89696	-18.0
2006/07	83644	-6.7
2007/08	74908	-10.4
2008/09	63772	-14.9
2009/10	105371	65.2
2010/11	138057	31.0
2011/12	149168	8.1

Source: Nepal Overseas Trade Statistics (2000/01 - 2011/12), TEPC, Kathmandu

The table no 4.17 present the export trend of Nepalese WPG to Italy, in fiscal year 2000/01, the export value was Rs. 9,92,28,075/-. In FY 2001/02, the export increased significantly by 50.7 percent as compared to last year's export. But in FY 2001/02 the export decreased by 50.8 percent as it increased in previous year. In year 2003/04, the export increased by 17 percent, the after by 27 percent in FY 2004/05. But in FY 2005/06 the export decreased by 18 percent. Similarly, it decreased by 6.7, 10.4, 14.9 percent in the FY 2006/07, 2007/08 and 2008/09 respectively. The total export in the years 2009/10, 2010/11 and 2011/12 has been gradually increasing.

Figure no-4.5

From the figure no-4.5, export trend of Nepalese WPG to Italy can be observed. The table indicates that WPG export trend In Italy is decreasing, although in FY-2001/02 and FY- 2010/11 and 2011/12 It has increased significantly.

Table no-4.18

Total Export of WPG to Canada

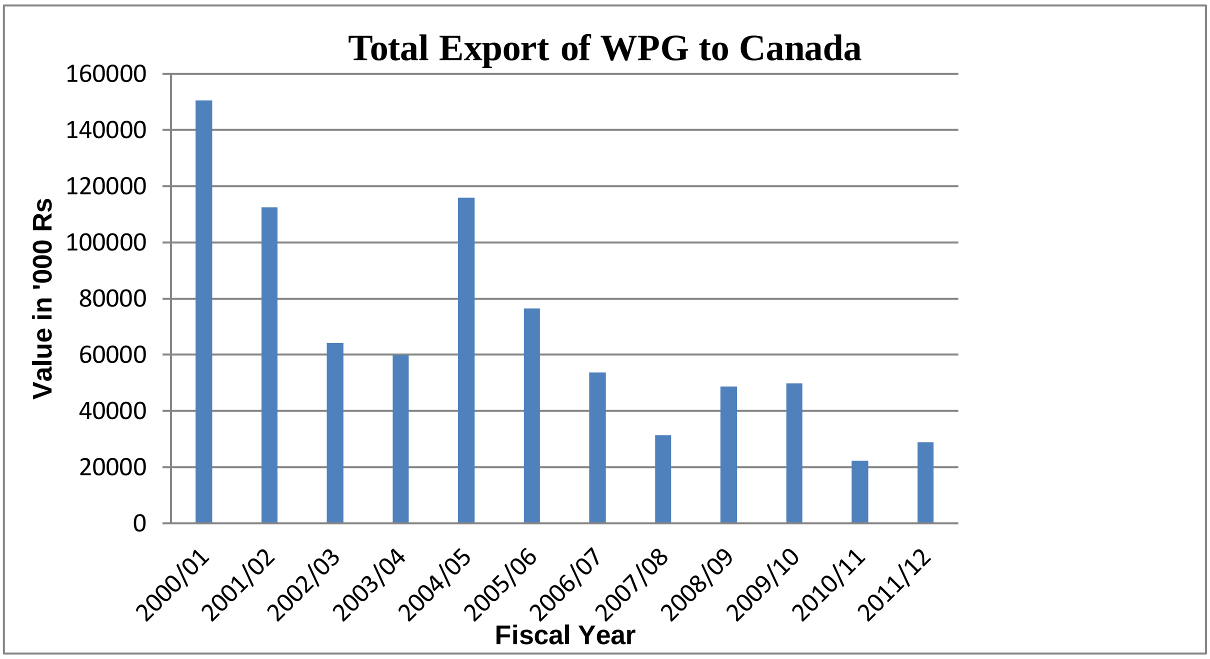
Value in '000 Rs

Fiscal Year	**Value**	**Increase/Decrease %**
2000/01	150469	-
2001/02	112452	-25.3
2002/03	64250	-42.9
2003/04	59969	-6.7
2004/05	115909	93.9
2005/06	76385	-34.1
2006/07	53657	-29.8
2007/08	31366	-41.5
2008/09	48621	55.0
2009/10	49867	2.6
2010/11	22144	-55.6
2011/12	28782	30.0

Source: Nepal Overseas Trade Statistics (2000/01 - 2011/12), TEPC, Kathmandu

From the above table no 4.18 we can see the export trend of Nepalese WPG in Canada. In fiscal year 2000/01, the export was Rs. 15,04,69,840/-. In FY 2001/02, the export decreased by 25.3 percent as compared to the last year's figure. The export further decreased by 42.9 percent and 6.7 percent in FY 2001/02 and in FY 2003/04 respectively. But in FY 2004/05 the export increased by 93.9 percent while comparing the export figure of previous year. Then after the export decreased by 34.1 percent in FY 2005/06, by 29.8 percent in FY 2006/07 and by 41.5 percent in FY 2007/08. But lastly in FY 2008/09 the export of WPG to Canada increased by 55 percent in comparison to last year's export. The total values of export in FY 2009/10 has been seen increased where as the exports in the FY 2010/11 has decreased and consequently the value has slightly increased in FY 2011/12

Figure no-4.6



So from the above figure no 4.6, it is revealed that the export trend to Canada is on decreasing trend, although in FY 2004/05, it was increased significantly.

Table no-4.19

Total Export of WPG to Japan

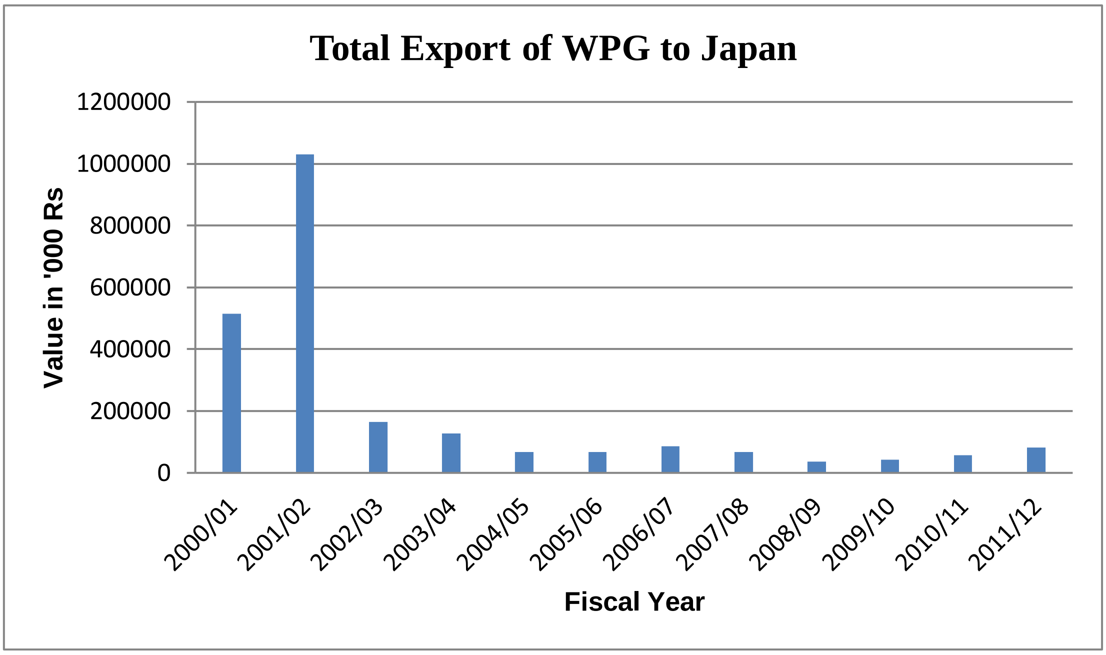
Value in '000 Rs

Fiscal Year	Value	Increase/Decrease %
2000/01	514305	-
2001/02	1030033	100.3
2002/03	163908	-84.0
2003/04	127417	-22.3
2004/05	67343	-47.2
2005/06	67296	-0.1
2006/07	86608	28.7
2007/08	67120	-22.5
2008/09	35648	-46.9
2009/10	41639	16.8
2010/11	57050	37.0
2011/12	82831	45.2

Source: Nepal Overseas Trade Statistics (2000/01 - 2011/12), TEPC, Kathmandu

From the above table no 4.19 we can see the export trend of Nepalese WPG in Japan. In fiscal year 2000/01, the export was Rs. 51,43,05,541/-. In fiscal year 2001/02, the export was increased by 100.3 percent while comparing to the last year's figure. But in FY 2001/02 the export decreased by 84 percent where as by 22.3 percent in FY 2003/04 and by 47.2 percent in FY 2004/05 while camping to the previous year value. In fiscal year 2005/06 the export of WPG decreased by 0.1 percent. But in fiscal year 2006/07, the export of WPG increased by 28.7 percent as compared to the last year's figure. Then after, in FY 2007/08 and in FY 2008/09 the export decreased by 22.5 percent and 46.9 percent respectively in comparison to last year's export. The exports in the fiscal year starting from 2009 to 2011/12 shows increasing trend of sales in export. The increase has been noted as 45.2 percent against the previous year.

Figure no-4.7



So from the above figure, it is revealed that the export trend of WPG to Japan is on decreasing trend, even though in fiscal year 2001/02, it has increased significantly. The ending year record shows slight increase in the exports.

Table no-4.20

Total Export of WPG to France

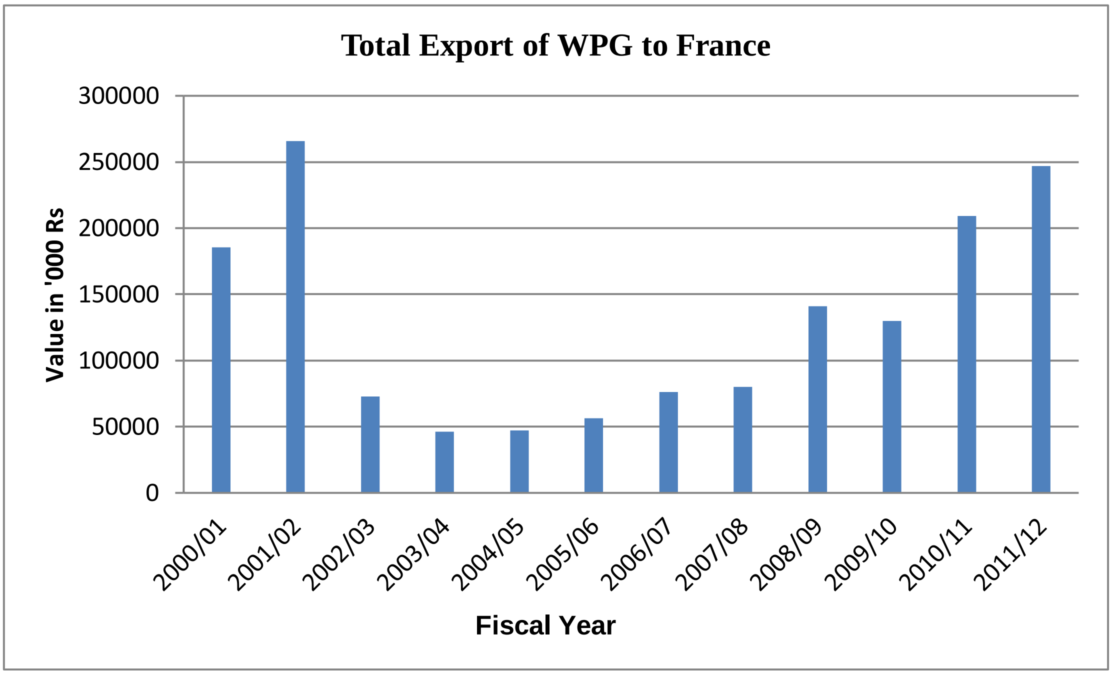
Value in '000 Rs

Fiscal Year	Value	Increase/Decrease %
2000/01	185707	-
2001/02	265774	43.1
2002/03	72594	-72.7
2003/04	46133	-36.5
2004/05	47161	2.2
2005/06	56207	19.2
2006/07	76274	35.7
2007/08	79962	4.8
2008/09	141191	76.6
2009/10	129814	-8.1
2010/11	209072	61.1
2011/12	247052	18.2

Source: Nepal Overseas Trade Statistics (2000/01 - 2011/12), TEPC, Kathmandu

From the above table no 4.20 the WPG export trend to France can be observed. In FY 2000/01, the export was Rs. 18,57,07,310/-. In fiscal year 2001/02, the export was increased by 43.1 percent as compared to FY2000/01. In fiscal year 2001/02, the export decreased by 72.7 percent where decreased by 36.5 percent in fiscal year 2003/04. But in FY 2004/05, the export increased by 2.2 percent and in FY 2005/06 the export increased by 19.2 percent as compared to the last year’s exports. The export further increased in FY 2006/07 and in 2007/08 by 35.7 percent and 4.8 percent respectively lastly, the export has significantly increased in fiscal year 2008/09, by 76.6 percent in comparison to last year. The export in 2010/11 has higher figures than that of pervious year. The final year export has been measured to a percentage increase to 18.2.

Figure no-4.8



So from the above figure no 4.8, the export trend of Nepalese WPG to France has been analyzed which shows that export trend in France is increasing. The export trend is regularly increasing since F/Y 2004/05.

Table no-4.21

Total Export of WPG to UAE

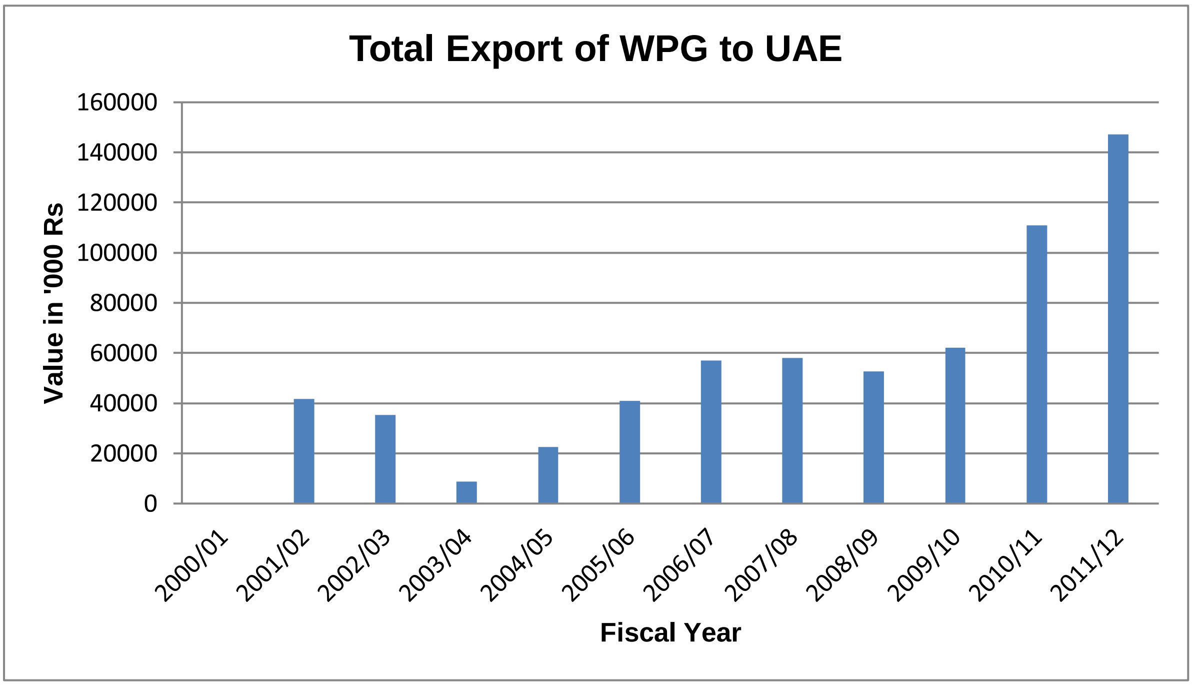
Value in '000 Rs

Fiscal Year	Value	Increase/Decrease %
2000/01		-
2001/02	41740	-
2002/03	35273	-15.5
2003/04	8794	-75.0
2004/05	22441	155.2
2005/06	41054	82.9
2006/07	56964	38.8
2007/08	58106	2.0
2008/09	52751	-9.2
2009/10	62198	17.9
2010/11	110997	78.5
2011/12	147195	32.6

Source: Nepal Overseas Trade Statistics (2000/01 - 2011/12), TEPC, Kathmandu

The above table no 4.21 shows the export of WPG to UAE. The analysis of the table presents that in FY 2001/02, the export value stood Rs. 41,74,000/-. In FY 2001/02 the export decreased by 15.5 percent and by 75 percent in FY 2003/04 as compared to last year's figure. Then after in FY 2004/05 the export increased by 155.2 percent. Similarly the export increased by 82.9 percent in FY 2005/06, by 38.8 percent in FY 2006/07 and by 2 percent in FY 2007/08. But in FY 2008/09 the export decreased by 9.2 percent in comparison to last year. The export record as of 2010/11 shows a significant increase. The increase is evidenced in FY 2011/12 as well. Nevertheless the increase in percentage is not satisfactory.

Figure no-4.9



An overall observation of figure indicated that WPG export trend in UAE is in increasing trend in continuous manner from FY 2004/05 expect in FY 2011/12.

Table no-4.22

Total Export of WPG to Switzerland

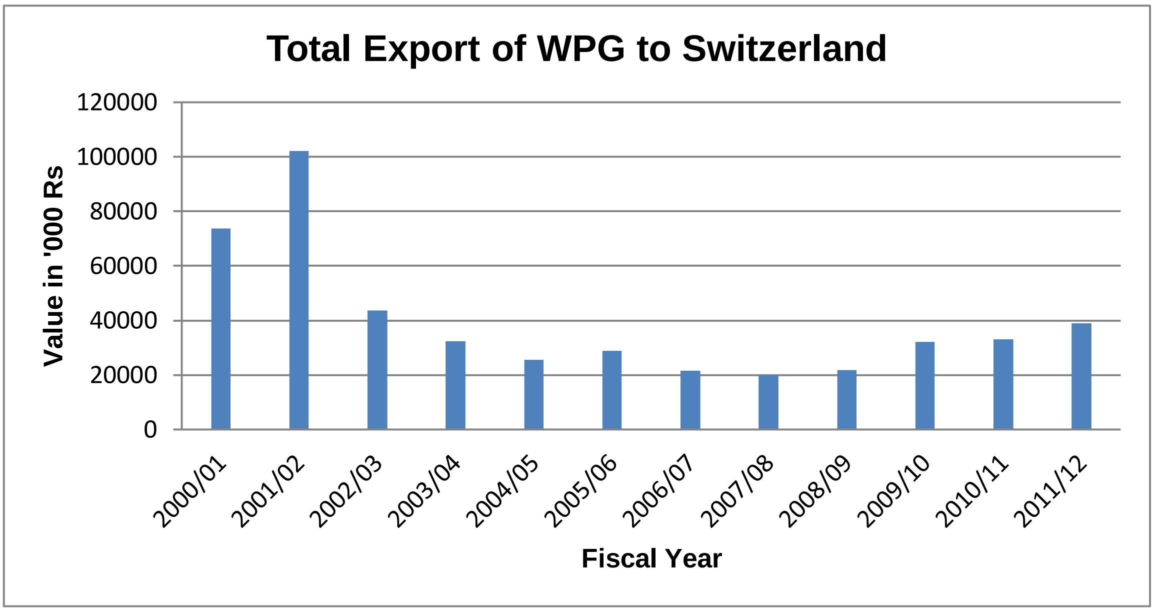
Value in '000 Rs

Fiscal Year	Value	Increase/Decrease %
2000/01	73691	-
2001/02	102036	38.4
2002/03	43695	-57.1
2003/04	32367	-25.9
2004/05	25550	-21.0
2005/06	28804	12.7
2006/07	21456	-25.5
2007/08	19894	-7.3
2008/09	21714	9.1
2009/10	32164	48.1
2010/11	33185	3.2
2011/12	38882	17.2

Source: Nepal Overseas Trade Statistics (2000/01 - 2011/12), TEPC, Kathmandu

From the above table no 4.22, the WPG export trend in Switzerland can be observed. In fiscal year 2000/01 the export value was Rs. 7,36,91,820/-. In FY 2001/02 the export was increased by 38.4 percent in comparison of last year's export. In FY 2001/02 the export decreased by 57.1 percent. Similarly, the export decreased by 25.9 percent and by 21.0 percent in FY 2003/04 and in FY 2004/05 respectively. But in FY 2005/06, the export increased by 12.7 percent. Then again, the export decreased in FY 2006/07 and in FY 2007/08 by 25.5 and by 7.3 percent respectively. But the export increased in FY 2007/08 by 9.1 percent. From the above table the export is seen in increasing trend for FY 2011/12

Figure no-4.10



The analysis of figure presented that export to Switzerland is not so firm. The export trend to Switzerland is decreasing. The FY 2011/12 shows slight increase in export.

4.2 Problems of Pashmina Industry

The Pashmina industry in Nepal has been suffering from a number of bottlenecks at different levels, from lack of infrastructure to narrow export base, from problematic government policies to market access to foreign countries. However, pashmina is relatively new product in the world market but pashmina export from Nepal has gone down sharply over the years because of confused identity of Nepali pashmina. From the past to recent therefore, pashmina industry suffer from identity crises over the period.

Despite of woolen and pashmina goods been emerged as Nepal's 10th largest overseas export goods after readymade garment and hand knotted woolen carpets but the third largest export industry of the country suffering from a constant drop in export over the years when India and other manufacturers marketed similar items under the name of pashmina. The name pashmina is being used all over the world for shawls with a soft touch woven out of any imaginable and cheap material like viscose and acrylic. In Nepal and India, however the word pashmina is used for the fiber of the Capra Hircus goat as well as for the yarn and the final product. In reality, the pashmina fiber is very delicate that ranging from 11 to 17.5 micron.

Nepal's trade and foreign exchange regime is already quite liberal. Its economic and trade policies are more or less in conformity with the provision of the WTO. However some of the laws and regulations will have to be amended with joining the WTO. Practically, all products and markets are affected by one or several of the WTO agreements, at least for WTO member countries. Similarly the principle of non-discrimination offered by WTO, there can be no barriers to trade that means discrimination between the products of domestic and foreign firms is not allowed.

In this context, Nepalese product should compete in international market as other country's products compete. However being a least developed country, Nepal can enjoy certain preferential tariff rights on a non reciprocal basis. To take the advantage of emerging opportunities through its membership in WTO, Nepal needs to improve its production capability and competitiveness. For these reasons, everything possible or viable measures should be undertaken by the government and the private sector in case of defining woolen and pashmina goods and maintaining the quality of Nepalese pashmina in international market. In fact, quality of products is of prime importance in export market. So is the price of the product. Nepalese exports suffer on both of these counts. Hence it is difficult to find international market for most of the Nepalese manufactured goods. Nepalese exports are lagging behind in competition in the international market due to their small-scale production, lower quality and higher price.

Being a major trading partner, India's trade policy and practice affect Nepal's foreign trade. So far, India's definition of 'Cashmere pashmina' has widely accepted for the trade of pashmina and importers take the Nepali items as variation of the same category. As a result, the manufacturers and exporters barring a few, never worked seriously to define and label the product. Likewise, China has emerged as strong competitor for Nepalese pashmina goods. China is the cheapest source of importers whereas Italy is emerging as supplier of high quality pashmina. In this context, Nepali pashmina exporters should face a tough competition enhancing international markets demand.

These following problems of Nepalese Pashmina Industry are identified from this Study:

1 Quality of Raw Materials

The main raw materials used for producing pashmina goods are pashmina yarn and silk yarn plus dyed and chemicals. Nepalese pashmina industries require importing all these raw materials. Pashmina yarn and silk yarn are imported from China, India, Mongolia whereas chemicals and dyes from Europe and India. Due to lack of testing facilities in Nepal, it has little means to verify the quality of yarn purchased (or seek testing abroad at high costs). If chyangra cashmere (pashmina yarn) is more than 19 micron it can be considered as wool mixed cashmere, whereas a fiber up to 16.5 micron really qualifies as cashmere (pashmina).

2 Confusion about the Name ‘Pashmina’

Nepali pashmina good is a kind of handicraft which can be regarded as a handmade highly quality woolen product of multipurpose use. But the name pashmina is being used all over the world for shawls with a soft touch woven out of any imaginable and cheap materials like viscose and acrylic. In contrast, the pashmina fiber is very delicate ranging from 11 to 17.5 micron. In Nepal and India, however, the word pashmina is used for the fiber of the Capra Hircus goat, as well as for the yarn and the final product. This is a major source of confusion.

3 Quality of the Product

Quality counts a lot. The market is looking for real top quality pashmina products, as buyers are wary of fake products. Buyers have also indicated the need to establish trademark or brand name for Nepali products. That’s why; it can be distinguished from other countries’ products. Moreover, Nepalese pashmina has to compete with cheap exports from foreign countries. Nepalese manufacturers of shawls were forced to use inferior quality materials sourced from other countries. This has negatively affected Nepal’s image as an exporter of genuine pashmina products.

4 High Cost

Nepal has to import all of the raw material for the production of pashmina goods. Due to high cost of imported raw materials, Nepalese pashmina goods are charging high cost as compared to other competing countries products. Though, Nepalese pashmina is superior handmade craftsmanship goods. Also, there is lack of guaranteed genuine raw materials. These contribute to high cost of pashmina.

5 Lack of Spinning Mills for Pashmina (cashmere)

Lack of technology adds more to the existing problem of pashmina manufacturing. Although, there is a great prospects for production development of high quality pashmina fiber and bi-voltine silk in Nepal. But Nepal imports all its inputs requirements. As long as, there are no spinning mills for the pashmina weaving/knitting business in Nepal. As there is no national demand for pashmina (cashmere) fibers. In addition, as long as there is no domestic production of pashmina yarns, made out of 100 percent Pashmina (cashmere) fiber from 100 percent Nepali Cashmere goat, it is impossible to guarantee a pure Nepalese pashmina quality product.

6 Lack of Spinning Mills for Silk

The production of silk filament and silk yarn is very small in Nepal. There is no exact information of amount of yarns that are twisted in the country. At Itahari, the only machine that is missing is the twisting machine. Without twisting, the silk cannot be used by the weavers of the pashmina industry in Nepal. The reason for the lack of twisting machine appears to stem from insufficient co-ordination between ministries; the silk growing project Itahari is under the control of the Ministry of Agriculture whereas a twisting machine would fall under control of the Ministry of Industry. The final silk yarns produced must be meeting the demands of the weavers. Silk producers need to be trained to deliver a silk yarn that is suitable for the pashmina weavers especially as their warp yarn.

7 Lack of Infrastructure

There is lack of organized procurement for cashmere (pashmina) from the remote villages. Similarly, there is no laboratory for quality testing of imported yarns and pre-export testing of export products. Likewise there is lack of modern yarn spinning and twisting plant to develop backward linkages within the country whereby domestic raw materials could be used for higher value added product exports.

8 No Test Laboratory

There is no internationally recognized and accredited test laboratory in Nepal to verify the materials of yarns. Consequently, the weavers/producers/exporters cannot verify the correctness of the information as supplied by the spinning mills in China and in Mongolia about the yarns being of 100 percent pashmina. Hundred percent ‘so called’ pashmina yarns can be mixed up with other fibers, like fine yak, or merino. The testing of real pashmina can only be seen under two different kinds of microscope. They are the optimal microscope and electro-microscope. Very recently, DNA test is being developed in the UK to test the quantity of the animal; inbred or healthy. The development of DNA testing is yet to develop fully. Nevertheless, it requires a close watch to decide when the time is ripe to import the techniques into Nepal.

9 No Quality Level or Certification Trademark

There is no quality label for pashmina from Nepal. Test results of the pashmina fibers from Nepal should form the basis for a certified trademark for Nepalese pashmina. So far, no quality label exists for pashmina from Nepal. With test certificates and test reports, exporters can prove the superior quality of pashmina from Nepal. However, as long as there are no spinning mills in the country for the pashmina weaving and knitting business, there will be no national demand for pashmina fibers, or for silk filament. This means no national client for the goat farmers and the silk farmers. Moreover, if one cannot prove that the yarn used originates from 100% Nepalese goats, it is impossible to guarantee a pure Nepalese pashmina quality product. This will complicate the creation of a certification trademark when there is little control over the quantity of the material, the origin of the materials and the treatments of the fibers.

10 No export Brand

Nepalese pashmina goods lack export logo. Internationally, many distinctive signs, or logos, are created that have gained world esteem and contribute towards promotion and branding activities. There are the logos of the International Wool Secretary (IWS) and their wool mark for pure new woolen products, there is the cotton institute logo for pure cotton fabrics. But there is no pashmina label, nor a pashmina/silk label, nor a silk label. This needs to be designed by an international graphic designer with experience in designing world labels for luxury Items. This would help to differentiate the original products. Hence there would be a unique identity of Nepalese Pashmina in the world.

11 Bank Facilities and Services

Banks are reluctant to invest in pashmina and silk industries. New companies face difficulties to obtain bank guarantees to facilitate import of yarns and other inputs. Moreover, the cost of capital in Nepal (10 to 15 percent interest on industrial investment) is relatively high vis-à-vis other countries. That's why there are only limited number of entrepreneurs involved in processing and trading of silk and pashmina. The private sector is cautious to invest in yarn spinning and twisting plants due to longer gestation period and high risk associated with the business. At initial stage, the Nepalese farmers would find it difficult to sell their products at attractive prices unless yarn spinning and twisting plants are set up and mechanism is developed for the collection of cocoons and raw chyangra, cashmere form the remote villages. Investment is Pashmina Business has to be encouraged in order to provide credit facilities to the businessman. This can be done by financial institutions under micro finance scheme to help promote the production of pashmina.

12 Unsupportive Government Policy

Income tax regulations also discourage export development. Likewise, USA does not provide GSP facility on pashmina and silk products, but government of Nepal has not negotiated yet. There is a general perceived lack of government commitment and integrated national policy approach for products development backward linkages and export market promotion of pashmina and silk products. The country lacks a national strategic plan and action programmes covering support to develop livestock (Chyangra farming) and sericulture development. Such plan would need to include post harvesting practices, HRD, technical services, marketing infrastructure, FDI, R & D and transparent policy on trade and tariffs etc.

13 Poor R & D and Extension Services

There is lack of proper institutional mechanism for research and development for prevention of diseases and curative measures and on export marketing aspects, have hindered the growth of pashmina and silk subsector in Nepal. There is need to develop R & D to enhance product quality, designs, and testing of raw material imports. Limited technological innovation exists and effective extension services for the development of pashmina and silk in Nepal is lacking. It has become a normal phenomenon that all agriculture related projects works effectively when foreign aided projects exist. Sustainability of the programmes is one of the important issues.

14 Lack of Technical Facilities and Knowledge

Most of the farmers do not receive proper technical services and information on management of farm and health of livestock from the relevant government authorities. They are not able to take preventive as well as curative measures at the right time. The livestock farmers and mulberry growers are facing a dearth of a qualified technical workers and extension services. This is caused by the lack of government initiatives on appropriate training provisions and export market oriented technical services. Technology and knowledge transfer from developed countries can be enhanced to uplift the existing skill of Nepalese entrepreneurs.

15 Lack of Entrepreneur's Unity

There is the lack of commitments and cooperation among the exporters and the private sector organizations to develop joint activities to enhance the export quality of pashmina as well as silk products.

16 Lack of Market Information and Promotion

Entrepreneurs have no access to up to date information on market requirements, demand, market regulations and opportunities. Similarly, exporters have limited financial capacity to launch special market promotion programs to rebuild Nepal's image as genuine pashmina exporter in developed countries' markets.

17 Market Promotion at National Level

There is inadequate and ineffective support and commitment for market promotion at the national level. A major marketing exercise is needed to promote Nepal as a leading country when it comes to high quality pashmina fashion and interior design products.

18 Foreign Labour Dependency and Labour Problems

Pashmina industry is dependent on foreign labor i.e. Indian labors as well Bangladeshi labors. Skilled labor is in short supply. Training facilities are inadequate to train local people for pashmina industry. Training institutes are lacking. Pashmina industries suffer from unforeseen labor problems. Political effect on local labors results in regular bandhas, strikes and boycotts. Labor indiscipline is a great threat to this industry.

19 Excess Tariff to Nepalese WPG in USA

Nepalese woolen and pashmina goods are currently subjected to an average tariff rate of 16% in the USA which is the principal market for Nepalese pashmina. Most importing countries do not levy tariff on pashmina import from Nepal, whereas, in some countries Nepal enjoys some special preferential schemes to some extent. But, Nepal does not enjoy preferential tariff on pashmina products in the USA market. So, this reduces our competitiveness. This has negative effect on cost. The increased cost reduces the competitiveness.

20 Changing Pattern of Consumer Preferences

Consumer taste about fashion wear like pashmina changes rapidly. Color, size and patterns preferences keep on changing. Nepalese manufacturers and exporters have to heavily rely on their import partners to take care of consumers' preferences in respective countries. However there are numerous sources of information that may help Nepalese manufacturers and exporters to align their efforts in line with consumers preferences. So far, this aspect is mostly neglected until some legal requirements are imposed. Although, technically speaking, non-adherence to consumer's preferences does not pose any barrier for international trading. However, lack of quick response to such preferences often negatively affects the marketing initiative of pashmina products. So lack of up to date information about consumers preferences concern as a major problems for the industry.

21 No Luxury Packaging

Nepalese exporters use simple polythene bags for packing pashmina products. Most of the importers change this packaging and add value to the products. In spite, there is no luxury packaging for pashmina goods from Nepal. Similar to textiles trends, trends in packaging also exist. A luxury item as a pashmina /silk throw needs special luxury packaging. There are designers in this world that are specialized in designing for luxury brands like Gucci, Prada, Louis Vuitton, and other luxury goods. New packaging for pashmina needs to be designed by an international designer with experience in luxury brands, which can work with the indigenous materials of Nepal, like the famous handmade paper, goat leather, and wooden boxes.

22 Importer’s Complaints about Delivery

Importers often complain about non compliance with delivery schedule. Although most of the shipment is done through courier services, the most expensive mode for transport, yet Nepalese exporters are unable to meet delivery deadlines for a variety of reasons. Complaints from importers also cover the quality of dyeing especially in the area of poor color fastness.

23 Buyer Dependency

Pashmina industry in Nepal heavily depends on foreign markets for its sustainability. However, it has been given the impression that as many as 5 percent of its products may be consumed within the country. The currently appeared world recession may directly affect buyers’ behavior of purchasing such luxury items such as pashmina, as there are special buyers in niche markets for the Nepalese pashmina goods.

24 Lack of Electricity Power Supply

The industry is totally dependent on labors and the main problem is the lack of electricity for power looms and no light in weaving halls, where labors are weaving the pashmina. There is electricity for four hours at a time and twice daily but in odd hours. It is not possible to hire labors for 4 hours, whenever, there is electricity. Labors should be paid for the whole day irrespective of availability of electricity and those who are permanent they get the monthly salary but cannot do much work. Normally they work from 10 am to 5 pm and is same day time, power goes off from 8 am to 4 pm still the labor should get the salary on the daily wage base, which will result high cost in production of pashmina making it incapable in competing in international market.

25 Unsettlement of Political Disputes

Lastly, the political disputes rising inside the country has remained a major problem. Nepal is politically instable and there are regular strikes by various political parties, ethnic groups and different organizations that ultimately hampering the production of every sector likewise pashmina industry. The government quite often talks of declaring the industrial sector as strikes free zone, which should be implemented without any delay and the industry should get regular power supply.

4.3 Prospectus of WPG Industry

Pashmina is one of the finest, softest, warmest and lightless wool found in nature. In fact it is the best wool in the world. Pashmina is known by different name like ‘Diamond Fiber’ and ‘Soft Gold’ of High Asia. It is unparallel in uniqueness and elegance to any other fibers. Nepal’s pashmina industry actually has a very good prospectus as there is a good demand of various pashmina-made readymade garments in the international markets. International demand for comfortable lightweight knitted as well as woolen garments and accessories is consistently strong. That’s why, the exporters of pashmina products have shown an impressive talent for diversification of their products introducing new weaving patterns and producing 100% pashmina ultra fine shawls without the use of silk.

Although pashmina industry has is tenth export industry of Nepal, its growth has been experiencing ups and downs. With entering Nepal into WTO, the problem would further increase as the Nepalese business would be obliged to supply excellent quality at lower cost. But the stakeholders believe that they can do better if they get proper support from the government for the development of the sector.

Based on the existing provisions, pashmina and silk products under the handicraft products of Nepal have preferential duty access to all SAARC member countries. Nepal’s pashmina and silk-based products benefit from preferential market access under several regional and bilateral agreements. In addition, as an LDC, Nepal is benefiting from preferential market access conditions in the EU. Under the ‘Everything but Arms’ scheme, Nepal enjoys duty free access of pashmina products into the EU market. Especially for pashmina products, comparative advantage is substantial, i.e. the EU applies a 12% MFN rate. In order to benefit from this comparative tariff advantage, Nepal private sector needs to follow strictly EU’s Rules of Origin.

In present scenario of pashmina business, buyers are becoming more and more quality conscious and searching for a quality product. They also are demanding specific definition on content, texture, and usage. In this context, manufacturers and exporters should work seriously to define and label the product. Currently

Department of Cottage and Small Industries has assigned to work on branding Nepali export items.

Although Nepalese manufacturers of shawls were forced to use inferior quality materials sourced from Mongolia, China and India, in spite of having a great prospects for production development of high quality chyangra fibers (pashmina) and bi-voltine silk in Nepal. But the manufacturer of Pashmina and silk products are importing more than 95% of total yarn requirements from others sourced countries. In this context, if one cannot prove that the yarn used originates from 100 percent Nepalese goats, it is impossible to guarantee pure Nepalese pashmina quality products. Meanwhile, a concerted effort of all stakeholders is called for to increase pashmina (chyangra cashmere) products exports, focusing on i) improving production ii) sourcing and testing the quality of raw material iii) introducing innovative new items and iv) registering 'chyangra cashmere' as recognized or certified trademark. This will ultimately enhance socio-economic development in remote rural areas of Nepal.

The pashmina industries in Nepal are giving employment to not less than 5,000 people. Creation of employment in most of the rural areas has direct impact on poverty reduction and improvement in women empowerment as women constitute about 80 % of total work force requirements in the pashmina industry. Since, the industry is labor intensive industry and it has been hiring main expert and designers from abroad. So that local people should be trained to make them capable through promotional training programs.

These following prospectuses of Nepalese pashmina industry are identified from this study:

1 Woolen and pashmina industry is a labor intensive industry giving more employment opportunities especially to women's empowering them financially.
2 Nepalese pashmina is a kind of handicraft which can be regarded as handmade high quality woolen product for multipurpose use.
3 Nepalese pashmina have durability and warmness as its comparative advantage with the rival's products.
4 Nepali pashmina products are unique in terms of its guaranteed quality with low volume.
5 Nepali pashmina entrepreneurs running with simple technology to produce pashmina goods using handlooms, which can easily manage highest quality.
6 There is availability of many looms and equipments to tackle with the increased product demand in the markets.
7 Nepalese pashmina enjoying support from designers as well there is excellent relationship with buyers.

8 Obviously, there is increasing demand for genuine quality items and newly designed pashmina made garments.

4.4 **Major Findings**

1) Around 90 percent of the industries are located in the rural areas of Kathmnadu valley. The reason was availability of space in cheaper rate and cheap labor. Only 10 percent are found to be in urban areas where the owner is having his own land for running the factory.
2) Nearly 70 percent of the surveyed factories are privately owned by the families and 30 percent are in partnership by different individuals.
3) 75 percent of the factories are found to be established in the beginning of nineties with the establishment of multiparty democracy in Nepal and the boom of pashmina trade in 90's.
4) All of them are found to be small scale cottage industries.
5) 61percent of them are self funding and 39 percent are running with the loan from banks and co-operatives.
6) The employees of the factory are mainly women (75 percent). All the designers are men and 90 percent of the head designers are foreigners (Indian, Bangladeshi). Out of the total employees, 70 percent are on temporary and on daily wages basis.
7) Out of the total surveyed factories replied their main market as under-47 percent said USA and Canada, 30 percent said Europe (France, Italy, Spain, and UK), 11 percent Japan, Korea, Taiwan & Thailand, 6 percent India, Bhutan and Bangladesh, 2 percent South America and the rest 4 percent said they supply the pashmina to local market where from they are sold to the walking clients of various countries of the world and to the Nepali buyer as well.
8) Regarding the potential market for future -52 percent said USA and North America, 24 percent said UAE (United Arab Emirates) and Russia, 10 percent Japan and 14 percent said Europe could be the best potential market for Nepali pashmina product in near future.
9) Regarding comparative advantage- 68 percent of the owners claimed the durability of Nepalese pashmina as compared to the pashmina of other rival countries, 36 percent claimed warmness and other 2 percent said Nepali pashmina is affordable and of high quality.

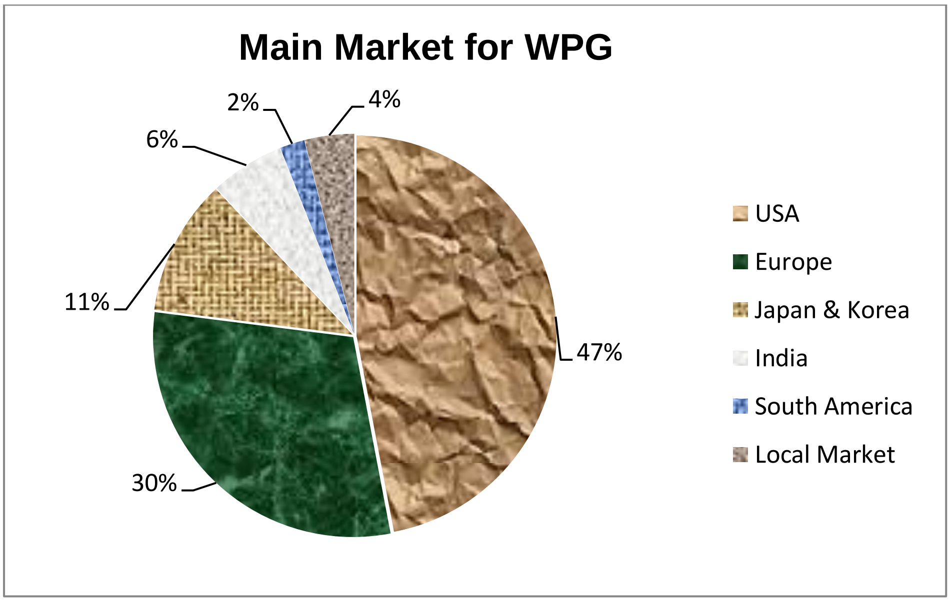
10) Regarding strategy should be follow to sustain in global free trade market-83 percent said that the pashmina Industry should adopt differentiation strategy, 11 percent said focus strategy, 4 percent are after low cost leadership strategy and 2 percent said NPIA and government of Nepal should do a proper research in context of present situation and formulate a concrete strategy.
11) As the answer of 'How's your business 2 years earlier and now?', all the owners replied that the pashmina trade is going down drastically in the past two years and having a very hard time to sustain.
12) "We want to see our business flourished in the coming two years with regular electricity supply and no strikes, but we hardly have any hope because of global recession hitting worldwide" was the answer from all, when asked 'How do you want to see your business 2 years from now?"
13) While asking about the prominent problems in business – 63 percent replied buyer dependency, 17 percent high cost, 9 percent suppliers reputation,7 percent unsupportive government policies, 3 percent said poor R& D support and 1 percent noticed foreign labour dependency.
14) About the other problem in pashmina – 57 percent mentioned the problem of access to market promotion, 29 percent said lack private sector entrepreneurs' unity, 11 percent said market promotion program and 3 percent said imitation pashmina from rival countries are more attractive than the genuine Nepali pashmina and all shawls of any kind are having the label of pashmina. To the general buyers all shawls are pashmina irrespective of nylon, acrylic or genuine pashmina.
15) In answer to the possible solution to the problem in pashmina trade – 83 percent gave emphasis in market promotion and image building, 6 percent gave emphasis on encouragement to private sector in setting spinnings mill and 11 percent suggested the government and NPIA should take strong initiative for the promotion of pashmina trade and should stop the import of fake pashmina

    Yarn from other countries and should encourage in maintaining the quality of Nepali pashmina and its reputation.
16) In answer to the suggestions to Government, NPIA and others – 65 percent suggested that the Government of Nepal should protect and give high privilege to the cottage industry, 27 percent suggested that the NPIA should be active to stop fake and low grade pashmina from other countries and 8 percent suggested public and buyers' awareness about the imitation pashmina should be launched.

4.5 **Main Market Place for the Product**

The respondents were asked about their main market for their product during the survey of the total, 47 percent of the respondents pointed out USA as their main market place. 30 percent expressed Europe, 11 percent said Japan and Korea, 6 percent stated India, 2 percent said South America and remaining 4 percent however expressed local market as their market for their product. The survey result that indicated the market share of Nepalese WPG in terms of main market place is exhibited in figure 4.11

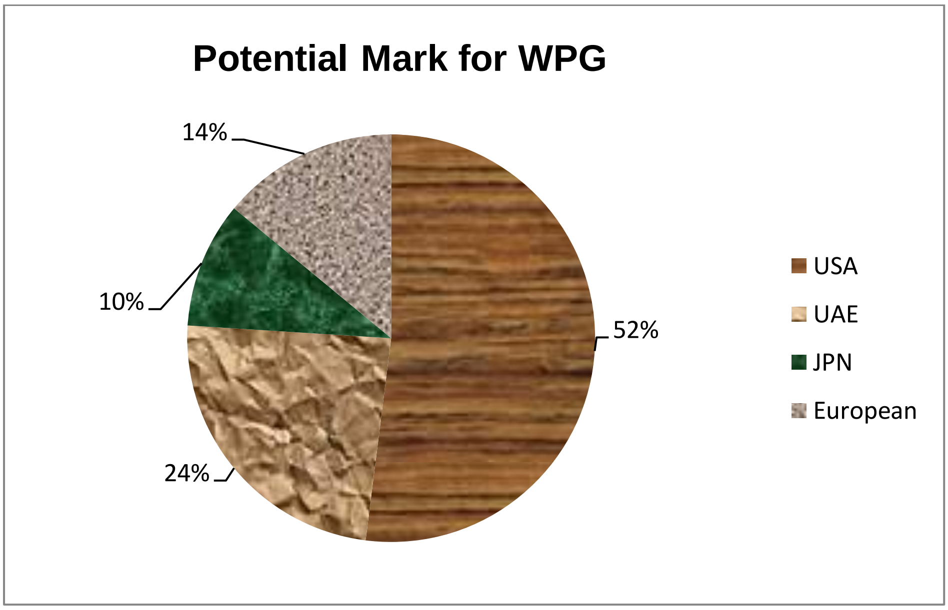
Figure 4.11



4.6 Potential Market of WPG

Respondents were asked a set of question included in structured questionnaire and asked to respond about the potential market of Nepalese WPG in future. Of the total respondents, 52 percent opined USA as their potential market while 24 percent said it will be UAE (United Arab Emirates), 10 percent said it will be Japan whereas remaining 14 percent said Europeans countries would be the best potential market for Nepali pashmina product in near future. So from the survey it was found that American market is the main potential market for Nepalese WPG. The collected responses regarding the potential market of Nepalese WPG is presented in figure 4.12

Figure no-4.12



CHAPTER – V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter is the most important chapter for the research because it is the extract of all the previously discussed chapters. It contains the major part of the research. This chapter consists of mainly three parts: Summary, conclusion and recommendation. In summary part, summary of all the four chapters has been made. In conclusion part, the result from the research is summed up and in recommendation part, suggestion and recommendation is made for improving the present situation to the concerned parties as well as for further research.

5.1 Summary

No country has the sufficiency in all types of goods and services as necessary. No country is well endowed with the adequate natural resources so each country has to be dependent upon other countriesresources and products. The countries have become more and more dependent upon each other with the increasing flow of trade. The transection of goods/services between or among nations is knows as international trade. In the present context, the Nepalese international trade has become more tough and challenging due to changes in the domestic and international economic environment, and declined foreign trade scenario of Nepal. The decline in trade poses huge threat to economic situation of the country. Thus, a new vision for international trade is urged.

Nepal's export sector is shattered by drastic decline in export to overseas countries. Top rated exporting products to overseas like garments, pashmina, carpet, handicrafts etc. has dropped off seriously. The entire world's economy is fluctuated. On the whole, Nepal's trade with overseas countries is in critical position. At this situation, a search for new strategic option is required to protect export trade.

In this circumstance, an attempt has been made in this work to study Nepal's export trade regarding woolen and pashmina goods as a better option. The history of pashmina industry in Nepal is short. It can be traced back to about three decades ago. However, pashmina production emerged in Nepal during 1970 but in international market it entered after 90s, and remained third exportable items for many years. At present it is providing employment to over five thousand people by around five hundred industries. Majorities of the women are benefited. Most of the designers are from India and Bangladesh. 95 percent of the raw material for pashmina industry is being imported from other countries.

The present study has comprised with the objective of assessing and analyzing the trend of Nepalese pashmina goods; finding the problems that are facing by the pashmina industry; commencing prospectus of the sector, and finally finding current market places as well new potential markets for the Nepalese pashmina goods.

While achieving these objectives, both primary as well as secondary data were collected, processed and analyzed. Primary data were collected through structured questionnaire distributing them to pashmina entrepreneurs. Nine respondents were chosen randomly around the Kathmandu valley to collect primary data and information. And secondary data were collected from NPIA, TEPC, different articles relating to the sector.

5.2 Conclusion

On the basis of the study following conclusions are drawn:

1 Export-trend for pashmina goods of Nepal's is continuously decreasing. Though the total trade value shows an increasing trend, the comparative sales as of previous year is decreasing. The peak year for the Nepalese pashmina export was the fiscal year 2001/02 and lowest was in 2009/10. Since then, the sector could not maintain its good position in international market.

2. The first one mainly being the problematic issue for the industry was high cost of raw materials as well as its quality. There is question of identity of Nepalese pashmina in international market. Hence, Nepalese pashmina was deprived of uniqueness and identity. There is weak market promotion and image building activities followed by the industry. As per National dailies, there is very low international promotion of this product.

3 Even Nepalese pashmina is being accepted by importing countries due to its quality, durability and warmness as its competitive advantages, Nepalese pashmina have no special brand name and identification. This would create difficulty to distinguish them from other pashmina items because the pashmina goods are easily available in the international markets produced by the countries like China, Italy and India.

4 There is still a high and good demand for real-top quality product and pashmina knitwear in the international market, but rarely available up to date information. Nepalese Entrepreneurs sometimes are unable to identify the exact market for the products leading to lose the opportunity.

5 USA seemed to be the main market for Nepalese pashmina from the study. However, export trend of pashmina goods seemed to be decreasing towards USA. Thereafter, European countries seemed to potential for Nepalese pashmina goods.

Hence, Nepalese Pashmina manufactures should look toward increasing exports with existing importer in addition to promoting to potential market.

6 As pointed by the respondents, the potential market for Nepalese pashmina goods would be USA. Then after, UAE would be better option for Nepalese pashmina goods in near future.

5.3 Recommendations

On the basis of analysis of the primary and secondary data and major findings of this study, following pertinent recommendations and suggestions have been made for the betterment of Nepalese pashmina industries.

5.3.1 Measure to Enhance WPG Export

Pashmina Industry has emerged as the 10th largest export industry of Nepal over some years of the observation. However, its growth has been experiencing ups and downs. As pashmina industry is one of the most thriving export industries, giving employment to not less than 5000 people is in the verge of closing down. In the free trade economy and post WTO regime, the government should be very supportive for the growth of pashmina industry. It is only after that the Nepalese PI’s can overcome the mentioned constraints as lesser its degree eventually contributing for the export prospectus in the future. The following are some areas where government and PI’s have to take substantial measures:

a) Reduces Cost

It is most important to cut down the cost of production of pashmina products without compromising in quality to be able to compete in the arena of international market. For that, the government should categories the pashmina as a first product to be exported internationally and should formulate the suitable plan and should give concession in income tax, value added tax, custom etc. Also the industries should be able to get easy bank loan on low interest basis. Likewise, as long-term plan, the farmers in the mountain region should be encourages to raise more chyangra professionally to be able to produce more raw materials within the country easing in maintaining the quality and also in reducing the cost of production.

b) Market Promotion and Image Building

Nepalese pashmina, from the past till today, is enjoying lots of marketplaces as niche market but the export of woolen and pashmina goods was not able to make its strong quality and position in almost all places. So, there is a dire need to promote its market nationally and internationally. It should develop new market for pashmina goods through market promotion programs such as taking in various trade fairs and exhibitions. Likewise, Nepalese pashmina has to compete with other pashmina like products which are not really pashmina item. So that it is recommended to promote the name of Nepalese pashmina as ‘chyangra cashmere’ through the proper media to regain the image of Nepalese pashmina in the world market using different websites, fashion magazines etc. The latest concept of social media like facebook would help promote the product.

c) Standardization of Nepalese Pashmina

Standardization of Nepalese Pashmina is the other requirement of its export trade promotion. The export product should have certain standard and qualified as an export quality and there should be a system of brand and standard logo. It help the Nepali pashmina to build up clean image in international market.

d) Encourage the Private Sector to set up Spinning Mills

Nepal could add much more value to its pashmina exports if it develops the capacity for spinning yarn. At present, the farmers sell most of the raw pashmina fiber to Chinese traders. Paradoxically, the pashmina yarn is consequently imported from China and Mongolia. Building of a spinning mill is a long-term project, which requires considerable resources. The desirability of such spinning mill will first need to be explored and confirmed by the weavers and exporters. Ultimately, the spinning mills would become the primary clients of the goat farmers.

e) Separate Studies on the Pashmina-knitting Sector

Information about the knitted pashmina business (Sweaters, pullovers, cardigans, knitted throws, blankets, shawls) is not adequate in a systematic manner. So far, most of the collected information is about the woven pashmina/silk traditional shawl export. There is hardly any information from knitting industry, the annual turnover, the exports, and total numbers of people working in the knitting industry and future possibility to grow and diversify knitted pashmina products. Furthermore, there is little information available regarding yarn spinning by hand. This needs further investigation, as there is certainly a very lucrative niche market for hand spun, and knitted fashion items in the western world.

f) Investigate Designating Special Chyangra Zones

The Tibetan bordering districts of Nepal, as chyangra zones, should be developed by the government as finalized by different feasibility studies. In such a way, specific government support should be mounted to promote and develop chyangra husbandry in areas concerned.

g) Training for Farmer and Textile Engineers

The farmers, engaged in the production of pashmina and silk yarns should be trained with technical knowledge for the betterment of their jobs. Likewise, Nepalese textile engineers and professionals should be trained through recognized institutions, universities etc. In this regard, the feasibility of establishing a financial trust fund for scholarships for Nepalese students to attend these textile universities abroad should be explored. Likewise, appropriate training institutions should be established by the government.

h) Laboratory for Yarns

It is essential to establish independent institutions for R and D, product development, product testing and training. Capacity should be built in the areas of production, product adaptation, export management and technical services. In particular, it is important that an independent testing laboratory inspecting quality of the product, yarn and or fiber. Consequently, the producers would means to determine whether (imported or domestically sourced) yarn is pashmina and determine its quality. If an independent testing laboratory is there, quality of the purchased yarn as inferior, the producers would have a strong refuse the batch or negotiate a discount.

i) New Innovation

Pashmina weavers, knitters and exporting companies should be ready to introduce innovative products or adopt the existing products to suit the buyer’s needs based on the results of sound market research. In relation to this, one should take the international trends in terms of design and colors into account.

j) Product Diversification

Pashmina products are non-guaranteed fashionable products. They can be outdated at any time. Keeping this fact in mind and to prevent the risk of becoming the product out of demand/obsolete at any time, the pashmina traders should fabricate the product as per demand and need of time. For example, making the product lighter, smaller, altering the designs etc. In the potential market areas, there should be a system of presenting them in different forms, in different fashion shows to make it as an important fashionable item.

k) Trade Fairs and Exhibitions in International level

Exporter of pashmina products should be ready to participate in relevant trade fairs. In anticipation of this, new collections need to be designed, developed and produced by the exporters at their costs and the appropriate fair should be selected. It should be noted that sample of the final collection must be produced twice: one to maintain in Kathmandu for production and another one to export at the trade fair. All exporters should have its own identity at the trade fair. In order to build Nepal's image as a producer of high quality pashmina, new collections should be presented every year. Such participations help to foster international promotion.

l) Labor Law Reform

It is realized that firstly the government should enact separate labor law for export industries, including pashmina industry. Pashmina industry suffers from unforeseen labor problems. Labor indiscipline is a great threat to this industry. Policy reform should be done with regard to labor. Hire and Fire policy should be levied. Special code of conduct should be established. Labor should be out of political affiliation. Government should regularize the minimum pay system to avoid unseen protests by labourers.

m) Government support

Political instability is constantly and adversely affecting the PIs in Nepal. Restoration of political stability by ensuring appropriate means by the government is an urgent need. Similarly, the coordination among the government line departments related to export should be supportive and the private sector should be encouraged. Government should give high priority to cottage industry and financial incentives to the areas concerned. Also, essential is to establish export research and development institutes, quality control mechanism for WPG. Government should always look positive towards the problem faced by the WPG industry and always look forward to solve them with due priority.

n) Eco Friendly and Quality Control

The manufacturers should determine and maintain the quality of the product at every stage of production and maintain a system for quality management. The waste from dye, lubricants and fuel in weaving looms should be managed properly for preventing the environmental pollution. Likewise, the weavers (80 percent woman) should be aware of health problems caused by the yarn dust and other chemical used for dying the pashmina yarn.

o) Brand Building

From marketing point of view, it is important to create brand used for all the producers that meet the minimum quality standards that ensures the certification trademark. Only the producers that adhere to the quality label would be allowed to use the logo. The use of the logo does not mean that the respective products would not use its own trademarks. A well-designed logo and luxury labels are important marketing tools for the exporters. This would be beneficial to brand sensitive importers.

Besides the above mentioned issues, the Government, the associations and all the stakeholders of pashmina trade, should come forward jointly to sort out problems, find strategies and implement it effectively with all sincerity for the betterment of pashmina sector. All the concerns can play a vital role by taking a proper campaign to promote pashmina trade in international market. If necessary efforts are made, the pashmina trade of Nepal without any doubt has a bright future.

BIBLIOGRAPHY

Bajracharya, P. (1990), ***Salient features of the Industrial Relations Dynamics in Nepal, Industrial Relation in Nepal,*** Ktm ,Industrial Relation Forum

Ball, Donald A. & Wendell H. Mcculluch Jr. (1982), ***International business: Introduction and Essentials***, Texas, Business Publications

Bennett, Rogar (2002), *International* ***Business,*** Delhi, Pear Son Education (Singapore) Pvt. Ltd, Indian Branch

ITC (2007), ***Chyangra Cashmere and Silk Products from Nepal: Export Performance and Potentials***, Kathmandu, Asia Trust Fund

Joshi, Shyam (2001), ***An Introduction to Nepalese Economy***, Kathmandu. Nabin Prakashan

Manandhar, Amar Bahadur (2006), ***Potential of Cleaner Production in Pashmina Industries***, Smarika, NPIA

NCC (2007), ***Market Intelligence and International Standards for Pashmina***, Kantipath, Kathmandu, Nepal

Pant, Prem R. (1991), ***Industrial Relations and Development, Industrial Relations in Nepal***, Ktm, Industrial Relation Forum

Pant, Prem Raj (2007), ***Business Environment in Nepal***, Kathmandu, Buddha Academic Enterprises Pvt. Ltd.

Shrestha, Shyam Krishan (1994), ***Export Market Management in Nepal: A Critical Study***, Kathmandu, Nabin Prakashan

Silwal, Dhruba Prasad (2062), ***Research Methodology in Management***, Kathmandu, Nepal

Trade and Export Promotion Center (2011/12), ***Nepal Overseas Trade Statistics***, Kathmandu, Nepal

Upashyaya, Subarna Prasad (2006), ***Pashmina Production and Quality Management***, Smarika, Kathmandu, NPIA

Bista, Khem Bahadur (1988), ***Garment Industry in Nepal***, Unpublished Master's Degree Thesis Submitted to FOE, TU, Kathmandu, Nepal

Kharel, Predip (2002), ***Nepal's Trade with SAARC Countries***, An Unpublished Master's Degree Thesis Submitted to FOM, TU, Kathmandu, Nepal

Shakya, Bigendra Man (1998), ***Basis of Trade and Transit: A Nepalese Perspective***, Kathmandu, Educational Book Center

WebSites: www.pashminaassociations.org.np

www.tepc.gov.np

Appendix I

Administered Questionnaire
Survey of Pashmina Industry Questionnaire

S. No

Date:

Name:

Location:

Proprietorship:

Establishment:

Scale:

Funding:

No. of employee ………………Male…………Female…………

Temporary: ……………………………………………………………..

Permanent: …………………………………………………………….

Q .1. Which is the main market for your product?

USA…….Japan………………Canada……..Uk…..other(specify)

Q .2. Which is the potential market for pashmina goods in future?

1………….2……………3…………….4…………..

Q .3.What are the comparative advantages of Nepali pashmina with rival countries pashmina goods?

1…………….. 2…………….. 3………………

Q.4. What strategy should be adopted by pashmina industry for it's sustainability in the context of free Trade?

i) Focus strategy
ii) Differentiation strategy
iii) Low cost leadership strategy
iv) Other (specify)

Q.5. How's your business 2 years earlier and now?

…………………………………………………………………

Q.6. How do you want to see your business 2 year from now?

…………………………………………………………………

Q.7. which of these problems you find most prominent in your business?

a) Availability of raw material

b) High cost

c) Foreign labor dependency

d) Buyer dependency

e) Poor logistics

f) Unsupportive government policies

g) Poor R & D support

h) Supplier's reputation

Q.8. Are there any other problems besides those mentioned in question 7?

a) Bad reputation of chyangra cashmere
b) Private sector entrepreneur's unity
c) Access to market promotion
d) Market promotion programme
e) Inconsistent quality of cashmere yarn
f) Others (Specify)

Q.9. What do you think the possible solution to these problems?

a. Market promotion and image building.
b. Training farmers and textile engineers.
c. Encouragement to private sector setting spinning mills.
d. Investigate designating special chyngra zones.
e. Undertake separate studies on the cashmere knitting sector.
f. Any others (Specify)

Q.10. Any comments/suggestions to

a. Government
b. NPIA
c. Others

Thank You

Appendix II

List of Pashmina Industries Surveyed

SN	Name of the Organization	Address
1.	Alpine Pashmina Industry	Duwakot, Bhaktapur
2.	Dhawalagiri Pashmina Industry	Tahachal, Kathmandu
3.	Everest Cashmere Industry	Sankhamul, Kathmandu
4.	Ganesh Dip Pashmina Industry	Kalanki, Kathmandu
5.	Nepal Pashmina Industry	Kalopul, Kathmandu
6.	Novela Silky Wool	Patandhoka, Lalitpur
7.	Royal Pashmina Industry	Balkumari, Madhyapur, Thimi
8.	Sagarmatha Silks	New Baneshwor, Kathmandu
9.	Samantha Pashmina Industry	Thankot, Kathmandu

Appendix III

FOREIGN TRADE BALANCE OF NEPAL

Value in '000 Rs

Fiscal Year	Exports	% in Total	Imports	% in Total	Total Trade	Total %	Trade Deficit
2002/03	50011122	28.1	128228134	71.9	178239256	100	78217012
2003/04	53949414	28.4	135840335	71.6	189789749	100	81890921
2004/05	58443821	28.3	148294229	71.7	206738050	100	89850408
2005/06	59776874	27.1	160677924	72.9	220454798	100	100901050
2006/07	58927097	23.1	195808412	76.9	254735509	100	136881315
2007/08	58474359	19.8	237030276	80.2	295504635	100	178555917
2008/09	68596852	19.1	291000944	80.9	359597796	100	222404092
2009/10	60949603	14.0	375605870	86.0	436555473	100	314656267
2010/11	64562444	14.0	397535942	86.0	462098386	100	332973498
2011/12	74089060	12.9	498161075	87.1	572250135	100	424072015

Sources: Neapal Rastra Bank and Trade & Export Promotion Centre