CHAPTER I

INTRODUCTION

1.1 Background Information

Textile and garment industries have been known to kick-start industrialization in an emerging economy. They have been known for providing the impetus for transforming tragic industrial policies of import substitution to export promotion. These industries, due to their labor intensive character are known for their large employment generation capacity. In other words, the industry has the potential to given a turn around to the stagnant industrial atmosphere if opportunities are rightly exported.

The history of the garment industries in Nepal is not very old. It was instated only about three decade's age. Though there was handful of garment traders in the middle 1970's the business really picked up after 1980's. Initially large and medium scale factories registered in the names of Nepalese were financed by Indians who used to manage everything behind the research. Nevertheless, the situation changed, gradually, the number of Nepalese garment entrepreneurs has increased and at present more than 90 percent of garment factories are over head and run by Nepalese.

The meteoric rise of the garment Industry was bought about by the interplay of various factors, both domestic and forging. The much needed boost came at a time when garment exporting industries in Asia were hit by the quota system imposed by importers in Europe and America. This conceded with rising labour cost in garment exporting countries undermining their low cost advantage. Producers were forced to look for alternatives, cheaper locations. Hence, Nepal emerged as a relocation site, especially for Indian producer who had already hit quota ceiling. They being pouring into Nepal to evade the quota constraints imposed by the US government during the late 1970's It was then in 1984/85 that the readymade garment can be said to have entered the take off stage s in Nepal. The garment industry in Nepal has grown significantly in just decade. The corporate level development of the entire industry was commencing since 1982/1982. Since 1986 the government of United State of America imposed quota in common garments viz. Dress (336/630), Men's shirt (340), women's shirt (341), Skirt (342) Trouser short (347/48), Shirt man made fabric (640), Blouse man made fabric (641, skirts man made fabric (642).

This young industry's initiation was very haphazard and no set policies by the government. Though this scenario has changed quota a lot during the years, the government has set some policies which are deemed friendly to this industry. As a matter of fact, the garment industries flourished during the decade only due to the continuous efforts made by the industrialist albeit government policies aimed by developing this sector appeared once in a awhile. Signals are being noticed in the country's export industries following the changed in the world trade and global shift to liberalized economic policy. Since the garment industries being export based and have to complete with many countries, especially with neighboring countries in the international market, the policies adopted by these countries are bound to have direct impact in the garment export of Nepal.

The Nepalese garment sector is in dire straits since the abolition of MFA quotas in the global textiles and clothing trade, beginning of this year. More than expected, the impact of end of MFA regime looks more pronounced in the case of Nepal as has already be marginalized its position by the drastic changed in the competitive environment for the trade in this sector. The quasi guaranteed market access as enjoyed by Nepalese apparels, particularly in the American market has gone with complete phase out of quotas .The loss protected market has prompted garment manufactures to stop their production in mass bringing down the number of operating industries to less then twenty from over hundred just a before . Nepal is the only country in the region whose export to the united status has nose dived minus 50 percent in the first two months of 2005, compared to the same period of last year . In country, Bangladesh, Cambodia, and Sri-Lanka the countries without textile base like Nepal saw their exports increased, ranging from 10-20 percent each, despite they were also cited liked victims of the quotas free trade.

One of the reasons to reach at this critical situation could be due to insufficient commitments at the industry and policy levels to respond to the foreseen adjustment problems in trade without quotas. The industry's capacity to utilize quota in only a selective items in the past and overly depended on the American market some how revealed its relevance to product and market diversification, as long as it had the easier and protected access. The industry's initiative to cut output cost and raise delivery efficiency was largely restrained by lack of commitments to overcome persistent internal bottlenecks. Steps were taken to convert the guaranteed market access in the US into preferential market access at the last moment. But no adequate efforts were put on to compensate the market share loss in the US, by diverting exports to the markets with preferences elsewhere Neither the industry nor the government had substantially took any concrete measure to exploit the opportunities in the EU and Canada, which indicated promising signs due to the already existing preferential treatment, with relatively relaxed origin rules for Nepalese apparels in the respective markets.

Taken into the account of the performance during the protected regime and assessing the implications of the liberalized trading system, this report takes a stock of the current situation and appraises the internal and external environment in the changed context i.e. Post MFA Scenario. This report also reviews export trend in post MFA and suggest Nepalese readymade garment traders and exporters for their sustainable growth.

1.2 Statement of the Problems

With complete elimination of the quotas, the comptitive environment of Nepalese garment exporters have changed drastically. In this period, the export oriented Nepalese garment industries are facing arduous adjustment problems. New scenario is there that the production and trade in this sector would be determined by reallocation of economic resource under market forces, rather than protected by quota rents. This will create a more complicated and competitive situation for the garment manufactures and traders to adopt the new regime, which is without quotas, but not tariffs and other trade barriers.

Both external and internal problems are there in post MFA regime for the garment manufactures and traders. External environment includes such difficulties like the Chinese domination on forgone market, down spiral of the world apparel price, tariff and non-tariff barriers, preferential trading arrangements, and reduced counties for sourcing and so on. Similarly, low productive and higher transaction costs, inadequate institution and trade support service. Administrative complications to developing backward linkage are the persistent internal bottlenecks and implementation problems.

With these perspective, this study overviews the structure of post MFA era, analyses problems regarding preferential and non-preferential market access opportunities, product diversification and policy implementation difficulties, which are the major problems of this report.

1.3 Objectives of the Study

The main objectives of the study are to reflect the post MFA environment of Nepalese readymade garment clearly. Some objectives of this study are given as follows.

a. To overview status of RMG industries.

b. To review status of Nepalese RMG in post MFA.

c. TO review export trends of RMG in post MFA.

d. To provide suggestions for export and industrial growth of RMG.

1.4 Statement of Hypothesis

This study has two hypothesis tests. One hypothesis test studies about the significant difference between the exports trend of pre MFA period and post MFA period. Statistical tool paired t-test can be used in this case. Here null hypothesis H_0: There is no significance difference between the export trend of RMG in pre and post MFA period.

Another hypothesis is related to the one way "ANOVA". It tests the variation of apparels price in difference countries. Hence, null hypothesis Ho: There is no significant difference in the export of Nepalese RMG due to average prices of Nepal, China and rest of the world.

1.5 Significance of the Study

According to the garment association of Nepal (GAN), the garment industry has a total turnover of 78 million US dollars per annum. The industry has 22 factories, each employing thousand of workers in the Katmandu valley and the industrial district of Japan. the Katmandu valley houses 50 to 70 bi medium and small factories (Maharjan: T.P.M)

The garment industry contributes a 2 to 3 percent share the national GDP and employs over 100000 people. But in the percent context, the garment industry is going through a bad phase. Due to it own reasons, many garment factories have closed down, depriving many people of their bread and butter.

The MFA quotas have been phased out since the beginning of 2005. With the phase out of the MFA, there has been free trade in textile and clothing. This change in international trade is advantageous to capable developing counties like India, China and Pakistan but for countries like India, China and Pakistan but for countries like our Nepal, it becomes new entrant in the global clothing trade having no comparative edge, it is really a juggernaut.

After 1st January 2005, the garment industry in Nepal is in dire straits with sliding export figures. It is going to create leaving of thousand of workers out of job and freezing billions of rupees in investment (Shakya: 12). So this study is important to show the clear status of RMG in post MFA which ultimately assists garment entrepreneurs to take corrective measures.

Besides theses, the study may be a reference matter for new inventor's market planners and other research, works to know the present's situation of garments industry in Nepal. Anyway, this study can provided valuable insights and reference to the scholars who are interested in conducing further researches on the field of garment industry.

1.6 Limitation of the Study

This study has following limitations.

i) Instead of overall trade of export and import, this study is related with export aspect of garment trade only.

ii) Mostly, this report reflects the post MFA scenario i.e. year 2011.

iii) This study collects the information from different national and international instructions located in Katmandu valley.

1.7 Origination of the Study

The whole text is divided into five chapters. The first chapter includes introduction sub-divided into background information, objectives of the study, statements of problem, statement of hypothesis, significance of the study, limitation of the study and origination of the study. Second chapter deals the review of literature review of historical background and review of related studies. Third chapter contains research methodology having research design, survey period, sampling procedures tools and techniques of data collection, methods of data analysis and statistical tools used. Similarly, Forth chapter has presentation and analysis of data. Likewise, fifth chapter consists summary, conclusions and suggestions.

Lastly, the glossary and bibliography is presented at the end of the study.

CHAPTER II
REVIEW OF LITERATURE

2.1 Historical Background

Clothing in Nepal, in the past days were done by a group of people knows as "Damai" a tailoring caste group and "Sujikar" a professional group of newer community. Both of these groups had their own determination in the area of work. The curative side to this division always belonged to the Sujikar. So, they used to stay and run their business activities is urban areas or in the vicinity, Scarcity, poverty and continued their tailoring for livelihood and subsistence. By the passing of time, the preference of the people to the home tailored garments had changed with the increasing trend of ready made garments imported in the country.

The history of garments industry in Nepal is not so long. This industry started to flourish systematically only after 1980. The main reason for the growth of garment industry in Nepal is attributer to the Indian entrepreneurs who shifted their enterprises in Nepal where they were closed down in India after the United States of America Imposed quota on imports of readymade garments from India.

Readymade garment trade can be regarded as an export based trade. It had showed good performance till 2000. But now, it is facing critical situation due to several internal external problems.

2.2 Related studies

All the study reports (so far available), Seminar papers, articles published in different newspapers, Magazines etc. related to garment sector have been collected, compiled and reviewed. The issues and suggestions incorporate in different literatures have been analyzed in this study report.

In this context, some of the pertinent study reports have been reviewed to bring out new aspects of RMG sector to be studied.

A study entitled "Nepalese Readymade Garments: Export problems and prospects" by Srijanal Karki (1998) had presented the garment production process in this way.

The production Process

Production Technology

Majority of Nepalese garment manufacture use a piece rate system for production of garments. This is the most traditional technology in operation with a low productivity. Under this system one tailor stitches and prepares irrespective of his/her ability and skill to maintain the quality standards, where as all over the world and even in some parts of India, this system is no more in existence and was being emplaced by an assembly lines system.

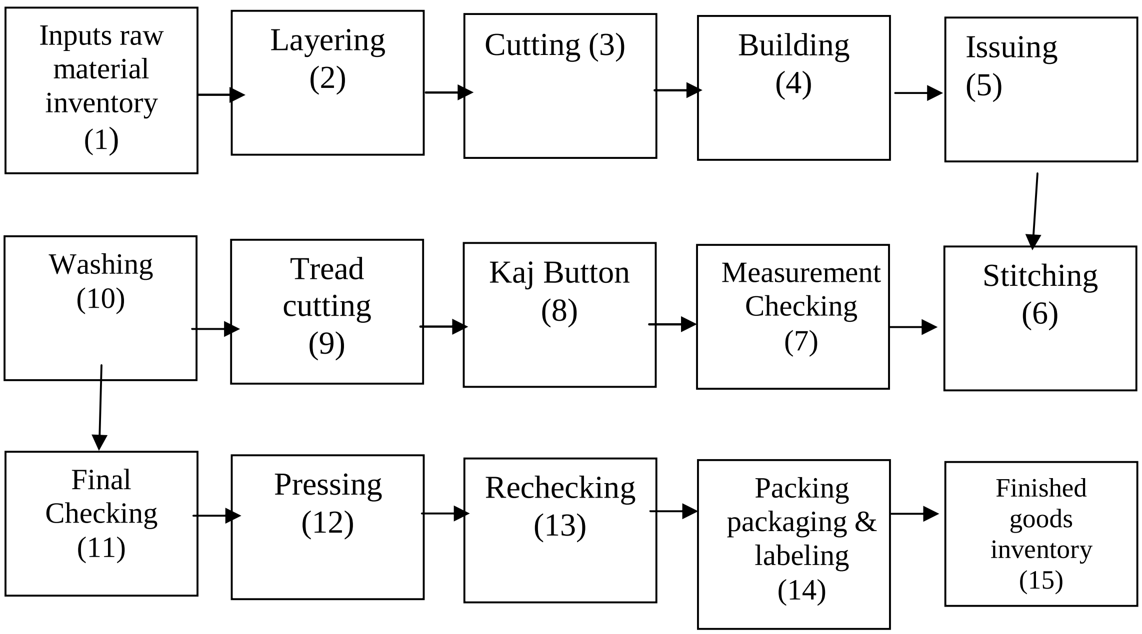
It is high time for Nepalese garment producers to upgrade their technology and adopt as assembly line technology. This is one of the appropriate alternative ways available to improve the productivity and quality of the Nepalese garments so that they can be competitive in the global market.

Production process (piece-rate system)

Initially a sample design is receives and a sample garment is manufactured and sent to the international buyers or their agents. Once the sample design has been approved, they send a complete set of orders specifying the exact materials to be used for garment production along with the exact measurement of the garments. Then the order for the required type of cloth, buttons and thread is placed on the usual suppliers of India or Honked. Once the order is received the RMG production process start.

The figure given below describes the RMG production process.

RMG production process



Source: Designed by the researcher.

The processes as expiated in figure are briefly describe below.

1. Inputs

The main input or raw material in the garment is cloth, which s the prime cost component. Other war materials include trade, buttons, shoulder pads, zipper, elastics, paper foam, eyelets (metals).

2. Layering

The layering process is done by the technician. The cloth has to be laid out perfectly on the cutting table and this can take one to two days to do so. There can be as importance process because the whole cutting process can go wrong if the layering is not perfect. Mostly, the size of the cutting machines decides the thickness of the layers of cloth to be cut. The maximum thickness that can be cut by machine is 8 inches.

3. Cutting

The major activities at cutting stage are cutting of the fabrics as per specification and then inspecting, assorting and arranging the cut fabric to facilitate the flow of stitching process. First of all, a pattern of the sample garment is cut in the paper according to the specification of the design. The fabric is laid on a long cutting table and folded lengthwise in required length in layers. The pattern paper made is placed on the top of the fabric cut by an electric cutting machine into different parts. If required, a cut fabric pass through overlooking operation, otherwise it will be inspected, assorted and operation, otherwise it will be inspected, assorted and bundled with a ship giving detailed about it. After an inspected if the cut fabric is not of required specification or of improperly over locked nature it will be reworked or rejected. The cloth is measure and cut by technician. The technician charged a lot of money to cut the cloth because it is a specialized technique and if there is even a tiny mistake. 500 to 1000 years if cloth may on wastage.

4. Bundling

The cloth is bundled up and sent to the issuing cum-receiving section. All the related parts that make one unit of a product are bundled together i.e. the sleeves, arm collar etc. of the shirt is bundled together. This is done to make issuing easier and faster.

5. Issuing

The bundled cloth is sent to the issuing cum receiving section that dispatches it to the sewing room.

6. Stitching

Each tailor receiving almost equal number of pieces to stitch, but those who work faster receiving extra pieces. The tailors are paid under a piece-rate system. During the peak season it is not unusual to find the tailor working 20 hours a day. This part of the process takes the longest time and is the bottleneck of process. This section employs the most of employees (at least 60 precent-70 percent). Bundles are issued to individual tailors who from groups of about 4-5 tailor and divided the work along them and produce is an assembly line like manner. The management usually does not interfere with their working methods.

7. Measurement Checking

The stitched pieces are taken to the measurement room where it is measured according to the specified parameters. This is an in process quality control measure. If any faults are found as "ALT" tag is attached at the faulty part and sent to the some tailor who stitched it for the necessary repair work.

8. Kaj Button

The pieces that fit the specification are then sent to the kaj bottom room for the necessary work, which will again be according to the parameters specified. The workers in this department also work on a piece-rate system.

9. Thread Cutting

The ready pieces are sent the thread cutting room for the finishing touches, all the extra threat that stick out are that to give the finished product a better look. For this operation, workers composition is most of women.

10. Washing

The garment is then wished and dried if necessary Dehim products are stonewashed.

11. Final Checking

Before pressing and packaging the product is check to conform the quality and size. Here, minor alternations are also done to same time.

12. Pressing

After the individual pieces have passed the final checking, it is pressed according to the style specified by the buyer.

13. Rechecking

After pressing, individual pieces are rechecked.

14. Packing, Packaging and Labeling

Packing, packing and labeling are done according to the exact specification of the buyer. Following are the materials usually required for this process.

a. polypropylene bags of different sizes.

b. Corrugated boxes.

c. Adhesive tape.

d. Box stapling clips.

e. Box covers made of low quality.

f. Stencils with addresses of the exporters and buyers.

g. Plastic sheets.

The ready labeled garments are folded and packed into polypropylene bags of size instructed by the buyer. Then one set of garment, according to the sizes as per the specified ratio is packed in another similar bag (in general the ratio for women's shirts as required by the US market is small: medium; large =2:3: 1). The packed garments are put in a corrugated box, covered with a plastic sheet from inside in order to avoid possible damage due to dampness during transportation. After this the boxes are sealed, stapled and covered by a box covered by a box cover. Finally the boxes are market with the address of the exporter and the buyer. Other essential packaging details are also market on the boxes. Finally, the merchandise is ready for shipment.

Generally labeling of garment is done during two different stages of production. Labeling I is under taken during the stitching stage when embroidered type of labels of two type-one containing the brand name and the other containing information, such as fiber content, origin marking, washing instructions and size are normally stitched below the collar bend of the shirt. Labeling II is undertaken during the test stage of process, before packing, when a hangtag printed on both sides is attached to the garment. One side of the hangtag contains the printed brand name and the reverse side contains information such as style number, size, color and price.

Finished Goods Inventory

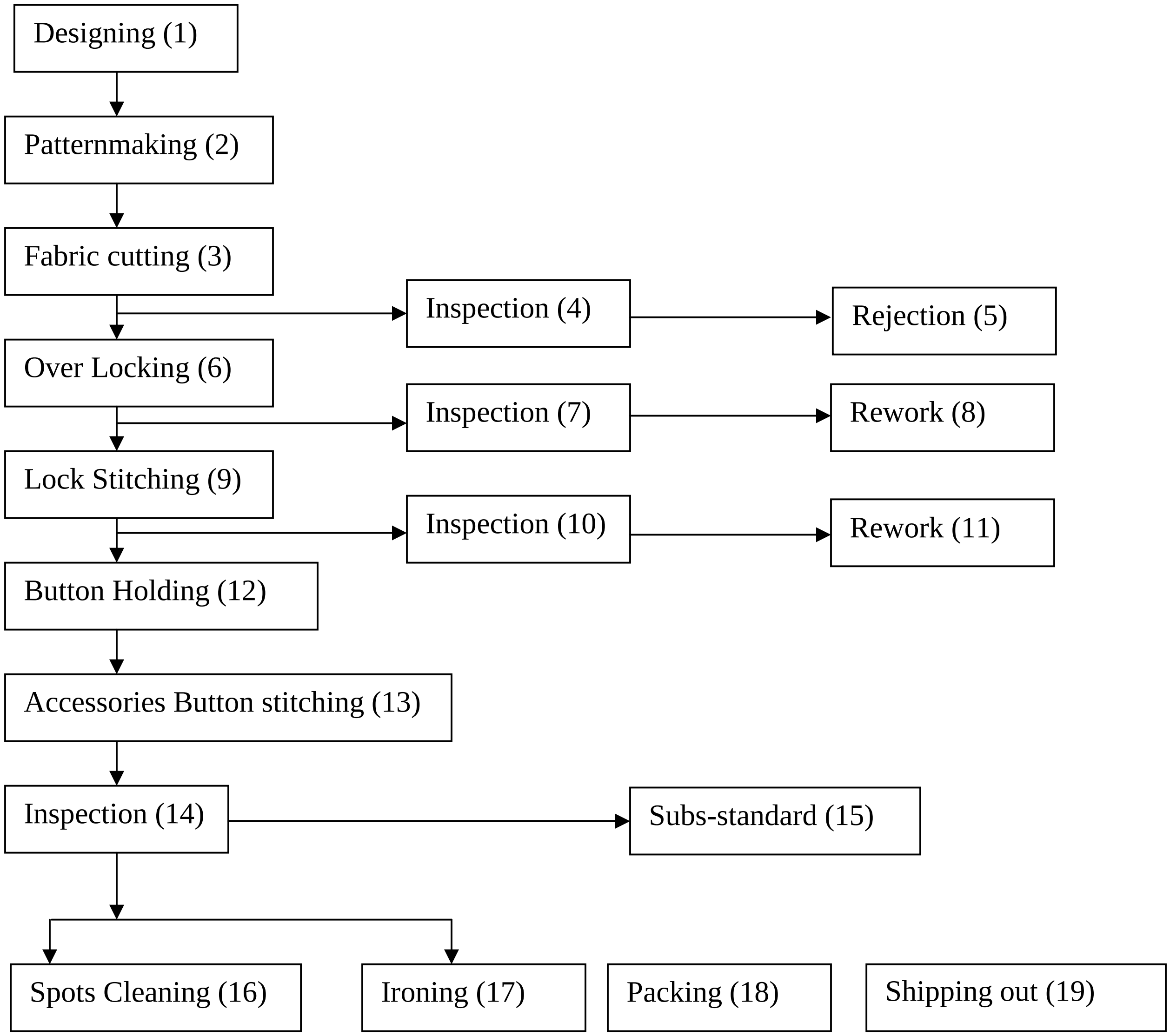
These boxes are then stored for shipping or air cargo. In case of consignment by air, the finished good have to be stored at the airport. Overnight before dispatching. In cat

Finished goods need not be warehouse at the customs

RMG Manufacturing Flow process

An assembly line machinery designed by the industrial machinery manufacturing based on minutely studies if the entire production process and identification of the cheaper and quicker sequence. Under this system one person does only a part of the entire work and specializes in it, i.e. each part of a garment is made in a particular sector of the unit and a compete garment is produced only after passing through different sections in an integrated way. This result in higher productive and uniform quality. RMG manufacturing flow chart depicting different operations is given in the figure below.

RMG Manufacturing Flow Chart



Source: Designed by the researcher.

A study entitled "The Readymade Garment Industry in Nepal" Published by NPEDC (1993) Presents the status of the RMGs manufacturing sector and highlights industry performance relative to export aspect. The findings of the report are as follows.

- The study estimates that 757 industries are in operation based on quota allocation, with 538 industries, which are engaged in exporting till August 8,1993

- The total sewing machine capacity if the operating industries are estimated at 31, 149 averaging 41 machine per industry.
- The capacity utilization for the RMG industry in 1990/91 was 51.67 percent up form 37.93 percent in 1989/90.
- The average earning per employee is $ 630, which is 3.7 times more the per capital income if Nepal at 170 US$.
- The value added of the industry is reported to be about 50 percent (sources: Eco News, USAID, and March, 9, 1993).
- In the eight years (1985/86 - 1992/93), the average growth rate of RMG export was 37.02 percent in Nepalese rupees and 20.22 percent US $ equivalent.
- The share of RMG exports in total overseas export has decreased form 45.59% in 1985/86 to 24.6 percent in 1992/93, due to the increasing exports of woolens carpets.
- United Stases of America is the major destination with 92.27 percent share in quantity and 92.53 percent share in value of exports in 1990/91.
- The performance of the sector, with regard to fulfillment of allocated quota for USA, has increased with utilization rate up form 45.21 percent in 1991 to 72 percent in 192.
- Considering the high quota utilization on one hand and low capacity utilization of the sector on the other, quota expansion is now necessity, if Nepal is to attain high economic benefits.

A study entitled "Readymade Garments: A Study of export performance in USA under quota arrangement", by Laxman Pokhrel (1995) has concluded the following major findings.

- USA is the major destination with 90.6 percent in Value of export in 1993/94.
- The US holds second position among the major trading partner of Nepal in export.
- The US imports form Nepal stand 23 percent on total exports.

- Category 341 (skirt WG) is leading category on the exports to the US.
- The US imposes quota restriction on the import of seven categories of RMGs exported form Nepal. The first imposition was on category 337 in 1985 and the recent imposition is on category 336-636 in effect form Jan. 1, 1995.

Finally, the study recommends for increasing export and consequently production of garments, there should be availability of raw materials at internationally competitive rate, establishment of new bonded warehouses in all the exporting countries and improvement in the existing warehouses which facilitates easy access and regular supply of principle inputs etc.

A research entitled "Integration of MFA into WTO and its implication on Nepalese readymade garment industry" researched by Marina Adhikari (1999) was a study with a view to identify integration of MFA in to WTO and its implication on Nepalese Readymade Garment industry. The purpose of the study was to analysis the different factors of multi-fiber arrangement, examine the major implications of integration of MFA into WTO in Nepalese garment industry and to examine the status of garment industry along with major problems of this sector. On the other hand the study also aims to find out the underlying situation of garment industry in Nepal, its strengths and weakness aspects and necessary recommendations for this sector.

Regarding the purpose of the study, the major findings of there was given below:

- USA is the major importer of Nepalese readymade garment with 90 percent of share
- The integration of MFA in the WTO can result in significant net trade wins for developing countries including Nepal . Elimination of the MFA, trade in textiles and

clothing products would tend gravitate back to large exporters LCD like Nepal might face some problems string in business.

- Before integration into MFA, Nepalese government has to improve its comparative competitiveness among other competitors.
- The number of registered industries are decreased 1400 (1995) to only 300 units out of them only 70-80 units are running its business regularly.
- There are majority of small scale of industries, thought there are few medium big scale industries as well. On an average, per Industry has 60 sewing machine and the biggest fixed capital investment is more than 200 million.
- Nepalese garment Industry actually has a good prospect. However, government has to from various promotional policies regarding the garment industry in Nepal.

On the basis of research the author has made the following recommendations.

a) Improvement in labor laws and provision foe skill development.

b) Need for a clear and consistent government policy.

c) Improvement in transportation facilities.

d) Incentive to indigenous producers to establish textile industry.

e) Need for improvement in technology.

f) Improvement in marketing facilities.

Similarly, a study entitled "A study on present situation of readymade garment industries in Katmandu valley" by Dhan bahadur Budhathoki, Jan.(2003) had concluded following commodity (carpet) is 30 percent in 2000/2001.

- Readymade garment of Nepal has to top most shares of 39.8 percent while the share of second largest commodity (carpet) is 30 percent in 2000/2001.
- The Industries is primarily based on improted raw materials. Fabrics, thread, machine and other third countries. Domestically produced raw material can not meet the requirement.
- The international market for readymade garment is unlimited. However, Nepal exports only in 28 countries. Among them Nepalese readymade garment has made

special recognition is the USA which holds exactly 90 percent share of total export and rest of the share goes to other countries.

- In the boom period of readymade garment industry, about 1553 units were registers. However, at present only 212 units are registers at registered. Out of them only 50-60 units are in operation. Among them 90 percent units are located only in Katmandu valley.
- Production and sales of readymade garment product in present days is very unsatisfactory due to lake of unavailable order size.
- Nepal produces both cotton and rayon garments but cotton garment has dominated the garments.
- Loan and other incentives provided by government sector is not sufficient.
- Nepalese business makes sales by using either Indian agent or direct contact with entire buyer is very poor.
- Most of the garment industries use piece rate, daily wage and monthly system for playing in garment production. However, the peace rate system is most popular among of them.
- Most of the employers in this industry had neither any previous experience nor pre-working training in garment production.
- Most of the industries do not fill job security and also does not support hire and fire employment policy.
- Most of the industries do not have labor union. However some large scale industries consists labor union. Such union has been found doing so many things infamous of employee's welfare.
- Garment Industry needs administrative, skilful and unskillful workers. Among them the size of administrative employment is small (7-15) and the size of skilful worker is bigger (150-300).
- The USA has provided quota free and duty free access to Caribbean and sub-Saharan 48 counties, with per capita income below US $ 1500. However, Nepal is getting such the facility. That is why; Nepalese export is deceasing singe 2001.

- EU has announced GSP (General system of preference) to the less developed countries. The EU role of origin requires that garment must be from improved yarn not woven fabric. One the other hand, there is no quota restriction in EEC export market for Nepalese garment.
- On the region wise comparison, Nepalese garment industry has less competitive capacity. Cost of production is 20-25 percent higher then other SAARC nations and incentives provided by the government is very poor , quota received by the USA is low, with comparing Bangladesh , Sri-Lanka and Pakistan
- Quota system will be abolished on the basis of MFA by 2004. The implication will not be positive. To survive after phase out of quota system, comparative competitiveness should be increased.
- The present scenario of garment export is unstable since this industry has been facing multiple problems in terms of quality, price and timely delivery.

In fiscal year 2000/ 01, there was sudden decrease in the export of garment from Nepal. In 1999/ 00 the export amount was 12.7 billion, however in 2000/01 it was decreased in 11.4 billion. On the other hand 90 percent of garment industries have been closed down in these days. Rest of the industries is running with lower (45%-60) capacity.

An article entitled with "Garment Export experiencing downfall" has following conclusions.

Export business in Nepal has been experiencing a decline since cast fiscal year. The main reason behind this has been the removal of multi-fiber.

Arrangement of (MFA), Nepali apparel products, which were enjoying free market access to American market prior to quota termination has witnessed a decline of 30 percent in 2010.

After United Stases announced termination of MFA that elapsed the quota system on US effective from January 1, 2011. The situation got worse. Termination of MFA was as per the world trade organization (WTO) agreement on "Textile and Clothing ". Garment Export America decreased by 46 percent in January 2010 bad by August 2011 to 62 percent us alone absorbs around 87 percent of Nepalese apparel market . There fore single market concentration is though to be one the major problems faced by export business.

Having acquired WTO membership Nepal has to compete in with other countries in the world, therefore there is a necessity to increase the quality to be able to survive. Not only in terms of quality but in terms of price also Nepal has to outdo other countries which are a great challenge. Due to this number of garment industries have closed down.

According to 1995 data, there were 323 industries operating which in 2011 has declines to 115.

Readymade Garment export dominates the total export of Nepal by one third and employs around 50,000 workers directly.

Not only this but due to the 90 days Accounting as the lead time (date form confirmation order to delivery date) form the previous 120 days has also created a problem because for Nepal acquiring raw materials takes almost half of the time. "Not only this but the wrong message about the conflicts and situation of our country has led buyers not to take risk", says Prashant Kumar Pokharel, 1st vice president of garment association Nepali (GAN)

Compared to last year, readymade garment export to USA has decreased by 48 percent in the month of October this year. It is observed that few other countries like china and India have benefited from this china and India have seen an increase of garment export this year. pokharel remarks , " due to quota system removal, we are not in the priority list of buyers abroad . Whoever has developed good pr with them are the only ones surviving" (singh: 15).

The article entitled with "Sino-US textiles deal" has following conclusions:

A deal to limited of textile and apparel to the United States (US), Reached between Washington and Beijing in 2011. Came in to effect from 1 Jan 2012. The deal provides for a progressive increase in Chinese imports until 2008 but would still cap their growth at for less than seen in 2011 some imports, such as cotton trousers, had surged by more than 1000 percent. The deal covers more then us and 5 billion worth of Chinese imports and could help shore up the us textiles industry that has lost nearly 400000 jobs since 2005 in part due to fierce Chinese competition. for apparel categories, it provides for annual growth rates in Chinese exports of 10 percent in 2012, 12.5 percent in 2013 and 10 percent in 2014 china's textiles exports accelerated in 2005 after phasing out of quotas since 1 January 2005 . In the absence of a comprehensive deal, the US had been resorting to cumbersome quotas that will now be replaced by the caps set up under the new accord. The three year long deal was signed in November 2011 (trade insight: 5)

Another article entitled with "Asia textiles cope sans quotas" has concluded following conclusions:

Asia textiles and clothing (t&c) industry is coping well since the ending of the global quota system at the start of 2011, according to Asia development bank's (adb) trade insight: 7).

It was freed that Asian's T and C industry would collapse following the abolitions of agreement on textiles and clothing (ATC) on 1st January 2011 under world trade Organization (WTO) rules. One of the biggest fears among T and C product in development and least development countries was tat china would dominate world, markets, a claim that has proven to be unfounded due to mechanisms to control Chinese export as well as the competition., Chinese T and C export to the Euro pens Union (EU) and the United state (US) rose sharply in the first quarter of 2011. but then eased back under safeguard agreement limiting export surges from the Asia economic giant.

The report state that marginal Asian and pacific development country suppliers, along with former large quota holders such as Hong Kong, Korea and Taiwan witnessed erosion of their share in the EU and the US. The combined US market share of the latter three countries declined form 9.7 present in 2010 to 6.1 percent in 2010 (in volume) and form 11.4 percent in 2010 to 8.4 percent in 2011 9in value). Other competitive Asian suppliers such as Bangladesh, Cambodia, India, Indonesia, Pakistan, Sri-Lanka and Vietnam have done relatively well. Their combined US market share rose to 24 percent form 23 percent in volume and 22.7 percent form 20.5 percent in value in 2011, compared to 2010. The report state that in the short term, China may lose some of the rapid gains it made in market stare in 2011 as many Asian suppliers are witnessing as increase in their exports. Deposit the safeguard quotas; China is the world's leading producer and exporter of clothing with 30 percent of EU and 25 percent of the US Market shares. One report's conclusion is here attached with:

DOHA Development Agenda

Cotton

The ministerial deceleration calls upon developed members to eliminate all forms of cotton export subsidies by 2012. It also states that developed members will provide duty free access to cotton exports form the least developed country (LDC) members form the commencement of the implementation period. It is however unclear how the LDC cotton producers would benefit as the declaration does not address other forms of domestic support being provided by developed members.

Non-Agricultural Market Access

With regard to industrial goods liberalization under the non-agricultural market access (NAME) framework, DDA state that "negotiations shall aim at reducing or s appropriate eliminating tariffs, including the reduction of elimination of tariff peaks, high tariffs and tariff escalation, in particular on products of export in interest to developing countries."

Members are exploring an industrial market access formula that would meet the above objectives. Developed members have, on average, an industrial tariff of 4 percent but have erected tariff peaks on most developing country exports. Developing members have high overall tariffs on industrial products hoth8 form developed members and among themselves. Developed members reported to high tariffs in the past. Hence, developing members argue they should be provided the same policy flexibility. An agreed formula ought to recognize the necessity of allowing developing members of pursue industrialization without being hindered with commitments to undertake comprehensive lowering of tariffs. As in agriculture, 30 April 2012 is the deadline for arriving at modalities in NAMA.

In Hong Kong members agreed to adopt the 'Swiss formula' with a limited number of coefficients for reducing industrial tariff with the final tariff linked with the initial tariff through a single coefficient. However, this will result in higher cuts to higher tariff, implying greater adjustment on the part of developing members. While developed members will be required to cut their tariffs marginally, developing ones will have to cut them by larger margins. Negotiations have not recharged agreement on different coefficients for developed and developing members, considering the differential in their tariff structure. Developing members have proposed that each member's coefficient should be based essentially on the tariff average of bound rates of hat member, resulting in multiple coefficients. this formula would essentially give developing members greater flexibility in terms of tariff reduction through lower tariff a key principle of dad which allows them flexibility to undertake " less than full reciprocity in reduction commitments " dad emphasizes the " special needs and interests of the developing countries , including through less then full reciprocity in reduction commitments and provision of leeway to insist on only linear cuts for certain tariffs lines and perhaps none for other " developed members open that flexibilities should be explored thorough other means a proposal rejected by developing members, which also agreed to convert non and velour duties to and values equivalents.

Developing members with a substantial portion of their industrial tariff unbound are expected to bind such tariff lines. There is some consensus that unbound tariff lines should be subject to formula cuts provided there is a pragmatic solution for those lines with low applied rates. Some members expressed that their unbound tariff lines with high applied rates are also sensitive and should be given due consideration. nabs constitute a significant barrier to goods liberalization but ministerial declaration has not given it the attention it deserves. Developing members, thus , need to intensify the discussion on nabs given the reluctance of the developed members to initiate negotiation on this issue.

As it is important to preserve the less full reciprocity principle envisaged by dad , it is essential that the final modalities agreed for the reduction of industrial tariffs do allow developing members the policy space for industrial development (trade insight :16)

From all the preceding review of literature, it is come to know that researchers and scholars have analyzed many aspects of garment sector. Most of the study is related to the per MFA period. so it is realizes that the Nepalese readymade garment study, in post MFA era is esthete fore is an Endeavour to present Nepalese readymade garment in post MFA regime. This study has outlined major issues in textile trade without and quotas and found out persistent internal bottlenecks and implementation problems assisting with capacity building to face post MFA situation.

CHAPTER III

RESEARCH METHODOLOGY

The basic objectives of this study is to sort out export situation of Nepalese readymade garments in post MFA, with supplementary objectives as major issues in garments trade without quotas and persistent internal bottlenecks and implementation problems supported with capacity building to face post MFA situation. So, to attain these objectives research methodology given below has been followed.

3.1 Research Design

The research design opted for the study is basically descriptive one. Pertinent data and information required for the study are collected, evaluated and analyzed systematically to arrive at a certain conclusion.

3.2 Survey period

The survey period of this report is about eight months. The survey was conducted in Katmandu from November 2011 to July 2012 period.

3.3 Sampling procedure

Stratified random sampling is taken for the study purpose. For this altogether nine small, medium and big Nepalese garment exporters were approached.

3.4 Tools and techniques of data collection

Primary and secondary information have been collected for the study. Study is however, largely based on secondary source.

3.5 Methods of data analysis

After collecting the data, they were classified and tabulated according to their attributes on the basis of the stud. Recent data are incorporated in the study far as possible.

3.6 Statistical tools employed

Statistical tools such percentage, ratio, t-test, f- fast, t- test have been used for the analysis of data report seeks.

CHAPTER IV

PRESENTATION AND ANALYSIS OF DATA

4.1 Status of RMG Industries

Until the mid-eighties, export of readymade garments from Nepal was minuscule due to a small-scale and a traditional way of doing business. Afterwards, relocation of industries from quota constraint neighboring Countries, mainly from India proliferated the number of garments industries and increased the export volume unexpectedly. The number of registered garment firms increased from 58 in the early 1980's to over in the beginning of 1990’s and reached a pack of over 1000 after five years. However the number declined, at first due to change in the internal quota distribution mechanism and presently due to the elimination of the MFA quotas from 1067 in 1994/1995 to 323 in 1995\96 and to 212 in 2000-2001. Currently only 130 are registered, and out of that hardly 20 percent are in operation (Shaky: 2).

To know the status (General Information) of garment industries in post MFA, this study had surveyed nine RMG industries and performed the quantitative analysis.

4.2 Quantitative Analysis

In quantitative analysis part of this study, questionnaire survey was done. Structure questionnaire (Annex…..) was give to relate personal of garment industries and their responses have been collected (Annex…..) The data collected through structured questionnaire has been analyzed under various heading such age, types, size, funding, employment etc. As mentioned the analysis in this section is solely based on primary data.

4.2.1 General Information

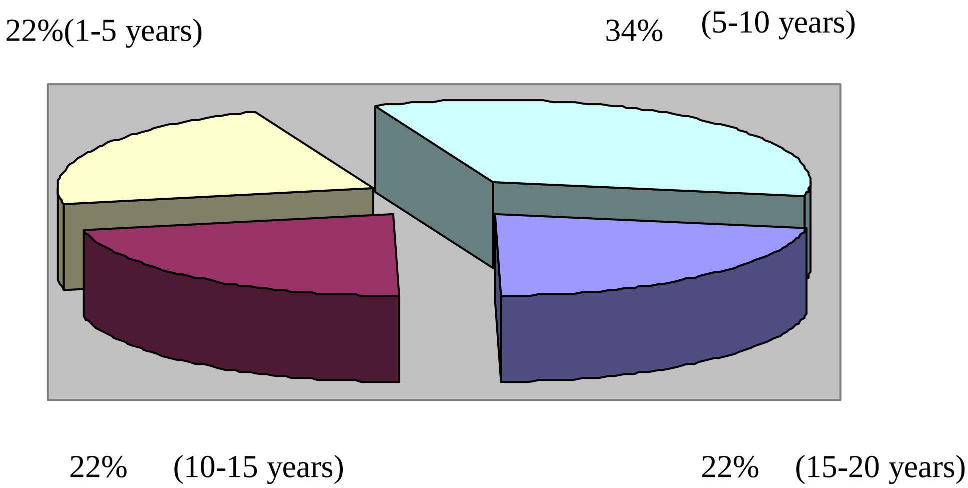
Based on the primary data collected, the general information of the garment industries under study has been attempted to provided below specific headings.

a. Age of the Company

Among the companies surveyed, 22 percent were of 1-5 years of age, 34 percent were of 5-10 years of age, 22 percent were of 10-15 years of age and 22 percent were of 15-20 years of age. This is presented in Figure 1.

Fig. 1

Age of company

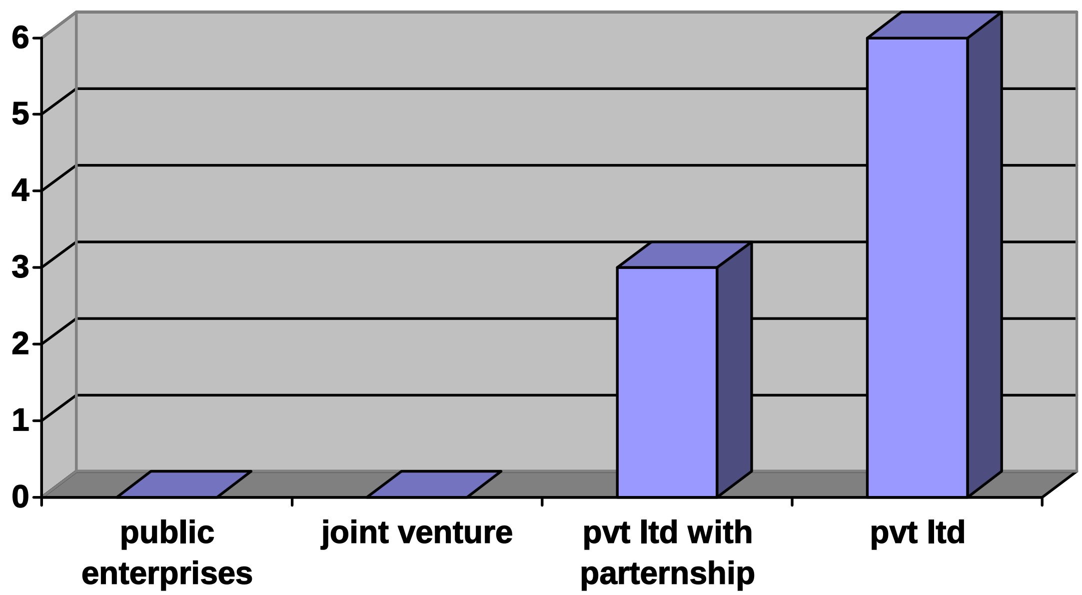


b. Types the Enterprise

Among The nine enterprises surveyed for the analysis study and purpose, six of them were private limited and three were noted as private limited with partnership. From this, it can be observed that there is lack of foreign investment in RMG. The related personnel in garment business need to attract foreign investment in this sector for its growth. The present status as regards to the type of enterprise revealed by the collected responses stood as under, shown in Figure 2.

Figure 2

Type of Enterprise

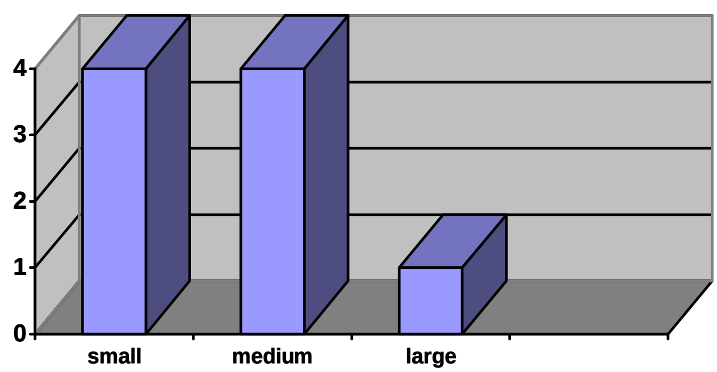


c. Size of Enterprise

Out of total nine enterprise surveyed, four each of them were medium scale and small scale size. Only one of them was of large-scale size. Form this it can be said that investment in large scale is locking in RMG. The size of enterprise observed by the study is presented in Fig. 3.

Figure 3

Size of Enterprise

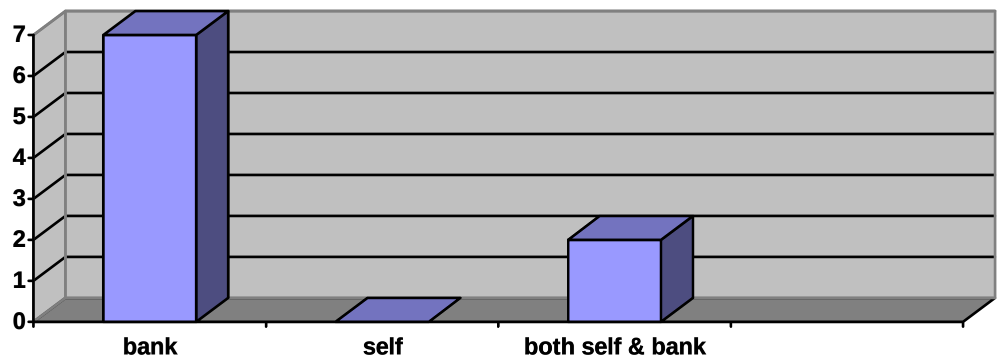


d. Funding of the Enterprise

In respect to finding of the enterprise engaged in readymade garment export business, of the nine enterprises surveyed and analyzed, seven of them have been found funded by bank two of them funded by both bank and self. Hence, it is evident that the role of bank has remained eminent. So for funding of the enterprise is concerned. This is depicted by Figure 4.

Figure 4

Funding of the Enterprise

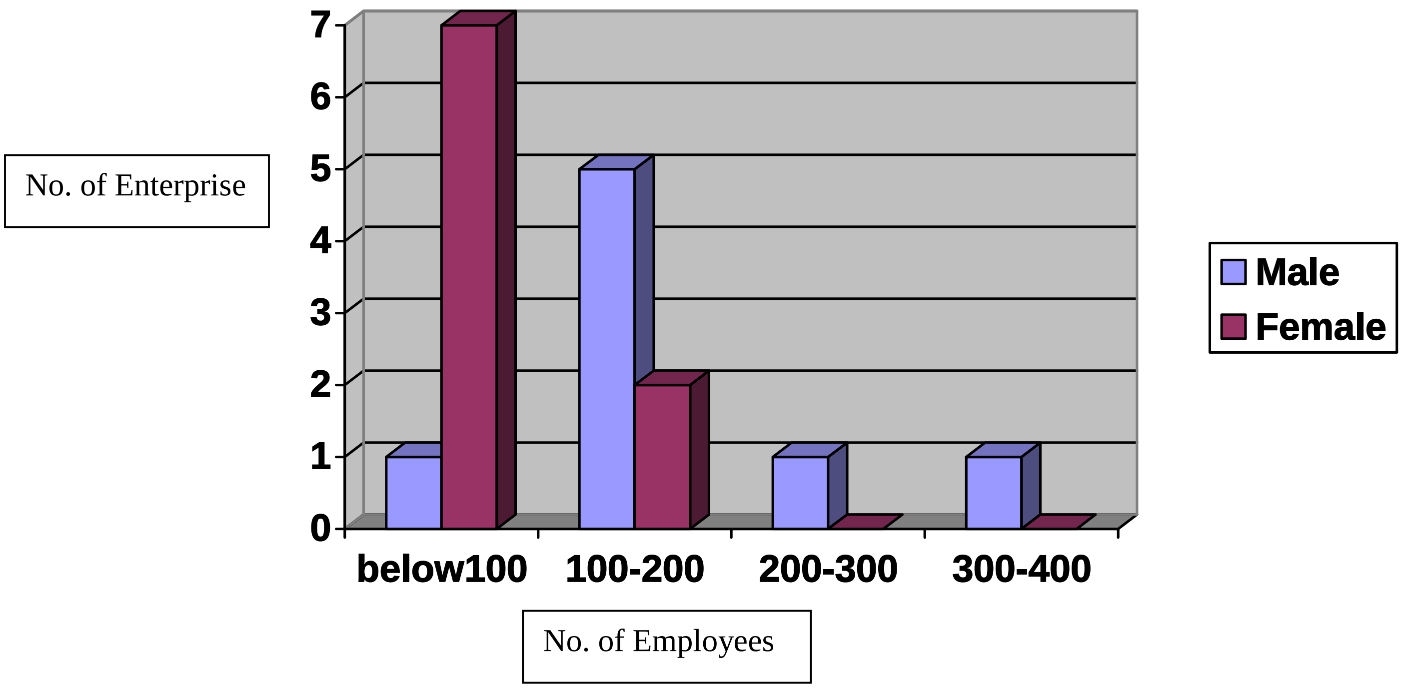


e. Employment

The employment scenario of garment industries under study showed a distinct feature. Among the nine enterprise surveyed, seven enterprises were found giving employment to female numbering less then 100 and only one enterprise was giving employment numbering less then 100 to male. Similarly, five enterprises were noted giving employment to male and one enterprise was giving employment to female numbering between 100-200. In the same way the analysis shows that only one enterprise was providing employment to male numbering between 300-400. But the study also noted that there was no employment female in this category. Only one enterprise has giving employment to male and female both above 400. The graphical presentation of employment structure as analyzed has been presented below in Figure 5.

Figure 5

Employment Male and Female

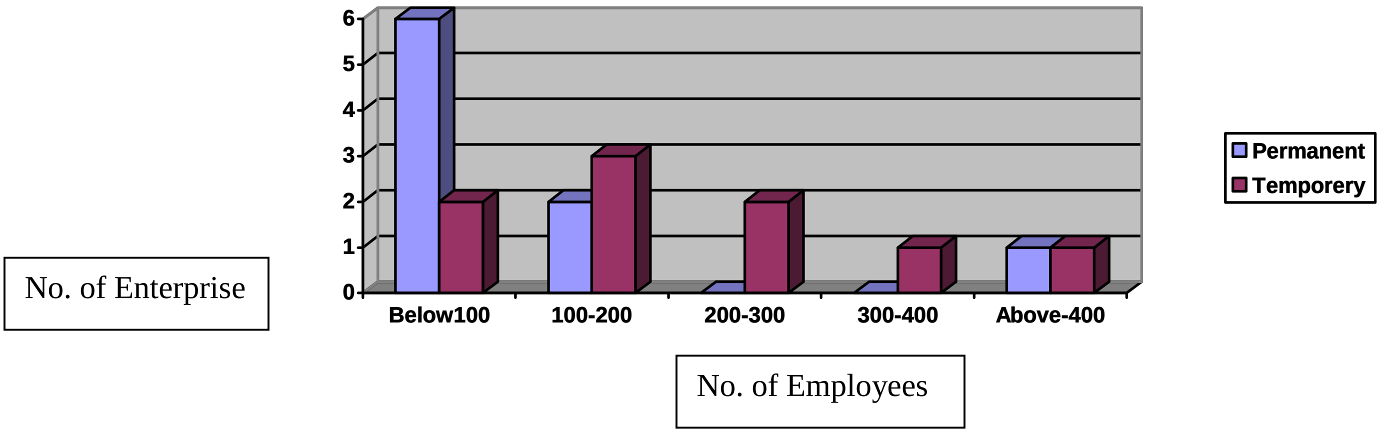


f. Term/Type of Employment

Among the employees working in various industries covered by this study, six industries had given permanent and two industries had given temporary employment to the employees numbering below 100. Similarly two industries had given permanent and three industries had given temporary employment to employees numbering between100-200. Between200-300, two industries instead had given temporary employment to employee numbering between200-300. Industries falling under the category employing between 300-400 employees, no permanent employment was granted .Under the same category one industry was found giving temporary employment to above 400 employees, one industry each had given permanent and temporary employment . The term /type of employment provided by the sampled garment industries is presented in figure 6 below.

Figure 6

Employment -Temporary/ Permanent

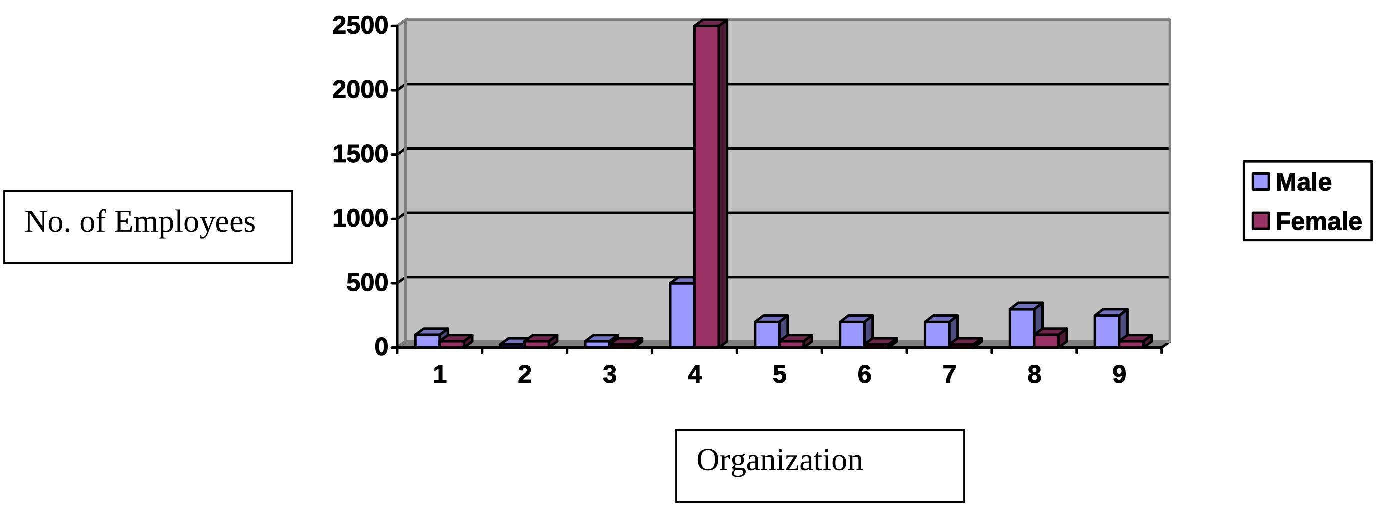


g. Employment –Male/Female composition and comparison

Based on the collected data the analysis of the same, it is understand that among the nine industries taken for sample only one industry and given employment to2500 female .However, on every industries it was observed that the number of male employees in comparison with female employees was high . This factual reality thus revealed that RMG industry is male dominated industry in Nepal. The comparison regarding the sex composition of employees in presented below in figure 7.

Figure 7

Employment- male/female composition and comparison



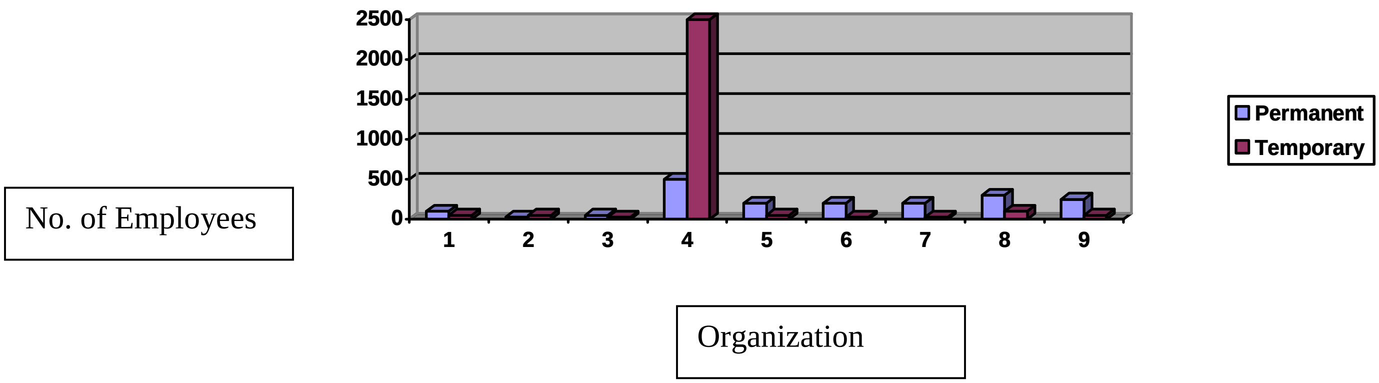
h. Employment - Permanent/ Temporary comparison

Beside the type of employment, this study also attempted the comparison of employment term. Among the nine industries taken for the sample, it was observed that only one industry had given permanent employment to 2000 employees.

The number of permanent employees in other industries remained insignificant .So, from this; it can be revealed that RMG is a seasonal of business giving employment only when there is order. This is presented in figure 8.

Figure 8

Employment - Permanent/ Temporary comparison



4.3 Review of Nepalese RMG in Post MFA

4.3.1 Readymade Garment Export

Nepalese readymade garment market is basically differentiated by two markets, preferential and non- preferential. After the fourth step of the MFA phase out in 2010, it was seen that Nepalese readymade garment is US is drastically decreased (Table 1), because the quotas on major export interest items from Nepal was eliminated. It also indicated, the only country in south Asia, which is a loser in the US, is Nepal.

Table 1

Readymade Garment Export to US

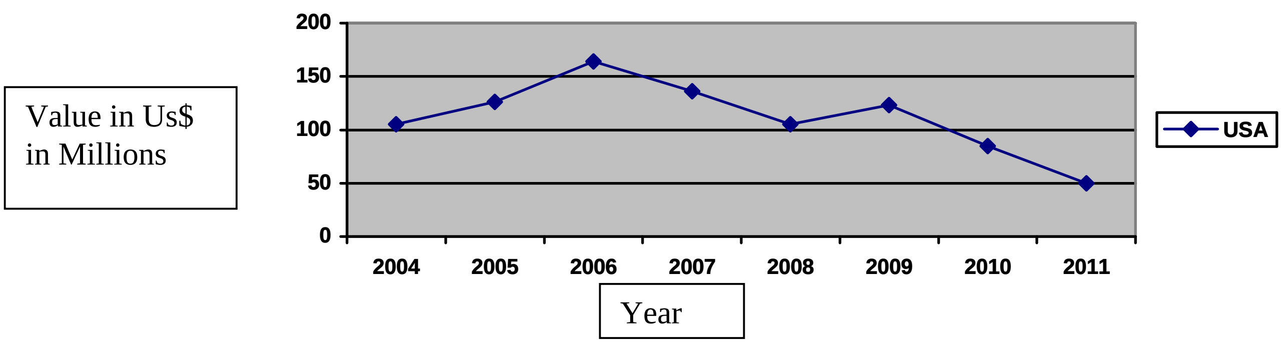
(Value in US Dollars)

Year	Qty Doz	Qty kg	Value	% Change
2004	2204829	294577	106917453	-
2005	2716193	253756	126033262	18
2006	3907645	300022	164223481	30
2007	3239627	202442	136527813	17
2008	2603277	141805	105910708	22
2009	2994429	138810	123121594	16
2010	2074319	108987	85716568	30
2011	1081841	161821	50722713	41

Source: www.ganasso.org.

Figure 9

Readymade garment Export to US



RMG Export on nor Preferential Market

The trend of garment export in US was uneven for the past eight years. In percentage change column, can see positive percentage only in the year 2004-2005, 2005-2006and 2008-2009 (Table 1) .Thought the year 2009 was proclaimed as the export year , the export value was not satisfactory . The year 2011 (after MFA) was the worst the worse among previous years.

Table 2

Readymade Garment Export to Canada

(Value in US Dollars)

Year	Qty NMB	Value	%Change
2006	190516	1328314	-
2007	140923	1448356	9.04
2008	90581	498259	65.6
2009	223590	784847	57.53
2010	394349	1552281	97.78
2011	383921	1400903	9.75

Source: www.ganasso.org.

Figure 10

Readymade Garment Export to Canada

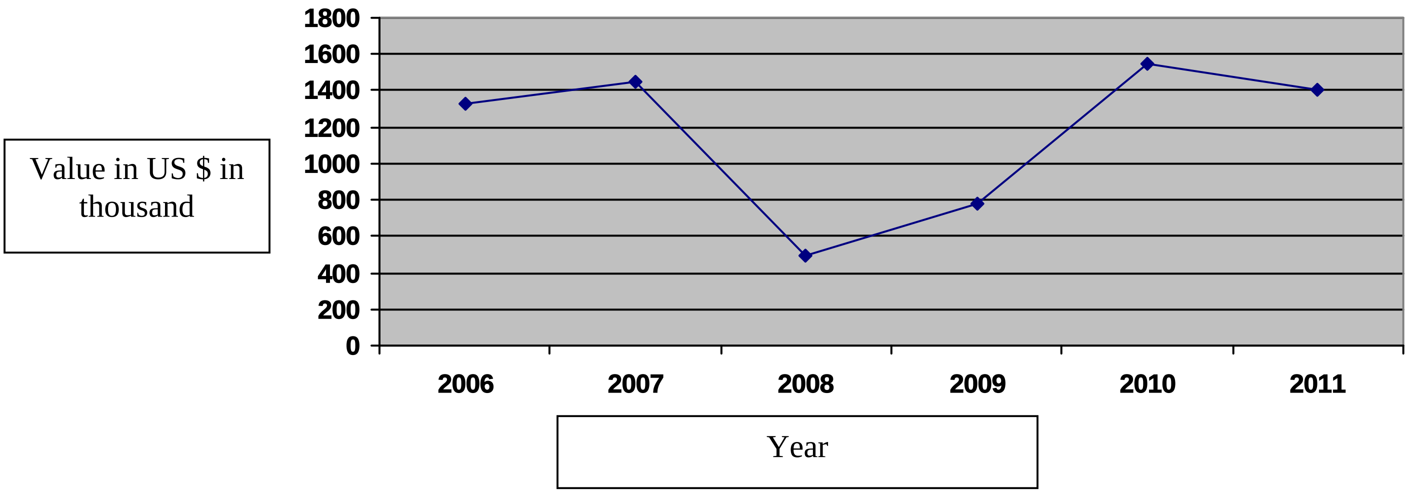


Table 3

Readymade Garment Export to EU

(Value in US Dollars)

Year	Qty PCS	Value	%Change
2006	4880753	22449034	-
2007	4233887	12459957	44.50
2008	5621328	14017270	12.50
2009	5797250	16559955	18.14
2010	6010311	19374790	17.00

Source: www.ganasso.org.

RMG Export on Preferential Market

Although the exports to the EU and Canada were not encouraging the performance in these market indicated minor improvements during later years due to duty free treatment to Nepalese apparels given by these countries RMG export to EU was increased by 12.5 percent in the 2008, 18.14 percent in 2009 and 17 percent in 2010. Thought the RMG export in Canada for the year, 2009 and 2010 were in increasing order, the year 2011was decreased with 9.75.

4.3.2 Analysis of Product and Market Mix

The product concentration with respect to the two markets also differed significantly. In general, Nepalese manufactures exported slandered product categories, such as t-shirt, ladies dresses and men's/boy's shirt and trousers made out of cotton textiles. Besides the higher rate of US quota utilization for cotton trousers and shorts, the capacity to utilize quota in other items were fairly low. The quota utilization rate for hot items under category 336/636, 340 and 347/348 crossed 90 percent while the rate for even some cotton categories were fairly low. In letter years category347/348 crossed the 90 percent mark. The price was the major factor determining the success of the items interested to Nepalese manufacturers as these items had relatively less value of fashion and designs. For marketing most of the Nepalese manufactures focused on these lower end product categories with higher degree of competition. In recent years, rich country market was shifted the higher priced and fashioned clothing. So we have to catch these trend.

Table 4

Major Apparel Categories Exported to USA and EU

USA	EU
• Women's/girl's cotton trousers and shorts. • Men'/boy's cotton trousers and shorts. • Pullover & cardigans. • T-shirts, siglets and other vest.	• Shawls and scarves of wool or fine animal hair. • Pullovers, cardigans and similar articles of cotton. • Women's/girl's cotton trousers and shorts. • Pullovers and cardigans.

Source: Garment Association Nepal (GAN)

4.3.3 Nepal in South Asia Regarding RMG Export

During the multi fiber arrangement era, many Asia countries, including India and Pakistan, were considered to be competitive in the textile and clothing (T & C) sector. However, T & C exports form these countries declined after developed countries imposed quantitative restrictions (quotas) on them. Such quotas limited these countries' potential to export T & C products but at the same time also provided ad opportunity because the quota imposing developed countries started importing T & C products form other countries since they locked production capacities to meet domestic demands.

Fourth south Asian countries Bangladesh the Maldives, Nepal and Sri-Lanka responded quickly to fill the void. However, these countries did not have the competitive edge and most of them did not also make any conscious efforts to diversify the product range any the market. Form Table 5, which depicts the level of concentration of market and product category, three important observations for the T & C exporting south Asian countries can be made.

Firstly relatively small counties of the region which are latecomers in T & C business, have more then 90 percent extremely vulnerable to diversify their markets, their shares of too show high level of concentration. Part of the reason could be that the European Union (EU) and the United States (US) hold a significant share in global imports of T & C products i.e. Pakistan and total 63 percent and India 57 percent concentration of export in US and EU.

Table 5

Level of Market and Product Concentration in Five South Asian Counties

Country	Major export markets (% of export)			Top five export products	Share in overall export
	US	EU	Total		
Bangladesh	38	56	24	Knitted cotton t-shirts other vest, pull over, sweatshirts cardigans of manmade fiber, men's and boy's cotton trousers or shorts. Women's and girl's cotton trouser or shorts' and woolen sweaters, pullovers, sweatshirts, waistcoats.	65
India	24	33	57	Men's and boy's cotton shirts; women's and girl's cotton blouses ,shirts ,knitted t-shirt other vest , cotton sweaters ,pullovers sweat shirts, waistcoats ,woolen knotted carpets.	26
Nepal	80	18	98	Woolen knotted carpets ;women's and girl's cotton trouser or shorts, men's and boy's cotton trouser or short's woolen sweaters ,pullovers, sweat shirts, waistcoats, shawls, scarves, mufflers, mantillas ,veils , of wool or fine animal hair .	76
Pakistan	31	32	63	Cotton sweaters ,pullovers, sweatshirts, waistcoats, toilet linen ,kitchen line, of terry toweling of cotton , men's and boy's cotton trouser or short's cotton printed bed lines, woolen knotweed carpets . .	56.3
Sri-Lanka	57	35	92	Women's and girl's cotton trouser, brassieres, cotton sweaters ,pullovers, sweatshirts, waistcoats, men's and boy's cotton trouser ,or shirts ,knitted t-shirts other vest .	32.8

Source: SAWTEE (South Asia Watch on Trade, Economic and Environment).

Table 6

T&C imports from South Asian Countries in to the US

Country	US imports						EU imports					
	Value ($Million)			Value (1000kg)			Value (Euro Million)			Volume (100 kg)		
	2010	2011	% change	2010	2011	% change	2010	2011	% change	2010	2011	% change
Bangladesh	1986	2380	19.8	207593	246341	18.7	3895	3702	-5	564805	558733	-1.1
India	3946	4974	26	445821	534071	19.8	4433	5245	18.3	755836	802574	6.5
Maldives	81	4	-94.2	1603	73	-95.4	0.225	0.055	-78.5	25	7	-73.3
Nepal	133	98	-25.8	11308	6636	-41.3	77	73	-6.1	7611	6722	-11.7
Pakistan	2551	2888	13.2	454075	529550	16.6	2321	2014	-13.2	493245	471310	-4.4
Sri-Lanka	1601	1694	5.9	110043	106099	-3.6	841	830	-1.3	102254	100497	-1.7

Source: SAWTEE (South Asia watch on trade, Economic and Environment).

Fig. 11

Garment Export to US by Different Counties in the Year 2010.

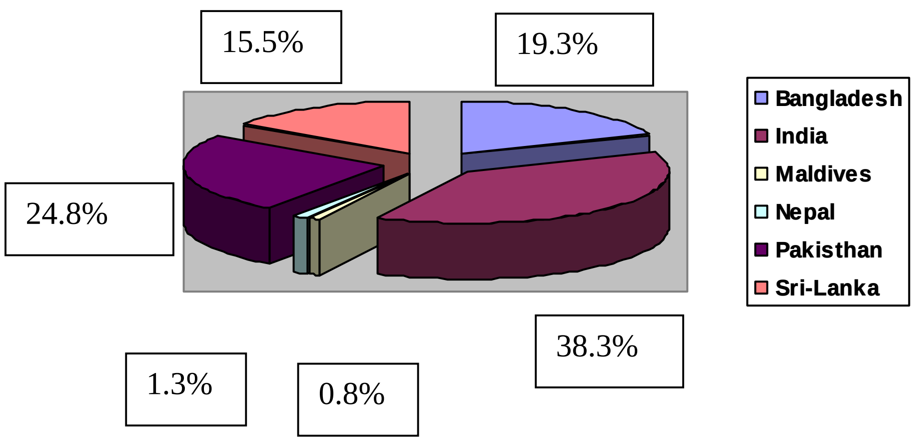


Fig. 12

Garment Export to US by different Countries in the Year 2011

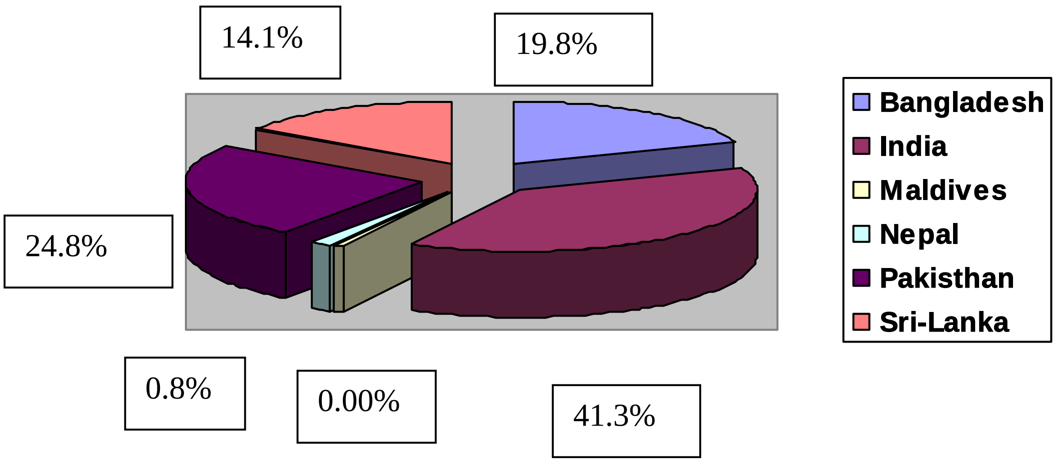


Fig. 13

Garment Export to US by different Countries in the Year 2010

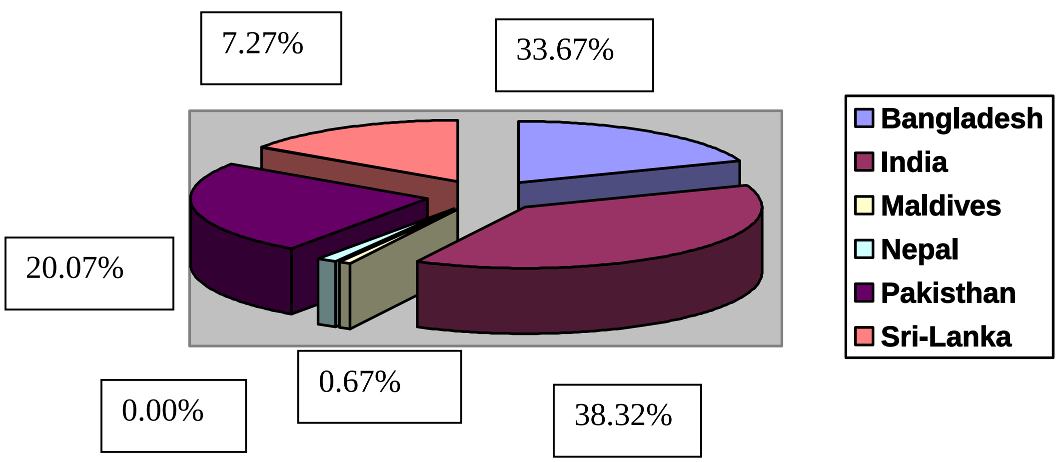
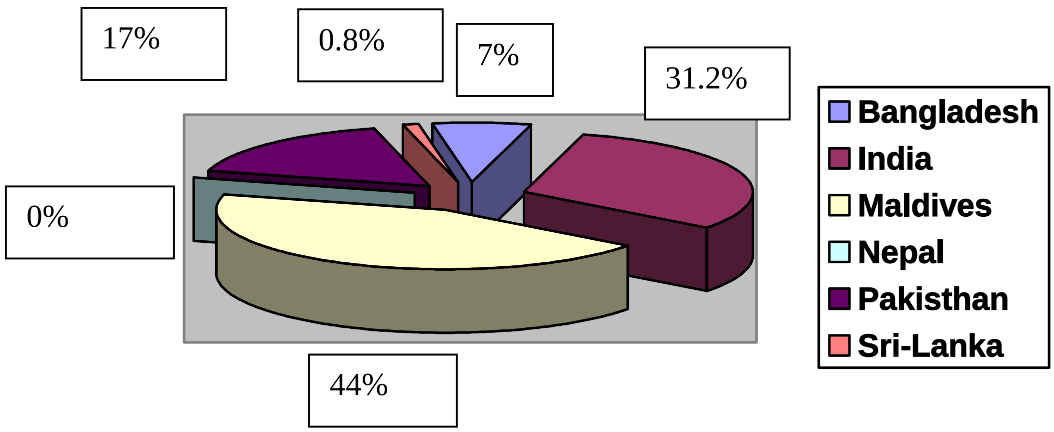


Fig. 14

Garment Export to US by different Countries in the Year 2011



India emerged a clear winner by witnessing a growth in the T & C exports in 2011. While value of exports to the US increased by 26 percent in 2011 compared to 2010, for the EU, it increased by 18.3 percent in the corresponding period. In terms of volume, for both these markets, exports increased by 19.8 percent and respective. In fact, the country was not only to increase exports to the US and EU but was also able to secure higher unit price for its exports (Table 6)

After India, Pakistan remained the other beneficiary though its gains in the US did not match with exports to the EU. Pakistan gains in US i.e.13.5 percent in value and 16.6 percent in volume. But it loses in US by 13.2 percent in value and 4.4 percent in volume (Table 6)

Nepal and Maldives are the great looser. Nepal's export to US has declined by 25.8 percent in value terms and 41.3 percent in volume terms. It's exports to the EU also declined by 6.1 percent in value terms and 11.7 percent volume terms in 2011, compared to 2010 (Table…..) . This however cannot be merely ascribed to the phasing out of quotas because Nepalese T&C exports had stared declining since 2010 it self.

Inability of market diversification, concentration on the ‘easy’ and ‘low-tech’ of readymade garments and largest market domination (poor competitiveness) may be the reasons for Nepal in market loss in US and EU.

4.3.4 Comparison of Pre MFA and Post MFA Period in RMG Export

Export business in Nepal has been experiencing a decreasing trend since last fiscal year .The main reason behind this is the removal of multi-fiber arrangement (MFA). Nepali apparel products, which were enjoying free market access to American market prior to quota termination has witnessed a decline of 30 percent in 2010. The export more narrowed in the year 2011. It has witnessed a decline of 41 percent in 2011.

Table 7

Total RMG export in US (2010-2011)

(Value in dollars)

Month	Year 2010		Year 2011	
	Value in ‘000000’	%Change with respective months of 2009&2010	Value in ‘000000’	%Change with respect to 2010 in 2011
Jan	11.35	-31	6.09	-46
Feb	9.9	-41	4.46	-55
Mar	10.64	-11	6.24	-41
April	7.35	-35	6.23	-15
May	8.33	-7	4.20	-50
June	5.16	-46	4.36	-16
July	5.7	-29	4.68	-18
Aug	7.02	-26	2.70	-62
Sep	5.95	-30	3.37	-43
Oct	4.96	30	2.60	-48
Nov	5.36	-33	5.36	-33
Dec	4.00	-61	4.00	-16
Total	85.72	-30	50.72	-41

Sources: www. ganasso .org .

Figure 15

Total RMG in US (2010and2011)

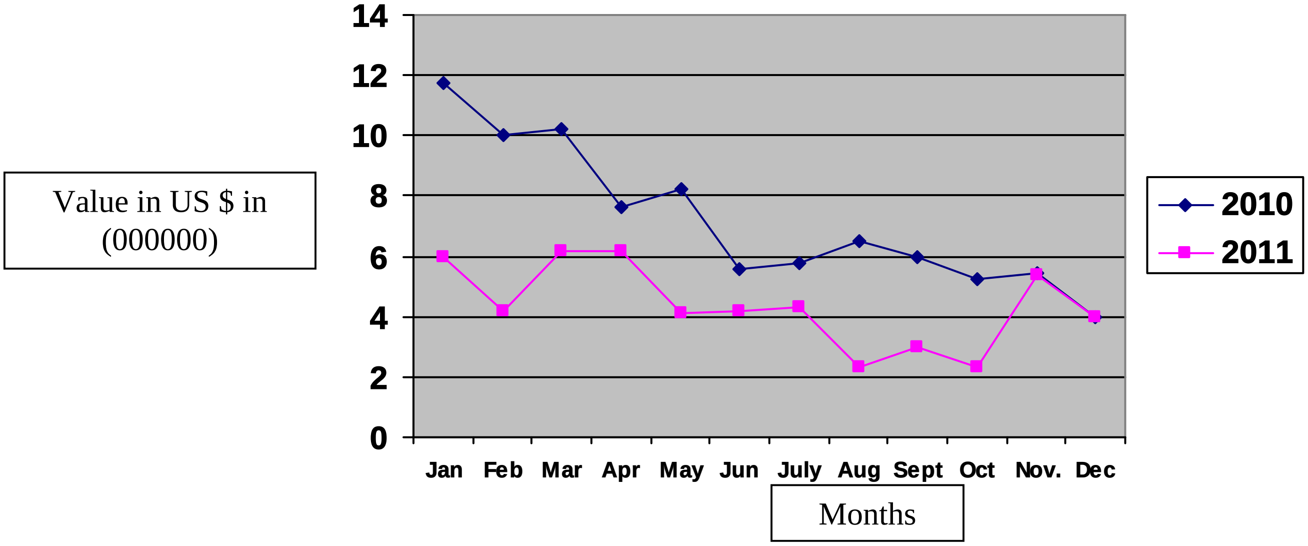


Table 8

Total RMG Export in EU (2010 and 2011)

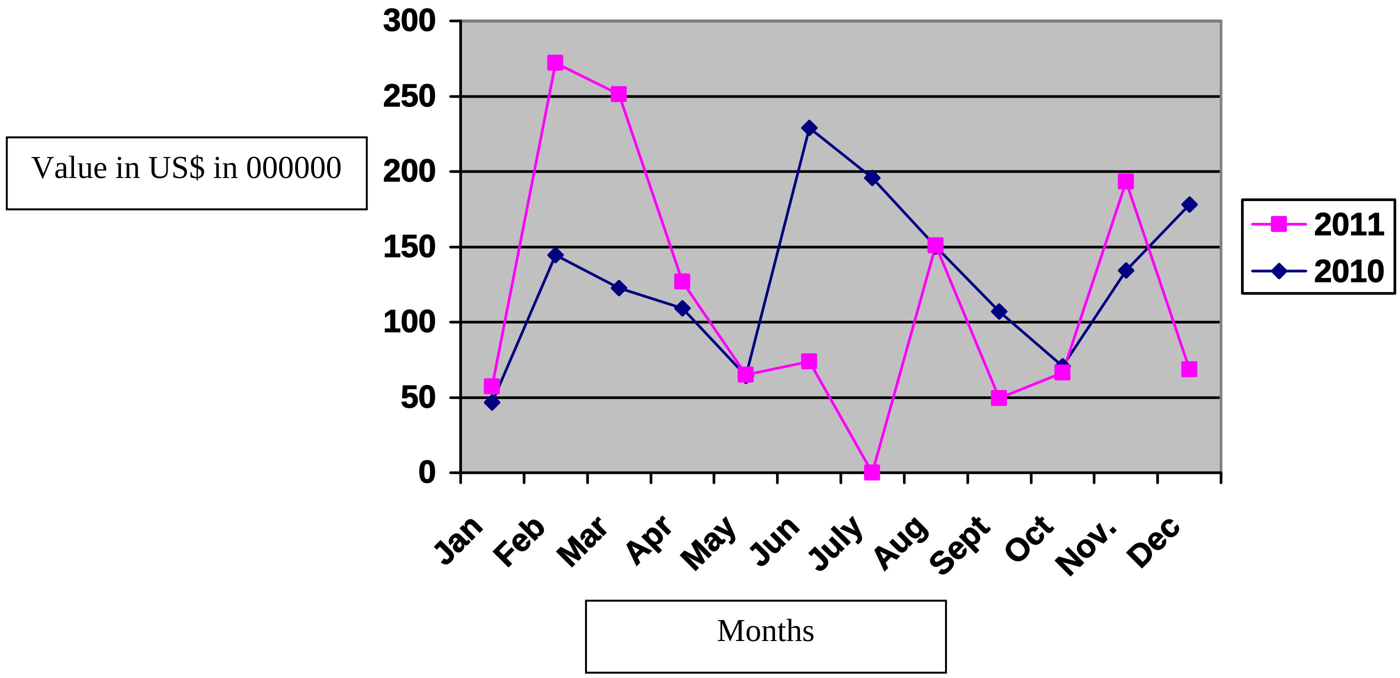
(Value in Dollars)

Month	Year 2010		Year 2011	
	Value ‘00o’	%Change	Value ‘000’	%Change
Jan	46.7	-31.46	52.5	12.30
Feb	144.6	27.89	285.5	97.50
Mar	122.6	27.13	245.5	100.35
April	109.3	37.48	129.6	18.54
May	64.4	104.67	70.6	9.78
June	229.0	248.97	78.8	-65.57
July	195.6	124.11	0.4	-99.79
Aug	150.1	33.03	154.9	3.24
Sep	107.2	1232.55	49.3	-53.98
Oct	70.6	102.35	77.7	9.97
Nov	134.2	100.06	192.0	43.13
Dec	178.0	769.83	63.7	-64.19
Total	1552.3	9778	1400.5	-9.75sss

Sources: www. ganasso .org .

Figure 16

Total RMG Export in EU (2010 and 2011)



After United States announced termination of MFA that elapsed the quota system on exports to US effective from 1, 2011 the situation got worse. Termination of MFA was as per the world trade organization (WTO) agreement on “Textile and Clothing”. Garment export to American decreased by 46 percent in January, 55 percent is Feb. and 41 percent in March. Similarly, November was decreased by 33 percent and December by 16 percent (Table 7) in the year 2011 (post MFA). All the months were assigned with negative sign. Small Export market Canada was also assigned with negative export percentage as -9.45 percent in the year 2011 (Table 8).

4.4 Some External Challenge of Nepalese RMG in post MFA

4.4.1 The Chinese Domination

China, as a dominant supplier, may be not a direct and immediate threat to Nepal, whose trade volume is incomparable to China’s. But there are reasons to keep vigilance of the rapid development China has made in this sector to anticipate its impact on Nepal’s position. It is essential to Study the achievement China has made in the world market due to its intensified competitiveness and the subsidies it gave to apparel manufactures.

During the first quarter of 2011, China's exports of some categories, which were also important to Nepalese exporters, Increase exceptionally, some of them crossing even more than on thousand percent. The growth rate for a key product, such as cotton trousers (Category 347/348), rate by 1521 percent (Table 9) if this is any indication, the Chinese growth would gradually gobble up all potential export items of Nepalese traders, if nothing changes. In Europe, Nepal's advantage of duty privilege to reduce price would also be meaningless if the Chinese subsidies undercut their apparel prices.

Table 9

Growth Rate of Selected Chinese Clothing Imports to US

Key individual category/description	Quantity (Jan-March)2011 compared to Jan-March 2010	Percentage change
Cotton knit shirts	+6521795 dozen	+1257.87
Non-knit shirts	+1422603 dozen	+284.12
Cotton and MMF Trousers	+6176504 dozen	+1521.04
MMF knit shirts	+2128603 dozen	+331
MMF trousers	+1597270 dozen	+269.16

MMF= Man made fiber. Source: www.mof.gov.np. (EPN)

Apparently, China has emerged as a monopoly in the post MFA international clothing market. Its strength to capture the world market came out of its capacity with relatively higher productivity and investment in modern manufacturing and trade infrastructure. All these advantage give China to Increase market share enormously in the US and Europe immediately after quota abolition. A recent world bank study predicted that China and India would be only signification beneficiaries of quota limitation, sharing more than 71 percent of the global market .Except for China and India, all supplying countries are anticipated to lose either market share in the US in trade without quota (Shakya:11). A WTO study reveled China's share in the US to grow from 12 percent in 2007 to 56 percent in 2011 and china and India from 4 percent to 15 (Shakya:11)

However, the action taken against import sugar from China by US and EU would likely divert to suppliers. Even if the positive effect of curb on Chinese export seems to be unlikely in the short-run, it seems inevitable. The US has hold up items of cotton shirts and trousers, which sure important for Nepal to understand what extent it should require to make adjustment. Via-avis the China syndrome, which is challenging not only to small suppliers like Nepal, but also to bigger and competitive ones. The transition measures initiated by the US and EU should also be taken into consideration for a positive impact on Nepal's export potentiality.

4.4.2 Pricing -Trend of RMG in Post MFA

The averages world apparel price is rapidly falling down with abolition of quotas and intensified competition. It is estimated that the US wholesale price would come down to one fifth of the existing price after 2011. The prices for Chinese's goods are tumbling down, with an average of 48 percent reduction from 2007 to 2010 and seem to escalate down spiral the categories, which had been abolished from quotas in 2010(Table 10).

Table 10

Change in Average Chinese's prices

(Quota Free Apparel Categories per Square Meter)

2007	2008	Dec.2009	Mar.2010	Change:2007 to 2011 Mar.
$ 6.23	$3.37	$2.65	$3.12	-48%

Source: Ministry of Finance (EPN).

In contrary, the average unit price for Nepalese apparels has increased from approximately US $ 3 in early 1990 to $ 3.5 after a decade. For categories, such a trouser and shirts, which were major items in Nepal's export, are roughly US $ 3 on average US $ 2.13 in China, making Nepalese apparels 40% costlier than the Chinese. However, Nepalese price is cheaper by 40 percent, if compared to the rest of the world average price, revealing a scope for market expansion, provided the production and delivery match the post MFA situation (Table 11).

Table 11

Comparison of Nepalese's Apparel Prices with China and Rest of the World

Category	Chinese Average export price	Average rest of world price	Average Nepalese export price
Cotton trousers347/8	$2.87	$7.73	$3.86
MMF trousers647/8	$2.16	$4.90	$2.50
Men's woven shirts 340/640	$2.83	$4.16	$3.12
Cotton Knit shirts 338/9	$1.29	$4.29	$2.71
MMF Knit shirts638/9	$1.50	$4.37	$3.0

Source: Ministry of Finance (EPN).

4.4.3 Tariff and Non Tariff Barriers in the Post MFA

The issue of tariff and non-tariff barriers would be more crucial factor determining competitiveness of Nepalese apparels in a quota free trade . The use of tariffs would escalate to undermine intense price competition and use import surge tariff rate on apparels in rich countries still remains significantly higher than on other industrialized nations for the product category is 12 percent, which is almost four times greater than the rates applied on other products imported to these countries. About half of textiles and clothing items entering the American market are subject to tariffs in between 15 percent to 35 percent and that is about 9 percent in the EU and 7.6 percent in Japan.

Some major items exported to the US , EU and Canada are almost 10 times the average MFN rates in the respective countries and almost 15 kinds than they applied to imports from other rich country (Table 12) Nepalese apparels face the tariff rate of 14.6 percent on average in US . The tariff revenue Nepalese goods import in US shocking high

Tariff in on clothing in development are no less intense. Some of high tariff-imposing counties included, India (39%), Pakistan (20%) and Thailand 25 percent. Nepal can benefit from tariff reform in large developing countries for market divaricating. The bilateral preferential trade relation with India would be more meaningful to Nepal with respect to tariff advantages and geographical proximity for effective market diversification strategy and to compensate the loss of market share in the US.

Table 12

Tariff for major Nepalese Apparel in US

Product HS code		Applied MFN(Total advalorem equivalent)
620462	Women's/Girl's trousers and shorts, not knitted of cotton.	Max 16.60%-Min 0.00%AV.8.15%
620342	Men's/boys trousers and shorts not knitted or crocheted of cotton.	Max 16.60%-Min 0.00%AU.8.96%
611020	Pullovers and similar articles knitted or crocheted of cotton.	Max 16.5%-Min 5.0%AV.10.5%
620630	Women's/Girl's blouses and shirts, not knitted of cotton.	Max 15.4%-Min 9.00%AV.13.5%
610910	T-shirts, signets and similar garments, knitted or crocheted of cotton.	16.50%
620640	Women's/Girl's blouses and shirts, not knitted of MMF	Max .26.9%-Min 4.00%AV.14.63%

Source: Ministry of Finance (EPN).

Even if the tariffs are relatively higher, they are predictable as they are bound by the WTO negotiations. But the application of non–tariff barriers, which is arbitrary and non-transparent, could be more, threatening to Nepalese traders, regarding the market access problem in the post MFA. Non tariff barriers are more usual in EU than US.

4.4.4 Domination of Preferential Trading Arrangements

The future apparel trade will be dominated by preferential trading arrangements. These arrangements have already influenced exports to the US and the EU. The North American Free Trade Agreement (NAFTA) directed US clothing imports from Asia to Mexico. The US also provides duty free to Caribbean Basin countries under the Caribbean Basin Trade partnership Act (CBTPA). The Africa growth and opportunity Act AGOA of 2000 has granted duty free Access to 19 sub-Saharan African developing countries to the US Market.

The EU has also established the outward processing trade (opt) to shift production of textile from high cost Western Europe to low cost East Europe. The EU also has special arrangement that gives duty free access to apparel exports from Morocco and Tunisia i.e. to make the concept clear one example here.

Italy, Germany, France and UK have arranged for re-importing finished textile products, including apparels with out tariffs from countries like Poland, Romania and Hungary as well as from Mediterranean rim, such as Morocco and Tunisia to save higher labour cost. The preferential market access has helped to increase apparel trade volume between these counties remarkably. Thus these type of strategies may harm the export of non-competitive counties like Nepal, Bangladesh etc.

4.5 Internal Bottlenecks of Nepalese RGM in post MFA

Beside external challengers, some internal bottlenecks have been suffering the Nepalese RGM time and again. Even now, almost all Nepalese apparel industries are confined to a production based only on CMT (cut, make and trim) so, the main aim of the industries are to manage only labour force. At that time, garment products can be sold in foreign market because there was quota. Buyers are not more sensible. But now the scenario has been changed. We have to depend on the buyers on supply. Buyer's interests, on styles, types, designs, cost and so on are the competitive weapons for foreign market strategies. Therefore some internal bottlenecks of Nepali RMG in a Quota free trade are explained here with.

4.5.1 Constraints to supply Efficiency

Supply side of the Nepalese appeal industry is impeded particularly by low productivity and higher transaction costs. The use of outdated and non-captivity technology including the lack of methods to rationalize production with research and development (R&D) has already inhibited Nepalese producer's ability to complete efficiently on the basis of price, quality and delivery as the quotas were removed. None of the factory is based on the sophisticated computerized system for pattern making, designing of for cutting. It is high time that they apply CAD/CAM system, which helps to increase designing efficiency and to respond to the buyer's requirement as unique advantages. The sophisticated system such as CAD/CAM is hardly affordable by an individual industry. So that it can be installed on an industry group basis or with the support from the government committee can be mobilized for this purpose.

Relatively low labour cost is the only distinct advantage that Nepal has, but low labour productivity remains obstacle to competitiveness. As one of the studies shows, except for Bangladesh, the per hour labour cost in garment industry in china and India is higher than in Nepal, but the productivity of Nepalese worker is lower by more than half of the Chinese of Indian workers who are supposed to be competitive in the changed context. The ability to compete in post MFA will largely depend not just on cheap labour cost but on a workforce that is both relatively cheap and technically skilled. Trained manpower would also be essential in the fields of merchandising, production management and marketing to increase the efficiency in overall production.

cost format for apparels along with the labour cost is given below in the table which shows that most of the cost is incurred in the importing raw material i.e. 61.41 percent that Nepal is highly dependent raw materials from foreign countries. Labor cost comes at 29.17 percent. Transport expenses up to Calcutta are 4 percent that also make RMG less competitive because it is extra burden.

Table 13

Assumption of Standard Costing Format for Apparels

Description	Cost per PC of garment men's cotton trouser	IN percentage
1. Total raw material/accessories cost (Fabricex. HK@IS$ 1.5 per Yd 1250 days sight LC), inclusive of pocketing lining hangtag, price tag tread	US $ 2.61	61.41
2. Import expenses	US $ 0.08	1.88
3.Making Charges(labour cost)	US $ 1.24	29.17
4. Export expences+CCU transport(Calcutta)	US $ 0.17	4.0
5.Financing cost	US $ 0.07	1.64
6.Sales Commission	US $ 0.08	1.88
Total cost	US $ 4.25	100.00

Sources: Evergreen Apparels Pvt. Ltd.(2011)

4.5.2 Inadequate Institutional and Trade support Services

The problem with regard to institutional and trade support services in the garment sector are primarily related to poor logistics and cargo services, difficulty of international market and price information, as well as complicated export financing mechanism. Poor logistic and transportation has affected the efficiency in terms of cost and delivery time. The cost for logistic and transit is approximately 20 percent of the ex-work price for garments, mainly due to higher cost for air and sea cargo rates. However it is estimated that the transportation cost would come down by 40 percent after full implementation of the ICD facilities in Birgunj. Garment enterprises have been suggesting for establishment of a garment processing zone (GPZ) near to the ICD to reduce transaction cost to increase delivery efficiency by exploiting the gains front ICD.

The problem related to bank financing has intensified further. Instead of giving a privilege to the section, which is actually facing with the difficult adjustment problems, the commercial banks are increasingly becoming reluctant to make new investment in this sector and initiating stricter actions agonist debtors, impending further growth of the industry as most garment sector among other export-oriented industries had to pay relatively higher bank rates and subjects to higher collateral requirements than in other countries in the region. This had added extra cost to their financing. To make the bank financing more efficient, in order to reduce the industry's financing cost there should be an intervention by NRB to prioritize the garment sector for bank loans.

4.5.3 Administrative Complications

Administrative hassles are more widespread with regard to the bonded warehouse facility, bank guarantee and rebate of VAT, as imposed on the exported products. The new prevision has created even more administrative Complictions and delayed the release of bank guarantee, maintained for the use of bonded warehouse facility and rebate of the VAT. The new provision required garment exporters to get two separate recommendations from the department of custom and the department of internal revenue, instead of a signal recommendation, from the custom department as was the case before to realize the bank guarantee. Considering the objective of minimizing transaction cost, it is necessary to revert to the previous system and apply one bank guarantee for both purposes.

The purpose of refunding VAT should be simplified to reduce the prevailing higher transaction cost. The process of refund should be made within 30 days form the data of claim made by the exporters. The documents required for this purpose should also be mentioned specifically to overcome the hassles faced by the exporter's exile on the administrative process.

The administrative process for recognizing an industry as export oriented for the privilege looks inconsistent as well. Well. While customs demented the customs department grants truants tariff rebate for an industry, with exports of the same in case of refunding VAT. Likewise, the tariff is rebated for the cancelled to these provisions are urgently needle harmonization to reduce administrative complications.

4.5.4 Police Drawback

The government's Police toward lobour regulations and income tax have an adverse effect on productivity and competitiveness of the garment industry as a whole. The workers biased labour law has prevented money garment firms from employing permanent workforce due to extreme difficulty in making firing permanent workforce. In order to escape this provision the law has paradoxically, encouraged employers to hire work force under contract system. This issue has considerably trained industrial relations system in Nepal. The lack of flexibility in the labour law has discouraged employers from hiring permanent workers and investing in worker' straining affecting labour turnover, long-term labour productivity and competitiveness. Though the practice is said to be in decline, the rigidity in labour law is also reddened to be the factor responsible for encouraging employers to hire warders from high boring country.

4.6 Some Ideas to build capacity to face post MFA Situation

The WTO's ATC in fact gave ten years for Nepal to prepare itself to face with adjustment issues after the complete phase out of MFA quotas. It was globally anticipated that the intensified competition in the post MFA would concentrate garment industries in countries with availability to major markets and low wages with capacity to respond to the buyer's tastes and a fashion trend. But, Nepal did not possessed strong positions in none of these competitiveness factors, besides the labour endowment.

During the ten-year preparatory period, the impact of MFA and ATC was widely discussed, but no concrete measures and strategies were envisaged to adopt with the changing pattern of the trade in textile and clothing. the only step seriously initiated was the lobbying for a preferential treatment for Nepalese apparels in the US, which was obstructed later on with the issue of panda energy international (PEI) a US company and Nepal electricity Authority NEA (TRN Jan. 2005). on the other hand, on efforts were put on exploit the preferential market access for Nepalese apparels in the EU. This was already available, so some capacity building measures to sustain the RMG industries long are given below.

4.6.1 Utilize Market opportunities properly

The markets for Nepalese garments in a quota free trade can be observed distinctly on the preferential and none preferential market access opportunities. With two different market behaviors, it is required to build two separate strategies to retain positions in the respective markets and contribute to growth of the overall export volume. The US market is a major destination for the Nepalese RMG but it has lost the comparative benefit due to cutthroat competition. So, with the political revolution and readiness of America to help Nepal, the immediate strategy for American market should be intensified by lobbying for the US duty free market access, aiming at the level playing field and also achieving a means to off set high price through a duty advantage.

The shares of Nepal's export to EU and Canada were not also satisfactory. So it is important to note that Nepalese exporters should exploit the preference in EU to a fuller extent. EU and Canadian market is to be penetrated by launching promotional programmers because Nepal is losing its market in US. Although Nepalese exporters take part in American trade fairs on regular basis, they have hardly given priority to the EU trade fairs for promotion of garments. Despite there was prospect of market expansion. Consequently, they lacked adequate knowledge for marketing in the EU. This is why, a provision of a separate programmers and fund under the public private sector approach, should be envisaged for market promotion committee (EPC) and the GAN should play lead role from the respective sides.

4.6.2 Production Innovation and Skill Development

As mentioned earlier, the commodity type items have been dominating the production of Nepalese apparel manufactures. The reasons for confining to the low priced item in the past were due to lack of indigenous skill for design and fashion, and also because of the practice to follow only the buyer's design and requirements. The past practice had not encouraged Nepalese producers to divert from the product mix of commodity type to high fashion wears and to product innovation with increased competition in commodity type items in a quota in a quota free trade, Nepalese producers should focus on fashion-oriented high value products for niche markets, but identification and production of such high value added category cannot be made without development of trained manpower and fashion institutes. Presently, there are no fashion institutes or vocational centers for textile and garments, which are effectively working. Initiative should be immediately taken in the form of a partnership between the private sector and the government to establish or strengthen the existing textile training centers for immediate improvement in productivity and innovation through skill development.

The readymade garment training centre, which was established under the JICA and HMG, was operating since 1981.The department of cottage and small industry look responsibility to run the training centre after termination of the JICA assistance, by signing a memorandum of understanding with the GAN in 1919 for absorbing the manpower produced by the existing garment industries as they were not trained to be able to meet international requirements and also lacked talents to run modern equipment and perceive the latest international fashion trend. It would be advisable to activate the existing training institute under the department by restructuring and strengthening with modern equipment, including a fashion and design curriculum to match with the latest trend, and coordinating with regional fashion training centers. The training centre can be converted into a specialized institute for textile and garment research for quality and design, with ownership of the GAN. For effective results, the institute can be established inside the GPZ with intention of coordinating demand for and supply of the skilled manpower.

4.6.3 Vertical Production and Consolidation of Industry through GPZ

Considering the need of a large- scale operation with a greater control over the management of Sourcing and supply chain, the GPZ was floated in the GAN's report to the government in 2002. The concept has a lot of sense to Nepalese garment industry, which is mire vulnerable to the new trading system. A detail study of the concept and modality of its structure and implementation should be undertaken without delay.

Conceptually, the GPZ and EPZ look similar but there is a mark difference between the two. Unlike the EPZ, which is primarily for facilitating rebate from taxes and to effectively implement the duty drawback, the GPZ intends to industry consolidation as a short – run objective and the vertical production in the long run. The GPZ, a being a product specific and export oriented should meet various special functional areas to match international excellence. It should be well equipped with all kinds' factory commitments.

The GPZ as industrial estate can facilitate the output as a larger scale with economies by concentrating garment manufactures closely and helping them to consolidate the overall output. For strengthening of the industry as a whole the participating firm can also jointly establish sophisticated and costly technology, which could have been expensive of

Imported raw materials, mainly high value fabrics and he idea of GPZ could be an instrumental for clustering of ancillary industries and also providing all kinds of services near to the production.

With regard to cumbersome trade and transit procedures, the GPZ can contribute to procedural simplification by establishing a single window system, within the zone, for all kinds of government and export documentation (for instance, collection of export license, documentation letters, and certification of origin, GSP forms, etc). It is very importance for GPZ to be constructed near to the inland container depot (ICP) in Birgunj, which is supposed to e the countries main transit point for external trade. The proximity to the transit point is basically meant for cutting down land tans times thought reduced handling and less cumbersome procedures. The connection with Birgunj ICD is also crucial to optimize transportation times and container space, which is must prominently faced by the Nepalese traders at Kolkatta port.

In the long run, the collective demand for a larger quantity of textile by the industries inside GPZ ca attracts domestic and foreign investment in modern fabric industries, which are capital intensive and has relativity larger optimum size of operation with development of fabric base, it can ultimately meet the vertical production with more possibility of import substitution. Apart form that it will also facilitate Nepalese apparels to meet stringent rules of origin for preferential market access, wherever applicable. Moreover the full-fledged GPZ will on the one hand, help control cost at each level of production to be price competitive and to reduce the lead time for the efficient delivery on the other. Also the idea of GPZ has become more valuable with regard to new competitive ways permuted in efficient countries.

As mentioned earlier, the GPZ with an approach to industry consolidation and industrial cluster is also important to attract likely business spill over form India as the Indian producers could see consolidated production base in Nepal as an alternative to source form and also to offset the rising costs there. The bilateral preferential trade arrangement between the two countries together with the benefit of an open border system and geographical proximity, create more possibility of business transfer form Indian to Nepal in the post MFA trade, provided the GPZ materializes.

4.6.4 Public-Private Sector Partnership Approach

Considering the contribution of the garment sector to the economy and import from its deteriorating situation, the private-public Sector Partnership urgently needed. Instead of forming new bodies, the simplest way to facilitate this objective through the public-private sector partnership could be by broadening the role of the existing. Readymade garment export promotion goal, the scope of the public-private sector partnership should concurrently focus on three broader areas, continuity to lobbying for duty free market access in the US, intensified promotional programmers to exploit the GSP markets (Canada and EU) and development of a modality for construction and operation of the GPZ, a technical body, representing all concerned, should be immediately formed for designing operation and management modality of the GPZ.

4.7 Test of Hypothesis

Hypothesis is used in research guidelines. A researcher can not forward his research work systematically without determined guideline. Hypothesis gives these guidelines on research work. The term hypothesis is come form Latin word, 'Hypo' and 'This'. Hypo means under and this mean place under. It means the concept or feeling before proved by the help of facts which could be wrong or right. So unproved but assumption nearly conclusion is hypothesis.

In this study testing hypothesis is considered very useful. It is realized that the trend of readymade garment export in pre MFA period (2010) and post MFA period (2011) is almost same. SO, this hypothesis should be proven by using statistical tools testing "hypothesis ". For this purpose hypothesis 'A' has developed and tested. Similarly, Nepalese Readymade Garment export is always in decreasing order. For this pricing factor of apparel may be the one because Nepalese apparel prices is comparatively higher than Chinese apparel and slightly low than the world's prices (Table 11) . Keeping these things in the mind hypothesis 'B' has developed and tested to find out either the decreasing trend is due to the significance differences between country wise prices variations.

In order to testing first hypothesis, the null hypothesis has developed (Ho) that is "There is no significance difference between export trend of pre MFA period and post MFA period" . The alternative hypothesis had developed is "There is significance difference between export trend of pre MFA period and post MFA period ". For his purpose of testing hypothesis 12 month's export value i.e. Jan-Dec. (2010) and 12 month's export value i.e. Jan-Dec. (2011_ and 12 month's export value i.e. Jan-Dec. (2011) are taken. Based on These sample data the Hypothesis has tested using statistical procedures. After testing hypothesis null hypothesis has tested using statistical Procedures. After testing hypothesis null hypothesis has rejected and alternative hypothesis has accepted. It proves that post MFA period export downfall is more than pre-MFA period i.e. the year 2011 is worse than 2011.

Similarly, in the second hypothesis. One way "ANOVA" has performed. It has tested export trend due to the price variation of different countries. For this, hypotheses have designed in this way. Ho: there is no significant difference in the export of Nepalese RMG due to average price of Nepal, china and rest of the word. (h1): there is significant difference in the export of Nepalese RMG due to average prices of Nepal, china and rest of the word. Here price structure data has collected from gain on the year 2011 (table 11).

After testing this we came to the point that null hypothesis is accepted and alternative hypothesis is rejected i.e. there is no significant difference apparels compared to Nepalese apparel prices, it does not affected.

4.7.1 Hypothesis A

H_0: There is no significant difference between the export trend of RMG in pre and post MFA period. i.e. $H_0{:}\mu_x = \mu_y$.

H_1: There is significant difference between the export trend of RMG in pre and post MFA period. i.e. $H_1{:}\mu_x \neq \mu_y$.

Modified table form (Table 7)

Months	RMG export in pre MFA(X)	RMG export is post MFA(Y)	d=(X-Y)	$(d-\bar{d})$	$(d-\bar{d})2$
Jun	11.4	6.0	5.4	2.8	7.84
Feb	9.9	4.5	5.4	2.8	7.84
Mar	10.6	6.2	4.4	1.8	3.24
April	7.4	6.2	1.2	-1.4	1.96
May	8.3	4.2	4.1	1.5	2.25
June	5.2	4.4	0.8	-1.8	3.24
July	5.7	4.7	1.0	-1.6	2.56
August	7.0	2.7	4.3	1.7	2.89
Sept	6.0	3.4	2.6	0	0
Oct	5.0	2.6	2.4	-0.2	0.04
Nov	5.4	5.4	0	-2.6	6.67
Dec.	4.0	4.0	0	-2.6	6.76
n=12			∑d=31.6		$(d-\bar{d})^2$ =45.41

$$\bar{d} = \frac{\sum d}{n} = \frac{31.6}{12} = 2.6$$

and, sd = $\sqrt{\frac{1}{n-1}\sum(d-\bar{d})^2}$

$$= \sqrt{\frac{1}{12-1} X 45.41}$$

$$= \sqrt{\frac{1}{11} X\ 45.41}$$

$$= \sqrt{4.127}$$

$$= 2.03$$

Test Statistics

$$t = \frac{\bar{d}}{\frac{sd}{\sqrt{n}}} = \frac{2.6}{\frac{2.03}{\sqrt{12}}} = \frac{2.6}{0.58} = 4.4$$

Degree of freedom = (n-1) =12-1=11

Level of significance (α) =5%

Critical value: - The tabulated value of t at 5% level of significance for two tailed test for 11 d. f. is 2.201.

Decision: - since, calculated value of t is more than tabulated value of t so, alternative hypothesis is accepted and null hypothesis is rejected i. e. there is significant difference between the export trend of RMG in pre and post MFA period.

Above hypothesis is clears that the export of RMG had decreased more in post MFA period than pre-MFA period.

4.7.2 Hypothesis B

i. null hypothesis H_o: $\mu_A = \mu_B = \mu_C$ i.e. there is no significant difference in the export of Nepalese RMG due to average price variations of Nepal, china and rest of the world.

ii. Alternative hypothesis H_1: $\mu_A \neq \mu_B \neq \mu_C$ i. e there is significant difference in the export of Nepalese RMG due to average price variations of Nepal, china and rest of the world.

Modified table from (table 11)

. Categories	Price Variations					
	X_A	X_B	X_C	X_A^2	X_B^2	X_C^2
1	2.87	7.73	3.86	8.23	57.75	14.9
2	2.16	4.9	2.5	4.66	24.0	6.25
3	2.83	4.16	3.12	8.0	64.0	9.73
4	1.29	4.29	2.71	1.66	2.75	7.34
5	1.5	4.37	3.0	2.25	5.0	9.0
	$\sum X_A=$ 10.65	$\sum X_B=$ 25.45	$\sum X_C=$ 15.19	$\sum X_A^2=$ 24.8	$\sum X_B^2=$ 153.5	$\sum X_c^2=$ 47.22

Grand Total (T) = $\sum X_{\mathbf{A}}+\sum X_{\mathbf{B}}+\sum X_{\mathbf{C}}$

= 10.65+25.45+15.19

= 51.29

Correlation factor (C.F.) $= \dfrac{T^2}{N} = \dfrac{(51.29)2}{15} = \dfrac{2630.66}{15} = 175.3$

Total sum of square (TSS) = $\sum X_A^2+\sum X_B^2+\sum Xc^2$

= 24.8+153.5+47.22

= 225.52

Sum of Square between samples

$$SSC = \frac{(\sum X_A)^2}{n_A} + \frac{(\sum X_B)^2}{n_B} + \frac{(\sum Xc)^2}{n_C} - C.F.$$

$$= \frac{(10.65)^2}{5} + \frac{(25.45)^2}{5} + \frac{(15.19)2}{5} - 175.3$$

= 22.68 + 129.5 + 46.15 – 175.3

= 23.03

Sum of squire with between with in sample (SSW) = TSS-SSC

= 225.52-23.03

= 202.5

One way ANOVA Table

sources of variation	sum of squares	degree of freedom	mean sum of square	F ratio
between samples	23.0	(3-1)=2	23/2=11.5	$f = \frac{MSB}{MSW}$
with in samples	202.5	(15-3)=12	202.5/12=16.87	$= \frac{115}{16.87}$ =0.68
Total	225.5	14		

Critical value

Critical value of F at 5% level of significance for 2 and 12 degree of freedom is 3.89.

Decision: - Since calculated value of F is less than tabulated value of F. The null hypothesis is accepted and alternative hypothesis is rejected. There fore, we conclude that there is no significant difference in the export of Nepalese RMG due to average price variations of Nepal, china and rest of the world.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1 SUMMARY

In Nepal, GI firstly appeared in the early 80'swhen Indian exporters started coming to Nepal with an intention of evading the quota constraints imposed by the us government in late 70's in India. The year from 2001 to 2006 became the boom period for Nepal in readymade garment export. so far as the readymade garment export concerned, the year 2009 and 2010 were not satisfactory. The year 2011 is the worse of the worst .letup see the year 2012 because slight political improvement can be seen in Nepal for the restoration of peace at this moment.

Regarding the status of readymade garments most of the garment industries age is 5 to 10 years. Pvt. Ltd. Enterprises of medium size are more the PVT. LTD. with partnership enterprises providing below 100 persons has more female employees. Temporary employees are more than permanent. Most of the enterprises are assisted with combined (own bank) funded.

Nepalese readymade garment industries are the export based enterprises whose contribution plays vital role in national GNP. But, in recent time the phasing out of quota system has changed the rules of the game of international apparel trade and as anticipated Nepal's exports have declined shapely in 2011. Nepal now is the great looser among the Asian countries regarding the garment exports particularly in the American market. American market has occupied 80 percent of apparel export where as EU only 18 percent. Inspire of the gradual decline in Nepal's garment export in the past few years, sharp decline of garment export in the past few years, sharp decline of garment was seen in the post MFA i. e after phase out of quota system since January 2011, garment export to American decreased by 46 percent in January, 62 percent in august, 57 percent in November and 13 percent in December. Altogether, garment export to US was decreased by 9.75 percent. However, positive trend has been found in EU in the year 2010 where garment export was increased by 17 percent. Numbers of reasons are there for the downfall garment export. One of the reasons is price competitiveness. The average per unit export price of garment decreased from US $ 3.24 to US $ 2.77 a decrease of 8.4 percent which makes Nepalese garments more competitive in EU in the year 2010 where garment export was increased by 17 percent.

Number of reasons is there for the downfall of garment export. One of the reasons is price competitiveness. The average per unit export price of garment decreased from US $ 3.24 to US$ 2.77 a decrease of 8.4 percent which asks Nepalese garments more competitive post MFA. Domination of few efficient exporting counties like India and China, tariff and other trade barriers, domination of preferential trading arrangement are some of the reasons those impeded garment export in foreign countries.

Some internal bottlenecks such as low productivity and higher transaction costs, use of outdated and non-competitive technology, long delivery time, poor marketing strategies along with cumbersome government policy like. Administrative complication is VAT and custom division policy drawbacks systems and others are the factors those hinder garment export to overseas countries especially US.

The government and the private sector need to work together to increase the competitiveness of the Nepali garment industry. Establishment of a garment processing zone near the Inland container depot in Birjung, establishment of technology up gradation fund to provide subsidized loan to the private sector to upgrade technology, procedural simplification to reduce cost and time, broaden the role of exiting RGEPC and give more authority with responsibility for decision making and implementation are the measures that need to be started immediately.

5.2 Conclusions

The application of the quota system under the multi-fiber arrangement (MFA) was the main reason for the growth of apparel industry in Nepal. In the early eighties Indian exporters constrained by the lack of quota turned to Nepal resulting in a sharp increase in the export oriented garment manufactures. The number of the firms in this sector grew form 58 in 1982/83 to 1067 in 1994/95. The number of firms however declined to 323 in 1995/96 and came down to 121 and 100 in 2010 and approximately 130 in 2011.

Today, the export oriented garment industry plays an important role in the Nepali economy. It contributes 10 percent of the country's manufacturing, 40 percent of export earnings form export to countries other than India and provides direct employment to 50000 and indirect employment to additional 50000.

The US is the main destination market for Nepali readymade garments. Till 1999/2000, almost all the garment exports were to the US. The total exports and the share of the US export in the total exports have declined after 2000. Export to the US has gone down and in 2004 it was 52 percent of the export in 2000. It was only 32 percent of the export in 2000.

Nepali garment export to the US is based on quota free and was subject to an average 14.6 percent duty (Total 12) where as export to the European Union (EU) and Canada was under generalized system of preference (GSP). In other words, Nepali export had duty free access to these markets. In spite of this scheme, due to high cost of production in Nepal, Nepali exporters are not able to increase exports to the EU.

China saw an unprecedented growth in its export if the items, which were also major products for Nepalese manufacturers. Compared to last year, the export of cotton and man made trousers from China increased by more than 1500 percent in the first quarter of the year 2011 (Total 9). This is also the reason of downfall of garments in post MFA.

The downfall in the world apparel prices since the end of quotas seems to be serious concerns to Nepal. The China syndrome looks more threatening in terms of price competition as the average price for Chinless apparels, removed form quota decides by 48 percent between 2007 and March 2010 And the price for items interested to Nepalese exporters have fallen by 58 percent compared to China, the Nepalese average export price for selected items is 40 percent consider, because the unit price for Nepalese apparels has gone up from US $ 3 in 1990 to approximately $ 3.5 after a decade. But the price is lower by 40 percent, if compared to average price for rest of world. This study has performed the "ANOVA" test to find out either the export of garment was affected due to the price variations of China, Nepal, and rest of the world. The hypothesis proves that the export was not affected by the prices of China, Nepal and rest of the world. This gives some scope for survival of the industry, provided it matches with the post MFA situation.

The issue of apparel tariffs still matters greatly to Nepal. Nepalese apparels are subject to average tariffs of about 15 percent in the US, which is almost ten times greater than the US average MFN rate for other products. The average tariffs for apparels in rich countries are about four times higher then the rate of other goods, whereas the rate is no less intense in developing countries. The application of tariffs in the US has further aggravated price competitiveness of Nepalese apparels, which are already finding difficult to face the situation due to higher production and transaction cost. In addition, Nepal has lost the level of playing field after the US provided duty free to the clothing made in sub-Saharan poor countries, under the AGOA Although the issue of non-tariff barriers looks not that serious presently, It is advisable for Nepal to take into account of the possible adverse effect from measures, such as imposition of trade remedies, respect to intellectual rights' and compliance to eco label and social label, among others, for timely preparation.

The report has identified the internal constraints to the industry with necessary steps to overcome them without enough investment for technology up gradation and skill development of the workers, the issue of low productivity would remain unresolved. The industry's ability to compete will depend not just upon availability of cheap labors, but also essential to think over higher transaction coats and in adequacies of trade support services which are impending to efficiency of the industry as a whole. The report finds widespread problem in administration and policy maters. Administrative complications with regard to bank guarantee and refund of VAT and duties are aggravating the problem. Difficult access to easier banking financing has become obstacle to industry protection and plant expansion. The policies on labor and income tax are still rigid, instead of making them the flexible as incentive to rescue the ailing industry. The stability of policy also becomes indispensable to promote ancillary industries for streaming backward linkage development.

This report has suggested taking corrective action for building to take corrective actions for building capacity to face the adjustment problems brought about by the abolition of quotas. Utilization of the market opportunities properly product innovation and skill development, vertical production and consolidation of industry through GPZ, public private sector partnership approach are some of ideas to build capacity to face the adjustment problems brought about by the abolition of quota which has explained in the fourth chapter.

5.3 Recommendation

Nepalese readymade garment is ailing in this stage. Some corrective measures must be adopted without being late. Both government and private sector should exercise is this concern with public private sector partnership approach to solve the prevalent problems. Some of the advices are provided with this report.

i. Focus on High Value Product

The price of the RMG products exported form Nepal ranged form US $ 3 to 6 in average. These were the lowest price categories in the RMG and yielded very low margins to the producer. So, it suggested to Nepalese producer and exporters going for higher value products in which the margins would be higher. For this the industry had to identify some specific high value products and concentrate on developing its specialty in them as Sri Lanka did by concentrating in brassieres.

ii. Diversity the Product Range

The products exported form Nepal were mainly cotton shorts for boys and men, cotton trousers and shirts for girls and women and children wear. They should have produced also the sheets for bed, pillow, table sofa, cushion etc. Similarly, dresses could be developed form new and unique Nepali fabrics, such s Dhaka, which could be sold as designer items so that the market would still be there for such products even after the elimination of the quota system.

iii. Diversify the Market

Almost all of the Nepali RMG exports were to North America during and after the quota regime. Though some exports were destined also to the European Union since late 1990s When EU started providing some special concessions (GPS) to Nepali products, the industry was not able to develop enough contacts in the European market. So adequate marketing strategies should be undertaken for effective market diversification.

Iv. Development of Backward Linkages

It was seen that 60 percent cost of production of garment in Nepal. Constituted Import material. The existing textile industry . So, it was first the death of the textile industry and then of the garment industry, so link between them is must, as far as possible, imported of raw materials should be done internally.

v. Operationally the Inland clearing depot (ICD) at Biragunj

This was expected to reduce the turn around time so tat the garment exports would be able to deliver the goods faster. Though the ICD is now operational, it was achieved only from last July 2010, just six month before the termination of quota system. So fully operation of Birjung ICD and modernization of other dry port is essential to reduce land transit time and handling cost and cumbersome procedure.

vi. Establishment of Export processing Zone (EPZ) and garment Processing Zone. (GPZ)

It should be suggested that setting up special economic zones dedicated to garments and accessories is must. It can help to reduce the cost of production and improvement of technical capabilities.

vii. Development Human Resource Base

Competitiveness depends on productivity which in turn depends on the quality of human resource. This calls for two-pronged strategy for the Nepali RMG industry. First it has to incest in training people. For this, training institute was needed. First it has suggested that setting up such an institute should be under the public private partnership approach with the government providing the space. Instead of forming new bodies, it is necessary to broaden the role of existing (RMGEPC) i.e. readymade garment export promotion committee.

RMGEPC, chaired by the secondary at the ministry of industry, commerce, and supply is represented by ministry of Finance, development of Industry, commerce, customers, cottage and small scale industries and labour and employment promotion and representative from Nepal Rastra bank, Nepal productive and economic development center (NPEDC), trade promotion center (TPC), Garment association Nepal (GAN) and a representative from garment enterprises, including a joint secretary at MOICS are also included. Essentially, the body should pay attention to the measures of garment export problems. It should bring the harmony co-ordination and networking among the agencies related to the private and government sectors.

Have a quality Label

National quality label helps to assure the buyers about the quality of the product they are buying from a particular country; Nepali garment industry has not yet developed such label. So for the prosperity of RMG such label should be developed.

As started earlier, export trade always has been an effective engine of economic growth in the developing countries. In this regard, RMG export has also contributed significant share in Nepal's economy by providing employment to thousands of people and earning hard currency of by exporting commodity from Nepal. It becomes quite imperative to protect such export oriented industry and right measures should be taken for its recital. This post MFA period is very critical period for its export. It is suggested that further study regarding different aspects of RMG export should be carried out to bring some more insight about it for its development.

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ANNEX 1

Comparative Details of Export to USA Ready made Garment

(VALUE IN US DOLLARS)

Month		Year 2004			Year 2005		% Change
	QTY.Doz	QTY.KGS	Value	QTY.Doz	QTY.KGS	Value	in Value
January	269967	15525.040	11723129.08	374976	30175.643	21657159.68	85
February	214284	111.240	8881400.95	306956	19387.101	12967812.60	46
March	262967	13495.790	10862736.71	277492	16009.250	13584812.00	25
April	149507	18873.190	6391414.88	202057	47726.703	10470884.40	64
May	140523	17984.590	6880035.70	246880	4310.768	10470884.40	52
June	167258	55459.210	8504758.33	220465	21127.727	10643131.85	25
July	122140	27311.380	6009051.24	230633	20397.809	10787822.89	80
August	88474	20790.160	12246314.79	167202	11740.580	7882373.11	-36
September	142192	34745.120	6800001.63	102268	6043.679	4637201.35	-32
October	129543	30426.620	5902904.34	126551	20520.319	5610824.29	-5
November	242430	38735.680	11102620.02	209308	43111.773	8487458.48	24
December	275544	21119.290	11613085.04	251405	13204.533	8832896.86	-24
Total	2204829	294577.310	106917452.71	2716193	253755.885	126033261.91	18

Month		Year 2006			Year 2007		% Change
	QTY.Doz	QTY.KGS	Value	QTY.Doz	QTY.KGS	Value	in Value
January	635836	10641.970	25870958.27	473833	35663.000	20255636	-22
February	479292	26047.475	19653198.71	511687	20442.000	22040184	12
March	407235	13075.294	13345790.71	404973	15228.000	17303279	30
April	359222	9915.893	15763029.18	253742	30004.600	10477436	-34
May	359168	52222.511	15038092.46	249338	25798.000	10975815	-27
June	217858	44124.669	10099415.95	213948	15024.000	10149105	0
July	192616	13796.350	7905449.48	230460	13859.000	9941183	26
August	182311	8963.000	8179409.52	147740	6.000	7204910	-12
September	220768	8591.500	9963201.52	138740	16527.000	6420692	-36
October	238480	29775.000	11007617.16	156513	7873.000	6017708	-45
November	284005	42736.000	13086572.47	220680	1822.000	7815293	-40
December	330854	40132.000	14310745.98	237973	20194.924	7926571	-45
Total	3907645	300021.66	164223481.41	3239627	202441.524	136527813	-17

Month		Year 2008			Year 2009		% Change
	QTY.Doz	QTY.KGS	Value	QTY.Doz	QTY.KGS	Value	in Value
January	303738	9931.000	11055288	465527	21923.000	16334469	48
February	282337	5502.000	9786426	450738	134.000	16868605	72
March	197921	10650.000	6913877	304051	16176.000	11947604	73
April	154360	27852.000	5373293	269182	5340.000	11359978	111
May	205225	1238.000	6888495	191988	12124.760	8936283	30
June	143771	20510.000	6919178	190080	20278.000	9651821	39
July	115232	6235.000	5568878	184592	5123.000	7984898	43
August	194662	5477.000	9567250	201868	2985.000	9470719	-1
September	199359	5031.000	10486799	181920	10394.000	8552873	-18
October	231372	17091.770	9568434	98761	203.000	3817932	-60
November	272521	12988.000	11424890	200714	2599.000	8003426	-30
December	302779	19249.000	12357898	255009	28201.720	10192986	-18
Total	2603277	141804.770	105910708	2994429	138810.480	123121594	16

Month	Year 2010			% Change
	QTY.Doz	QTY.KGS	Value	in Value
January	2941143	2941143	11344958	-31
February	263399	8050.240	9905349	-41
March	261666	11169.000	10638029	-11
April	191970	14178.000	7351875	-35
May	183573	18510.000	8330391.08	-7
June	106982	9090.000	5164252.62	-46
July	125127	16847.000	5697946.06	-29
August	160751	13654.000	7019354.50	-26
September	-	-	-	-
October	-	-	-	-
November	-	-	-	-
December	-	-	-	-
Total	4234611	99873.204	65452155.79	-

Note: Subject to final verification & adjustment

ANNEX 2

Comparative Details of Export to CANADA

(Readymade Garments only Quota Category)

Month	Year 2006		Year 2007		% Change
	QTY.NMB	Value	QTY.NMB	Value	in Value
January	24944	33155.000	3622	8204.90	-75.25
February	49712	577842.54	10606	61608.10	-89.34
March	2120	8508.68	25382	559704.42	6478.04
April	5096	21105.50	40595	415201.59	1867.27
May	671111	30195.95	8909	54208.96	79.52
June	18912	113451.48	6666	48514.56	-57.24
July	42179	312225.23	0	0.00	-100.00
August	25702	155191.29	24904	157063.96	1.21
September	1707	7874.06	18319	139289.20	1668.96
October	158	677.82	0	0.00	-100.00
November	12529	61882.41	0	0.00	-100.00
December	746	6204.20	1920	4560.00	-26.50
Total	190516.00	1328314.16	140923	1448355.69	9.04

Month	Year 2007		Year 2008		% Change
	QTY.NMB	Value	QTY.NMB	Value	in Value
January	3622	8204.90	816	5383.00	-34.39
February	10606	61608.10	0	0.00	-100.00
March	25382	559704.42	3500	6300.00	-98.87
April	40595	415201.59	2409	12065.05	-97.09
May	8909	54208.96	0	0.00	-100.00
June	6666	48514.56	11828	60489.52	24.68
July	0	0.00	15561	76538.84	100.00
August	24904	157063.96	20681	114205.51	-27.29
September	18319	139289.20	12752	83432.99	-40.10
October	0	0.00	2913	17159.44	100.00
November	0	0.00	4779	32996.60	100.00
December	1920	4560.00	15342	90688.20	1888.78
Total	140923	1448355.69	90581	498259.15	-65.60

Month	Year 2008		Year 2009		% Change
	QTY.NMB	Value	QTY.NMB	Value	in Value
January	816	5383.00	33360	68188.19	1166.73
February	0	0.00	18184	113051.29	100.00
March	3500	6300.00	23275	9641.055	1430.33
April	2409	12065.05	23511	79531.61	559.19
May	0	0.000	9824	31545.89	100.00
June	11828	60489.52	20356	65602.45	8.45
July	15561	76538.84	24428	84281.08	14.04
August	20681	114205.51	31220	112854.80	-1.18
September	12752	83432.99	2220	8049.00	-90.35
October	2913	17159.44	10620	34911.00	103.45
November	4779	32996.60	19872	67062.50	109.59
December	15342	90688.20	6720	20458.80	-77.44
Total	90581	498259.15	2235590	784847.16	57.52

Note: Subject to final verification and adjustment

ANNEX 3

Comparative Details of Export to EU

As Per GAN Recommendation for certificate of Origin

(VALUE IN US DOLLORS)

Comparative Details of Export to EUAs Per GAN Recommendation for certificate of Organ

[VALUE IN US DOLLARS]

Month	Year 2006		Year 2007		% Change
	QTY.Pcs	Value	QTY.Pcs	Value	in Value
January			340916	1136082.29	
February			373234	1124831.69	
March	589447	2003882.85	509180	1337974.75	-33.23
April	785682	3201780.29	421608	1219274.00	-61.92
May	666499	3999398.67	441541	1455148.06	-63.62
June	596716	4346542.26	316362	946269.17	-78.23
July	417645	1793726.51	259962	816634.23	-54.47
August	338636	1798538.07	312038	1085415.77	-39.65
September	585692	1946403.00	298832	884508.29	-54.56
October	293596	1364168.74	396807	1145957.04	-16.00
November	427093	1358966.47	342430	734347.66	-45.96
December	179747	635626.85	222977	573513.77	-9.77
Total	**4880753**	**22449033.71**	**4233887**	**12459956.72**	**-44.50**

Month	Year 2006		Year 2007		% Change
	QTY.Pcs	Value	QTY.Pcs	Value	in Value
January	340916	1136082.29	457592	1325874.9	16.71
February	373234	1124831.69	457311	1328114.75	18.07
March	509180	1337974.75	464828	1129527.02	-15.58
April	421608	1219274.00	375275	710801.28	-41.70
May	441541	1455148.06	527949	1295795	-10.95
June	316362	946269.17	350598	778334.43	-17.75
July	259962	816634.23	566885	1644414.54	101.36
August	312038	1085415.77	518914	1491884.3	37.45
September	298832	884508.29	714663	1648515.46	86.38
October	396807	1145957.04	488909	934561	-18.45
November	342430	734347.66	414246	1000496.31	36.24
December	222977	573513.77	284118	728951.41	27.10
Total	4233887	12459956.72	5621328	14017270.4	12.50

Month	Year 2008		Year 2009		% Change
	QTY.Pcs	Value	QTY.Pcs	Value	in Value
January	457592	1325874.9	463025	1256617.00	-5.22
February	457311	1328114.75	504857	1136866.17	-14.40
March	464828	1129527.02	564362	1311993.21	16.15
April	375275	710801.28	505927	1172872.44	65.01
May	527949	1295795	531078	1318161.58	1.73
June	350598	778334.43	415186	1137736.91	46.18
July	566885	1644414.54	371403	1263360.75	-23.17
August	518914	1491884.3	452885	1846822.98	23.79
September	714663	1648515.46	727340	2012493.30	22.08
October	488909	934561	337658	1077223.30	15.27
November	414246	1000496.31	563499	1678252.65	67.74
December	284118	728951.41	360030	1347554.55	84.86
Total	5621328	14017270.4	5797250	16559954.84	18.14

Month	Year2010		%Change
	QTY.Pcs	Value	in value
January	6259947	2323212.84	84.88
February	723588	2433018.89	114.01
March	781162	2417831.15	84.29
April	765919	2173215.42	85.29
May	512018	1720465.48	30.52
June	412814	1142444.20	0.41
July	412912	1130238.00	-10.54
August	303116	976497.32	-47.13
September	-	-	-
October	-	-	-
November	-	-	-
December	–	-	-
Total	4537526	14316923..30	-

Note: Subject to final verification and adjustment

Annex-4

List of garment Industries Surveyed

S.N.	Name of the Organization	Address
1	Binita Fashion Industries Pvt. Ltd.	Sangam Chowk, Baneshwor, KTM
2	Blue Bird Garment Pvt. Ltd.	Millan Chowk, Baneshwor, KTM
3	Classic Garment Pvt. Ltd.	Bhimsengola, Baneshwor, KTM
4	Deepak Garment Pvt. Ltd.	New Baneshwor, KTM
5	Monento Apparels Pvt. Ltd.	New Baneshwor, KTM
6	OM Sai Garment Pvt. Ltd.	Katyani Chowk, Baneshwor, KTM
7	Rara Apparels Pvt. Ltd.	New Baneshwor, KTM
8	S.P. Garment Pvt. Ltd.	New Baneshwor KTM
9	Sai Garment Pvt. Ltd.	Old Baneshwor, KTM

Annex-5

Date Tabulation of Responses

2.1 Year of Establishment and Nature of Ownership

Responding	Establishment	Year	Pvt. Ltd.	JV	Public
1	2057	6	1	-	-
2	2049	14	1	-	-
3	5045	18	1	-	-
4	2051	12	1	-	-
5	2054	9	partnership	-	-
6	2052	11	1	-	-
7	2047	16	partnership	-	-
8	2057	6	partnership	-	-
9	2041	22	1	-	-
			9	0	0

2.2 Scale of the Enterprises

	Scale		
	Large	Medium	Small
1			1
2			1
3			1
4	1		
5		1	
6		1	
7		1	
8		1	
9			1
	1	4	4

2.3 Funding of the enterprise

	No. of employees			
	Male	Female	Permanent	Temporary
1	100	35	100	35
2	100	30	10	120
3	60	40	15	85
4	500	2500	2000	500
5	15	75	10	215
6	150	30	15	165
7	150	30	15	165
8	300	100	100	300
9	200	50	50	200
Total	1710	2890	2315	1785

2.4 Potential Market for RMG in Future

Responding	USA	EU	France	Canada	Others
1	1		1	1	
2	1	1			1
3	1	1		1	
4	1				
5	1	1			
6	1				
7		1			
8	1				
9	1			1	
Total	8	4	1	3	1

2.5 Competitive Advantage of Nepali RMG with Rival Countries

Responding No:	Response
1	None
2	Lower Price (except Chinies Price)
3	Not At All
4	None
5	None
6	Unique
7	None
8	None
9	None

2.6 Sustainability Strategy

Responding No.	Response
1	Easier, Hire and fire policy, political stability, no taxation and easier to port.
2	The industry had to be modernized, first the bank rate should be minimized.
3	There should be lower and quality should be improved.
4	Cost should be lower and quality should be improved.
5	Improved govt. policies for RMG, reduce tax rate for importing RM.
6	Improved govt. policies for RMG. Documentation hazards should be minimized in transit point (customs).
7	Required tax free and low duty is raw materials and incentives in export.
8	Facilitating lobbying strategy for US duty free treatment. in export
9	Construct GPZ close to birgung ICD, bank rate should be minimum.

Annex-6

Administered Questionnaire

Survey of Garment Industry Questionnaire

S.N.

Date:

Name:

Location:

Proprietorship:

Estb: Scale:

Funding

No of employee: Male: Female:

Temporary:

Permanent:

1. Which is the main market for your product?

USA..........................Canada.............................EU...........................India.....................

Other..

2. Which is the potential market for RMG in future?

1)..................................... 2)....................................... 3).......................................

3. What is the comparative advent age of Nepali RMG with rival countries RMG?

1)..................................... 2)....................................... 3).......................................

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

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5. How you business 2 years earlier?

....

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6. How do you want to see our business 2 years from now?

....

....

7. Which of these problems you find most prominent is your business?

(Please rank from 1 to 7. Note: 1 = most prominent and 7= least prominent)

a) High cost

b) Foreign labor dependency

c) Buyer Dependency

d) Poor logistics

e) Unsupported Govt. policies

f) Poor R & D support

g) China domination

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

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9. What do you think are the possible solutions to these problems?

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10. Any comments/ suggestions to:

a) Government

....

b) GAN

....

c) Other

....

"Thank you"