

**NEPALESE HANDMADE WOOLEN CARPETS:
EXPORT PROBLEMS AND PROSPECTS**

A Thesis

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**In Partial Fulfillment of the Requirement for the Degree of Masters of Business
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New Baneshwor, Kathmandu

July, 2009

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DECLARATION

I here declare that the data and work reported in this thesis entitled "Nepalese Handmade Woolen Carpet: Export Problems and Prospects" submitted to office of dean, Faculty of management, TU is my academic work done for the partial fulfillment of the requirement of the Master of Business Studies (MBS) under the guidance and supervision of Mr Gopal Thapa Lecturer of Nepal Commerce Campus, TU.

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ACKNOWLEDGEMENT

At first, I heartily acknowledge Mr. Gopal Thapa Lecturer of Nepal Commerce Campus Baneshwor, Kathmandu for his timely guidance, regular supervision, kind co-operation, Suggestion and encouragement throughout the course of this investigation and the preparation of this thesis.

I think this is also an occasion to express my heartily thanks towards all the members of my family whose regular inspirations and continuous contributions are the secret of my success. More specially, my sincere thank goes to my maternal uncle Mr. Shiva Kumar Bhattarai, my friend Mr. Yadab Poudyal and Mr. Gopi Adhikari for his kind co-operation and regular inspiration to pursue my study.

I would like to express heartily thanks to all the staffs of TPC, CWDB, NRB, and CBS. Sincere thanks to all the staffs of Nepal Commerce Campus, T.U. for providing kind information and suggestions to me for this study.

My appreciation goes to Mr. Rohit Acharya, Mr. Megha Raj Bhattarai, Mr. Gopal Neupane, Mr. Nabin Lamichane, Mr. Upendra Acharya, Mr. Rajib Guragain and to all who helped me in this research work.

Lastly, I don't want to state that this research report is complete and perfectly satisfactory. There may be various limitations and short comings. I am alone responsible for all those.

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June, 2009

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ACRONYMS

AD	=	Anno Domini
CBS	=	Central Bureau of Statistics
CEPC	=	Carpet Export Promotion Council
CIDB	=	Cottage and small Industry Development Board
CTDC	=	Custom Transit declaration Certificate
EC	=	European Community
ESC	=	Export Service Center
FNCCI	=	Federation of Nepalese Chamber of Commerce and Industries
FY	=	Fiscal Year
GDP	=	Gross Domestic Production
GNP	=	Gross National Production
GSP	=	General System of Preference
IGEPP	=	Indo- German Export Promotion Project
ISO	=	International Standard Organization
ITC	=	International Trade Center
JETRO	=	Japan External Trade Organization
L/C	=	Letter of Credit
LDC	=	Least Developed Countries
MFN	=	Most Favored Nations
NCC	=	Nepal Chamber of commerce
NCEA	=	Nepal Carpet Exporters Association

NECAMA	=	Nepal Carpet Mart
NGCCI	=	Nepal German Chamber of Commerce and Industry
NJCCI	=	Nepal Japan Chamber of Commerce and Industry
NRB	=	Nepal Rastra Bank
PR	=	Personal Relation
SATA	=	Swiss Association for Technical Association
TPC	=	Trade and Export Promotion Center
USAID	=	United State Agency for International Development

CHAPTER – I

INTRODUCTION

1.1 General Background

The art of weaving is an old tradition in Nepal, Especially in the mountainous region of the country. Radhi, Pakhi, Bakkhu, Darhi are well known Nepalese products produced using indigenous wool in this region. The marketing of those products was confined to the domestic market.

The development of an export quality carpet was initiated with the influx of Tibetan refugees in the early sixties. Credit goes to the Swiss Association for Technical Association (SATA) for their contribution, in the development of the carpet industry in Nepal though financial and technical support to the Tibetan refugees' resettlement programmes. In the beginning, it was launched as a source of live hood for the Tibetan refugees and marketing was limited to tourists visiting in Nepal. Efforts to gain access to the international market area paid off in 1964 A.D. when the first commercial shipment left to Europe, namely Switzerland with vision and entrepreneur skill, it transformed into a nationally recognized commercial commodity and remains the most important export product from Nepal.

During the four decades, carpet industries in Nepal could establish the solid foundation of export in international market. Thus the development of carpet industries has been a gift contribution to the country as being the biggest National item, playing a vital role to the development of national economic growth, contributing highest foreign currency earning sources and providing maximum employment to the country people. Nepalese carpets have been able to win the international recognition due to their unique qualities. At present 90 percent of the production of carpet is concentrated in the Kathmandu valley with the remaining 10 percent spreading over a number of other districts of the country.

The Nepalese Tibetan carpet contains a very high degree of hand processing and qualities ranging from 60-150 knots per square inch. Regularity safe guards are in place to ensure that only highest quality fleece wool is imported for use in these carpets. Buddhism basically influences the traditional design of the Nepalese Tibetan carpets but in recent years the Nepalese manufacturers have introduced modern design and colors in line with the present day market tests. A wide range of sizes have replaced the traditional size and in shapes such as round, octagon and customers shapes. The desired designs, styles and shads are the creation of local designers and engineers with regular feedback from the market. (www.nepalcarpet.org)

Hand knotted woolen carpet knitting profession was converted into industrial form under Swiss government co-operation to the refugees in Nepal, after entering the Tibetan refugees. This shows the development of carpet manufacturing and shows the development of carpet manufacturing and export trade of carpet. Before 1963 a very few people in nor then hilly region such as Jumla, Darchula, Jomsom etc. were engaged in producing carpets for their household uses. The export datum is not available about how many carpets in which country, where exported before FY 1971/72. From 1971/72 government of Nepal has been keeping national wise data of handmade woolen carpet. In FY 1971/72 the handmade woolen carpets had been exported to value of Rs. 1.7, millions which was 33 percent of total export of the country. Similarly, in 1979/80 it was exported to value of Rs. 50 million. In 1992/93 it was exported to value of Rs. 9520 million. It was the peak point of export. In 1997/98 it was exported about of Rs. 7703.7 millions. Then it was exported in decreasing trend. In 2007/08 it was exported about of Rs. 5961 millions. Now, its export trend is slowly incremental. The main market of Nepalese handmade woolen carpet is Germany. In average more than 42 percent market is in Germany but in FY 1999/2000 it has occupied 80 percent of whole export. Now a day the trend of export of handmade woolen carpet is increasing in Turkey, Belgium, UK, USA, Netherlands Switzerland, Austria, Italy and Canada. The main

competitors of Nepal are Iran, India, China, Afghanistan and Morocco. (Carpet from Nepal 2008, Year 13, Issue 1 pp: 21:26)

Handmade woolen carpets are among the various labor intensive manufactures traded in the world today. A few developing countries especially in the production and export of handmade carpet producers while industrialized nations from the main market. For Nepal a least developed country (LDC) with a Gross National Product (GNP) per capita income \$ 1040 (World Bank annual report, 2009) in 2008- carpet manufacturing is one of the primary source of foreign exchange. The country is ranked as the 14th largest product of carpet with 1.09 percent share of the world market. For the economy characterized by a large primary sector in terms of the population, which depends on agriculture, carpets contributed 22 percent of non-agricultural gross domestic product (GDP) in 2005. At the end of tenth plan 2007, the carpet sector has provided jobs to around 20% of total manufacturing employment.

Nepalese carpet has earned an excellent reputation in the European and American markets. The export of carpet from Nepal has crossed the border of more than 60 countries; the main market still remains in Germany. The handwork, creativity, ingenuity and honesty of the manufactures assisted by a close collaborative stance from the overseas buyers are reasons behind the steady growth of Nepalese carpet industry and its international market share. There are quite a few distinctive qualities of Nepalese carpets, which are generally identified by the density of knots. The major productions are in 60 knots quality but demand for 80 knots, 100 knots and above 100 knots quality are rising. The universal density of 70,000 knots/m² and 3.80 kg weight in 60 knots quality carpet was the standard up to every seventies. But the introduction of strong chemical wash and market demand in Europe led the manufactures to change their products to beat thick pile products. The present day quality of Nepalese Tibetan carpet of 60 knots would have a density of 56000knots/m² and the weight range from 4.5 to 5 kg, where in 80 knot would

have 80,000knots/m² + with a weight of 3.5 to 4.25 kg and in 100 knots the density would be 1, 25,000knots/m² + and the weight varies from 2.5 to 3.5 kg.

Nepal has become 147th member of the world trade organization (WTO). Being the member of WTO, it also can get the market access and free market facilities by different countries equal to other LDCs which ultimately help in carpet export. Carpet gets the GSP facilities by many council tries.

1.2 Focus of the Study:

Handmade woolen carpet is the highly sophisticated product, which is used for the decoration and floor covering. The harmonized color combinations and the thick pile of this rouge are the main features. Having phased out the quota system, the export of garments will not be possible. In this context, the government should protect this industry, but so many problems and challenges are existed in front of the carpet industry and its export in present.

Nepal stands at a very good position in the global handmade woolen carpet export trade. Nepal has also achieved by success and occupies good place in top ten exporters list. Big amounts of carpet, advanced technology are not required for carpet industry. So it is suitable for LDCs, like Nepal. This study will try to focus mainly on the overseas export of handmade woolen carpet of Nepal in relation to balance of trade position. The share of carpet export in total country's export is international market. This study will also try to cover production aspect and trade relation of Nepal.

Nepal the new comer in the foreign market is hardly competent to face the intense international communication. The scientific market research and area survey in foreign countries must be undertaken to be familiar with the complexities of international market and their trade.

1.3 Statement of the Problem

Nepal woolen carpets have being supported to reduce trade deficit because Nepal. Always faces huge deficit trade. Large numbers of people are being

employed in these industries. It has made positive impact in both employment generation and foreign currency earning which are the main obstacles of Nepalese economy. Looking this positive side, woolen carpet industry may have brought future in Nepal.

Nepalese carpet export has with only comparative advantage of cheap labour cost. Nepalese manufactures use New Zealand wool and to a certain extent the Tibetan substitute. So, Nepalese carpet industries may fail if the policy of wool exporting countries changed for the long run continuity growth carpet industry attention should be paid in these aspects. Nepal is a land locked country so the sea-coast is also quite far. Hence, transportation is the major problem of the export, problem of handmade carpets most of the carpets are exported to European countries so export of carpet from Nepal has to be air freighted which is of course, very expensive and its costs automatically increase.

Specially, Nepalese people living the hilly and mountainous area still producing carpets using the locally available wool and in traditional techniques. But due to the inadequate knowledge and experience about the wool and proper production techniques the manufactures are not sufficiently successful in producing quality carpets. Besides these, shortage of skilled labour, use of many child labors, lack of designers, inferior quality of product, poor packaging, limited publicity, import of quality raw wool and export change in our foreign exchange are the major problems of our carpet export trade. Proper international market research has not been done yet. So, exporters have extremely no proper knowledge about market trends, which is most important factor of the product in perfect competition market. Available research has not been able to reveal the correct trends of demand, strengths, weakness and market strategies of other competitions. Furthermore these are various reasons that the export of carpet is being up and down. Due to unreality and delay and high cost of air freight discourage the exporter to increase the trade.

1.4 Significance of the Study

In the beginning, Nepali handmade woolen carpets were exported as souvenir and gift items. Within forty one years it has converted into country's main exportable item. So the country has to expand its export but here are problems of carpet expansion and promotions. Some suggestions about the solution of carpet export problems are the main purpose of this study. This study gives more information about the problem of carpet export and international market. That is way this study will be beneficial for all the persons who are directly or indirectly related to carpet exporting and carpet industry. In this context to find out the market potentiality and measure to solve the problems of export are the significance of the study.

1.5 Objectives of the Study:

The main objective of this study is to analyze the export aspect of Nepalese woolen carpet in overseas countries. The specific objectives of the study are:

- a. To examine the problems and prospects on woolen carpet exporting.
- b. To analyze the export trends of Nepalese woolen carpet to overseas countries.
- c. To examine an international market of woolen carpet and the market share of Nepalese carpet and its contribution to the national economy.
- d. To find out the promotional strategies for international market.

1.6 Limitation of the Study:

Due to the lack of time and the environment all problems on woolen carpets export cannot be included. This study deals with the export aspects of woolen carpet trade only and highlighting the problems relate to carpet exporting.

- a. This study only analyzes about the export problems and prospects of Nepalese woolen carpet.

- b. This study only depends upon some secondary data. Secondary data related on TPC, FNCCI, NRB etc. and various carpet related websites.
- c. This study covers only export value for trend analysis.
- d. This study is limited up to mid July 2008.
- e. This study doesn't find out promotional strategies on details.
- f. The data from several Nepalese government organizations are not same.

1.7 Organization of the Study:

The whole study is divided into five chapters. The titles of each of these chapters are summarized and the each chapters of this study are briefly mentioned here.

- a) The first chapter deals with the subject matter consisting introduction, focus of the study, statement of problems, significance of the study, objectives of the study, limitation and organization of the study.
- b) The second chapter deals with literature review that will include a discussion on the conceptual framework of carpet export, Review from books, Journals, Thesis, Reports, Newspapers and websites.
- c) In the same manner, Chapter three is concerned with research methodology. This includes research design, nature and sources of data, population and sample, methods of analysis etc.
- d) Chapter four deals with the required data presentation and analyze through the way given in the methodology.
- e) In the last chapter, summary and its findings, suggestions and recommendations are included.

At last but not the least the bibliography and appendices are incorporated at the end of the study.

CHAPTER - II

REVIEW OF LITERATURE

2.1 Concept Related Review

For this study different related literature, reports, articles, books, magazines, newspapers, seminars papers and thesis have been consulted. In this study, some of the pestilent study reports have been reviewed to find out new aspect of the entire carpet sector; multiple topics are covered in this study, which is used to analyze the issue faced by the Nepalese carpet industries.

2.1.1 Carpet Industry in Nepal

The history of Nepalese Hand-knotted carpet industry in Nepal is not new. The carpet production was started significantly in Nepal when in 1959/60; thousand of Tibetan came to Nepal as fufures. Several international bodies (in initial effort of Dr. Toni Hagen) established different reception camps in Nepal and started to help them at the beginning. The another view carpet industry in Nepal is a long old traditional carpet works belonging to shepherded classes mostly scattered in northern boundary of Nepal. Under cottage and small-scale industry at that time of department of HMG, it was limited to the training program. Only in B. S. 2020, this department had established two private sector industries in Patan Industries Estate. One in Nepalese carpet industry (P) Ltd and another is Nepalese craft Industry (P) Ltd. These industries could not promote significant too. For long term settlement to make the Tibetan self-resident and economically independent, Swiss government was honored by Nepalese government to peruse this relief work. Then SATA opened one of the campuses at Jawalakhel in Kathmandu valley and started handicraft training work for them. The most suitable world was found at carpet weaving in their traditional system. Then, the carpet production was started in Jawalakhel handicraft center from the Tibetan

refugees for the first time in Nepal with commercial purpose to sell in Nepal as well as in foreign countries. Since then Tibetan carpet become a beautiful souvenir to the tourists to take back to their home decoration. To sell the Tibetan carpet in foreign countries the first sells showroom of Nepal was opened in Switzerland in 1964 AD. Then industries in Nepal were also established in Solukhumbu and Pokhara.

Himalayan federal democratic republic of Nepal, landlocked countries were 80 percent of economy is based on the traditional agriculture and 31percent of people are still living under the poverty line. (Tenth plan report)

As the most terrain of land belongs to hill, high hills mountains and only 10 percent are the terrain plains and the agriculture fully depends on the seasonal monsoon, which is often uncertain. It cannot provide employment to people for full time and hence only alternate for the people left over is to take refuge in Urban area where these are opportunity to work as manual labour. This is true especially in the case of people from mountain area.

As the urban area also do not have multiple choices to absorb the ever increasing influx of marginal labours, the only available resource in the carpet industry which is providing employment to 40 percent of the total manual labour force of the country. The carpet industry is providing opportunities not only to the lower class houses. It is no wonder that the carpet industry enjoys the ranks to top most among the industries to earn the foreign currency. But ever so, it has to face the fluctuating market especially in export market area. This is because of the diminishing quality and standard of the product and the consequent is less demand in the international market. Here it blames are to be put on the carpet manufacturers, export and trade houses themselves. The future prospectus of carpet industry depends on the standard quality and exploration of the new international market and these are basically the

responsibility of the local carpet manufactures and entrepreneurs.
(www.nepalcarpet.org)

Though people residing in high hill of northern of Nepal. Tibet have traditional of sheep farming for their domestic consumption purpose, raw wool for the individuals purpose have to be fully imported from New Zealand and Tibet while colour from Switzerland. The only one domestic cotton factory could not meet the demands as such as cotton treads has to be imported from India and other sources. At the first, wood used to important from India and other sources but after wool used to import from Tibet and New Zealand but other wool producing countries also have shown their interest to Nepalese carpet industries.

Gifted skilled manpower constitutes the lion's share in the success or production of quality carpet. Wool as the prime constitute should be of high quality, washed, and cleared, colouring the threads as per the requirements designed and pattern with right proportion of chemicals and colour. The cutting of design and washing of the finished carpet also enhance the beauty. The required manpower is sufficiently available from domestic sources till date. The demand of quality and standard carpet calls for trained and skilled workers. The general practice of imparting training is on the job training by employing trainees to be attached with two numbers of skilled workers on the job itself till the trainees become independent enough to share their earned skill with the incoming fresh trainees.

2.1.2 Foreign Trade of Nepalese Carpet

In today's world trade activities can remain confined with the boundary of a country. Modern communication and efficient transport network has made the world close and created ample opportunities of trade and business. Taking advantages of modern technological development almost every country are trying to achieve the market for their product. Similarly, all the entrepreneurs

are also keen to expand their business, and they are eager to promote their exports. All these activities are not possible without foreign trade. Trade plays a vital role in fastening balance of payment as well as other development efforts of the country of trade. Foreign trade is the key factor for the economic enlistment of the country. Since the foreign trade plays an important role in the industrialization of a nation. Its contribution is of great importance for the developing country like Nepal. In the foreign trade especially export trade has very important role to play for the development of the country.

In the past, the foreign trade of Nepal of carpet was limited. Nepal has become 147th member of world trade organization. Being the member of WTO, it also can get market-access and free market facilities by different countries equal to other LDC's, which alternately help in carpet export. Carpet gets the GSP facilities from many countries. Especially after 1960s, because of Nepal's participation in the international trade fairs and inhabitations, more demand for Nepalese woolen carpet in international market could be created. Such a growth in trade has better impact on Nepalese overall economic development effort. Nepal can easily export of Nepalese Handmade woolen, carpet more than 60 countries. (www.cwdb.gov.np)

Foreign trade sector has emerged as a priority sector in Nepal. Volume of carpet's foreign trade (export as well as import) has been increasing tremendously since 2006. In the recent research the trade of carpet is increasing in USA, Turkey, Belgium, UK, Netherlands, Switzerland, Austria, Italy, Canada and other countries.

2.1.3 Carpet's Contribution to National Economy

Woolen carpet was taken as a personal use at first. After some time it was taken as a complementary product of tourism industry. Before 1972/73 the export record are not available but in some quantity it has exported to

Germany. After 1972/73 the export data have been maintained by Nepal Government. Since that period we can know that how much foreign exchange have been earned by the country through woolen carpet exporting. In 1973 the foreign exchange equipment Rs. 1,703,000 were cashed and in 1980 Rs. 55,370,000 in 1990 Rs. 2,498,694,000 was earned. In this way the carpet industries have been able to earn large value of foreign exchange in the country, which is very important to country's development. Carpet industries of Nepal such an industry where typical Nepali people and have protect to flow Nepali money to foreign. The export was in peak point in 1992/93 then after it was decreased till 2005 then after we can see carpet export is increasing in increasing trend. After phased out the quota system of textile carpet sector is the main product to get the foreign exchange.

2.1.4 Carpet Market in EC

Nepalese Handmade woolen carpets' market in the EC had an estimated retail value of US \$ 11 billion in 1990. In 1991 carpet sales fell sharply in the most EC markets, and growth of any significance was unlikely in 1992-93 owing to continuity of recession in the major countries. Within the WC the whole carpet consumption is dominated. Northern European markets, especially Germany and the United Kingdom per capital consumption of carpet in these two markets were 5.26 square meters and 4.41 square meters in Mediterranean areas. Belgium manufactured 400 million squares meters of carpet in 1991, dominates EC production and exports. Other sizeable producers are Germany (177 million) and the United Kingdom (141 million) but their exports were small relative to the usage for domestic consumption. (Carpet Annual Bulletin 2002 pp 32-38)

In 1991, Netherlands consumers spent Dm 1.8 billion on floor covering equivalent to just over 40 million square meters. In volume terms domestic demand for carpet fell by 100 million square meters between 1987 and 1991,

but this decline in volume was partly compensated by the increasing demand for better quality; more expensive carpets. The Netherlands has a sizable carpet industry, which produced 85.2 million sq. meters in 1991, a very high proportion of which was exported, imports were growing and increased from 48.9 million square meters in 1989 to 62.6 million in 1991. Other EC sources particularly Belgium and Germany, accounts for over 85 percent of all imports and completely dominate trade in tufted and needful carpet. Developing countries features mainly in supply of hand knotted carpets and woolen carpets, where they account for 70 percent or all imports. (A.G. Sherpa, Carpet bulletin, Vol. 3 years 5, 1996 pp 5-6)

Nepalese woolen carpets whole market is in EC countries. EC countries import about 600 million square meters of carpet per year and the penetration of imports had been increased in all markets. Besides Germany, UK and France, other EC source supply nearly 90 percent of all imports. Sources in developing countries are only significant in the supply of handmade and woven carpets. India accounts for nearly 30 percent of all EC carpet imports from developing countries. Other significant sources include China, Iran, Turkey, Morocco, Pakistan, Nepal and Mexico. Free trade between EC members states after 1992 and the opening of trade with the EC countries and markets in Eastern Europe will make the follow of goods between markets easier and more efficient competition will be thought not only within national boundaries, but also on a large scale between major retain groups and large international operating manufacturers and traders. The Netherlands can perform an important role as a gate way market to the EC from Exporters of developing countries. (K. P. Maskey "Carpet bulletin" Vol 3 years 5, 1996 pp. 23)

The preliminarily mission was set up from 08 November to 15 November 2006 approximately 2 weeks before the business mission, which was organized from 29 November to 06 December in Kathmandu. The programme was

organized for joint-session in the CCIA within the European partners in Nov 2006. This programs plans general national and international development programs, supports market research services, financial consultancy international marketing consulting, public relation services. The purposes of the programme were to enhance the market opportunities for Nepalese carpet industries in European Nations to establish a long-term business relationship program. With it lay with a tremendous vision to increase carpet export in European markets for promoting Nepalese carpet manufacturing.

It was encouraging to note in this respect that the EU which is Nepal's largest carpet export destination is facilitating process and financial upgrading for Nepalese supply capabilities and ways to market these capabilities. Since 2005, the EU has been running up gradation of the Nepalese carpet industry its Asia invest programme. The aim is to upgrade quality standards through advance carpet designs as per the needs of European, American and other selected Asian countries and weaving graphing, dyeing and marketing training measures. According to an industry source, the completion of the programme would help Nepalese carpet "region competitiveness". (Carpet Annual Bulletin 2007, pp 42-45).

2.1.5 Government Policies on Exports of Woolen Carpet

Government of Nepal has launched different trade policies to develop export trade of country. Different types of acts have been enacted by government toward development of export trade of country. In the process of providing different facilities on export, government had developed tax, custom and foreign exchange policies on export. But except common policies on export the special policy of woolen carpet exports have not been brought by government. In general government has brought following act for development of export trade, which is closely related to woolen carpet export. Labour Act 1992 and child labour (Prohibition and Regulation) Act 2000

(enacted since Nov. 2004.) are the two laws that are applicable to Nepalese carpet industry and carpet workers.

➤ **An Industrial Enterprise Act 2049 B. S.**

Nepalese Hand knotted woolen carpet industry is listed under domestic industry under this Act. This act adjustment sales tax, local taxes etc are not charged on woolen carpet industry, and the income tax is not charged on income from carpet export. Similarly, if some industry sold, its product on the condition of receiving foreign currency in Nepal, the charged sale tax, local tax and tax charge on subsidizing industry will be returned by government.

2.1.6 Carpet and Wool Development Board (CWDB)

The CWDB is established for the promotion of Nepalese carpet by NG. The board is the only legitimate government authority entrusted with the responsibility of ensuring quality in both the wool and the product itself. The board makes regular in separations of carpet industries and monitories the use of wool. The main objectives include:

- a. To promote the carpet in international market.
- b. To control of the quality of wool being imported and the carpet produced.
- c. To participated in national as well as international trade fairs, and exhibitions for carpet promotion.
- d. To train people for producing wool related items like carpet wearing, yarn dyeing, washing, Pasma shall and sweater also.
- e. To build infrastructure for the welfare of carpet employees.
- f. To organise interactive programs for solving inherent problem lying in the carpet industry.
- g. To conduct research and studies on various aspects of carpet industry market strategies and quality control.

- h. To carry out specific programs related to environment pollution child labour.
- i. To facilitate production and export process in close cooperation with government authorities and people involved in production, export and promotion of Hand knotted Nepalese carpet.

The board has fully fledged laboratory facilities for checking the quality of wool and also the product itself. It provides laboratory facilities training of dyeing, weaving, spinning and productions of other woolen items. The board is allowing GSP certificates to the carpet exporters.

2.1.7 Production Process of Woolen Carpet

Prior to 1984, no machineries were used in the production process. The whole process from the sorting of the wool to the packaging stage of the finished product was carried out by hand process. The production process of Nepalese carpet includes.

i. Wool Sorting and Washing

Wool from Tibet is generally imported in raw form requiring careful sorting to pick-out the foreign particles such as vegetable materials. The Tibetan wool also requires washing to remove dirt and executive grease which is followed by sub drying for two to three days. The Tibetan wool has a strong good fiber, a good luster, and a high resilient value. The New Zealand wool is imported in scoured form. New Zealand wool is imported in scoured form. New Zealand wool is of 36 micron, 100 mm barb length and is identified as type 128. British wool meeting regulatory standard have also started being available in the market.

ii. Carding

The carding process allows the fiber stands to flow smoothly when spinning. This is also the stage for blending different wool when spinning. This is also the stage for blending different wools and to ascertain the ratio of different origins. Traditionally, carding was performed by hand and machine carding was introduced when the industry grew. However hand carded product is still available if a customer so desires.

iii. Spinning

The carded wool is spun into yarn by hand using charkha (spinning wheel). The experienced Nepalese spinners are capable of producing coarse as well as finer yarns for higher knots carpet. The thickness of the yarn depends on the quality of the carpet and generally a 3 ply yarns is used.

iv. Dyeing

The traditional pot dyeing method has been largely replaced by machine dyeing in closed chambers. Dyeing was carried out in huge copper vessels in past. But with the introduction of machine dyeing better fastness has been obtained. Also the use of synthetic dyestuffs has provided a large scale of spectrum colour. Dyes containing harmful substances such as AZO are banned and dyestuffs from renowned in traditional manufacturers are used. These dyes have a high degree of fastness. The dyed yarn has to be dried in the sunlight for one to three days depending on the weather. Pot dyeing and vegetable (natural) dyeing is still being used by some manufactories.

v. Knotting

Carpet knotting is an art by itself. The worker known as the weaver is well trained and skilled in their art and has a very high versatility in knotting. It is performed by hand using graphs and sketches. The carpet knotting is a creative task, which is performed by three or four labours according to the size

of carpet. The Tibetan double knotting system is applied for knotting. Each weaver makes individual knots row after row. The designs are chartered out on a graph and the weaver translates the graphic designs into knots on a carpet. The dyed yarn is made into balls and scissors, iron rod, liver; comb beaters are used as tools.

vi. Trimming

The finished carpet is taken off the loom and the designs and patterns are curved out by scissor. The level of pile is also made smooth according to the design.

vii. Washing and Drying

The trimmed carpet is washed with fresh water chemicals. The washed carpeted is dried in the sun-light up to four or five days. While bulks of the carpets are manually washed in Nepal a notable quantity washed in Switzerland.

viii. Final Finishing

The dried carpets are given the final finishing touch by re-trimming and stretching, where necessary to bring it to as close to the order size. In this case any error in the design and pattern is trimmed and given the final touch.

ix. Packing

All washed carpets are rolled and wrapped in polythene sheet and is sealed at each end. Again, it is washed and sewn. Carpets can pack with the environmental friendly packing materials after the carpets are ready for export. Generally around 14m² and packed in each bale.

x. Payment

Export proceeds must be received through an irrevocable letter of credit (L/C) or advance payment. (www.nepalcarpet.org)

2.1.8 GSP Facilities

The generalize system of preference (GSP) is a scheme designed by various foreign countries to support the growth imports from developing countries into industrialized and developed countries. The scheme provides generalized arrangements of special tariff. It gives Concession for imports of specified agricultural and industrial products (www.nepalcarpet.org)

i. The general features of GSP are:

- Unilateral
- Non Discriminatory and
- Non – reciprocal

GSP is unilateral and not the result of bilateral agreements between developed and developing countries. Countries providing presences may change the GSP content without prove notice. Preference may vary from country to country and provided on a non reciprocal basis.

ii. Objectives of GSP

The three main objectives of the GSP are:

- a. To assist developing countries to increase foreign exchange earnings and required for development imports.
- b. To foster industrialization
- c. To accelerate economic growth.

iii. Preference Giving Countries

The development market economy countries and regions using the scheme are: Australia, Austria, Canada, the European Economic Community (EEC), Finland, Japan, New Zealand, Norway, Sweden, Switzerland, USA, countries in Eastern Europe, Bulgaria, Czechoslovakia, Hungary, Poland and the Russia etc.

include Nepal within the beneficiary list EEC member countries Belgium, Denmark, France, Germany, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain and United Kingdom.

2.1.9 Development of Carpet Industry in Nepal

Nepalese people who live in hills and mountains of Nepal have been weaving Radi (floor materials), Pakhi (covering materials), Lukmi (clothing material), Darhi (with pile) and Bakkhu (clothing material) fever centuries using wool from local sheep, goats and natural fibers from cattle plants. They have been practising carpet weaving for hundreds of years back. But, the production technique was quite primitive and the quality of the carpet was not satisfactory. So the marketing of the products was confounded to the domestic markets. Actually the carpet wearing in Nepal was not for commercial purpose at that time.

The carpet industry as of today is only a few decades old. Realizing the importance of carpet industry for the rural people, His Majesty of Nepal conducted, for the first time, a training program in carpet weaving (Persian and Tibetan) through then the cottage skill training Bureau (Gharelu Elam taalim Kendra) in 1950. But due to lack of quality wool and financial support the program could not run for more than a year. A training program of the same was launched by the government in 1957, but it was not successful for various reasons.

After the Chinese takeover of Tibet in 1950, many of the refugees came to Nepal during 1959-61 years. Most of them were from the border areas of western Tibet. The early refugees in Nepal numbering about 10000 were settled in refugee camps in different part of the country. They were settled in

- Dhorpatan in western Nepal
- Syanja in mid western Nepal

- Jawlakhel in Central Nepal
- Chailsa in Eastern Nepal

Most of the refugees taking asylum in Nepal were already exposed to craftsmanship of concept weaving. This carpet weaving techniques was exploited by the international Red Cross and Swiss Association for Technical Assistance (SATA), by establishing the Jawalakhel Handicraft centre in 1960. This organization, which initially started as carpet weaving centre for Tibetan refugees, mostly women, laid the foundation for carpet industry of Nepal. Even today “Nepalese carpets” are referred to as “Tibetan Carpet”. (Unpublished thesis; Gupta Pokhrel, T. U., pp. 16-17).

Carpet weaving was made commercially viable and industrially feasible with the financial and marketing support of the Swiss Red Cross. Today because of the export of the unique carpets, the Tibetan Settlements in Jawalakhel, Pokhara, Chailsa, Dhorpatan etc. have been well known not only in Nepal but also in many countries of the western part (www.cwdb.org).

Carpet production in Quality as well as in quantity increased intensively with the establishment of the carpet Trading Company at Jawalakhel, also by the Swiss Technical co-operation in Nepal. At that time carpets were sold in local shops for tourists. The first merge export of Nepalese carpet was made in 1962 to Switzerland, and since then the western market for Nepalese carpet has grown at steady rate.

In 1963 the then Department of cottage and village industries established a pilot named Nepalese carpet Industries Limited in Patan Industrial District to promote and develop the growing carpet industry. This project, although not successful by itself did make a big contribution for the development of carpet industry in Nepal. The private entrepreneurs gradually setup carpet weaving units and the project was also sold off to a private industrialist. Thus private

sector carpet production beginning fun swing and many retail shops began to emerge in the Kathmandu Valley during 1972 – 1975 major European importers. Established contacts with the manufacturers and the number of importing countries also began to grow.

Nepalese carpets have been able to win the international recognition due to their unique quality like texture, colour, resilience property, strength and durability. Similarly, Nepalese Carpets are always prized for being a real handicraft product. Not only in weaving but in every step of production, right from washing of raw wool to trooping of the finished carpet is carried by hand (Roster of Carpet, TPC Nepal, 2005).

2.1.10 Technological Development

The Nepalese carpets were produced by utilizing the ancient technology used for centuries in Tibet. But in the last decade, a much more marked change has taken place in the production process and technology used. The introduction of modern technology in the area of combing, dyeing designing and washing has made the industry more efficient. However the weaving technique is maintained to give the Nepalese carpet the handicraft look, for which it has become popular.

i. Raw Wool

Since the organized carpet industry came to Nepal from Tibet, originally 100 percent Tibetan wool was used for carpet making. “Tibetan Wool especially the high plateau wool, changphel, is highly prized in the carpet industry, for its great elasticity, high luster and outstanding tensile strength. The wool fibers from Tibetan sheep also have smoother surface and, therefore, reflect more light making them more lustrous than wool from other types of sheep.

As the carpet industry gathered momentum, the supply of wool from Tibet and high land region of Nepal could not fulfill the Demand. But, the New Zealand

wool exporters were able to provide Nepalese carpet manufactures with sufficient quantities of clean, scoured wool at suitable price. Hence, blending technique of Tibetan wool was blended with less New Zealand wool. This ratio slowly changed to 50:50 and today the ratio of New Zealand wool to Tibetan wool is generally 80:20. Never the less, some carpets are still produced with 100 percent Tibetan wool, where as some manufactures produce carpets with as low as 5 to 10 percent of Tibetan wool. Normally, the blending ratio is fixed according to the agreement between the buyer and the producer. Higher the blending of Tibetan wool, the higher is the price of the carpet.

ii. Carding of Wool Combing Technology

Before 1984 the raw wool were combed by hand using brushes or combs of metallic wire. But today it is wholly done mechanically with machine imported from India. With the introduction of the carding machines the blending of Tibetan and New Zealand wool has been better. It has also made the spinning easier and smoother. But the carding machine has made possible to recycle the cut price wool (Jhindu) blend into the fresh wool, which cause the quality of carpet to determinate what created problems in marketing.

iii. Wool Dying Technology

The primitive technique of vegetable dyeing has been mostly charged to chemical dying vegetable dyed, carpets were mostly in demand till early 1980's. Now, mostly the parameterized dyes imported from Switzerland and Germany are used for quality carpet. Cheaper dyes imported from India are also used, but they are not performed by the buyers.

Today, there is threat from the market on dying that Germany and Europe has stated to restrict the carpet which contains the use of AZO dyestuffs. So, steps are being taken to stop the use of dyes in Nepalese carpet with contains AZO dyestuff (CCIA, 2006).

iv. Design and Size

Nepalese carpet is made to suit European taste and décor. The design of Nepalese carpet is quite different from the design of Persian, Afghan, Bhokara designs. The traditional design pattern of Nepalese carpets were influence and by Tibetan designs depicting Dragons, Show lions phoenixes, flowers etc. but, with present day market taste the Nepalese manufacturers introduced designs and colour as line, in close collaboration with European importers. And the traditional Tibetan Size of 3' x 6' has been replaced by a wide range with the maximum size as large as 15' x 10'.

New ERA in nineties also noticed that the preference for traditional Tibetan design is decreasing importers generally decade the designs and pattern. Similarly, the brightness of traditional, early Tibetan Nepalese Carpets is generally being replaced by softer colours. The preferred colours are light blue, dark blue, white (natural), light red, dark red, maroon, dark brown, light brown, beige, cream, orange, golden yellow and natural grey.

v. Weaving Technology/Knotting Technology

The weaving technology as such has not change yet in the last three decades. Nepalese carpets are woven in Tibetan double knotting system using thick iron rod. The use of the thick rod increases the pile height of the carpet. The looms also have not changed apart from some improvements. In fact, this technology gives the uniqueness to the Nepalese carpet which has peculiarity share in market.

vi. Washing Technology

Before 1987, Nepalese carpets used to export in semi finished condition. That is unwashed, importers used to wash the product in their own washing plants. But today carpet washing is introduced in Nepal by necessary. At present

more than 90 percent of the carpet exported from Nepal are washed in the washing unit of Nepal, which is widely accepted by foreign buyers.

2.1.11 Role of Market Diversification on the History of Carpet Industry in Nepal

At first, no customer of businessmen was interested towards that new trade because their person carpets and those from other countries with different qualities and designs had already established their market in Europe. There were many initial problems in producing Tibetan carpet in Europe up to 1964/65. Regarding this, the credit should go to Mr. Iten Maritz; a private multimillion unaided who came forward taking the big responsibility to setting the market for Tibetan Carpets in Switzerland and other parts of Europe. These were slowly increasing demand of the carpet in Switzerland and Europe from 1964. For about two decades Mr. Iten Maritz was the sole agency for the export market for Tibetan carpet produced by Tibetan handicraft centres. Though the major percent of export has destined to Europe American market was also increasing responds towards Tibetan carpets during those years. The demand of test and charms of Tibetan carpet grew in Nepal employment to the country people. The carpet industries were producing more and more carpets to meet desired demand of foreign customers. Thus the contribution of carpet industries has played a vital role to economic development of the country. In the speaking it has made significant contribution not only on the economic development to the country people. It has earned the highest foreign currencies to the country worth of Rs. 10 billion in the year 1996/97 with 3.3 million m² of carpet. That year was the top land mark year of carpet export from Nepal. Since then export figure of carpet is in deciding situation. Germany and European market were soloing situation points since 2005; indication Nepal has to diversify its export market in after countries of the world.

Realizing the market situation, CCIA has launched North American market promotion programmed with the financial assistance of USAID Nepal; American market promotion programmed for Nepali carpet has been very effortful for selection of designs and qualities. Its activity was also towards the support of visits of Nepal promotion. Similarly, design export selected more than 400m² sample carpets with American test of sample carpet and American big buyers' interaction programs for the publicity in America. For the effort CCIA has become very successful to get big orders of more than 400m² carpet from American party through IMCC which orders were distribution to CCIA members', exporters and producers to produce a quality carpets and exported successfully as per American market. In this way Nepalese carpets market was growing more and more in America which was proved by American export data. Since then, American market had been favourable to Nepalese carpet exports and they are exporting to American with their level best.

In the history of country's carpet exhibition in Nepal NECAMA 98 was the first Nepal carpet most from 16th to 18th October 1998 that was organized by Nepal German chamber of commerce and Industry, Export promotion committee, ministry of commerce; CWDB and CCIA.

It was as good as other international standard carpet show exhibition. It was one of the wonderful moments of carpet show exhibition that was a great success and memorable event for Nepalese carpet produces and exporters. Everybody has appreciated it for being the first of its kind in Nepal. NECAMA should continue to organize another Nepal carpet mart with more enthusiasm in order to give more opportunity to participate all the interested carpet produces and exporters. But another NECAMA should bring more fruitful result by inviting maximum numbers of foreign customers to visit the exhibition than in the 1st carpet mart. Such kinds of exhibition help the

exhibitions to contact more customers and promote their predators in the international market.

Similarly, CCIA with the sponsorship of ministry of commerce and export promotion committee, CCIA members and private delegations are visiting America to promote Nepalese carpet market in America and they interacted with American customers. Despite of these more efforts had been made on publicity by first and second Himalayan collection brochures distributed to the concern buyers and showing audio visual documents. Continuous effort is necessity for appraising the American customers about the quality product of Nepalese carpets as done by SDC in Switzerland and the other part of Europe during 1960-1965 and became successful in Europe CCIA had approached various agencies for assistance in entering other markets beside North American and Positive responses have been received.

While carpet industries were progressing in the field of industrialization in the country as well as export market promotion in the imitational area. In 1993 CWDB was established by HMG of that time under the Development Act 2013 giving autonomous right separating the export promotion function from trade promotion centre of Nepal. CWDB has the commitment to develop further more enhancements and to arrange foreign buyers to exporters and produces equally with regular information services. Still industries are looking towards CWDB comprise its commitment and solve the problems of carpet in dustiest with good effect for market promotion in the coming year. The present problems of carpet industries have to be solved with better market promotion. So, it is the high time of performing major step on market diversification for carpet industries of Nepal.

2.1.12 Related Review of Studies

In 1984 a market study was done in selected European markets for Nepalese hand Knotted carpets jointly by the Trade promotion centre and the then

Nepal Carpet Industries Association. The study determined some problems like price competitiveness of Nepalese carpets with China, which needs to improve quality by establishing washing plants in Nepal, identify designs – colours and size most saleable in Germany and other markets overstocking of Nepalese carpet in Germany and discounting of Nepalese carpets, lack of customer's feedback, need to plant distribution and participation in exhibitions. So, the study suggest to make price stability and reduce freight costs, maintain quality, designs and colours according to the consumers taste, maintain good responsiveness of markets and control production by encouraging smaller size carpet runners.

ITC (1993) published the UK market Notes on Handmade carpets and Handwoven Rugs – Handmade pile carpets which are important areas, in handicraft floor covering sector with imports in 1992 valued at \$ 60.1 million. In this trade, the UK has knotted pile carpets which are re-exported. In this trade, the UK has a substantial number of well – established international merchants which buy and sell extensively with contrasts elsewhere in Europe and other parts of the world. Hamburg in Germany is the centre of the international trade in oriental carpets.

The recession brought about a limited set – back in important of handmade carpets in 1991 and again in 1992 comparatively, it was 10 percent less than the export of 1990s at 15 percent was greater for the main sector consisting of woolen and handmade carpets with up to 500 knots per meter of warp. Imports of silk carpet however increased. Price between 1990 and 1992 showed a substantial drop which made the more expensive items such as handmade silk carpets more affordable. The price weakness continues a promotional trend in recent years, largely brought about by very competitive offering from China.

The report suggested that there is likely to be a growing long term interest by British consumers in traditional handmade floor coverings. However, it is essential that suppliers liaise closely with UK importers to adopt their designs and colour to the taste preference of the UK market.

Another study, Carpet and Textile floor covering a study of the Netherlands and other major market in the European Community done by centre done the promotion of Import from developing countries, Netherlands (1996) separated that within the EC as whole carpet consumption is dominated by Northern European markets, especially Germany and the UK. EC countries import about 600 million square meters to carpet per year, and the penetration of imports have been increasing in all markets. Germany, UK and France are the largest importers accounting for 83 million square meters in 1991. Sources in developing countries are only significant in the supply of hand knotted carpets. India accounts for nearly 30 percent or all EC carpet import from developing countries. Other significant sources include China, Iran, Turkey, Morocco, Nepal and Mexico.

Regarding the initiatives of CCIA/USAID to seek new largest of Nepali carpets in the USA, USAID's Economic/private sector published and Econ international news (14 September, 1996) on "The carpet industry and export to America". The news recommended that the mass market in North America can be tapped by producing Turkish designs and colours. Since the Turkey is not able to meet market demand this type of carpet cheaper than Turks. A problem with this type of carpet is that machine can easily copy it and Nepali handmade woolen carpets cannot compete with machine carpets, Although, the Nepali handmade woolen carpets are of much higher quality and can be sold at higher price.

It again suggests that an alternative route is to go for the higher end carpets according to the American designers. The concept is the same, as the program

carpets country being sold in Germany but the nature of the carpets must be changed. The American market emphasized in carpets with splashed of bright colours. North American prefers geometric designs and dislike open solid colour fields. They are also interested in different textures.

The study done by FNCCI on the Export promotion of Nepalese carpets in the Japanese market (1997) reported that in many places of Japan, Nepalese carpet is not known to that extent, even in the places where Nepalese carpets are available, they were imported through Germany and Pakistani Agents with direct contact. The Japanese taste for designs, colours and sizes are different. The dark or strong colours of Nepalese carpets are rarely preferred. Hence right colour carpets are suggested and the dark coloured carpets should be identified as a Nepali Carpet. The designs should be made different, special emphasis of Ethic Character of Nepal with quality improvement and with different thickness and sizes are suggested.

If Nepalese carpet has to enter Japanese market it has to compete with Chinese ones in pricing, colour, design as well as the marketers of Pakistani designers. The delivery time should be reliable, improved packaging good communication response and good and cheaper shipments are also demanded by the study. For the promotion of Nepalese carpet in Japan, management of exhibitions in Japan and development of brochures are needed to let the people know about it the report suggested.

There is no official arrangement to ensure a permanent supply of raw wool to the ever – growing industry. Nepal imports raw wool from New Zealand, Tibet and other third countries. The main problem of carpet industry of Nepal is; if the export policies of wool exporting countries change then it can directly influence to the carpet manufacturing. Tibetan wool is based on barter trade. Changes in policy of both importing and exporting countries many have substantial impact on the carpet making business. It should be well ensured

with the regulation of import of raw wool from Tibet; Import of wool from New Zealand, there is always the price factor to be considered. Any price fluctuation in the international market could also affect the cost of the carpet produced in Nepal. The attention to pay for this aspect of carpet industry plays important role of long run contiguity and sustained growth of carpet industry in Nepal 20 percent of requirement can be solved by development of home production.

Mr. Kumar Gurung in his study entitled "A Study of Export of Nepalese carpet" (M. A. Economics, Thesis 2003) recommended the following major aspects.

- i. Suggested to import raw wool by the private sector with international competitive price.
- ii. Research of new markets in northern America and Asian countries quality control and improvement of Technology.
- iii. Market diversification
- iv. Carpet industry is most suitable for Nepal and earns foreign currency by its export which reduces the trade deficit.
- v. Carpet industry is important sector for employment generation.
- vi. Local wool is not sufficient for the production of quality carpets. Carpet manufacturers are descending on imported wool.

Mr. Pradip Kumar Gurung in his study entitled "A Study of Nepalese handmade carpet export Trade with Foreign Countries" (MBS, Thesis 2004) recommended the following major aspects.

- i. Government of Nepal should pay special attention in this sector and make secret policy to improve present situation.
- ii. The carpet industry, since the beginning of its commercial production has faced many market related problems.

- iii. It can active its goal and become biggest foreign exchange earner to support national economy.
- iv. Carpet Industry has covered the unemployment problem.
- v. The maximum export of woolen carpet was peak point in 1994/1995.
- vi. Share of carpet of Nepal in German market was 40 percent in the fiscal year 1986/87 and then increased to 81 percent in 1997/1998.

Mr. Raju Kumar Shrestha in his study entitled 'A Study on problem and prospects of Nepali Woolens carpet Export' (MBS thesis 2005) recommended the following major aspects.

- i. The export of carpet depends on demand.
- ii. The Germany has played vital role in promotion of Nepalese carpet.
- iii. The woolen carpet has played major role or GNP of nation.
- iv. There are different problems in carpet sector but market is the major problem.
- v. Nepalese entrepreneurs/exporters have not able to undertake promotion activities in foreign market.
- vi. The diversification of market is not done successfully.
- vii. The export position of USA in past 5 years in found enthusiastic.
- viii. The import of raw material (raw wool) is only dependence on New Zealand and Tibet.

A study entitled "A study on problem prospects of Nepali woolen carpet export" by Gupta Pokhrel (2005) had concluded the following major finding.

- The comparative activities advantage of Nepalese carpet is its quality. So the exports, organized sector and government should maintain as agreed standard of Nepal carpet and make proper checking system.

- The transportation is the main issue to export Nepali carpet.
- The government with all its specialized agencies like carpet and wool development board, and Trade promotion centre should look in to the matter and need to come forward with concern program.
- To search of beneficial trade relation between the area like USA, Canada, Japan must be located to penetrate the market.
- Nepal has to practice well in export planning and strategy setting to accomplish the objective of export promotion.
- It is most necessary to participation in trade fairs because trade fair and exhibition are the main promotional tools.

By studying all the above research study the authors have made the following recommendation.

- i. Improvement in labour law and provided for skill development.
- ii. Need to improve in transporting facilities.
- iii. Latest Technology should improve for carpet industries.
- iv. Marketing or promotional strategy should improve.
- v. Germany is the major Nepali woolen carpet importer country yet.

CHAPTER – III

RESEARCH METHODOLOGY

This research methodology will be followed to achieve the basic objectives and goals of this research work. The main purpose of this study is to study on Nepalese handmade woolen carpets: Export problem and prospects and to provide the suggestion measures required for the development of foreign trade of Nepal. Research methodology is a way to solve the research problem systematically with the help of various tools.

For this study the required information and data will be collected through secondary source, some primary sources of data are conducted to collect information with some selected exporters and producers. The success and the failure of every research works depend to large extent on the research methodology employed by researcher. Among the various tools available, both analytical and descriptive methodology will be applied to carry out this study. Conclusions will be drawn from the shows some relevance to the findings related to position and promotion of Nepalese handmade woolen carpet in international market. For the evaluation of the title "A study on Nepalese handmade woolen carpets: Export problem and prospects."

3.1 Research Design

Research design is the plan, structure and strategy of investigation. In foot, the research design is the conceptual structure with in which the research is conducted. This study analyzes on the basic of descriptive and analytical research design for the purpose of this study conflation cum descriptive research design will be adopted. The relationship between two variables export value of worth carpet and volume of export will be analyzed in correlation research design. This will provide a comprehensive description on the related topics on various aspects of the available data information.

3.2 Nature and Source of Data

Especially the research will be based on secondary data where export statistic from 1997/98-2007/08 is used. To conduct any research, data collection is the major task and to conduct any study, primary as well a secondary data have been used but this study will be based on secondary data. This study is based on data compiled by previous investigation. The major sources of information for this study will be compiled from Trade Promotion Center, Custom Department, and many websites will be included in this study.

The related institutions which will be consulted to collect the data are as follows;

- a) Trade promotion center (TPC)
- b) Nepal chamber of commerce (NCC)
- c) Federation of Nepalese chambers of commerce's and Industry (FNCCI)
- d) Central Bureau of statistics (CBS)
- e) Nepal carpet exporters Association (NCEA)
- f) Various Related websites.

Besides the above mentioned sources, data and information will be collected through news papers, books, carpet bulletins and various other economic publications etc.

3.3 Sampling Procedures

In this study, the export value of 35 years from (FY 1972/73 to 2007/08) will be taken as population export data, and most valuable years from (FY 1997\98 to 2007\08) are taken as sample. The export trend of woolen carpet in those valuable years was very much imbalanced that's why that period is taken as sample. Secondly, different library including TU central Library, TPC and other library and different types of organizations were visited for data collection.

3.4 Data Processing Procedure

Data and information obtained through various sources need to be processed for the purpose of analysis and presentation. The raw data and information's are compiled.

3.5 Tools to be Used

Similarly the relation between export value and volume will be measured by implementing correlation analysis. After tabulating the data, various tools will be used to present the data to achieve the result. The export trend analysis is done under time series analysis and statistical chart like pie chart and bar diagram is displayed. Amount received from export of carpet in Nepalese Rupees is used to analyze the data.

CHAPTER – IV

PRESENTATION AND ANALYSIS OF DATA

This chapter is the core part of the study. The essence of the study remains fruitful on the extent of the consistency and smoothness of the presented data and their analysis as well as interpretations.

Nepalese woolen carpets Industries have been covering an important place in the country's export trade. It has succeeded to give employment to large number of people as well as to earn foreign exchange.

4.1 Existing Market of Nepalese Carpet

In Nepal, commercial production of carpet started in the late 1950s with the influx of Tibetan refugees into Nepal. Swiss technical assistance was also used by a few Nepalese carpet-manufacturing units in the early 1960s. The influence of Tibetans and Swiss technical assistance on the weaving style, design, color and texture of carpets resulted in simulating a strong international demand for Nepalese carpets.

Carpet industry, being a cottage and small industry, is one of the dynamic export growth industries in Nepal. In spite of being a traditional product, the carpet production is largely concentrated in Kathmandu valley and the surroundings. The major areas of production in the valley are Chabahil, Baudha, Jorpati, Jawalakhel, Swayambhu, Dallu, Kirtipur and Bhaktapur. Outside the valley the production is found at Hyanja of Pokhara, Chyalsa, Banepa and Dhulikhel.

4.2 Export Trend of Nepalese Woolen Carpet

To analysis of export trend the export quantity and the export value of carpet for 35 years (1972/73 – 2007/08) has been taken. The decade of 1997/98-2007/08 is taken as stage of commercial take off of carpet production. Switzerland is assumed to be the first importer of Nepalese carpet. In the

beginning the export of Nepalese woolen carpet was limited to few countries. After the diversification of export trade in overseas market many commodities including carpet were being promoted. The export of Nepalese woolen carpet has been increasing in comparison to total export of Nepal since 1970s. Carpet export was 2896.1 thousand sq. m. in 1997/98. The export value was Rs. 7703.7 lakhs in 1997/98 which was increased up to Rs. 1039053 lakhs in 2002/2003. However the trend fall down and come to 1606.5 thousand sq. m in the year 2005/2006 and then its trend is slowly increasing up to 2007/08.

Till two decades before, the export of Nepalese woolen carpet was in significant. The export trade has developed with the increasing inflow of tourists in Nepal and it has acquired popularity in international markets. The establishment of trade promotion center (TPC) in 1971A.D. participation of Nepal in international trade fairs and exhibitions and the TPC's cottage industry export development project (CIED) organized in 1982 had given great momentum to export. In addition, the Nepal wool trading company's import operation which had commenced in 1984 had assisted in supplies of raw wool to increase carpet production.

Since the time of export take off it is increasing trend of exponential rate. Table 4.1 and figure 4.1 depict the development of carpet export in the year's 1997/98 to 2007/08. During the period 1997/98 to 2005/06 the export shows the saturation stage where we observed maximum saturation on export by 24.5 percent in the year 2006/07 than year 2005/06. However the year 2006/07 and 2007/08 shows some optimistic time because of increase in export by 2.67 percent and 0.5 percent respectively than the previous years. The export earnings from carpet reached a peak position in 2002/03 with Rs.10390.53 lakhs.

Table 4.1

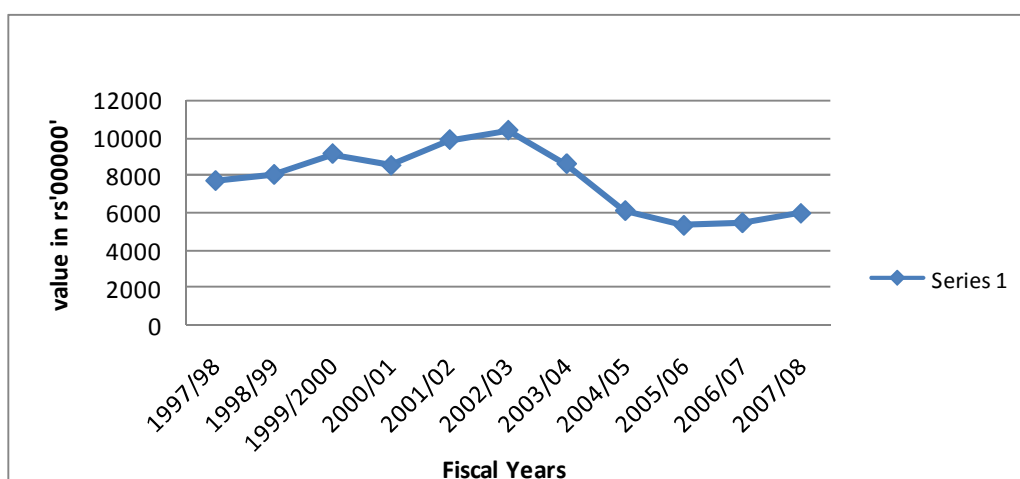
Carpet Export Trend (1997/98-2007/08)

Fiscal Year	Qty. '000' sq. m.	Value Rs. '00000'
1997/98	2896.1	7703.7
1998/99	2617.6	8032.23
1999/00	2891.2	9144.63
2000/01	2447.1	8516.34
2001/02	2570.3	9885.1
2002/03	2619.7	10390.53
2003/04	2209.9	8603.72
2004/05	1668.4	6108.64
2005/06	1606.5	5317.66
2006/07	1649	5461.3
2007/08	1657.1	5961.12

Source: Nepal Overseas Trade Statistics, TPC; and Nepal Rastra Bank.

Figure 4.1

Trend of Woolen Carpet Export from Nepal



4.3 Market Composition

Nepalese carpets are being exported to more than 60 countries upon observation of major 10 countries; previously the principal buyers were Germany, Switzerland, U.K., Belgium, USA, Netherlands, France, Australia,

Sweden and other several European countries. But as per the data 2007/08 the composition has been slightly changed and new structure has been made up of Germany, USA, Belgium, U.K, Switzerland, Turkey, Italy, Canada, Netherlands and Austria in the Top ten folio. This shows replacement of France, Australia and Switzerland by Italy, Canada and Austria.

Table 4.2

Major Countries of exporting of woolen carpets

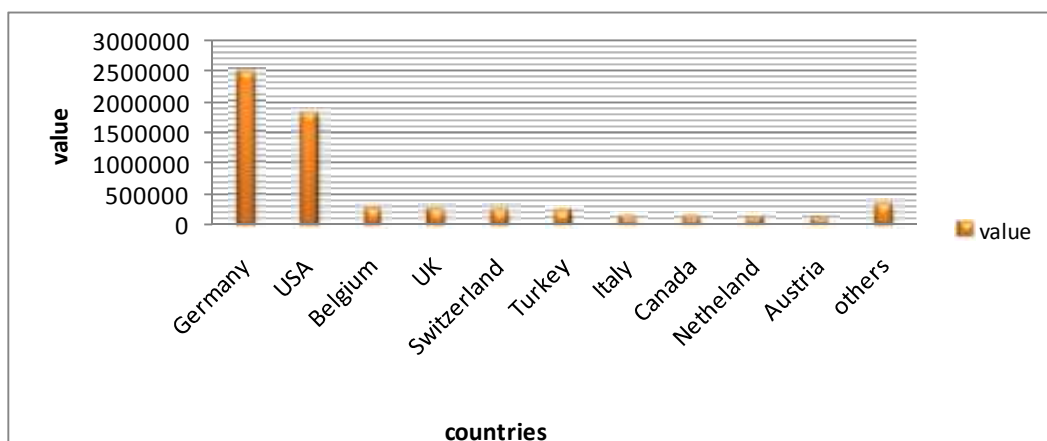
Based on Fiscal Year 2007/08

S.N.	Countries	Quantity in (S.Q.)	Value '000' Rs.
1	Germany	816233	2467567
2	USA	376617	1825951
3	Belgium	72329	263731
4	U.K.	66637	247877
5	Switzerland	60526	230758
6	Turkey	71999	204750
7	Italy	22338	104491
8	Canada	21021	99769
9	Netherlands	31188	98643
10	Austria	25650	75213
11	Others	92579	342339
Total		1657117	5961116

Source: TPC and CWDB.

Figure 4.2

Major Countries of Exporting woolen carpet (FY 2007/08)



For the last 15 years, Germany has been a very important market for Nepalese Woolen carpet. About 81.3 percent of total carpet exported to Germany in 1997/98. But in the year 2007/08 it has been reduced to 49.27 percent. The growth rate was higher in 1982-1996. The growth rate has showed down in 1996/97. In 1997/98 the export to Switzerland, U.K. Belgium and USA were 8.3 percent, 1.9 percent, 3.3 percent and 1.1 percent respectively but in 2007/08 export to USA, Belgium, U.K, Switzerland, Turkey, Italy, Canada, Netherlands and Austria are 22.73 percent, 4.36 percent, 4.02 percent, 3.65 percent, 4.3 percent, 1.35percent, 1.27 percent, 1.88 percent and 1.61 percent respectively and 5.59 percent in other countries. Export to Switzerland has increased significantly in the mid nineties but export to U.K. has been stagnating from the year 1988/89. However it has increased with 92 percent in 1997/98 than the previous year. Similarly, export to USA has increased with average growth rate. Hence its percent in the total carpet export decreased to 1.1 percent in 1992/93 against 2.18 percent in 1979/80 and still decreased to year 2003/04 then after it is in increasing trend. Now, USA is the 2nd top country import Nepalese woolen carpet.

Exports to Nepalese carpet to other countries also have several ups and downs. There are some new potential market countries where Nepalese exporters could introduce their products. At the same time some countries began to decelerate importing Nepalese woolen carpets. As total, the carpet export from Nepal has increased exponentially.

4.4 Carpet Export from Nepal in Selected Top Five Countries

The trend of Nepalese handmade woolen carpet's export has been increasing every year except few years. Carpet is the main exporting item from Nepal covering the 28 percent of the share in total export. The carpet export has been showing very higher project in the world trade.

More than 60 countries Nepal has been exporting its carpet throughout the world. The principal importers of Nepalese woolen carpet are Germany, USA,

Belgium, UK and Switzerland and several other countries including the trading centers in Asia such as Hong-Kong, Japan, Singapore, Austria, Turkey, and so on. In this regard what is more important is that the quality of the carpet is more important than the price to compete in the international market. The demand for Nepalese carpet has shown an increasing trend in the US market too. Export of carpet to these countries from Nepal has presented below.

4.4.1 Germany

Germany is the top country from the very beginning of the history of carpet export among the carpet importing countries and annual supply of carpet to Germany from Nepal is continuously growing. More than 80 percent of the total rugs produced in Nepal go to Germany. Besides being the biggest importer, Germany also acts as the center point where Nepalese, Tibetan rugs are marketed to various countries like Netherlands, France, Japan, USA and Belgium.

Germany has grown over the years into the largest importer and user of handmade woolen carpet. It has been importing from most of main carpet producing countries e.g. Iran, China, India, Pakistan, Turkey, Afghanistan and Nepal are the main suppliers of woolen carpet to Germany. Germany is the most carpet conscious nation in the world. Growth of income and better standard of living in Germany made handmade woolen carpet as one of the essential good in German society. Nepal's share of carpet in German market in the HS code year 1972/73 was Rs. 400119 which was only 16.1 percent share of total carpet from Nepal (TPC). The volume of exporting carpet in Germany was boost up after 1982/83 which was Rs. 70446846 and 51.1 percent. After then the growth of carpet export to Germany from Nepal rapidly increased year after years.

Table 4.3

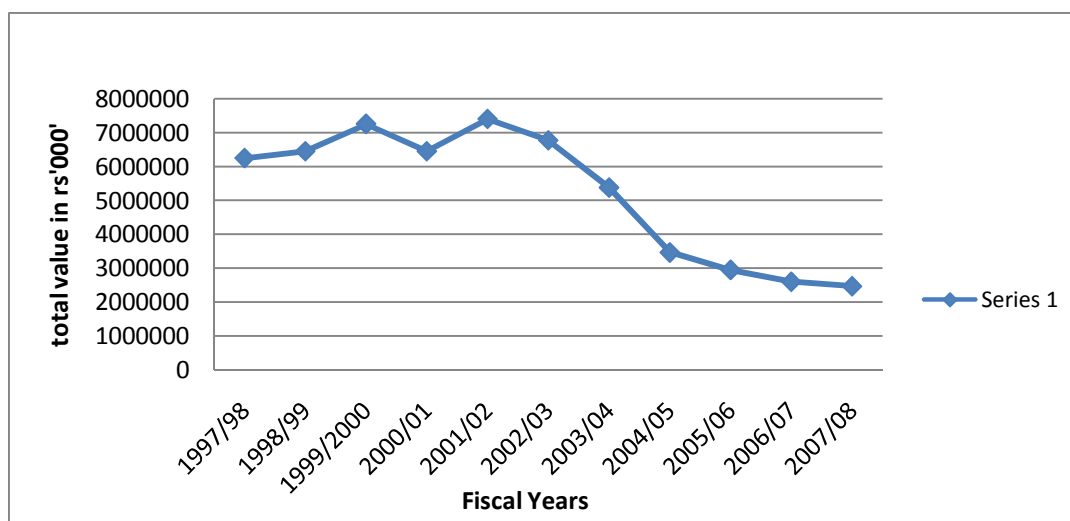
Hand Made Woolen Carpet Export to Germany Date Covers the Period Mid July-Mid July of the respective year

Fiscal Year	Quantity in sq. m.	Export Value to Germany Rs. '000'	Total Export value in (000)	% share of Germany in total export value
1997/98	2299825	6246162	7703759	81.08
1998/99	2111886	6447309	8032232	80.26
1999/2000	2321656	7254904	9144634	79.33
2000/01	1898104	6447482	8516344	75.7
2001/02	1970548	7399673	9885106	74.25
2002/03	1840060	6767256	10390538	65.12
2003/04	1461491	5376785	8603720	62.49
2004/05	1036303	3461732	6108635	56.66
2005/06	1020652	2949319	5317656	55.46
2006/07	935761	2599369	5461301	47.59
2007/08	816233	2467567	5961116	41.39

Source: TPC and CWDB.

Figure 4.3

Trend of Woolen Carpet Export to Germany from Nepal



In the fiscal year 1997/98 the percentage of carpet export to Germany of total export was 81.08 percent and the value was Rs 7703759 thousand. Due to supplying in new market and the quality of the carpet the share percentage decreased than that of 1997/98 but the 4.26 percent total value increased. In FY

1990/91 carpet export to Germany from Nepal was increased by Rs 1112402 thousand. In this way the FY 2001/02, 2002/03 the value of carpet export were in increasing trend. After that percent and the value of carpet exporting are in decreasing trend. Even though, the quantity in 2006/07 and 2007/08 were down 84891 sq. m and 119528 sq. m. respectively but the value were increasing by Rs. 143645000 and Rs. 499815000 respectively.

Hence the exporters considering the present situation there is more possibility of further increase in the export of Nepalese carpet to Germany if the quality can be maintained. The German market can be taken as a good stable market for the Nepalese woolen carpet in the future. Now, Germany has been the major consumer of Nepalese woolen aspects that Nepalese exporters have succeeded in retaining the German's market confidence is a tribute to their promotional skills but it must necessary to find out more new market in Germany and new promotional tools must be used.

4.4.2 United States of America (USA)

USA is one of the largest buyers of handmade woolen carpet from the world. The USA market is very important for carpet exporting countries. Due to higher purchasing power and standard living styles, the annual growth of carpet consumption is faster in USA. The demand of Nepalese carpet has show in increasing trend in the US market or North American Market.

Especially, the demand and taste of the buyers of American Countries Nepalese manufactures can turn out carpets of any style, size and quality given design. But in spite of these facts, Nepalese carpets have found it doubly different to enter into the American markets. It should be maintained that it was Swiss governments financial and technical cooperation that helped the evolution of Nepalese carpet industry in the early period. This explains around 80 percent carpet export which is restricted to Germany alone and remaining 20 percent to other European countries and also the USA and others.

Table 4.4**Hand Made Woolen Carpet Export to USA**

Data Covers the Period mid July-Mid July of the Respective Year

Fiscal Year	Quantity in sq. m.	Export Value to USA in Rs. '000'	Total Export value in Rs. '000'	% Share of USA in total export value
1997/98	70337	231942	7703760	3.01
1998/99	72195	268119	8032233	3.34
1999/2000	104471	430347	9144635	4.7
2000/01	182932	821100	8516344	9.64
2001/02	208836	968018	9885106	9.79
2002/03	300005	1473806	10390538	14.18
2003/04	320841	1507475	8603721	17.52
2004/05	283657	1336333	6108636	21.88
2005/06	261196	1237182	5317656	23.27
2006/07	287052	1360739	5461301	24.92
2007/08	376617	1825951	596116	30.63

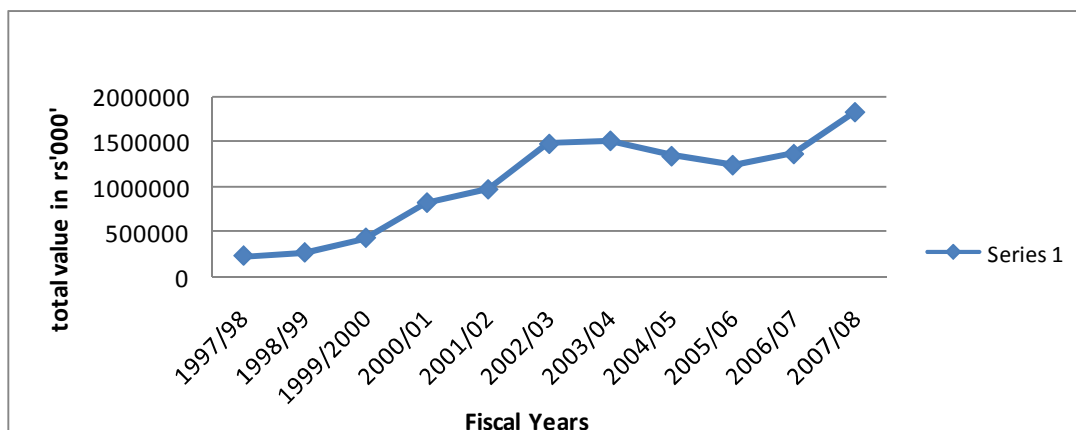
Source: TPC, NRB.

The table 4.4 shows the export trend of carpet from Nepal to USA in terms of value, quantity and share composition of the total carpet export from Nepal. In fiscal year 1997/98 the carpet export to USA was only 70337 sq. m. and Rs. 231942 thousand only which was 3.01 percent of total export from Nepal. But due to the trade diversification and best efforts made by carpet manufactures and exporters the percentage share of carpet exports to USA was increased up till FY 2003/04. After that in 2004/05 and 2005/06, it was in decrease trend. It was exactly 3.01 percent in FY 1997/98, and 30.63 percent in FY 2007/08 of total export respectively.

In 1999/2000 USA stored in 2nd positioning import in Nepalese carpet after Germany. Then after 1999/2000 it was growing rapidly. In between year 2004/05 and 05/06, the export value was decreased but share % was in increasing trend which covered 21.88 percent and 23.27 percent. In the fiscal year 2005/06-2006/07 and 2007/08, it has covered the 23.27 percent, 24.92 and 30.63 percent consumption. Thus with every change in rug market worldwide Nepalese carpet manufactures have become increasingly results to tap USA market.

Figure 4.4

Trend of Woolen Carpet Export to USA



Since, it is new world; America has its own taste in everything that is put to human use. This holds gold for carpet also. It is for the reason that people in the carpet industry have been working hard together with American facilitators to fabricate carpets that best suit American style and taste.

Importers from America also helping to promote Nepalese carpets in US market. Rebecca converser, an American carpet specialist, has been working with Nepalese carpet manufactures to improve the repertoire of designs and colors that can be sold in the American market. All that is because the American consumers have not been accepting what is easily accepted by the European market. Therefore at a time Nepalese carpet export has gone by 4.7 percent in total carpet export share composition in the fiscal year 1999/2000. Slightly increased is seen in the percentage share in the later years remaining value in 2004/05 and 2005/06. There is need to study the US market for the better trade in the years ahead, while some seem to argue that American prefer tabby carpets with all sorts of color combination and wizardly in the center there are people in the industry who do not share it. On the other hand, what other feels that we can also have market for 60 and 80 knots quality of carpet with the desired color combination. They too prefer American designers coming here and briefing the industry people on the taste of the American carpet buyers. This is to safeguard the interest of Nepalese carpet industry which had taken a nosedive earlier on.

However, America is a huge country, it is also true that the people scattered around that big geographical region may have different taste. Thus, in order to cater to their respective taste there must be varieties of carpets which are characterized by difference in designs, color combination and peak thickness makes count and wool content not to forget the washing quality and price point. At present the floor price of Nepalese carpet is around US\$ 55 but many exporters sell below that and that explains the desperation on the part of Nepalese carpet manufactures.

American prefers high quality products and this explains why rugs made in Iranian which are priced at US \$225 are easily sold in US market. However, Central Carpet Industrial Association (CCIA) has linked up with an international management and communication company of the USA with an intention to accelerating the access of Nepalese carpets into the US market. Initial success, although not yet resounding is expected to be still round the corner of course, the concerned efforts will have to be backed up by the use of natural colors, research concern for environment impact.

4.4.3 Belgium

Belgium is one of the top largest importers of handmade woolen carpet in the world. Germany was the top re-exported to Belgium, India, Iran and Nepal is the major suppliers of carpet to Belgium. Belgium was the 4th major importer of Nepalese carpet till 1998/99 and ranked as the 5th position in the fiscal year 1999/2000 according for 2.2% of Nepal's total export of handmade woolen carpet in terms of value. After 2000/01 it covered 4th position till 2006/07. In fiscal year 2007/08 Belgium has covered 3rd position of Nepalese Handmade woolen carpet importer.

Nepalese manufactures can turn out carpets of any size and given design specification as per the demands and taste of the buyers abroad. Nepalese carpets are very much popular in Belgium market also due to its unique features and quality. In the last few years, the size in export has tended to decline worldwide. The total volume of the carpet exported to Belgium was slowly in fluctuating.

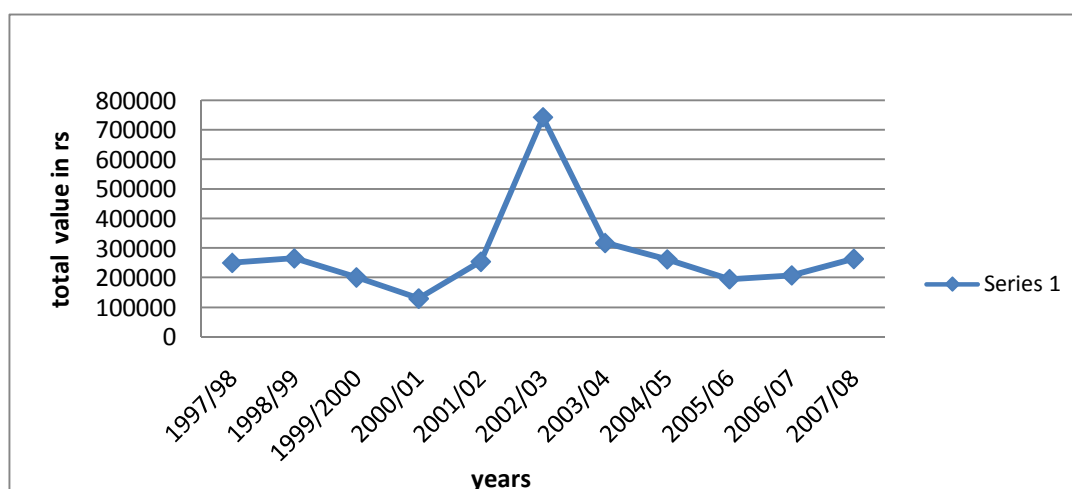
Table 4.5**Hand Made Woolen Carpet Export to Belgium**

Data Covers the Period mid July-Mid July of the Respective Year

Fiscal Year	Quantity in sq. m.	Export Value to Belgium in Rs. '000'	Total export value in RS. '000'	% Share of Belgium in total export value
1997/98	171708	250306	7703760	3.2
1998/99	84035	265268	8032233	3.3
1999/2000	63204	201113	9144635	2.2
2000/01	47802	129526	8516344	1.5
2001/02	62699	254141	9885106	2.6
2002/03	114949	742177	10390538	7.1
2003/04	81702	317350	8603721	3.7
2004/05	72996	262097	6108636	4.3
2005/06	60427	195091	5317656	3.7
2006/07	58159	208024	5461301	3.8
2007/08	72329	263731	5961116	4.47

Source: TPC

The above table shows the Belgium import of handmade woolen carpet from Nepal. In Fiscal Year 1997/98 Belgium imported Rs. 250306 thousand in values and 171708 sq. m in quantity.

Figure 4.5**Trend of Woolen Carpet Export to Belgium**

From the above statistics and trend, we can conclude that the value received from the carpet exported to Belgium in the increasing trend till 1998/99. In 1998/99 Nepal has exported the value i.e. Rs. 265268 thousand and the quantity in 84035 sq. m. After 1998/99 the trend is in decreasing till 2001/02. In fiscal year 2002/03 Nepal has exported woolen carpet to Belgium in high range which was Rs. 742177thousand and 114949 sq. m in quantity. Then after 2002/03 the exported value and quantity was decreasing trend till 2005/06 and the quantity reached up to 60427 sq. m. with the value 195091 thousand. It was Rs. 547086 thousand and 54522 sq. m. less than the year of 2002/03. Then after, fiscal year 2006/07 to 2007/08 the value was in slowly increasing trend. In this way there has been fluctuation in carpet export to Belgium. It's most necessary to find out the causes/reasons of fluctuation of the carpet export to Belgium.

4.4.4 United Kingdom (U.K.)

United Kingdom is the largest importer of handmade woolen carpet of the world. Especially, China, India, Nepal and Pakistan are the main exporters of handmade woolen carpet to UK. One of the increasing matters is that UK also re-exports carpet mainly to Belgium and Italy. Due to excellent quality of Nepalese carpet it has occupied good position to UK market.

From the data below and trend shows the export trend of carpet to UK from Nepal. Since the part of UK was the fourth largest handmade woolen carpet importer country from Nepal with the fiscal year 2007/08. In fiscal year 1997/98 it's covered the share of 1.21 percent and reserved the 4th position of Nepalese handmade woolen carpet importer. In the eighties UK used to be the 2nd largest importer of Nepalese Handmade woolen carpet.

Table 4.6

Hand Made Woolen Carpet Export to UK

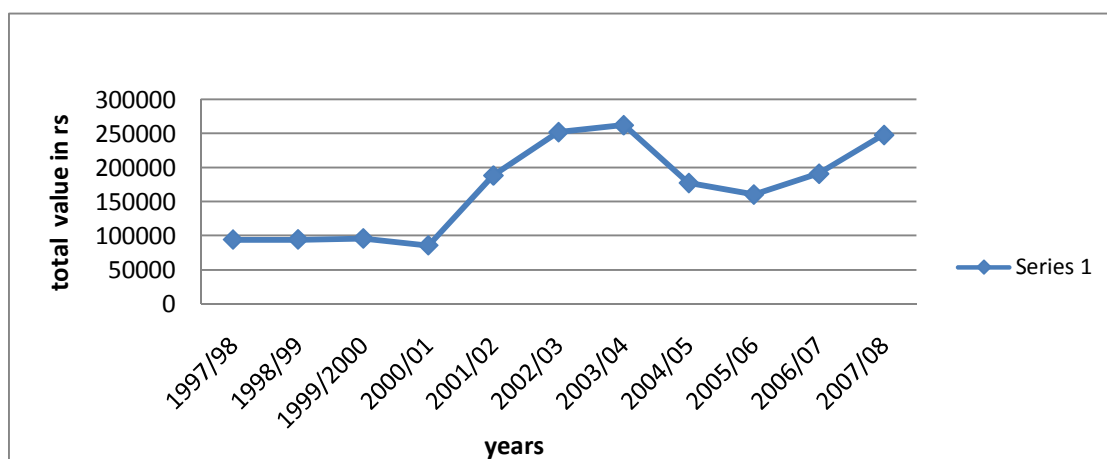
Data Covers the Period mid July – Mid July of the respective Year

Fiscal Year	Quantity in sq. m.	Export Value to UK in Rs. '000'	Total export value in RS. '000'	% Share of UK in total export value
1997/98	38230	94393	7793755	1.21
1998/99	35455	94539	8932233	1.06
1999/2000	33878	95911	9144535	1.05
2000/01	22927	85887	8516344	1
2001/02	48725	188315	9885106	1.9
2002/03	63782	252134	10390538	2.4
2003/04	47912	262327	8603721	3
2004/05	48000	177369	6108636	2.9
2005/06	44832	160437	5317656	3
2006/07	51356	190972	5461301	3.5
2007/08	66637	247877	596116	4.2

Source: TPC

Figure 4.6

Trend of Woolen Carpet Exporting to U.K.



After 1997/98 the export of handmade woolen carpet from Nepal to UK was in decreasing trend till FY 2000/01. Although percent share and quantity decreased, value of export was in good condition. Then it was in fluctuating trend till FY 2007/08. Nepal has exported maximum volume in 2003/04, at the

time the quantity was 47912 sq. m. and the value was Rs. 262327thousand. It was the highest volume that Nepal has exported Nepalese handmade woolen carpet to U.K. After 2003/04 the export volume was decreasing till FY 2005/06 but in total export its share percent was in increasing trend. From FY 2002/03 to 2005/06 the quantity export to UK was in decreasing trend. In FY 2007/08 the export of Nepalese carpet in quality was 66637 sq. m and in value was Rs. 247877 thousand. It was also the nearest point of highest export. Since the export of carpet to UK is fluctuating every year so the best efforts have to be made by the manufactures and government to hold the better position.

4.4.5 Switzerland

Switzerland, which is the world's largest importer of handmade woolen carpets and by far the largest on a per capita income basis, is a highly quality conscious market and generally shows among the countries examined. But Nepal couldn't be a good supplier to Switzerland although it is the largest importer of handmade woolen carpet. But Iran is still Switzerland's largest supplier by value. Iran, Nepal, India, Pakistan and Turkey are the main suppliers of carpet to Switzerland.

From the very beginning of the production of carpet for export, Switzerland had helped in production by providing financial and technical assistance under SATA, and also was the first importer of the Nepalese Handmade woolen carpet. Switzerland established Tibetan Refugees camp for mass production of woolen carpet. For example Jawalakhel Handicraft center Pvt. Ltd; the pioneer of Tibetan carpet Industry in Nepal was established in 1960 with Swiss help. Switzerland is one of the major markets of Nepalese Carpet. Export to Switzerland had been growing in terms of value and quantity every year. It is a kind of good sign for Nepalese handmade woolen carpet exporters.

Table 4.7

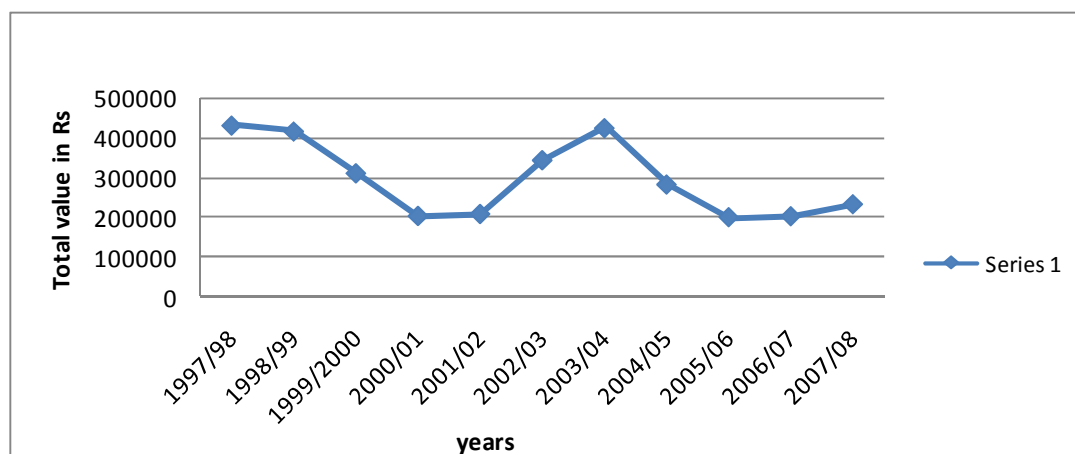
Hand Made Woolen Carpet Export to Switzerland Data covers the period mid July – mid July of the respective year

Fiscal Year	Quantity in sq. m.	Export Value to Switzerland in Rs. '000'	Total export value in RS. '000'	Share % of Switzerland in total export value
1997/98	164382	431641	7703760	5.2
1998/99	137228	416554	8032233	3.4
1999/2000	101008	309593	9144625	2.4
2000/01	57097	200589	8516344	2.1
2001/02	54699	206012	9885106	3.3
2002/03	87824	343048	10390538	4.9
2003/04	113051	425329	8603721	4.6
2004/05	70402	280956	6108636	3.7
2005/06	50455	197407	5317656	3.7
2006/07	45334	199983	5461301	3.7
2007/08	60526	230758	596116	3.9

Source: TPC, NRB

Figure 4.7

Trend of Woolen Carpet Exporting to Switzerland



The above table and trend line shows the annual carpet export to Switzerland in terms of value as well as quantity and its share composition to total carpet export between Fiscal year 1997/98 to 2007/08. The carpet exported to Switzerland in value was Rs.431641thousand and 164382 sq. m in terms of

quantity in fiscal year 1997/98. All that time the export to Switzerland was in 3rd position. The value was increasing rapidly till the mid nineties, but the percent share composition in total export, Switzerland's export trend was decreasing because other countries have imported Nepalese woolen carpet in high quantity. Carpet export to Switzerland was very significant till the mid nineties. In fiscal year 1997/98 percent share composition was only 5.2 percent. After FY 1997/98 to 2000/01, percent share of total export was in decreasing trend. From FY 2003/04 to FY 2006/07 the export value was in diminishing position. Only from FY 2007/08 it is in recovering condition. Due to the slumped of carpet worldwide, carpet export to Switzerland from Nepal declined in terms of value as well as quantity and trade diversification and other various reasons.

By comparison the fiscal year 1998/99 with 1997/98, the export quantity of FY 1998/99 was 416554 sq. m which was 15087 sq. m less than FY 1997/98 and it was 1.8 percent less than the year 1997/98. After FY 1997/98 the export trend was increasing till FY 2000/01. In FY 2003/04 the export value was Rs 425329 thousand and the quantity 113051 sq. m. After FY 2000/01 the export to Switzerland was also decreasing till 2001/02. Then export of Nepalese Handmade woolen carpet to Switzerland was in fluctuating trend.

Anyway Nepalese handmade woolen carpet export to Switzerland has done a great contribution to Nepalese carpet exporting. It is significant that Switzerland re-exported woolen carpet to Germany, UK, Belgium and other many countries. Nepalese manufacturers have to give high importance in the quality of carpet exported to Switzerland.

4.5 Co-relation Analysis

It is obvious that there are low degree of consistency between export quantity and the price of carpet. So the relation between quantity export and its value should be seen. That's why in Table No. 4.8 the co-relation between exports quantity and its value is given.

Table 4.8

Fiscal Year	Qty X ₁	Value X ₂	X ₁ - \bar{X}_1 X ₁	X ₂ - \bar{X}_2 X ₂	X ₁ X ₂	(X ₁ - \bar{X}_1) ²	(X ₂ - \bar{X}_2) ²
1997 /98	2.90	7704	0.64	-42	26.88	0.4096	1764
1998/99	2.62	8032	0.36	286	102.96	0.1296	81796
1999/2000	2.90	9145	0.64	1399	895.36	0.4096	1957201
2000/01	2.45	8516	0.19	770	146.3	0.0361	592900
2001/02	2.57	9885	0.31	2139	663.09	0.0961	4575321
2002/03	2.62	10391	0.36	2645	952.2	0.1296	6996025
2003/04	2.21	8604	-0.05	858	-42.9	0.0030	736164
2004/05	1.67	6109	-0.59	-1637	965.83	0.3481	2679769
2005/06	1.61	5318	-0.65	-2428	1578.2	0.4225	5895184
2006/07	1.65	5461	-0.61	-2285	1393.85	0.3721	5221225
2007/08	1.66	5961	-0.60	-1785	1071	0.3600	3186225
	$\sum X_1 =$ 24.86	$\sum X_2 =$ 85207			$\sum X_1 X_2 =$ 7699.01	$\sum X_1^2 =$ 2.7163	$\sum X_2^2 = 3192$ 3574

$$\bar{X}_1 = \frac{\sum X_1}{n} = \frac{24.86}{11} = 2.26$$

$$\bar{X}_2 = \frac{\sum X_2}{n} = \frac{85207}{11} = 7746$$

$$\begin{aligned} \text{Correlation}(r) &= \frac{\sum X_1 X_2}{\sqrt{\sum (X_1 - \bar{X}_1)^2 (X_2 - \bar{X}_2)^2}} \\ &= \frac{7699.01}{\sqrt{(2.7163)(31923574)}} = \frac{7699.01}{9312.04} = 0.83 \end{aligned}$$

After doing the correlation analysis between quantity export and its value, adopting "Karl Person's Coefficient of Correlation"; the correlation coefficient is found 0.83 or 83 percent. It means that the degree of relation between quantity (export volume) and the price has positive and 83 percent. It means the correlation coefficient is significant (very high). It seems satisfactory relation. We can assume that the export prices of woolen carpet have satisfactory. The price of carpet is high when the demand is high but in low demand of carpet the price might be decreased therefore the pricing policy has no consistency.

4.6 The comparative study between carpet export to Germany and other countries

Table 4.9

Carpet Export to Germany and other Countries

Fiscal Year	Export to Germany		Export to Other countries		Total Export
	X1(000000)	% of total export	X2(000000)	% of total export	
1997/98	6246	81	1465	19	7711
1998/99	6447	80	1608	20	8032
1999/2000	7255	79	1890	21	9145
2000/01	6447	76	2069	24	8516
2001/02	7400	74	2485	26	9885
2002/03	6767	65	3624	35	10391
2003/04	5377	63	3227	37	8604
2004/05	3462	57	2647	43	6109
2005/06	2949	55	2369	45	5318
2006/07	2599	47	2862	53	5461
2007/08	2468	41	3492	59	5961
Total	57417		27738		85133

$$\bar{X}_1 = \frac{57417}{11} = 5220$$

$$\bar{X}_2 = \frac{27738}{11} = 2522$$

$$\bar{X}_3 = \frac{85133}{11} = 7739$$

In the period of these 11 years total export volume of woolen carpet have been exported of Rs 77422 million. Out of this value Rs 51171 million has been exported to Germany which is 67.44 percent and Rs. 26274 million have been exported to other countries is 32.56 percent of total value. In the 11 years the mean value of total export is Rs 7739 million, export to Germany is Rs 5220 million and export to other countries is Rs 2522 million. If we compare between contribution of Germany and other market in woolen carpet export, Germany market major contribution is find out in every year in the above table no. 4.8.

In the above table the export trend of Nepalese woolen carpet is decreasing in Germany and increasing in other countries. So the role of other countries in the export of Nepalese woolen carpet is clearly seen in this analysis. Increasing and decreasing trend of woolen carpet export to Germany market has been playing vital role rather than other countries. It must necessary to investigate more and more new interaction market for carpet. Now a day the export trend is fluctuating year after year so to find out new market, use marketing strategies, improve in carpet's quality, improve in business relation for foreign countries should be necessary, so it is the critical time for Nepal government to think about the exportable items and their international market.

4.7 Marketing Aspect of Carpet in Nepal

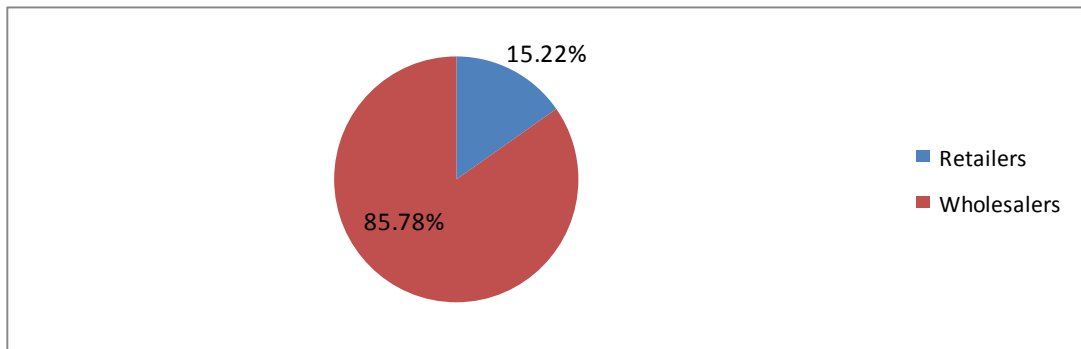
4.7.1 Composition of Distribution Channel

The process being when a buyer (agent, wholesaler, retailer) place order to the Nepali exporter with a programmed contract of quantity, design, size, price and delivery time. Then the exporter choose several alternatives whether it would produce in its own factory, provided it has its own factory or order to external contractor or purchase from individual weavers. The programmed carpet is accumulated by the buyer or his authorized agent and approves for exportation. The rejected carpets are again sold to other buyers with same process and in discounted price Nepalese woolen carpets are available to consumers in retail stores furniture stores and individual specialist outlets together with other types of carpets. About 90 percent of carpets are sold from programmed production.

The survey report shows following compositions in distribution channels which is base on the year 2007/08.

Figure 4.8

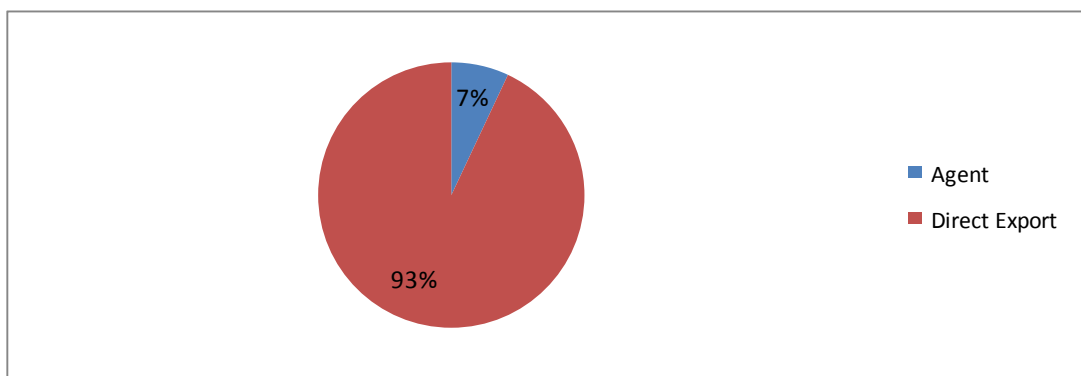
Sales through Retailers and Wholesalers



The Nepali exporters and manufacturers have not their own distribution cells in foreign countries expect on trade fairs. About 85% or more sales goes to wholesalers and only 15 percent sales goes to retailers.

Figure 4.9

Sales through Agent and Direct Export

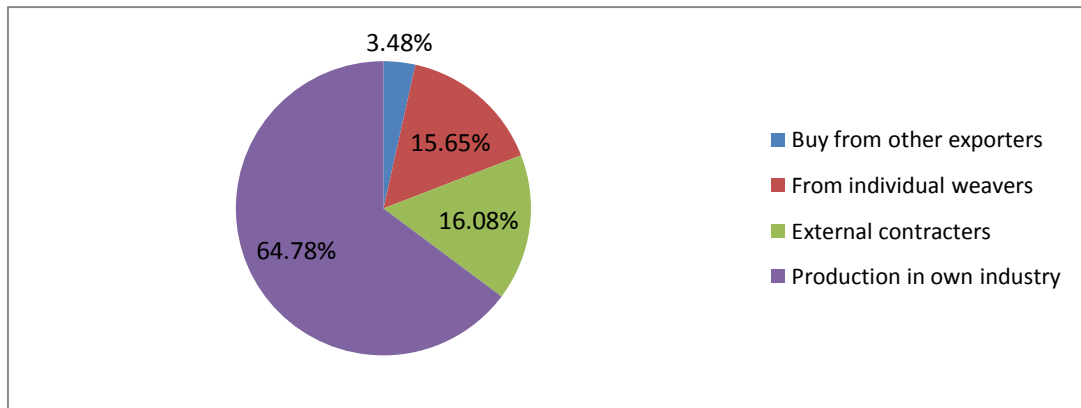


One more area of investigation in market size and structure is an evaluation of trade policies and other pertinent government regulations of market countries. That may in flue marketing action, pricing and the like. These include registration and controls, exchange permits, anti-monopoly legislation and labeling and standardization requirement. But they are out of scope of this

study only 7 percent of the sales go to agents and 93 percent goes to direct export.

Figure 4.10

Accumulation of Stock



Source: CWDB

It's necessary to find out the best distribution channel for foreign market of Nepalese woolen carpet. 64 percent of the sales go to wholesales in Germany who are specialists' merchants and do re-exporting in other countries. The re-exporting is done by other countries specialists as well like U.K., Switzerland, Belgium, Hong Kong, Singapore etc.

4.7.2 Handmade Woolen Carpet: Chain of Production and Distribution.

A chain of production and distribution exists among the supplying and buying nations. In the exporting nation weavers who are employed by producers either export less themselves or who act as middlemen between owners and workers weave the carpets. Exporters are linked to global buyers in the importing (and normally consuming) countries. In the channel, several activity may occur within the exporting nation from processing of raw materials to many tiers of the production process that is labor intensive but the country could depend wholly on a particular input (like raw materials) from outside buyers could be involved in one or multifunction depending on whether they import, carry out wholesale or retail functions. Below figure illustrates the various tasks among producers and buyers in the global hand-made carpet commodity chain.

4.8 Competitive Market Structure of Nepalese Handmade Carpet

A nation will specialize in the production of the goods or services which utilize to a great extent its abundant resources, those which are relatively more plentiful. These are the resource in which it has a comparative advantage. But a business normally does not operate in an isolated environment. For each product, there is other product(s) on the market, or in the process of being developed. The structures of the market in which a country must operate is determined by the nature of the products being manufactured and sold as well as by the number and size of the countries in competition, and next, the types of consumers are targeted. (Philip Kotler 'Principle of Marketing' 1986.pp.11.)

Economists usually group market structure into four basic categories-monopoly, monopolistic competition, oligopolistic competition and pure competition. A simple study of the performance of competitors is not enough in the study of competitive market structure. It is necessary to identify the particular sources of success of each competitor in the market. It can be low price, Patents, Product quality, Extent of product line, Brand image, Service, Location and Company size, Channels of Distribution and Effectiveness of promotion and communications but to analyze all of them are out of scope of this study. So a simple analysis on some components of market structure as being in practice of Nepalese carpet is done here.

4.8.1 Product Competitors

The Nepalese carpets of today have come with Tibetans refugee in 1959-61 so the designs, patterns and making style of Nepalese carpets are quite Tibetan. The consumers of Nepalese carpet are quite familiar with the name "Tibetan Carpet" and "Nepalese Tibetan Carpet".

The features of Nepali carpets are influenced by Chinese and Mongolians. But the ways of making knots are quite different. Even the making of knots are similar to Persian, the Persian Knots need a cutting each time. But, in case of Tibetan carpets all knots are connected till one line is weaved with the help of iron rod and then knots are separated by cutting a single stroke over the iron

rod. The Nepalese carpet has the symbolic designs and colors inspired by the Hinduism and Buddhism and have specific significance, reflecting both the life and thinking of the people. However, in recent years the Nepali manufacturers have been successfully introducing modern designs and color in line with the consumer's taste. Today Nepali manufacturers can produce carpet of any design, color and size according to buyer's choice.

Another unique feature of Nepalese carpet is the use of the handspun woolen yarn which reflects the Nepalese carpets as a real handicraft. So, the consumers of Europe like to have Nepalese carpets. Nepalese carpets are woven with 35 to 125 knots per square inch with the help of thick iron rod which increases the pile height of the carpet. Generally the thickness of the carpet is between 1 to 1.5 cm and the carpets are mostly weight between 4.5 kg to 5 kg per square meter. And the price of carpet differs according to the knot density and designs. Nowadays Nepalese woolen carpets are woven with 150-200 knots per square inch.

The three main types of handmade carpets are: handmade pile carpets such as Persian, Bokhara, Berber or Chinese style; flat woven rugs of Middle East origin such as Kelems and Karamanie; and simple design flat carpets made of wool or cotton principally from India where they are known as dhurries. Other simple flat woven and tapestry types are available from a range of sources such as Africa and Latin America. The production of any one of these hand made products are confined to traditional sources of supply providing the requisite skills. The handmade pile carpets are, by far, the most important are in handicraft floor covering sector.

In contrast, there are 28 different types of carpets which differ in material, design and knot styles density. One of the common types is Persian carpets. The Persian carpets, original of Iran, are woven in many Arab countries and Indian and Pakistan. Kashmir, Srinagar and Lahore are the major places of production of Persian carpets after Iran. The Persian carpets differ in their classic nature and the knot density of 300 to 400 knots per square inch, which teaks up to 6 months to make a carpet.

Today India China and some other countries also produce carpets of Nepali designs and knot type. But they use machine spun yarn as well, which do not mean a complete handicraft product. Next, the blending of New Zealand wool and Tibetan wool gives Nepalese carpet a quality product and unique texture. Nevertheless, the Indian and Chinese carpets of Nepalese style are making Nepalese carpets more commutative in markets. Those carpets are named in the carpets as 'Indo-Nepal Carpet', 'Indo-Tibet Carpet' and 'Nepal-China Carpet'.

4.8.2 Competitive Scopes

The focus of all marketing effort is the consumer. It is not a simple job to identify and attract consumers. Traditionally carpets are used to protect from cold as floorings. But the handmade carpets are also taken as handicraft product and liked by most of the European and American people. The markets of handmade carpet are the countries of cold climate and economically rich. And the buying season of carpets is winter season. The consumer's taste and preferences are affected by the design, color and thickness. Even most of the people like Persian carpets, being its classic nature, they are expensive too. Another preferred type is Indian, Pakistani, Nepali and Chinese carpets. The American People usually like Traditional Indian and Persian Carpets.

Another parameter of measuring consumer type is the economy of the people. 'A market requires not only people and willingness to buy, but also purchasing power and the authority to buy. One of the important features of Nepali carpet is that it is economically accessible to all class of the people. In markets every carpet needed consumer can afford for Nepali carpets. In contrast, even the Persian carpets and Durries are affordable to higher class people: they also like to have Nepali carpet as being a distinct and having uniqueness in weaving style, pile thickness, wool type and texture. It can attract the fallings of people for having a handicraft item. The consumers also used to buy Nepali carpet with the sympathy to a poor country and by the name of Tibetan refugee.

But, there is no specific consumer group buying Nepalese carpets. They do compare the price, design and quality of the carpets while buying. According to

the fashion trend the new generation consumer group do not like the traditional designs, and sizes are also changing according to the room sizes of modern houses in Europe.

4.8.3 Price Structure

Pricing is a crucial decision in marketing. In economic the pricing has been approached in different ways such as pure competition, oligopoly or monopoly. These constitute the overall market structure. The price structure is the unified relationship of pricing on demand and time factors influenced by different in consumer behavior, competitive response, the firm's cost structure, profit objectives, government regulations and exchange rate.

The price structure is influenced by following factors:

a. Firm Level Factors

The firm level factors include the objective, market area and cost structure, traditionally the objective of Nepalese carpet exporters were to adopt the product in European markets (especially North European markets). Being the every stage of production was manual at small production centers, the cost of production was higher resulting the price was comparatively higher. However being the product of new taste it as easily salable. But in recent 4-5 years the carpets produced in Nepal in large scale and some mechanized procedures also introduced in carding, dying and washing. And change raw materials also helped to economize the production cost. In the same way the market also expanded to more countries and more consumers. Hence price could cut-off proportionately.

b. Product Specific Factors

Nepalese Tibetan carpets are cheaper than the Persian and other carpets, which are sold more in markets. At first the consumers used to buy Nepalese carpets as being uniqueness in weaving style, design, quality and raw materials. But in later years everything except the weaving style has changed acceding to the

demand of time. However, the product has already reached in mature stage as there are substitute of same style and design carpets from India, China and other countries. The delivery and other attributes of shaping have not changed. The geography of Nepal is causes the Nepalese carpet costlier in markets. The labor cost, raw materials and lack of any kind of government incentives also make Nepalese carpets costlier than the Indo-Nepalese and Nepal-China carpets. India and China use most of the wool produced in their own country.

c. Market Specific Factors

Till 7-8 years all of the consumers of Germany, Switzerland, U.K. and other EC countries were not able to buy Nepalese carpet only the economically middle and higher class people used to buy Nepalese carpets. But after 1990-91 the production in Nepal increased according to the political change (Multiparty Democracy, Constitutional Monarchy) and change of government policies. The deflation of Nepalese rupee in Comparison of US\$ reduced market price of Nepalese carpet.

The negative aspect of price drop is due to the much lower quality image of the Nepalese carpets. Earlier it was a luxurious article, but now it is deteriorated to a common article. Consequently a large group of buyers reached automatically on inspecting this, more furnishing stores, department stores, mail order houses, discounters, and shops for tools and building materials becoming very interested in the Nepalese carpets vis-à-vis Persian, Indian and Chinese carpets.

d. Environmental Factors

In comparison to the price structure, Indian and Chinese carpets are more competitive with the Nepalese carpets. The buyers, being price sensitive, began to compare between those carpets. Indian and Chinese carpets are comparatively cheaper than Nepalese carpets although the quality differ. China brought about very competitive offering by reducing price as promotional tools in early nineties. Similarly India also increased its carpet export 21 percent in quantity in 1991 by reducing price. The devaluation of exchange rate also

brought reduction in export price in Indian and Nepal in 1991. On the other hand, the excess production in Nepal resulted in unhealthy competition among the exporters. Consequently, the market position changed from a seller's market to a buyer's market. A few buyers saw the opportunity to buy cheap and bought huge quantities at low cost. So the price wars and price cuts to drive out competitors destroyed the market reputation of Nepalese carpet.

The price of carpet has dropped to 20-40 percent in two years. Most of the exporters have to export their carpets at very much less than the floor price. However, the quality producers and program producers are still getting reasonable despite less quantity export.

The recession in Europe also affected the macro-economy of carpet marketing. The lower class consumers' today use to buy cheaper carpet notwithstanding the difference in quality. Hence also the Nepalese carpets become more price competitive with the Indo-Nepal carpets and Nepal-China carpets. But, there are still quality conscious consumers, who know the uniqueness of Nepalese carpet. The Nepalese carpet exports should maintain and promote these features in order to meet the competition.

Thus, the price structure concluded that the traditional oligopolistic and monopolistic competitive position of Nepalese carpets is facing today the position of pure competition. The producers and exporters have no price policy. They must sell at the price, over which the buyers have more control.

4.9 Marketing Efforts Made To Handmade Carpet

4.9.1 Advertising

The advertising has many purposes like: building organizational image, building brand image, sales promotional etc. The messages designed by the Nepali exporters are to inform about the image and address of the firm and industry. It means that the message is targeted to the intermediaries. This is why the exporters advertise on magazines published by Nepali publishers only.

Advertising in foreign Media is quite unaffordable to the Nepal exporters. And, as the Nepalese carpets are purchased in the name of handmade woolen carpet rather than a special brand of an exporter, consumer influencing advertising by the exporters is not in practice.

The media is used by the exporters and the tourist magazines: Nepal Traveler, Adventure Nepal, Shangri-La, Welcome Nepal, Nepal Visitors, Bazaar International, connection are some examples. Nepal Traveler and Adventure Nepal are periodic magazines freely distributed to tourists visited in Nepal, Hotels, travel Agencies and Airlines. These include various articles about Nepal's tourist-valued places and things along with tourist information materials. Hence the Nepali exporters aim to inform the buyers and their agents who visit Nepal and stay Hotels. Nevertheless the tourists for the other purposes are also informed.

Besides, each of Nepal Traveler and Adventure Nepal also publish special issues about various aspects of Nepalese carpet and carpet industries with more advertisement of exporters. The special issue is published in January of every year, when a fair is organized in Hanover, Germany named the "Domotex Fair". The objectives of those magazines are to promote Nepalese carpet by strengthening corporate communication and highlighting the publicity of Nepalese carpets, and they are distributed freely on the fair place.

Out of 23 sampled exporters 3 exporters are seen advertising their firm in the magazine title 'carpet-e-world', published from India for the purpose of the same fair. Little contribution has made by the 'Roster of carpet Exporters/Manufactures of Nepal' published by CWDB. And the exporters are seen listed their name in trade directories and Yellow pages.

Among the sampled exporters 90 percent are found advertised. Out of them 6 exporters (33.3%) also advertise in foreign magazines (22.2% Indian and German fare Magazines).

4.9.2 Sales Literatures, Catalogues and Sales Promotion

Sales promotion is a diverse collection of activities having the characteristics of communication and short term incentives. They may be targeted to consumers or middlemen buyers. On the other hand sales literature catalogues and brochures, also tools of communication and invitation, and considered as direct marketing tools. But, Nepali exporters are not in practice with direct marketing. However, they use the tools such as brochures, design sheets, photo albums, slides and video films; which are operated with their buyers (wholesalers and retailers) supporting mail marketing. Only 10 percent of exporters found that they distribute brochures at the time of fair. Almost 70 percent of the exporters use design sheets and photos of their designs and patterns while constricting the program order and rest 30 percent exporters do only letter correspondence (mail marketing).

Nepali exporters are not using the consumer promotion tools like: samples, coupons rebates, premiums, prize etc. But they are using trade promotion tools as sales promotion. "Trade promotion can persuade the retailer or wholesales to carry more goods than the normal amount. It can also include and stimulate retailers to promote the product. The exporters use price-off (i.e. off-invoice) on the stock sales, off season purchase and large quantity purchase. They also provide allowance in such purchases and also provided some allowance to the buyer for advertising their carpet in the market (cooperative advertising). The exporters and found to have displayed the carpet at their show room (and/or warehouses). The exporters should send samples, while introducing new designs and styles, but Nepal Government's policy does not allow sending free samples. Either the buyer should pay for the sample or the exporter should compensate to the buyer of making currency payment to the bank. Steps are taken to solve the problem in the current fiscal year.

4.9.3 Trade Fairs, Shows and Seminars

Trade fairs and trade shows are special forms of promotional tools, which are organized for some specific period. These can make face to face communication to the actual consumers and middlemen. And these can influence the consumer to make buying decision and promoting channel members. New products get good response in such fair and shows.

Domotex Trade Fair of carpets and floor covering is the most important trade fair in international carpet trading. 70 percent the Nepali carpet exporters are found participated in that fair. Domotex fair, a largest carpet and floor covering fair, is organized in January of every year at Hanover, Germany. The fair provides an exclusive opportunity for the importers and exporters across the world to establish or renew their contacts, to place orders and buy and sell their world to establish or renew their contacts, to place orders and buy and sell their products, and to have firsthand experience about the recent innovations in the industry. Every year about 40 countries' machine and hand – made carpets, textile floor coverings, and other floor coverings are displayed at the fair. Nepali exporters do not subscribe their own space but in collaboration with their buyers, they could visit the fair to know the new innovation in designs, quality, and fashion trends. The exporters also make contacts with new buyers and get contract of order. The domotex fair is visited by more than 80 countries' visitors including architects and interior designers. There is also organized a series of lectures on the future trends and prospects, quality, environment and marketing.

In the Domotex fair 1998 a group of German importers together exhibited a special show called "Fascination Nepal" at the cost of one million German Marks. They had displayed Nepali Carpets will special attention of focus Nepal and its products. The show was highlighted in a special television program at Europe. The show had found benefited German importers as well as Nepali exporters. Hence, the same show was repeated in the year 1994 as well. But, in

that year the exhibitors and Nepali exporters could not get satisfactory response. The Nepal's stratus has taken over by the Iranian 'nomadic' carpets and the completely new look of Iranian hand woven carpets called 'Gabeh'.

The experience of Nepalese exporters, who had participated the Domotex fair 1998, were quite encouraging than the previous year, but they opine that Nepal will have to wait for some times to see the fruits of this fair to materialize but from the year 1998/99 the trade is falling till the year 2007/08.

Another biggest floor covering fair is the Atlanta National Floor Covering market fair organized by the USA annually in January this fair promoted interrelationship between major retailers, interior decorators, furniture houses and carpet producers. The carpets and rugs of all parts of the United States, Nepali exporters also take part is that fair through their respective buyers. Only 20 percent of the exporters found participated in this fair.

Other trade fairs organized on Germany are Eurotifa – Numbark and Heimtextil – Frankfort. But Nepal's Participation in those fairs is very less. All together 20 percent of the exporters participate in other trade fairs in Switzerland, France, Australia, Japan, Holland and Italy. Exporters also participate in domestic trade fairs – Himalayan Expo and seminars or child labor problems, environment, market development, and raw materials and quality control organized by different organization in Nepal. Besides, the exporters do visit in their major exporting countries to know the ongoing market trend, make channel relation good and create new channels.

In each visit the exporters have to expend around Rs 3 lakhs to Rs 5 lakhs. The expense depends in the duration of visit and number of countries in one trip. The expenses are higher in the fair time visit than other visits and those expenses are borne by the exporters themselves.

4.9.4 Promotion Through International Channel Members

Nepali exports have not practiced in promoting consumers directly. In other words they are using push strategy by promoting and inviting more middlemen

(bulk importers). No direct benefits, incentives and influences are provided to the consumers.

In contrast the wholesalers and retailers of foreign markets promote their showroom or trading house with a variety of promotional mix like: advertising, display, discount, premiums, and Personal selling. But the trade houses do not promote only Nepali carpets. They do business of different countries' different types of carpets, so they promote all the carpets at the same time.

The European importers of Nepalese carpets mainly of Germany, Switzerland and U.K. are re-exporting the Nepalese carpets in other carpet consuming countries. They are employing sales agents in the US, trying to work in joint venture with American importers and are promoting market prospect by acting as supporting companies there. From the survey, only 9 percent of the exporters are found to have been done cooperative advertising in the German Magazines.

4.9.5 Public Relation and Social Factors

Public relation (PR), even though seen less utilized, is an important promotional tool. It has great potential for building awareness and preference in the marketplace. Public relation programs can improve, maintain or protect a company or product image. The image of the country regarding the product is essential for export marketing. The public relation is concerned with the publicity of the product, company of the country. Good PR is good corporate communication, diplomacy and behavior. Another important factor of PR is the relations with government and international agencies.

PR assists in the launching of new product, building up interest in a product and positioning. Nepali carpet was firstly promoted with public relation. The Swiss agency and International Red Cross had created the flourishing environment for Nepali carpets in the European markets. The carpets were sold with the name of Tibetan refugees as "Nepalese – Tibetan Carpets". The sympathy to the Tibetan refugees and a poor country, Nepal, was the sensitive

promotional tool. In 70s and 80s Nepalese carpets were getting popularity in the markets with the "made in Nepal" label.

As the product got popularity, the private entrepreneurs in Nepal began to increase to fulfill the demand from more retailers and wholesalers and the production increased unexpectedly. So the carpet industries became the subject of public interest (issue). More questions arose on the supply side like raw material, labor, finance – social values and norms, and environment.

"Public relation is good relation with the public, and the public of the firm are broader than its market. They include all those who are affected by the firm's operation and all of them can have effect on firm's success. They include customers, general public, investors, government, media, laborers, suppliers, activist and lobby groups and distributors.

The concerns of public activities group and media were the child labor and pollution. The child labor is not a new source of labor, it has been using since the sixteenth century in Europe. But, the move of the twentieth century is towards the human right, social welfare and children's welfare. The issues have been taking pace since the decade of 1980. "In early nineties, the government of USA has banned imports of toys from China in which child labor was being used. The entire fur industry has collapsed because of boycott from animal lovers. In that concern the carpets made with the child labor cannot get market. (www.carpet-e-world.com).

Tremendous pressure had already been placed in early nineties from human right organizations in the countries like Germany, Belgium, England, Canada, USA, Austria etc. to boycott India carpets. As a result the India carpets had already set back from markets. Hence the India had used to label a trademark on carpets produced without the child labor with the efforts of Indo-German Export promotion Project (IGEP) and carpet export promotion council (CEPC). The Indian Government had made compulsory for exporters of Indian had

made carpets to furnish registration cum-membership membership certificate of CEPC.

Since then Nepali carpet industries were also looked in the eye of public. But carpet manufactures exporters were not so concerned with hue and cry. Rather, they began to hide their weaknesses and were more profit oriented. Even if, there is no ban of child labor and domination of labors as it was in India, the cases were or less in practice.

The public relation tools were used to maintain good public relation by creating events such as conferences, seminars on the issues raised in the media. Similarly public service activities like child care center, improvement of working environment, employee's health check up camps were also conducted by some carpet factories. But the actors destroying PR were more sensitive on the one hand and on the other hand the new comers and more profit – oriented industries did not care about the threat. NG had fined 10 factories in 1997 as child labors are found in those factories in surprise visit. (USAID, 22 February 1998).

The strength of PR, hence, depleted along with competition and price falls had been losing the goodwill of Nepali carpets in market.

The already starting price bargaining and hesitating to order Nepali carpets peaked when the Panorama channel or Norddeastscher Rundfunk, Hamburg, T.U. highlighted the child labor in Nepali carpets on April 28, 1996, and about 50% of the carpet industries are forced to close their industries due to cancellation of orders, others also could not get orders.

On the other part, the public was sensate in the impact of pollution and health hazards of the carpet industries. Several studies had been done by some organization, like: Economic service center, had done study on assessment of problems of carpet washing in Nepal and location aspect of carpet industries in Kathmandu valley and concluded that the pollution in water and air from washing and dying is dependent in chemical used and the concentration, and other pollution of carpet industries land, garbage and waste and absorption of

ground water. The carpet industries fail to reflect the full economic and social cost of environment. Recommendations were made to relocate carpet industries outside the Kathmandu valley. But the government could not take any strict and effective policy regarding relocation, pollution control and employees' welfare by developing infrastructure and incentive packages for them. The activist group and general public continued to oppose the carpet industries.

Thus from the end of eighties, the traditional good will and reputation of Nepali carpets in the market had been decreased; instead, it brought bad publicity about the industries.

Good public relation assists repositioning the mature product and defined products that have encountered public problems. The carpet manufactures/exporters today became aware about PR and not using child labor in their factories and providing reading and health facilities to the children staying with their parents in the factory/factory sites.

4.9.6 Institutional Efforts on Promotion

The institutional efforts on promotion have some special international dimensions, which are not usually considered in the promotional mix. They include the activities of government, trade's organizations and association. In addition, the international agencies, the joint WTO-UNCTAD international Trade Center also have promotional efforts in Nepalese carpet promotion.

Government Associated Organizations

Government assistance in export marketing usually takes three forms: information, financing and promotion. These activities are practiced under the Ministry of Commerce and Nepal Rastra Bank. But, the establishment of Trade and export promotion Center has made it as of the national focal point of export promotion. Since the beginning, the center has focused on the export promotion of Nepalese carpet in Europe and America along with other products. The major activities done by the center were providing information of markets and importers, participation in trade fairs, organization of trade delegations. But, the activities cannot be assessed as to what extent of efforts was made for carpet promotion and what were the benefits. Nevertheless, the carpet export could increase and diversified to more than 35 countries.

The carpet industries are taken in the category of cottage industry and handicraft sector. Hence, the activities of TPC regarding carpet conducted under the Cottage industry Export Development and Export promotion Council. The establishment of 'Products of Nepal' in the USA nevertheless, could not make great impetus in the promotion of Nepalese carpet. TPC has brought several publications like Exporters Directory of Nepal. Commodity profile (Woolen Carpets). To strengthen the export of some specified product, another project, Export Service Center (ESC) was also created in mid 1980s. It took carpet and wool products in one sector and worked under the marketing strategies chosen by the TPC. Carpet industries could also promote their export through the establishment of Export product Development and Export Promotion Council. Its major activities were: develop contacts among Nepalese exporters and importers abroad, product development, provide technical and market information, train the manpower, check quality of raw materials and exportable products. Organization of buyer – seller meets and publication of rosters of exporters etc.

Realizing the importance of carpet sector in Nepal, an organization, carpet and wool Development Board (CWDB) was also established in 1990s according to the demand of private entrepreneurs. It specializes in the quality control and promotion of Wool and Woolen products. Regarding its major defined functions like: Product development, quality control, market development and diversification, research studies. Seminar – workshops, trade fairs and exhibitions, information and publications, training and technical services, the Board in the past days was engaged in the formalizing the export procedures of Nepalese carpet and import of raw wool. Besides, it has organized few seminars and workshops on the timely issues of the carpet industries like: Child labor, environment and trade barriers. The board has completed the study on alternative use of cut-price wool (Jhindu). Regarding the promotional service, the Board had organized several buyers' – sellers' meets, organized buyers' delegations and made visits to the carpet industries, published rosters of carpet manufacturing/exporters of Nepal and importers of European countries, and video films of Nepalese carpet and sent to the buyers. The Board is monitoring

the markets and providing market information and also providing guarantee service to exporters on carrying export sample of Nepalese carpets without depositing the foreign currency to bank. Exporters should pay the bank after selling of carpets. They can also export sample up to amount of US\$ 500 without any deposit for the period of six months or the payment is not received.

There are several other government associated organizations like: Ministry of Labor and transport management, Department of Cottage and Small Industries, Cottage and Small Industry Development Board (CIDB), Nepal Bureau of Standard and Metrology, National Productivity and Economic Development Center are also playing indirect roles in promotion of Nepalese Carpet.

Non-Government Associations and Agencies

There are more than a dozen of non-government organization and agencies whose activities cannot be less emphasized in contribution of export promotion of Nepalese carpet. Some of them are: Nepal Chamber of Commerce, Federation of Nepalese Chamber of Commerce and Industry (FNCCI), Nepal German Chamber of Commerce and Industry (NGCCI), Japan External Trade Organization (JETRO), Nepal Japan Chamber of Commerce and Industry (NJCCI) Central Carpet Industries Association (CCIA), International Trade Center (ITC) etc.

CCIA is the focal point of export promotion of Nepalese carpet workshops and seminars for the Nepali manufactures and exporters about the trend and threats of market since the establishment. In early nineties the carpet association for the first time competed and published the detail and informative brochure about carpets and carpet production in Nepal called "Carpets from the Country of Mr. Everest". Similarly, a video film was also made and shown in 1998 in New York Copies of video were also distributed for many carpet importers. CCIA has been continuing such activities to create good public relation in markets. It has published another brochure named "The Himalayan Collection" in 1997 and 1998. It is also working for quality development and market diversification of Nepalese carpet.

Similarly the Association is working to tap American market since 1998 in collaboration with the USAID's Economic Liberalization project. The program is focused on familiarization of the Nepali manufactures/exporters with American market taste, design development and establishment of market linkage with American importers. After the two way visits of buyers and exporters, Nepali exporters could receive sample orders through the coordination of CCIA in few lots. The sample carpets were exhibited in the USA as well. Similarly, Nepali designer training in the US also conducted in may 1998. The good matter, the program is still continuing. The Association is also exploring market of Nepalese carpet in Japan in cooperation with Nepal – Nippon Forum and JETRO.

The joint WTO-UNCTAD, ITC in Geneva, formed to serve less developed countries for export promotion, has also played important role in export development of Nepalese carpets. It has published the study report on "Major Markets of Oriental Carpets" in 1969 and 'major suppliers of Handmade Carpet" in 1981 and 1983. The center has organized several seminars, workshops and training in Nepal with cooperation of TPC, Nepal Chamber of Commerce and other organizations, similar workshops, seminars and training are organized by TPC in Nepal with the support from EEC- Belgium and GTZ – Germany.

4.10 Procedure for the Trading of Carpet in Nepal

4.10.1 Export Procedures

Export procedures may be seen as the channel activities taken in export marketing, because channel is defined as a pipeline for goods from manufacturers to consumers. There are more than 200 registered carpet exporters in Nepal. The exporters have to fulfill different procedural requirements from the time an export order is obtained till the realization of export proceeds. Preparation of various documents, banking requirements, custom procedure and transportation are the most complicated procedures of export marketing in Nepal.

The exporters have to register their firm in the Department of commerce or its branches as a trading firm. There are many exporters who have their own industry and many exporters work as marketing institutions between the producers and other channel members. Many small and medium carpet manufactures do not export directly, the exporters used to buy the carpets manufactured by them after inspection of quality and specifications. Some of those are paid wages on a contract basis after the carpets have been equipments are supplied to the weavers by the established manufactures and/or exporters.

The industries must be registered within 6 months of operation in Department of Industry of Department of Cottage and Small Industries or its branches. But in present practices, the small manufactures that supplies to the established manufactures and exporters have not registered their industry.'

Next, the exporters should have a current account with a reputed commercial bank authorized to deal in foreign exchange. The bank then agrees to deal transaction between the exporter and buyer.

Exporters have to prepare various documents within the distribution pipeline to satisfy government regulations, international commercial and transit rules and payment transactions. At present the Nepalese carpet exporters have to prepare the following documents while executing the export.

1. Export contract from,
2. Commercial Invoice, Packing and Weight list
3. Certificate of Origin,
4. GSP Certificate of Origin
5. Letter of Credit (L/C)
6. Foreign Exchange Earning Bank Certificate
7. Custom Transit Declaration Certificate (CTDC)
8. Bill of Lading or Shipping Bill
9. Railway receipt/Airway Bills
10. Custom Clearance

11. Insurance Policy

The certificate of origin is issued by the Nepal Chamber of Commerce. To enjoy preferential tariff concession in the importing country, the GSP certificate was obtained from the export section of the Trade Promotion Center. But, at present the carpet and Wool Development Board checks and certifies the GSP. It consists of the information about the means of transport, route, name and address of the exporter and importer, number of items, number of packages, description of goods, place of manufacture, gross weight, Quality and number, date of invoice and value, certification etc.

To obtain, credit facilities from bank, various documents are needed, such as CTDC, Railway/Airway Bill, Bill of lading insurance policy, certificate of Origin etc. The exporters today also export their consignments under advance payment receipt, and 10 percent of the exporters use sight draft term while selling samples.

The Nepali exporters should obtain the CTDC certificate from the Nepal border custom authorities concerned to assure the Indian custom authorities that the goods are not of Indian origin, and are mean to for export from Nepal to third countries, other than India and shall not be retained in India. The consignment is carried by the third agency to its destination. The third agency gives its official receipt (Bill of lading) for the goods shipped in its vessel to carry them to the port of destination.

If the goods are shipped from Nepal border to Indian border by rail, the railway authority issues a rail way receipt and endorses it to the exporter. If goods are not sent by train, it can be replaced by cover Note (C/N) which is issued by a transport company. When the goods are sent by air, the Tribhuvan International Airport issues an Airway Bill. Before the consignment crossing the Nepal border the exporter should get the goods cleared by the customs. This procedure should be completed in the customs office of Nepal border or of Tribhuvan International Airport office or of Foreign Post Office Department; from there the goods are passed. At present there is no custom duty, no excise duty, no sales tax and no quantitative restriction in export of carpets

If goods are transported through India, the exporter should clear the custom office at Indian border. As soon as the export consignment crosses the Nepal border, the exporter must get it issued by an authorized insurance company.

4.10.2 Transportation

Transportation plays a role of facilitating agency in total distribution channel system. But, one of the major bottlenecks in development of the export sector in Nepal is the country's geography. The difficult mountain terrain on one hand and being landlocked country on the other brings serious challenges for the development of the export logistic system in the country. The country has limited modern transportation network and a major part of the country still depends on the human labor for transportation of goods. This is one of the main causes that most of the carpet manufactures and exporters are concentrated in Kathmandu Valley.

The problem posed by the landlocked of the country is even more severe as the country has to access to sea only through India. The problem of transit, transportation, warehousing, insurance etc. has always been obstacles to Nepal's export trade. All the carpets exported from Nepal have to be carried by air or through India, from Calcutta Port.

There is lack of government incentive on transport. More than 75 percent of the carpets are exported by land and sea. So, the exporters cannot meet the prompt delivery commitments. Procedures and physical facilities and services at Calcutta port is another problem for the Nepali carpet exporters also ship their carpets from Bangkok port and Singapore Port carrying up to their by passenger flight.

4.11 Problems and Prospects of Woolen Carpet Export

4.11.1 Problems on Woolen Carpet Export

Those problems which are seen in this industry can't solve in single attempt, gradually it could be solved but the plan and strategy should be developed towards solving problems. Due to different problems in carpet industry in Nepal it could not have increased in the firm of institution. So many numbers of carpet industries were established and closed. But very rare numbers of industries have been remaining in the country. For this purpose, first the problems should be identified and classified, especially following problems are seen in Nepalese woolen carpet export and carpet industry also.

- a. Problems on export
- b. Problems of market
- c. Problems on production
- d. Other problems

4.11.1.1 Problems on Export

Nepalese Hand Made woolen carpet; when export has been many problems. The government is not doing responsibly activities about the exportable items. The following problems are seen in woolen carpet export.

i. Problem of Sea Port

Being the landlocked country, Nepal has no own sea port. Only one dry port located in Birgunj couldn't bear whole exports. Depend upon the Indian sea port, warehousing, road transportation problem, labor strike, Nepal strike are the main problems. Due to different problems Nepalese woolen carpet could not reach in time in international market.

ii. Problem on air transport

Nepal should depend upon air transport due to land locked country, air transport is expensive and problem of lack of sufficient planes to different country so here is another problem exported carpet cannot be delivered in time.

iii. Lack of Government's Commodities Policy

It should be different export policy to all exportable items but the government has made common policies. The facilities given to export should be high on carpet export because it has not exported on quota system.

iv. Lack of Promptness on Government's Department and Office

The export policy is not properly implemented by government departments and offices. In fact, it is only in written form.

v. Trade mark/Brand Name

Nepalese handmade woolen carpets have not its own trade mark and Brand Name so other countries agents like a Indian carpets are being exported on the name of Nepalese carpet. It affects on the good will of Nepalese woolen carpet. These types of illegal export must be controlled.

vi. Unnecessary Process on Carpet Export

To export the ready woolen carpet, different process should be performed. On the exporting process the production certificate should be received from Nepal chamber of commerce. For this purpose the exporter should pay 12 percent amount on exported invoice price. In the second process the recommendation letter from carpet and wool development board for getting GSP facility in foreign countries should be taken. For this purpose the carpet and wool development Board takes Rs. 2 per sq. meter of carpet export. In the final the carpet is taken to custom office and it takes 0.5 percent service charge. In the present for the purpose of getting export service charge \$34 per sq. m. has determined as export cost of carpet on flat basic. All these lengthy process should be curtailed.

vii. Export Service Change of Carpet is Unscientific

In the present the fixed floor price of woolen carpet for the purpose of export service change by the government from which the real value of exported carpet cannot be known. This floor price does not stimulate to exporter so it should be improve.

4.11.1.2 Problems on Market

Nowadays, Nepalese woolen carpet is being exported to more than 60 countries but in most of all the nominal value of carpet have been exported expect Germany, Switzerland, UK and USA. Nepalese woolen carpet depends upon mainly Germany market. Indian woolen carpet has covered large share of market in America. There are different problem in marketing of Nepalese carpet in world market many factors have been effecting in woolen carpet's marketing's such problems can be pointed out as follows.

i. Lack of Research

Research work on consumer's behavior on product and their needs and wants should be done. The research work on carpet industry, in marketing and production is very essential but it has not done well. It should be researched for international market but the problem of government to take visa and other documentation preparation are very difficult.

ii. Competition

There are keen competitions among different floor covering materials in international market. Nepal must to take her woolen crept with new strategies, otherwise it will not have vast market. Nowadays India and China are the main competitors of woolen market for Nepal.

iii. Problem of Promotion

Today's world is a world of promotion of the product. To take the market different types of promotional tools should be sued like as advertisement, personal sells etc. An intensive promotion about the woolen carpet, its

qualities, character could not be done in an international market as well as requirement by Nepal.

iv. Problems on Market Diversification

Since 30 years Nepalese woolen carpet has depended upon only Germany market but the German market was going to be decrease year after year. Now the USA market is also in decreasing trend. The market cannot be established in other countries as in Germany and USA. Other markets also have to be searched.

v. Import of Wool cannot be discriminated

Required Raw materials of wool has been imported only from New Zealand and Tibet. From which, wool cannot be got at cheap price. That's why we should import the required raw materials from several countries.

vi. Nepalese Woolen Carpet cannot be exported in Reasonable Price

Due to price competition in an international market the foreign importers demand woolen carpet in cheap price. As a result the exporters and producer of woolen carpet have decreased the price of carpet to export their carpet rather than production cost which becomes very disappointed to Nepalese woolen carpet export.

vii. Lack of Information Technology

The market information on woolen carpet cannot be collected, what was happened in the international market it should be known. The marketing strategies can be made based on getting information.

viii. Problems on Price Discrimination

The pricing of woolen carpet should be done as market position but it has not found in practice. The price of carpet cannot be discriminated according to market's position.

ix. Problem on Making Technology

Nepalese carpet making technology is being copied by different carpet producer countries like as Iran, Egypt, and Vietnam. Nepal does not have signed in an international treaty and transit on international copy right, which has affected Nepali woolen carpet production.

4.11.1.3 Problems on Production

There is significant effect of production on consumption of product. Production function is very important in marketing of any goods and services. The requirement of customers and their interest and ability of pay should be considered on production function. Customers of international markets are using Nepalese woolen carpet. Besides Nepal; Iran, Afghanistan, China, India and Some other countries are examples of woolen carpet producers. Therefore Nepalese woolen carpets demand is determined by market environment of world market. Because of problems in carpet production, Nepalese woolen carpet could not meet market's interest; as a result it loses its market share. The problems on carpet production can be listed as follows.

i. Problem on Raw Wool Import

Nepalese woolen carpet producers depend upon the foreign countries to raw wool import. New Zealand is the main country from where raw wool is imported by Nepal. Very little volume of wool imported from Britain and Tibet.

The imported wool is entered in Nepal crossing long way. It has to cross long way and long land way. Different troubles like making delay on unload; problems and restriction are created in transit by Indian administration.

ii. Lack of Capital

Without capital no industry can be operated. In case of carpet industry of Nepal, most of industries are suffering from the lack of capital. From the production purpose to marketing purpose they are unable to run their program

smoothly. Commercial banks in Nepal have been providing loan to carpet industries at expensive interest rate. So the carpet industries have not able to growth speedily due to the lack of capital.

iii. Child Labor Problem

Child labor is being used in most of carpet industry to get high profit by giving low wages to child labor. In early nineties some western medias had created propaganda a of child labor use which have created irritation to Nepalese woolen carpet in European market and brought huge trouble in carpet industry. Government of Nepal and such private sectors have succeeded to remove that propaganda partially by making any propaganda about child labor. So the problems of past may come again in their industry. It is very necessary to remove child labor from the carpet factory.

iv. Problems on New Technology

Since 37 years the woolen carpet is being manufactures under made method. In international market different kinds of carpets are available i.e. towed carpet, woven carpets; needle felt carpet and other types. But Nepal has been unable take new product (floors covers) expect handmade woolen carpet. The consumers of Germany want new test of floor covering, but Nepal could not improve structurally.

v. Lack of Skilled Manpower

In Nepal mostly hill people have traditional woolen making skill. So, Nepali woolen carpet industry is suffering from lack of skilled and qualified manpower. There are not adequate training facilities to develop the carpet making skill due to the lack of skilled manpower the carpet labor are pulled on industry to another industry by giving extra facilities. This is very poor matter for sustainable develop of carpet industry.

vi. Problem on Social and Environmental

It is not doubt that carpet industries have taken economic support to country as well as employment to large number of illiterate and literate people in the country. But we could not reject this statement that carpet industry has been facing environmental problems as well as social problems. The chemicals used in carpet washing and dying having created water pollution. So the government has made the policy on carpet industry that is "carpet industry have to shift from Kathmandu valley" to village areas.

vii. Weakness of Carpet Industrialist

To get high profit margin and to compete with other carpet on price decreasing as price war Nepali industries are using cheap material and cheap labor. Like, cut prices of wool (Jhindu) and child labor. With that the production of carpet becomes low qualitative and declines on Nepali woolen carpet's demand in international market.

Nepalese carpet producers do not use principle of cost management. They only have used direct method of cost saving. The tendency of an entrepreneurs and exporters "any how high volume of carpet export in high demand periods" made low quality production, which made negative on Nepalese Hand Made woolen carpet.

4.11.1.4 Other Problems

Instead of these above mention problems, some other important problems are attached with

1. Competition brought about by the china and Vietnam.
2. Problem of mass use of machine made yarn instead of handmade yarn for carpet production.
3. Due to loss of one major importer of Germany.
4. Pressure of several trade unions.

5. Indio-Nepalese carpets.
6. Child labor problems.
7. Infrastructure bottlenecks.
8. Intra-competition between domestic manufactures.
9. Charging unnecessary taxes by government.
10. Prompt change in carpet related act.
11. Lack of legal provision for the revival of the align carpet industries.
12. Lack of security for local carpet industries.
13. With government view carpet trade only as the revenue collection sector not as the foreign currency carver.
14. Tedious documentation problems while exporting process.
15. Establishment problems of employee training center for the production of qualitative carpets.
16. Problems of foreign carpet attraction i.e. Chinese carpet.
17. Import of Low quality raw wool from New Zealand by the Nepalese entrepreneurs.

4.11.2 The Future Prospect of Nepalese Carpets

A revolutionary chapter was begun in 1960's when the commercial production started in Nepal and now, Nepalese woolen carpet industry is a million-dollar venture. Carpet is in fact a main source of earning foreign exchange. But due to inherent flows, which became prominent in the last few years, the size in export has tended to decline and as a consequence of this majority of medium and small scale carpet industries started to close down after mid nineties.

The first consignment of carpet was exported in 1964, the mass production picked up only after 1980s when the total production was at one hundred and thirty seven thousand square meters. Price wise since there was steady increase

in demand up to early nineties, the figure show disproportionate earnings compared to the square meters of the carpet exported. But soon after, the evils in the trade which took shape in the form of overproduction at the cost of quality and the resultant adverse publicity published by regional competitors abroad put a break on the steady trend. As a result of it, Nepalese carpet exporters suffered a serious setback.

Nepalese carpet, which is a combination of Tibetan and Nepalese artistically, soon gained notoriety due to number of factors. This promoted the industry to review the situation before they could expect to gain a semblance of faith of the European importers. Over production and the use of cheaper quality thread and wool have been abandoned and the production which was being rejected by the overseas importer has started finding place in the super markets abroad, although, there was fluctuation in the export of carpet from Nepal.

The past has been studied and carpet people have learned from it. They now know that they will grow steadily in the coming years if they control overproduction and maintained quality. Even through the prices may never be what they once were for same people. Specialists will still be able to sell their carpets for a good amount. At this time, price range from company to company and it is quite difficult to tell the set rate for a square meter of the Nepalese Tibetan rug.

Carpet is luxury item. Being poor country, the domestic sale of carpet is negligible and entire production, which comes up to more than 3 million sq. m is to be exported. Many enterprises are supported by the carpet industry one or another. Knowing this, the Nepalese government recognizes the tremendous harm that the country's economy may takes if the carpet business is neglected. Trade is being taken seriously at all levels. The most important step is to close the huge gap between the rates of different producers. Because some people are selling at a rate that is lower than the manufacturing cost. Many are getting hurt by unhealthy competition.

An important factor that may help the carpet industry is publicity. Those effective methods which will expose Nepalese Tibetan carpets to foreign markets need to be found. To rely on Germany alone does not guarantee the future safety of the carpet industry, where 42 percent of carpets are exported. Germany economy, political situation and buying attitude may change and Nepal's carpet dealers will be directly influenced. Expansion is the shale answer for the future and for that a workable marketing strategy is indispensable. Every taste has to be studied thoroughly, whether it is in Europe or outside. Nepalese entrepreneurs can't afford to miss any business opportunities because of lack of information, the way things are, there may not to be a probable with that.

As long as there is full confidence among the manufactures, exporters and importers on the carpets positive factors, there is little to worry about. The market is out there and the carpet industry has come long way through periods that were as difficult. A few tumbles don't necessarily mean that carpet people should feel discouraged. One thing which is out to keep in mind is the quality of the product and the brand.

On the other hand the world's trade system has been being improved. The super power organization like WTO is doing well and it is providing the umbrella forum to penalize the trade norms violators.

As far as Nepal as a LDC is concerned. It can derive sound and reliable benefits by following the various WTO principles, WTO provides for a proper level playing field i.e. the most favored nation (MFN) status to all the member countries. LDC like Nepal will not be discriminated with the other trading partners including developed countries like USA, Germany, and Japan etc. Similarly, the description will exist between one's own and foreign products and services whereby they are given national treatment. It provides for free trade, gradually through negotiations by means of progressive liberalization whereby trade barriers like customs duties, import bans or quotas are lowered

to encourage trade. It has made the business environment stable and predictable. The countries are bound by their markets for goods and services. This invites regular surveillance of the national trade policies and transparency in multilateral trade rules.

WTO promotes open fair and undistorted competition by discouraging 'unfair' practices such as export subsidies and dumping products at below cost of gain market share. It is more beneficial for a LDC like Nepal as more time has been given to adjust to WTO rules. Special privileges and greater flexibility has been allowed in order to accelerate market access commitments.

Nepal having cheap and leisure labor force has a competitive power on the carpet which any leads it in to the world market. On the other hand since WTO provides the regular monitoring duplications of the morality can be discouraged and the penetration on the world market may be continued instantly.

The recent scenario of changing portfolio of the major importing partners of Nepalese carpet has given a new ray of hope for the carpet exporters because the big partner like Germany and continued of consuming the Nepalese product with great preference. Similarly the next partner UK is increasing the consumption of the Nepalese carpets. The arrival of new major partners of importing Nepalese carpet, Turkey, Greece and Portugal shows the positive trend of finding new market.

The concept of making Nepal the transit point between the world largest populated countries like India and China obviously plays vital roles for the promotions of Nepalese carpet to the world. This consequently reduces the cost of productions and increases the competitive power, which will be vital to compete on the world market.

The newly development of diplomacy with the middle east like Qatar and UAE and other countries which can pay much money for their luxury may change the composition of the Nepalese carpet importing partners.

In the future, the Nepalese Tibetan rug needs to be exposed to fresh markets. Trade fairs and conferences will be very important resources for the Nepalese Tibetan rug industry. With proper strategies, Nepal may in time, take the first place among the world's top ten carpet exporters.

4.12 Major Findings

1. During the period 1997/98 to 2002/03 the export of carpet was in increasing trend then after 2003/04 to 2006/07 the export of carpet was in decreasing trend then in increasing trend. In fiscal year 2002/03 the export was on peak point.
2. The selling price of carpet depends on demand
3. The main Nepalese Hand Made woolen carpet importer countries are Germany, USA, Belgium, U.K, Switzerland, Turkey, Italy, Canada, Netherlands, Austria and Japan in latest trend.
4. The import in the major countries is in increasing trend but the percentage imports of Germany, France, UK, Switzerland and Netherlands in total world import have decreased comparatively in the period of early nineties.
5. Iran is the largest supplies among the carpet export group China, India, Pakistan and Nepal are than listing. Nepal had very significant share in total export of handmade woolen carpet but it has increased sharply reaching the share 10.4 percent in 1992 but it again reduce little 2007/08 becoming 8.4 percent of the world market share.
6. The Germany has played vital role in promotion of Nepalese carpet. Out of EC country carpets are exported more than 60 countries.
7. The woolen carpet have played major role on GNP of nation because it is the main product to earn foreign exchange.

8. The total consumption among the countries is not forecast and interpretable due to massive fluctuation in the trend. However, it is observed that there is still good demand of handmade woolen carpet among those countries.
9. There is a tough competition for Nepalese woolen carpet in comparison to the market share. Even the market share in terms of value may not be quite informative of competition, Nepalese carpets have to face the competition in market with the carpets of Iran, China, India, Pakistan, Afghanistan, Turkey and Morocco are the main competitors for the woolen carpet.
10. The Nepalese exports and manufactures have not their own distribution cells in foreign countries except on trade fairs. About 64 percent of the sales go to wholesalers in Germany who are specialist merchants and re-exporting to UK, Switzerland, Belgium, Hong Kong, Singapore etc.
11. 93 percent of the export of the Nepalese woolen carpet is based on direct selling through the individual effort of entrepreneur, remaining 7 percent is through agent and intermediate's 85 percent carpet export through wholesalers and only 15 percent through retailers in the international market.
12. One of the important features of Nepalese carpet is that it is economically accessible to all classes of the people, uniqueness in weaving style, pile thickness, wool type and texture and some used to buy sympathy to poor country and by the name of Tibetan refugees.
13. The effort made by government to promote the market of Nepalese carpet of making policies entrepreneur side efforts are only limited to participation on seminars and exhibition.
14. The reduction of price and demand of Nepalese carpet in the world market is seen which is because of deflation of Nepalese Rupee is

comparison of US dollar, quality of carpet, use cheap wool, child labor, other competitor country export in cheap price, problem of promotional tools etc.

15. Nepalese handmade woolen carpets have not its own trademark, brand name and copy right certificate. India has sold Nepalese carpet with other brand Name.
16. Nepali exporters are not using the consumer promotion tools like; Samples, coupons rebates, premium, prize etc but they are using trade promotion tools as sales promotion. Trade promotion can persuade the retailer or wholesaler to carry more goods than the normal price.
17. There are different problems in carpet production, export process, and marketing. Among them marketing problem is found as a major.
18. The diversification of market is not done successfully.
19. After establishment of Trade promotion center (TPC), CCIA entrepreneurs of carpets are collecting forwarded towards market promotion of carpet.
20. Carpet weaving has become a subsidiary occupation among the village people which are concentrated in Kathmandu Valley, workers are migrants coming from villages in the hill and plains through some of local people. In the production period carpet is accomplished and different stages, all stages involve a lot of hard work. The work force comprises women and men both, in the past child labors are also used but now child labor free certificate should in carpet factory.
21. In the present government has established a separate body named carpet and wool development Board (CWDB) for development of carpet industry in Nepal, which has been functionary very imitative towards market promotional of carpet in foreign countries.

CHAPTER - V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Nepal is a land locked country based on agrarian economy. Foreign trades especially export parts play a vital role in economic development of any country. The carpet industry produces an exportable item which has earned an important position in the national economy and helps to solve the unemployment problem. Nepal is a labor intensive country share totally typical Nepali labor and skills are used. People of Nepal who live in northern part of country having traditional carpet making skill are being employed in carpet industry. The major commodity exports from Nepal are carpet, readymade garments, hides, pulse, handicrafts, lather products, woolen goods and Jewelers items. Among them carpet (Handmade Woolen) is the most important product. The carpet industry is one of them and it has the first rank in the Nepalese economy.

The major markets of Nepalese woolen carpet are Germany, USA, Belgium, UK, Switzerland, Turkey, Italy, Canada, Netherlands and Austria. Nepalese woolen carpets are exported more than 60 countries of the world. The export to Germany was about 81 percent of the total carpet export in 1997/98 then after the export was decreasing and in 2007/08 it covered only 42 percent only.

The major markets of handmade woolen carpet are concentrated in Europe especially in EEC. Germany, USA, Japan, France, UK, Italy Switzerland, Belgium, Austria and Sweden are these countries who re-export the Nepalese handmade woolen carpet among the Germany is the first rank of Nepalese carpet re-exporter. The major competent exporters countries are Iran, China, India, Pakistan, Afghanistan and Romania among them Iran is the main competitor of Nepalese carpet than after China and India are the ranked in 2nd the 3rd rank respectively.

The recession in Europe during 1990s affected the macro – economy of people and the large group of people being price sensitive, began to compare between Nepalese and other countries carpets. The market structure of Nepalese carpet which was previously monopolistic competitive, and oligopolistic is now changed to pure competition and the producers and exporters has to set the price according to the market. About 84.78 percent of the carpets are sold to foreign wholesalers and rest 15.22 percent to the retailers. 93 percent of the export is done by direct contact with the buyers and 7 percent is done by indirect.

The geographical structure of Nepal is one of the major bottlenecks in development of export sector. There is no government incentive on the transport. The country has an access to sea only through India which arises several Problems in getting various documents and custom clearance to satisfy the Indian Government. Carpet promotion is found to have been done by Nepalese exporters by mail-marketing, advertising, trade discounts and personal selling to the channel numbers. The financial constraints and lack of technical know-how are the causes that Nepalese exporters do not communicate their carpets direct to the consumer. The exporters and produces get only the second hand information through their respective buyers. One of the short term promotional policy and pull strategy is practiced by advertising in the magazines. The advertising is especially done during fair time usually opening in Germany and USA and they are done for channel promotion than consumer promotion.

Another short term but push strategy used by the exporters are stock sale and quantities discount, allowance, use of design sheets, slides and photographs. Only a few exporters prepare trade literature and catalogue, mail-marketing and common methods of promotion by using are widely used.

Nepalese exports also participate in the trade fairs. About 70 percent of the exporters visit the Domotex Trade fair of carpets and floor coverings in

Germany and 20 percent visit the Atlanta national floor covering market fair, USA every January. The participation of the Nepalese exporters are not directly subscribing a stall but with their respective importer buyers. They make new contacts and receive orders from the buyers in the fairs. The past success of the Nepalese carpet marketing is because of the good public relation. Poor country and the image of Nepal's cultural heritage and natural beauty created good image of Nepalese carpet.

In the early 1990s the government could not take any strict and effective policy regarding quality control, removing child labor, relocating industries, pollution control and employee's welfare by developing infrastructure and incentive package. Some policies then adopted also could not be implemented because they were conflicting and discouraging the entrepreneurs. Now a day, Government is also inspecting and encouraging the carpet industries not to use child labor. The trade promotion center and then the Export service center were the institutions to expand the markets. The establishment of CWDB has shown hopes to promote the Nepalese carpet. The trade policies and Industrial policies are the main policy measures concerned.

So many numbers of carpet industries were established and closed. There are so mainly problems in carpet industries. Due to the different problems in carpet industry in Nepal it could not increase in the firm of institution. The main problems are on export, problems on market, problems on productions and other common problems. Being the membership of WTO by Nepal the trade is going to free trade so it must necessary to improve in every sector of carpet production, export, market diversification, and other sectors.

5.2 Conclusions

Since 1962 woolen carpets were exported from Nepal with the production and promotional efforts of Swiss agency. Those carpets of Nepal were Tibetan carpets which were adored by European consumers because of the unique artistic and handicraft items. Nepalese carpet had been enjoying very good

reputation in the markets and the market is expanded to the large group of consumers as a common item. Nepalese carpet has secured 3rd position in the market which is classified under 5701 HS code in international market. Nepal has to compete with Iran and Indian woolen carpet in EC. Among EC Germany was the center for the international carpet trade.

The second largest market of Nepalese woolen carpet is USA in the world. Nepal has not able to enter woolen carpet in USA in large volume. Similarly USA Switzerland, UK, Belgium Turkey, Japan, Canada, Austria and other many Countries are found the sub main market of woolen carpet in the world. Nepal has to do exercise on market promotion. The initiation of the largest trade fair in Germany named Dometex fair, since 1989 exploited the popularity of the Nepalese carpet then after the market structure changed to the pure competition.

Nepal has been exported woolen carpet to Germany about 42 percent. A small conflict in Germany market can produce huge problem in Nepalese woolen carpet industry. In 1994/95 the propaganda made in Germany about child labor use in carpet industry had greatly affected in carpet industry. The demand of carpet felt down. It can't be maintained till today. So it is very essential to search other international markets for Nepalese woolen carpet. The rapid growth of industry in Nepal has created its own problems and competitions. The price of carpets differs according to the design, color and thickness.

In the beginning Nepal's export trade was depend on agriculture product but in the present when woolen carpet industries are established and started to export carpet it has covered the major share on export. Woolen carpet has become a main exportable commodity of country so country must focus its attention on carpets development rather than other product. Similarly carpet industry's contribution on national GNP is not negligible.

Nepali exporters were producing a large quantity of the same product targeting to the same taste and preference of the European consumers consequently they

have got several set the price according to the market. The manufacturers and exporters use intensive, selective and exclusive distribution policies as well as direct and indirect channels. No effort was made to create channel relation in USA, Japan and other potential markets with design development. Nepalese exporters communicate with their buyers by mail advertising, sales letters and personal visits. But the consumers are informed and influenced by the intermediary buyers. The exporters use design sheets, photographs and slides, trade brochures and discount on stock sales as promotional tools. The government has established a single body "Carpet and wool Development board" for development of carpet industries and promotion carpet export. It has engaged nearly in the export development activities. The major media is fair magazines of Nepalese publishers, which is denoted by Advertising. Nepalese carpet exports create demand in different markets and they are based on the second hand information. The participation in trade fairs had contributed well in export promotion and visitors' response on the trade fairs.

The entrepreneurs of woollen carpet have facing different trouble in production, exporting channel and marketing. They do not feel safe on their business. In production, they cannot get loan by bank in easy way so they have problem in carpet production. Due to lack of capital and government support they have huge problems in market promotion activities.

Although there are many trade associations in the country, their actual performance regarding export promotion is negligible. There is lack of co-ordination, co-operation and dedication on the individual traders' trade associations and government bodies. They are working without proper guidance and committed plans. The CCIA is the main responsible body on behalf of the private sector. It was only making efforts to protect the welfare of the members out of the government policies and the public. There is lack of activities on market survey, information and marketing intelligence system; promotion and publicity campaign. The USAID/CCIA market promotion

program in USA has short position results, even taken then it is not determined property as succeed.

At last but not least carpet industry is very important for country's development. It has been contributing large share in total export and country's economy. The marketing function is very important but in the present this part is very weak in this industry. So entrepreneurs should be very active in marketing activities and the government should give safeguard to carpet.

5.3 Recommendation

The market diversification of export is very essential for Nepalese handmade woolen carpet. The focus of all marketing efforts is the consumer. But, the task is concerned in promotional planning a promotional strategy, requires an information flow from several source such as markets, competitors, government and other external institutions and publics as well as from inside the firm. These are impinged by the demographical, technological, economic, socio-cultural, legal and political factors. To be operational, promotional strategy decisions must be communicated to all the members responsible for its implementation, including the distribution channel members and lobby groups, since feedback information is essential to control results in accordance with planed objectives. For these marketing activities like, marketing research, promotion and product delivery must be done.

Nepalese manufactures and exporters should be produced what is demanded in market. Germany, Switzerland, UK France and other countries want new test, design, size, color of carpet but Nepalese carpet have not been developed and modified so what they want in international market those types of product should be produced for the purpose. The export by exploring new markets and feelings the flexibility of international market should be practiced.

Quality of carpet should be maintained to make recognition of "Made in Nepal" and price should be stable to increase the perceived value, producers must have produce qualitative carpet through different angle wool, thread, color etc. The

quality control should be done in the process of production but not in production.

Market promotional activities like advertising, through different media, electronic media, news paper etc and demonstrations, trade fair etc. are very essential for export promotion of carpet like new market in USA very heavy advertising campaign is necessitate for promotion of carpet. To overtake complete India and China this advertisement campaign is very essential identification of market is must for export promotion and the inputs of commercial information, intelligence and access to market data also need to be provided.

To develop export trade the transit facility is very essential for Nepal. That's why government of Nepal must create good environment with India government to get easy transit facility and to remove different obstacles through public and Indian administration in transit.

It is also necessary to solve infrastructure constraints such as transportation in domestic environmental packaging, transit and custom formalities, Design improvement, efficient man power development, Quality control and check before exporting standard market and good supply etc. should be maintained.

To maintain good public relation and improving domestic situation it should concentrate to the manufacturing and exporters. They should be transparent in labors' welfare and wage system. The dyeing and washing technologies should be fair to the environment. The government should develop appropriate infrastructure, incentives and policies to encourage the entrepreneurs to re-locate and all pollution control measures in these factories. The population income and standards should be set as agreed by international standard.

The government, the manufactures/exporters and the trade should be aware of present threats as (i) trade barriers raised by the advanced countries like ISO – 9000, (ii) Eco – friendly certification and (iii) no use of child labour etc. They should be able to assure the public, foreign government and international

agencies about meeting the agreed standard of the Nepalese carpets rather than just making efforts to table for the same. The government with all its specialized agencies like CWDB, TPC etc should look into the matter and needed to come forth with concrete program.

The government job is not to act a private business sector. But it have to create good environment and safeguard on export and import to private business firm, like the government can create international relation and can get business quota, GSP facilities and different facilities. EC have provided GSP facilities to Nepali product but USA and other countries have not provide GSP facilities till today. So government have to try to get GSP facilities from USA and other countries that can help to export Nepalese carpet to USA and other countries.

The government has to control quality of carpet and very necessary to control illegal export of carpet. The entrepreneurs of Nepal have to follow the principle of production and pricing which may help to down the cost of carpet and quality control.

The import of raw material (wool) should be diversified. Most of the producers are only depended on New Zealand. If it is imported through other countries, Nepalese woolen carpet can be export there so it can help to promote export diversification.

The government should provide loan and after facilities to entrepreneurs by easy way. They are encourage to product high volume of woolen carpet and it export through giving different monitory facilities reward etc.

The mail-marketing and personal visits are nevertheless the good practice to create good channel relation. Still, comparative advertising and consumer influencing publicity campaign is needed in continuous operation. The campaign should be in the new potential areas as well as in the existing markets.

Finally, Nepal has to practice well in export planning and strategy setting to accomplish the objectives of export promotion. Export planning involves complete and comprehensive information, guidance and control of marketing

actions. The planners and entrepreneurs should understand the comparative advantage of the product, pricing, distribution, product development; product competitors and competitive scopes; import rules and regulations, and market potential, continuous information, persuasion and influence of product quality and new strategies are needed.

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Appendix 1

In an international market the carpet has been classified as following Harmonized system for both customs and statistical purpose.

Hs code Heading	Product Group
5701	Made carpet
5702	Woolen carpet
5703	Tufted carpet
2704	Fitted carpet
5705	Other carpet

Source: TPC Trade Statistic.

Major Countries for Export of Selected Commodities

(Value in Rs '000')

S.N.	Country	2003/04	2004/05	2005/06	2006/07	2007/08
1	Germany	5376785	3461732	2949319	2599369	2467567
2	USA	1507475	1336333	1237182	1360739	1825951
3	Belgium	317350	232067	195091	208024	263721
4	U.K.	262327	177369	160437	190972	247877
5	Switzerland	425329	280956	197407	199983	230758
6	Turkey	16537	11340	86387	257997	204750
7	Italy	12045	28726	13334	80728	104491
8	Canada	80469	82439	67020	85978	99796
9	Netherlands	127207	132385	143548	131675	98643
10	Austria	126795	86904	28591	56252	75213
Total		8603721	6108635	5317656	5461301	596116

Appendix 2

Questionnaire for the Producers

1. Name of the business
2. Type of the business (please underlines)
 - a. Single
 - b. Partnership
 - c. Joint venture
3. Depending on your fixed assets which category of enterprise do you fall into (please underlines)
 - a. Small
 - b. Medium
 - c. Large
4. Please mention the years in which you set up business?
5. What types of carpet (in size) your company produces?
6. How many labours are working daily?
7. Has your company used child labours??
8. Do you directly export your produced carpet?
9. What types of process your company is doing?
10. What are the main problems that carpet production facing now?
11. What about the payment system?
12. Which are the major countries to export your carpet?
13. What helps are provided by CWDB and CCIA to your company?
14. What has been the most important lesson (if any) that you have learnt in the last 3 years and how has it helped your business?

Appendix 3

Questionnaire for Carpet Exporters Nepal

1. Nepal of the company
2. Type of seller (please underline)
 - a. Wholesaler
 - b. Retailer
3. From which country do you export handmade carpet?
 - a. EU
 - b. USA
 - c. Others
4. Which are the main competitor countries? (please underline)
 - a. Iran
 - b. India
 - c. China
 - d. Pakistan
5. Do you have your own agency in foreign countries?
6. With which countries do you have business relationship?
7. Do you
 - a. Visit trades shows like as: trade fair, Domotex?
 - b. If yes, how frequent do you make such visit?
 - c. How are these visits useful for your business?
8. How did you come to know about the labeling initiative?
9. State briefly what role do carpet producers expect the CCIA to play for the sustainable growth of the sector?
10. Please mention the years in which:
 - a. You set up business

b. Started export of carpets.

11. What are the main problems that carpet exporters face?
12. What are the problems do you have facing in international market?
13. Do you have done any international market research for carpet?
14. Do you satisfy with government role?
15. Do you export carpet directly or indirectly?