

**PROBLEMS AND PROSPECTS OF EXPORT OF
NEPALESE HAND KNOTTED WOOLEN
CARPETS**

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RECOMMENDATION

This is to certify that the Thesis

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**Problems and Prospects of Export of Nepalese Hand Knotted
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*has been prepared as approved by this Department in the prescribed
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And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for

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DECLARATION

I hereby declare that the work reported in this thesis entitled **“Problems and Prospects of Export of Nepalese Hand Knotted Woolen Carpets”** submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master’s Degree in Business Study (M.B.S.) under the supervision of **Narayan Krishna Pradhan** of Shanker Dev Campus.

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Niranjana Bhandari

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LIST OF ABBREVIATIONS

CCIA	–	Central Carpet Industrial Association
CWDB	–	Carpet and Wool Development Board
CWIN	–	Child Workers in Nepal Concerned Centre
EC	–	European Community
EU	–	European Union
FNCCI	–	Federation of Nepalese Chambers of Commerce and Industry
FY	–	Fiscal Year
GDP	–	Gross Domestic Product
GNP	–	Gross National Product
GSP	–	Generalized System of Preference
HMG/N	–	His Majesty's Government
HS	–	Harmonized System
LC	–	Letter of Create
LDCs	–	Less Developed Countries
NECA	–	Nepal Carpet Exporters Associations
SATA	–	Swiss Association for Technical Cooperation
SDC	–	Swiss Development Co-Operation
TPC	–	Trade Promotion Centre
UK	–	United Kingdom
UN	–	United Nation
UNCTAD	–	United Nations Conference on Trade and Development
UNDP	–	United Nations Development Programme
USA	–	United States of America
WTO	–	World Trade Organization
WWW	–	World Wide Web

CHAPTER-I

INTRODUCTION

1.1 General Background

In the kingdom of Nepal, regarded as the art of weaving is an old tradition particularly in the hilly and higher mountainous region of the country. Radhi, Pakhi, Bakkhu, Darhi (with pile) are well known Nepalese products produced using indigenous wool in this region. The marketing of those products was confined to the domestic market.

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

In the meantime of the half a century, carpet industries in Nepal could establish the firm foundation of export in global market. Thus the development of carpet industry has been a gift contribution to the country as being the biggest National export item, playing the vital role to the development of national economic growth, contributing highest foreign currency earning sources and providing maximum employment to the country people. Nepalese carpets have been able to win the international recognition due to their unique qualities. As present, 95 percent of the production of carpet is concentrated in

the Katmandu valley with the remaining 5 percent spreading over a number of other districts of the country.

The special quality of the Nepalese-Tibetan carpet undergoes a very high degree of hand processing and qualities ranging from 60-150 knots per square inch. Regularity safeguards are in place to ensure that only highest quality fleece wool is imported for use in these carpets. Buddhism basically influences the traditional design of the Nepalese-Tibetan carpets but in recent years that Nepalese manufacturers have introduced modern design and colors in line with the present day market trends. A wide range of sizes from 0.25 sq. m. has replaced the traditional size 56 m² and in shapes such as round octagon and customers shapes. The desired designs, styles and shades are the creation of local designers and engineers with regular feedback from the market. (www.Nepalcarpet.Org)

The knitting profession of hand knotted woolen carpet was converted into an industrial form under Swiss government co-operation to the refugees in Nepal, after entering the Tibetan refugees. This shows the development of carpet manufacturing and export trends of carpet. Before 1963, a very few people in northern hilly region such as Jumla, Darchula, Jomsom, Chailsa etc. were engaged in producing carpets for their house uses. The export data is not available about how many carpets in which country were engaged in producing carpets for their house uses. The export data is not available about how many carpets in which country were exported before FY 1972/73. From 1972/73 government of Nepal has been keeping national wise data of hand knotted woolen carpet. In FY 1972/73 the hand knotted woolen carpets had been exported to value of Rs. 17 lakhs, which was 33 percent of total export of country, similarly. In 1980/81 it was exported to value of Ts. 50 million. In 1993/94 it was exported. In 1995/96 it was exported about of Rs. 7703.7 million. Then after, it was exported in decreasing trend. In 2005/06 it was exported about of Rs. 5961 million. Now, its export trend is slowly incremental. The main market of Nepalese hand knotted woolen carpet is Germany. In average

more than 50 percent market is in Germany but in FY 1997/98 it has occupied 80 percent of whole export. Nowadays the trend of export of hand knotted woolen carpet is increasing in USA, turkey, Belgium, UK, Netherlands, Switzerland, Austria, Italy and Canada. Iran, India, China, Afghanistan and Morocco are the main competitors of Nepal. (Carpet from Nepal 2003, year 13 issue 1 pp: 21.26)

Hand knotted woolen carpets are one of the various labor intensive manufactures traded in the world today. A few developing countries especially in the production and export of hand knotted carpet producers while industrialized nations form the main markets. For Nepal- a least developed country (LDC) with a gross National product (GNP) per capita \$ 250 in 2002- carpet manufacturing is one of the primary source of foreign exchange. The country is ranked as the 14th largest producer of carpet with 1.1 percent share of the world market. For the economy characterized by a large primary sector in terms of the population, which depends on agriculture, carpets contributed 22 percent of non- agricultural gross domestic product (GDP) in 2001. At the end of the ninth plan in 1997. The carpet sector has provided jobs to around a quarter (25%) of total manufacturing employment.

Nepalese carpet has earned an excellent name and fame in the European and American markets. The export of carpet from Nepal has crossed the border of more than 60 countries; the main market still remains in Germany. The handwork, creativity, ingenuity and honesty of the manufactures assisted by a close collaborative stance from the overseas buyers are reasons behind the steady growth of Nepalese carpet industry and its international market share. There are quite a few distinctive qualities of Nepalese carpets, which are generally identified by the density of knots. The major productions are in 60 knots quality but demand for 80 knots, 100 knots and above 100 knots quality are rising. The universal density of 70000 knots/m² and 3.80n kg weighty in 60 knots quality carpet was the standard up to early seventies. But the introduction of strong chemical wash and market demand in Europe led the manufactures to

change their products to beat thick pile products. The present day quality of Nepalese- Tibetan carpet of 60 knots would have a density of 56000/m² and the weight ranges from 4.5 to 5.0 Kg and in 100 knots the density would be 125000 +and the weight varies from 2.5 to 3.5 Kg.

Nepalese people should encourage the labor intensive industries to yield exportable goods in substantial quantities. From such perspective cottage and Handicraft industries as integral segment of the import substitution should be promoted. Hand knotted woolen carpets are highly sophisticated products which are widely used for the decoration, farming and furnishing through out the world. Its demand is increasing in international market. Germany, USA, Turkey, Belgium, UK, Netherlands, Switzerland, Austria, Italy and Canada are the top ten of main importers countries. New Zealand and Tibet are the countries from where Nepal imports the raw wool. Nepalese carpets have been able to win the international recognition due to their advanced qualities. Carpet industries are the main sources of earning foreign exchange. Its cover the approximately 34 percent of the total export in 2006. as it has no gender discrimination, it has a especially proven and haven to the female employ child labor and many programs are in place to take care of the healthy education and welfare of the workers and their children (carpet bulletin 2006: PP 7-11)

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

1.2 Focus of the Study

Hand-knotted woolen carpet is known as one of the highly sophisticated product, which is used fro the decoration and floor covering. The harmonized color combinations and the thick pile of this rouge are the main features. Having phased out the quota system, the export of garments will not be

possible. Except woolen carpets, Nepal herb, cinnamon, Khayer, woolen fiber, Nepal paper and paper made goods have not been exported because milestones on export of Nepal. In this context, the government should protect this industry. But in present so many problems and challenges are existed in front of the carpet industry and its export.

Nepal stands at a better position in the global hand-knotted carpet export trade. Nepal has also achieved by success and occupies good place in the top-ten exporters list. Big amounts of carpet, advanced technology are not required for carpet industry, so it is suitable for LDC's country like Nepal. This study has tried to focus mainly one the overseas export of hand-knotted carpet of Nepal in relation to balance of trade position. The share of carpet export in total country's export is gradually increased though there is perfect competition market in international market. This study has tried also tries to cover production aspect and trade relation of Nepal.

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

1.3 Statement of Problems

Nepali woolen carpets have been supported to reduce the problems related to trade, because Nepal always faces huge deficit trade. Large numbers of people are being employed in these industries. It has made positive impact in both employment generation and foreign currency earning which are the main obstacles of Nepalese economy. Looking this positive side, woolen carpet industry may have brought future in Nepal.

Nepalese carpet export has been involved with only comparative advantages of cheap labor cost. Nepalese manufacture use New Zealand wool and to certain extent the Tibetan substitute. So, Nepalese carpet industries may

fail if the export policy of wool exporting countries change for the long run continuity growth carpet industry attention should be paid in these aspects. Nepal is land locked country so the sea-coast is also quite far. Hence, transportation is the major problem of the export, problem of hand knotted carpets most of the carpets are export to European countries so export of carpet from Nepal has to be air freighted which is of course, very expensive and its costs automatically increase.

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

1.4 Significance of the Study

In the beginning, Nepali hand-knotted woolen carpets have been exported as souvenir and gift items. With in 39 years it has converted into country's main exportable items. So the country has to expand its export, but here are problems of carpet export expansion and promotions. Some suggestions about the solution of carpet export problems are the main purpose of this study. This study has given more information about the problem of

carpet export and international market. That is why; this study has been beneficial for all the persons, who are directly or indirectly related to carpet exporting and carpet industry. In this context, to find to the market potentiality and measure to solve the problem of export is the significance of the study.

1.5 Objectives of the Study

The main objective of this study has been done to analyze the export aspect of Nepalese woolen carpet in overseas countries. The specific objective of the study has been:

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

1.6 Limitation of the Study

Due to the lack of time and the environment, all problems on woolen carpets export can not be included. This study has dealt with the export aspect of woolen carpet trade only and highlighting the problems related to carpet exporting.

- a. This study has only analyzed the export of Nepalese woolen carpet.
- b. Study has not covered all the problems and prospects; it will give only some suggestions.
- c. The study has depended upon some secondary data and some primary data, secondary data related on TPC, CCIA, CWDB, FNCCI, NRB, and various carpet related websites.
- d. This study has covered only export value for trend analysis
- e. This study has been limited up on 31st June, 2007
- f. This study has fount out promotional strategies on details.

1.7 Organization of the Study

The whole study divided into five chapters. The titles of each of these chapters have summarized and the contents of each of these chapters of this study will briefly mention here.

-) The first chapter has dealt with the subject matter consisting introduction, focus of the study, statement of problems, significance of the study, objective of the study statement of hypotheses, limitation of the study and organization of the study.
-) The second chapter has concerned with literature review that includes a discussion on the conceptual framework of carpet export, review of Books, journals, thesis , repots, newspapers , magazines, and websites.
-) The third chapter has described the research methodology adopted in carrying out the out the present research. It deals with research design, source of data sampling procedures, period of the study, and method of primary data, major finding of the study (carpet export problem and its prospects).
-) The fourth chapter has mention the presentation and analysis of data, existing market of Nepalese carpet, carpet export from Nepal in the selected countries, correlation analysis, competitive market structure of Nepalese hand knotted carpet, marketing efforts made of hand knotted carpet, procedure for the trading of carpet in Nepal and problems and prospects of woolen carpet export.
-) The fifth and the final chapter have consisted with the suggestive frame work that consists of summary, conclusions and recommendations of the study.

At last but not least the bibliography and appendices will incorporate at the end of the study.

CHAPTER –II

REVIEW OF LITERATURE

2.1 Concept Related Review

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

2.1.1 Carpet Industry in Nepal

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

Since then Tibetan carpet become a beautiful souvenir to the tourists to take back to their home decoration. To sell the Tibetan carpet in foreign countries the first sell shows room of Nepal was opened in Switzerland in 1964. Then industries in Nepal were also established in Solukhumbu and Pokhara. (The Himalayan collection 2001, PP:28-29)

Himalayan kingdom of Nepal, landlocked countries were 80 percent of economy in based on the traditional agriculture and people still are living under the poverty line. As the most terrain of land belongs to hill, high hills mountains and only 10 percent are the terrain plains and the agriculture fully depends on the seasonal monsoon, which is often uncertain. It can not provide employment to people for full time and hence only alternate for the opportunity to work as manual labor. This is true especially in the case of mountain people.

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

Through people residing in high hill of northern of Nepal. Tibet have traditional of sheep farming for their domestic consumption purpose, raw wool for the individuals purpose have to be fully imported form new Zealand and

Tibet while color from Switzerland. The only one domestic cotton factory could not meet the demands as such as cotton threads has to be imported from India and other sources. At the first, wool used to import from India and other sources but after wool used to import from Tibet and New Zealand but other wool producing countries also have shown their interest to Nepalese carpet industries.

Gifted skilled manpower constitutes the lion's share in the success or production of quality carpet. Wool as the prime constitutes should be of high quality, washed, and cleared, coloring of threads as chemicals and color. The cutting of design and washing of the finished carpet also enhance the beauty. The required manpower is sufficiently available from domestic sources till date. The demand of quality and standard carpet calls for trained and skilled workers. The general practice of imparting training is no the job training by employing trainees to be attached with 2 numbers of skilled workers on the job itself till the trainees become independent enough to share their earned skill with the incoming fresh trainers.

2.1.2 Foreign Trade of Nepalese Carpet

In today's world trade activities can be remain confined with the boundary of a country. Modern communication and efficient transport network has made the world close the created ample opportunities of trade and business. Taking advantage of modern technological development almost every country are trying to achieve the market for their product. Similarly, all the entrepreneurs are also keen to expand their business, and they are eager to promote their exports. All these activities are not possible without foreign trade. Trade plays a vital role in fastening balance of payment as well as other development efforts of the country of trade. Foreign trade is the key factor for the economic enlistment of the country. Since the foreign trade plays an important role in the industrialization of a nation. It's contribution is of great importance for the developing country like Nepal. In the foreign trade

especially export trade has very important role to play for the development of the country.

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

Foreign trade sector has emerged as a priority sector in Nepal. Volume of carpet's foreign trade (export as well as import) has been increasing tremendously since 2003. In the recent research the trade of carpet is increasing in USA, turkey, Belgium, UK, Netherlands, Switzerland, Austria, Italy, Canada and other countries.

2.1.3 Carpet's Contribution to National Economy

Woolen carpet was taken as a personal use at first. After some time it was taken as a complementary product of tourism industry. Before 1972/73 the export record are not available but in some quantity it has exported to Germany. After 1972/73 the export data have been maintained by HMG/N. Since that period we can know that how much foreign exchange equipment Rs. 170, 3000 was cashed and in 1980 Rs. 5, 5370,000 in 1990 Rs. 2498694,000 has earned. In this way the carpet industry have been able to earn large value of foreign exchange in the country, which is very important to country's development. Carpet industry of Nepal such a industry in where typical Nepali people and have protect to flow Nepali money to foreign. The export was in peak point in 1992/93 then after it was decreased till 2002 then after we can see

carpet export in increasing trend. After phased out the quota system of textile carpet sector is the main product to get the foreign exchange. (CCIA, carpet bulletin; Vol. 3, years 5, 1996 pp. 8-10)

2.1.4 Carpet Market in EC

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

In 1991, Netherlands consumers spent Dm. 1.8 billion on floor covering equivalent to just over 40 million square meters. In volume terms domestic demand for carpet fell by 100 million square meters between 1987 and 1991, but this decline in volume was partly compensated by the increasing demand for better quality; more expensive carpets. The Netherlands had a sizable carpet industry, which produced 85.2 million sq. meters in 1991, a very high proportion of which was exported, imports were growing and increased from 48.9 million sq. meters in 1989 to 62.6 million in 1991. Other EC sources particularly Belgium and Germany, accounts for over 85 percent of all imports and completely dominate trade in tufted and needful carpet. Developing countries features mainly in supply of hand knotted carpets and woolen carpets, where they account for 70 percent or all imports. (A.G. Sherpa, Carpet Bulletin Vol. 3 years 5, 1996 pp 5-6)

Nepalese woolen carpets' whole market is in EC countries. EC countries import about 6000 million square meters of carpet per year and the penetration of imports had been increased in all markets. Germany, the UK and France were the largest importers accounting for 205,117 and 83 million square meters in 1991. Other EC source supply nearly 90 percent of all imports. Sources in developing countries are only significant in the supply of hand knotted and woven carpets. India accounts for nearly 30 percent of all EC carpet imports from developing countries. Other significant sources include China, Iran, Turkey, Morocco, Pakistan, Nepal and Mexico. Free trade between EC members states after 1992 and the opening of trade with the EFTA countries and markets in eastern Europe will make the flow of goods between markets easier and more efficient competition will be thought only within national boundaries, but also on a large scale between major retail groups and large international operating manufactures and traders. The Netherlands can perform an important role as a gate way market to the EC from exporters from developing countries as many importers but for export to neighboring EC countries. (K.P. Maskey "Carpet bulletin Vol. 3 years 5, 1996 pp. 23)

Europe buying Nepalese product, "EBu Nep" project

The preliminary mission was set up from 08 November to 15 November 2004 approximately 2 weeks before the business mission, which was organized from 29 November to 06 December in Kathmandu. The programmer organized for joint-session in the CCIA within the European partners in Nov. 2004. This programs plans general national and international development programs, supports market research services, financial consultancy international marketing consulting, public relation services. The purposes of the programme were to enhance the market opportunities for Nepalese carpet industries in European nations to establish a long-term business relationship program. With it lay with a tremendous vision to increase carpet export in European markets for promoting Nepalese carpet manufacturing.

It was encouraging to note in this respect that the EU which is Nepal's largest carpet export destination is facilitating process and financial upgrading for Nepalese supply capacities and ways to market these capabilities. Since 2002, the EU has been running up gradation of the Nepalese carpet industry its Asia invest programme. The aim is to upgrade quality standards through advance carpet designs as per the needs of European, American and other selected Asian countries and weaving graphing, dyeing and marketing training measures. According to an industry source, the completion of the programme would help Nepalese carpets "region competitiveness". (Carpet Bulletin 2005, pp 42-45)

2.1.5 Government Policies on Exports of Woolen Carpet

Government of Nepal has lunched different trade policies to develop export trade of country. Different types of acts have been enacted by government toward development of export trade of country. In the process of providing different facilities on export, government had developed tax, custom and foreign exchange policies on export. But except common policies on export the special policy of woolen carpet exports have not been brought by government. In general government has bought following act for development of export trade. Which is closely related to woolen carpet export Labour act 1992 and child labor (Prohibition and Regulation) Act 2000 (enacted since Nov. 2004) are the two laws that are applicable to Nepalese carpet industry and carpet workers.

- i. An industrial enterprise act 2049

Nepalese Hand knotted woolen carpet industry's listed under domestic industry under this Act. This act adjustment sales tax, local taxes etc. are not charged on woolen carpet industry, and the income tax is not charged on income from carpet export.

- ii. Export/ Imports control Act 2013

According to this act the government able to controls the export on import in all over the country by issuing the notice. By using the section 3 of this act the government has issued common to import not less than directed quailed wool for carpet production which command was issued in 2051 Baisakh. (HMG, ministry of industry industrial Act 2049 P.7)

2.1.6 Carpet and Wool Development Board (CWDB)

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

1. To promote the carpet in international market.
2. To control of the quality of wool being imported and the carpet produced.
3. To participated in national as well as international trade fairs, and exhibitions for carpet promotion.
4. To train people for producing wool related items like carpet wearing, yarn dyeing, washing, Pasmina shall and sweater also.
5. To build infrastructure for the welfare of carpet employees.
6. To organize interactive programs for solving inherent problems lying in the carpet industry.
7. To conduct research and studies on various aspects of carpet industry market strategies and quality control.
8. To carry out specific programs related to environment pollution or child labor.

9. To facilitate production and export process in close cooperation with government authorities and people involved in production, export and promotion of hand knotted Nepalese carpet.

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

2.1.7 Production Process of woolen Carpet

Prior to 1984, machineries were used in the production process. The whole process from the sorting of the wool to the packaging stage of the finished product was carried out by hand process. The production process of Nepalese carpet includes.

i. Wool Sorting and Washing

Wool from Tibet is generally imported in raw form requiring careful sorting to pick-out the foreign particles such as vegetable materials. The Tibetan wool also requires washing to remove dirt and executive grease, which is followed by sub drying for two to three days. The Tibetan wool has a strong good fiber, a good luster, and a high resilient value. The New Zealand wool is of 63 micron, 100 mm barb length and is identified as type 128. British wool meeting regulatory standard have also started being available in the market.

ii. Carding

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

iii. Spinning

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

iv. Dyeing

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

vi. Trimming

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

vii. Washing and Drying

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

viii. Final Finishing

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

ix. Packing

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

x. Payment

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

2.1.8 GSP Facilities

The generalize system of performance (GSP) is a scheme designed by various foreign countries to support the growth imports from developing countries into industrialized and developed countries. The scheme provides generalized arrangements of special tariff. Concessions for imports of specified agricultural and industrial products (Nepal export handbook 1991, pp. 22-24)

i. The General Features of GSP are:

-) Unilateral
-) Non Discriminatory and
-) Non-reciprocal

ii. GSP Objectives

The three main objectives of the GSP are:

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

iii. Preference Giving countries

The developed market economy countries and regions using the scheme are: Australia, Austria, Canada, the European economic community (EEC), Finland, Japan, New Zealand, Norway, Sweden, Switzerland, USA, countries in eastern Europe, Bulgaria, Czechoslovakia, Hungary, Poland and the USSR etc. include Nepal with in the beneficiary list EEC member countries Belgium, Denmark, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and United Kingdom.

Nepalese people who live in hills and mountains of Nepal have been weaving Radi (floor materials), Pakhi (covering materials), Lukmi (clothing material), Darhi (with pile) and Bakkhu (clothing material) fever centuries using wool form local sheep, goats and natural fibers from cattle plants. They have been practiced carpet weaving for hundred for years back. But, the production technique was quite primitive and the quality of the products was con found to the domestic markets. Actually the carpet wearing in Nepal was not for commercial purpose at time. (Narsesh C. Lamichhane, TPC, EC seminar on the single market Dec. 10-11, 1991)

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

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

-) Dhorpatan in western Nepal
-) Hyanja in mid western Nepal
-) Jawalakhel in central Nepal
-) Chailsa in Eastern Nepal

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

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

In 1963 the then department of cottage and village industries established a pilot project named Nepalese carpet industries limited in Patan industrial district to promote and develop the growing carpet industry. This project, although not successful by itself did make a big contribution for the development of carpet industry in Nepal. The private entrepreneurs gradually setup carpet weaving units and the project was also sold off to a private industrialist. Thus private sector carpet production beginning fun swing and many retail shops began to emerge in the Kathmandu Valley during 1972-1975 major European importers. Established contacts with the manufactures and the number of importing countries also began to grow.

Nepalese carpets have been able to win the international recognition due to their unique quality like texture, color, resilience property, strength and durability, similarly, Nepalese carpets are always prized for being a real

handicraft product. Not only in weaving but in every step of production, right from washing of raw wool to trooping of the finished carpet is carried by hand (Roster of Carpet, TPC/ ESC Nepal, 1991).

2.1.9 Technological Development

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

i. Raw Wool

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

As the carpet industry gathered momentum, the supply of wool from Tibet and high land region of Nepal could not fulfill the demand. But, the New Zealand wool exporters were able to provide Nepalese carpet manufacturers with sufficient quantities of clean, scoured wool at suitable price. Hence, blending technique of Tibetan and New Zealand wool was practiced. Originally more Tibetan wool was blended with less New Zealand wool to Tibetan wool is generally 80:20. Nevertheless, some carpets are still produced with 100 percent Tibetan wool, whereas some manufacturers produce carpets with as low as 5 to 10 percent of Tibetan wool. Normally, the blending ratio is fixed

according to the agreement between the buyer and the producer. Higher the blending of Tibetan wool, the higher is the price of the carpet.

ii. Carding or Wool Combing Technology

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

iii. Wool Dying Technology

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

Today, there is threat from the market on dyeing that Germany and Europe has stated to restrict the carpets which contains the use of AZO dyestuffs. So, steps are being taken to stop the use of dyes in Nepalese carpets with contains AZO dyestuff (CCIA, 1995).

iv. Design and Size

Nepalese carpet is made to suit European taste and decor. The design of Nepalese carpet is quite different from the design of Persian, Afghan, Bhokara designs. The traditional design pattern of Nepalese carpets were influence and by Tibetan designs depicting Dragons, show lions phoenixes, flowers etc. But, with present day market taste the Nepalese manufactures introduced designs and color as line, in close collaboration with European importers. And the

traditional Tibetan size of 3x 6 has been replaced by a wide range with the maximum size as large as 15' x 10'.

New ERA in 1990 also noticed that the preference for traditional Tibetan design is decreasing importers generally decade the designs and patters. Similarly, the brightness of traditional, early Tibetan Nepalese carpets is generally being replaced by softer colors. The preferred colors are light blue, dark blue, white (natural) light red, dark red, maroon, dark brown, light brown, beige, cream orange, light golden yellow and natural grey.

v. Weaving Technology/ Knotting Technology

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

vi. Washing Technology

Before 1987, Nepalese carpets used to export in semi finished condition. That is unwashed, while importers were washing he product in their own washing plants. But today carpet washing is introduced in Nepal by necessary. At preset more than 90 percent of the carpet exported from Nepal are washed in the washing unit of the carpet exported form Nepal are washed in the washing unit of Nepal, which is widely accepted by foreign buyers.

2.2 Related Review of Studies

In 1984 a market study was done in selected European markets for Nepalese hand knotted carpets jointly by the trade promotion centre and the than Nepal carpet industries Association. The study determined some problems like price competitiveness of Nepalese carpets with china, which needs to

improve quality by establishing washing plants in Nepal, identify designs-colors and size most salable in Germany and the markets, overstocking of Nepalese carpet in Germany and discounting of Nepalese carpets, lack of customers feedback, need to plant distribution and participation in exhibitions. So, the study suggest to make price stability and reduce freight costs, maintain quality, designs and colors cording to the consumers taste, maintain good responsiveness of markets and control production by encouraging smaller size carpet runners.

DECTA (1993) published the UK market notes on Hand knotted carpets and hand-woven Rugs-hand knotted pile carpets which are important areas, in handicraft floor covering sector with account for around 115 percent of total carpet import, and just less than 5 percent of the total is for domestic UK market. That is around two third of hand knotted pile carpets which are re-exported. In this trade, the UK has substantial umber of well-established international merchants which buy and sell extensively with contrasts elsewhere in Europe and other parts of the world. Hamburg in Germany is the center of the international trade in oriental carpets

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

The report suggested that there is likely to be a growing long term interest by British consumers in traditional hand made floor coverings. However, it is essential that suppliers liaise closely with UK importers to adopt

their designs and color to the taste preference of the UK market. Another study, carpet and textile floor covering a study of the Netherlands and other major market in the European community done by center done the promotion of import from developing countries, Netherlands (1993) separated that with in the EC as whole carpet consumption is dominated by northern European markets, especially Germany and the UK. EC countries import about 600 million square meters to carpet per year, and the penetration of imports have been increasing in all markets. Germany UK and France are the largest importers accounting for 83 million square meters in 1991. Sources in developing countries are only significant in the supply of hand knotted carpets. India accounts for nearly 30 percent or all EC carpet import from developing countries. Other significant sources include China, Iran, Turkey, Morocco Nepal and Mexico.

Regarding the initiatives of CCIA/USAID to seek new largest of Nepali carpets in the USA, USAID's economic/ private sector published and Econ international news (14 September, 1993) on "The carpet industry and export to America" the news recommended that the mass market in north America can be tapped by producing Turkish designs ad colors. Since the turkeys not able to meet market demand this is a relative safe approach it also appries that Nepal can produce this type of carpet cheaper than Turks. A problem with this type of carpet is that marine can easily copy it and Nepali hand made carpets cannot complete with machine carpets. Although the Nepali hand made carpets will be of much higher quality and can be sold at higher price.

It again suggests that an alternative route is to go for the higher end carpets according to the American designers. The concept is the same, as the program carpets country being sold in Germany but the nature of the carpets must be changed. The American market emphasized in carpets with splashed of bright colors. North American prefers geometric designs and dislike open solid color fields. They are also interested in different textures.

Nepalese carpets in the Japanese market (1994) reported that in many places of Japan, Nepalese carpet is not known to that extent, even in the places where Nepalese carpets are available, they were imported through Germany and Pakistani agents with direct contact. The Japanese taste for designs, colors and sizes are different. The dark or strong colors of Nepalese carpets are rarely preferred. Hence right color carpets are suggested and the dark colored carpets should be identified as a Nepali Carpet. The designs should be made different, special emphasis of ethnic character of Nepal with quality improvement and with different thickness and sizes are suggested.

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

There is no official arrangement to ensure a permanent supply of raw wool to the ever-growing industry. Nepal imports raw wool from New Zealand, Tibet and other third countries. The problem of carpet industry of Nepal is that if the export policies of wool exporting countries change then it directly influences the carpet manufacturing. Tibetan wool is based on barter trade. Changes in policy of both importing and exporting countries may have substantial impact on the carpet making business. It should be well ensured with the regulation of import of raw wool from Tibet. Import of wool from New Zealand is always the price factor to be considered. Any price fluctuation in the international market could also affect the cost of the carpet produced in Nepal. The attention to pay for this aspect of carpet industry plays an important role in the long run continuity and sustained growth of carpet industry in Nepal. 20 percent of requirement can be solved by development of home production.

Mr. Kumar Gurung in his study entitled "A study of export of Nepalese carpet" (M.A. economics, thesis 1996) recommended the following major aspects.

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

Mr. Pratap Kumar Gurung in his study entitled "a study of Nepalese hand made carpet export trade with foreign countries" (MBA, Thesis 1998) recommended the following major aspects.

- i. HMG of Nepal should pay special attention in this sector and make a policy to improve the present situation.
- ii. The carpet industry, since the beginning of its commercial production has faced many market related problems.
- iii. It can achieve its goal and become the biggest foreign exchange earner to support the national economy.
- iv. Carpet industry has solved the unemployment problem.
- v. The maximum export of woolen carpet was a peak point in 1994/1995.

- vi. Nepal share of carpet in German market was 40 percent in the fiscal year 1986/87 and then increased to 80 percent in 1996/1997.

Mr. Raju Kumara Shrestha in his study entitled ' A study on problem and prospects of Nepali woolens carpet Export' (MBA thesis 2000) recommended the following major aspects.

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

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

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

- The government with all its specialized agencies like carpet and wool development board, and trade promotion center should look in to the mater and needed to come forth with concert program.
- To search for beneficial trade relation between the areas like USA, Canada, Japan most be located to penetrate the market.
- Nepal has to practice well in export planning and strategy setting to accomplish the objective of export promotion.
- It is most necessary to participation in trade fairs because trade fair and exhibition are the main promotional stools.

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

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

CHAPTER-III

RESEARCH METHODOLOGY

This theoretical tool will be implemented with the view to achieve the basic goals and objectives. The main purpose of this study is to "A Study on Nepal lese hand knotted woolen carpets: Export problems and prospects" and to provide the suggestion measures required for the envelopment of foreign trade of Nepal. Research methodology is a way to sole the research problem systematically with the help of various tools.

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

3.1 Research Design

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

3.2 Nature and Source of Data

Particularly, the research depends on secondary data where export statistic form 1973-2007 has been used. However the primary data form the interview and observation has also been obtained where applicable.

To conduct any research, data collection is the major task and to conduct any study, primary as well as secondary data have been used but this study is mainly based on secondary data. This study is based on data compiled by previous investigations. The major sources of information for this study were compiled from trade promotion center, custom department, CWDB and many websites were included in this study.

The related institutions which were consulted to collect the data are as follows.

- a. Trade promotion center (TPC)
- b. Central carpet industries Association (CCIA)
- c. Nepal chamber of commerce (NCC)
- d. Federation of Nepalese chambers of commerce's and industry (FNCCI)
- e. Central bureau of statistics (CBS)
- f. Nepal carpet exporters Association (NCEA)
- g. Carpet and wool development Board (CWDB) etc.
- h. Related websites

Besides the above-mentioned sources, data and information have been collected through news papers, magazines, books, carpets bulletins and various other economic publications etc.

3.3 Sampling Procedures

In this study the export value for 10 years form (FY 1997/98 to 2006/07) have been taken as population export data and export value for non parameter test top ten exporters of woken carpet are taken sample for taking an interview.

Secondly different libraries including the T.U. central library TPC, FNCCI , SWATEE and other library and different types of organizations were visited for data collection.

3.4 Data Processing Procedure

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

3.5 Statistical Problems

Similarly the relation between export value and volume are measured by implementing correlation analysis. After the data are tabulated, various tools are used to present the data and to achieve the result. The export and import trend analysis has been done under time series analysis and statistical chart pie and chart and bar diagram has been displayed.

The simple un-weighted index number of quantity exported, amount received form export of carpet in both Nepalese Rupees has been used to analyze the data. Similarly the % change of the same for all variable like quantity, among in NPR and US \$ have been observed.

CHAPTER-IV

PRESENTATION AND ANALYSIS OF DATA

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

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

4.1 Existing Market of Nepalese Carpet

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

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

4.2 Export Trend of Nepalese Woolen Carpet

To analysis of export trend the export quality and the export value of carpet for 10 years (1997/98-2006/07) has been taken. The decade of 1990 is taken as stage of commercial take off of carpet production. Switzerland is assumed to be the first importer of Nepalese carpet. In the beginning the export

of Nepalese woolen carpet was limited to few countries. After the diversification of export trade in overseas market many commodities including carpet were being promoted. The export of Nepalese woolen carpet being increasing in comparison to total export of Nepal since 1970s carpet export has grown tremendously from 10.5 thousand sq. m in 1973/74 to 3325.12 thousand sq. m. in 1993/94. The export value was Rs. 2479 thousand in 1973/74 to Rs. 10390538 thousand in 2000/2001. However the trend fall down and come to 1567 sq. m. in the year 2003/.2004 and then its trend is slowly increasing up to 2006/07.

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

Since the time of export take off it is increasing trend of exponential rate. Table 4.1 and figure 4.1 depicts the development of carpet export in the year's 1997/98 to 2006/07. However the year 2004/05 and 2005/06 shows some optimistic time because of increase in export by 3.24 percent and 2.79 percent respectively than the previous years.

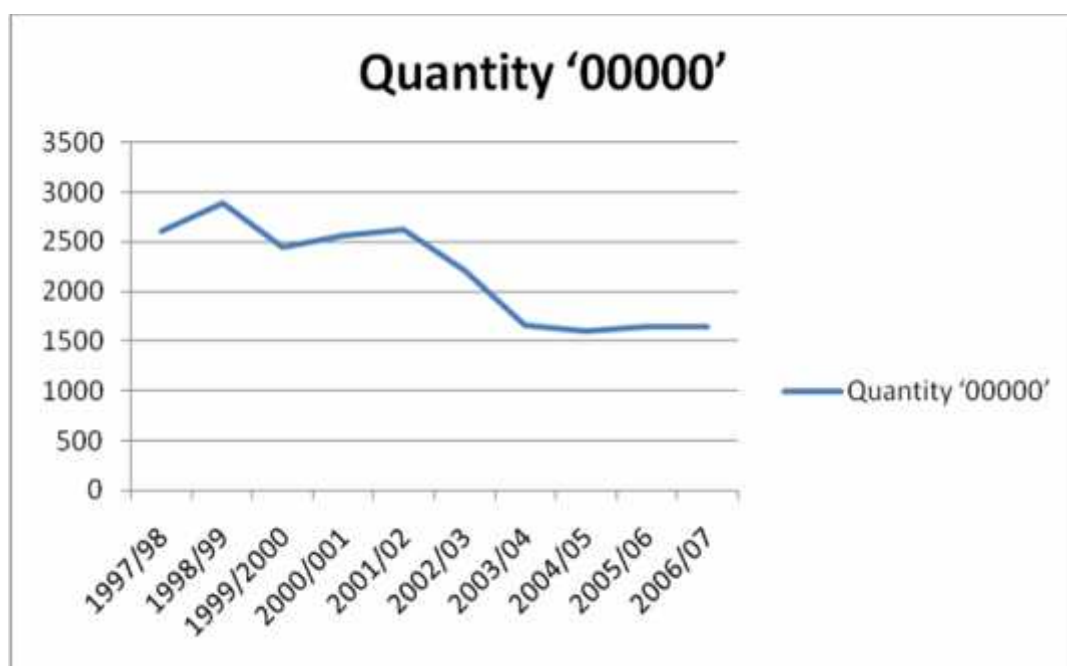
The export earning from carpet reached a peak position in 1998/99 with Nrs. 9144.63 million. The earning decreased in 1998/99 although the quantity sold has increased. It is caused by sharp decrease of export price per sq. m. the export price was peaked in the year 1997/98.

Table 4.1
Carpet Export Trend
(1997/98-2006/07)

Fiscal Year	Quantity '00000'	Value in Rs '00000'
1997/98	2617.6	8032.23
1998/99	2891.2	9144.63
1999/2000	2447.1	8516.34
2000/001	2570.3	9885.10
2001/02	2619.7	10390.53
2002/03	2209.9	8603.72
2003/04	1668.4	6108.64
2004/05	1606.5	5317.66
2005/06	1649.0	5461.30
2006/07	1657.1	5961.12

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

Figure 4.1
Trend of woolen carpet export from Nepal



4.4 Market Composition

Nepalese carpets are being exported to more than 60 countries upon observation of major 10 countries; previously the principal buyers were Germany, Switzerland, U.K., Belgium, USA, Netherlands, France, Australia, Sweden and other several European countries. But as per the data 2005/06 the composition has been slightly changed and new structure has been made up of Germany, USA, Belgium, UK, Switzerland, Turkey, Italy, Canada, Netherlands and Austria in the top ten folio. Which shows replacement of France, Australia and Switzerland by Italy, Canada and Austria.

Table 4.2

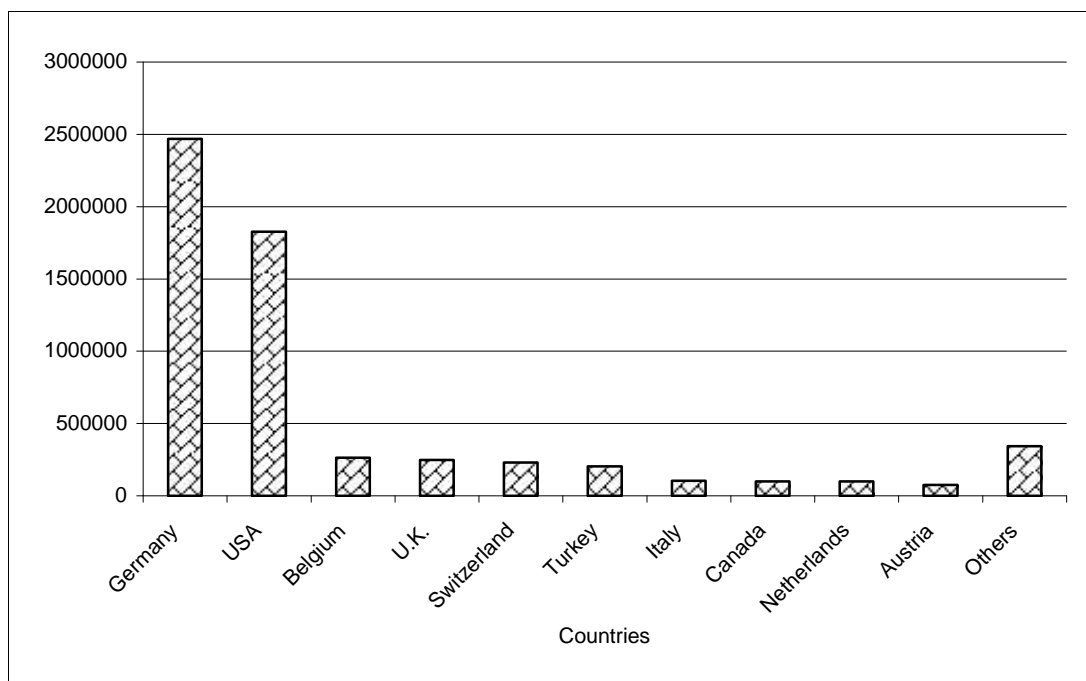
**Major Countries for Exports of Selected Commodities
Based on Fiscal Year 2006/07**

S.N.	Countries	Quantity(S.Q)	Value Rs (000)
1	Germany	816233	2467567
2	USA	376617	1825951
3	Belgium	72329	263731
4	U.K.	66637	247877
5	Switzerland	20526	230758
6	Turkey	71999	204750
7	Italy	22338	104491
8	Canada	21021	99769
9	Netherlands	31188	98643
10	Austria	25650	75213
11	Others	92579	342339
Total		1657117	5961116

Source: TPC and CWDB.

Figure 4.2

**Major Countries for Exports of Selected Commodities
Fiscal Year 2006/07**



For the last 15 years, Germany has been a very important market for Nepalese woolen carpet. About 81.3 percent of total carpet exported to Germany in 1994/95. But in the year 2005/06 it has been reduced to 49.27 percent. The growth rate was higher in 1983-1994. The growth rate has showed down in 1994/95. In 1994/95 the export to, Switzerland, U.K. Belgium and USA were 8.3 percent, 1.9 percent, 3.3 Percent and 1.1 percent respectively but in 2005/.6 export to USA. Belgium, U.K Switzerland, Turkey, Italy, Canada, Netherlands, and Austria are 22.73 percent, 4.36 percent, 4.02 percent, 3.65 percent, 4.3 percent respectively and 5.59 percent in other counties. Export to Switzerland has increased significantly in the mid eighties. But export to U.K. has been stagnating form the year 1989/90. However it has increased with 92 percent in 1994/95 than the previous year. Similarly, export to USA has increased with average growth rate. Hence its percent in the total carpet export decreased to 1.1 percent in 1993/94 against 218 percent in 1980/81 and still

decreased to year 2001/02 then after it is in increasing trend. Now, USA is the 2nd top country import Nepalese woolen carpet.

Exports to Nepalese carpet to other countries also have several UPS and downs. There are some new potential market countries where Nepalese exporters could introduce their products. At the same time some countries began to decelerate importing Nepalese woolen carpets. As total, the carpet export form Nepal has increased exponentially, but it has shown the point of inflection in the year 1997/98. (Figure 4.1)

4.4 Carpet Export from Nepal in Selected Top Three Countries

The trend of Nepalese hand made woolen carpet's export has been increasing every year except few years. Carpet is the main exporting item from Nepal covering the 50 percent (approximately) of the share in total export. The carpet export has been showing very higher project in the world trade.

More than 60 counties Nepal has been exporting its carpet throughout the world. The principal importers of Nepalese woolen carpet are Germany, USA, Belgium, and several other countries including the trading centers in Asia such as Hong-Kong, Japan, Singapore, Austria, Turkey, and so on. In this regard what is more important is that the quality of the carpet is more important than the price to complete in the international market. The demand for Nepalese carpet has shown an increasing trend in the US market too. Export of carpet to these countries from Nepal ahs presented below.

4.4.1 Germany

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

are marketed to various countries like Netherlands France, Japan, USA and Belgium.

Germany has grown over the years into the largest importer and user of hand knotted woolen carpet. It has been importing from most of main carpet producing countries e.g. Iran, China, India, Pakistan, Turkey, Afghanistan and Nepal are the main suppliers of woolen carpet to Germany. Germany is the most carpet conscious nation in the world. Growth of income and better standard of living in Germany made hand knotted woolen carpet as one of the essential good in Germany society. Nepal's share of carpet in German market in the HS code year 1973/74 was Rs. 400119 which was only 16.1 percent share of total carpet from Nepal (TPC). The volume of exporting carpet in Germany was boost up after 1983/84 which was Rs. 70446846 and 51.1 percent. After then the growth of carpet export to Germany from Nepal rapidly increased year after years.

Table 4.3

Hand knotted woolen carpet export to Germany date covers the period mid July-mid July of the respective year.

Fiscal Year	Qnt (In Sq)	Value (Rs)	Total Export Value in (Rs)	%Share of Germany
1997/98	2111886	6447309	8032232	80.26
1998/99	2321656	7254904	9144634	79.33
1999/2000	1898104	6447482	8516344	75.70
2000/001	1970548	7399673	9885106	74.25
2001/002	1840060	6767256	10390538	65.12
002/003	1461491	5376785	860372	62.49
2003/004	1036303	3461732	6108635	56.66
2004/005	1020652	2949319	5317656	55.46
2005/006	935761	2599369	5461301	47.59
2006/007	816233	2467567	5961116	41.39

Source: TPC, NRB

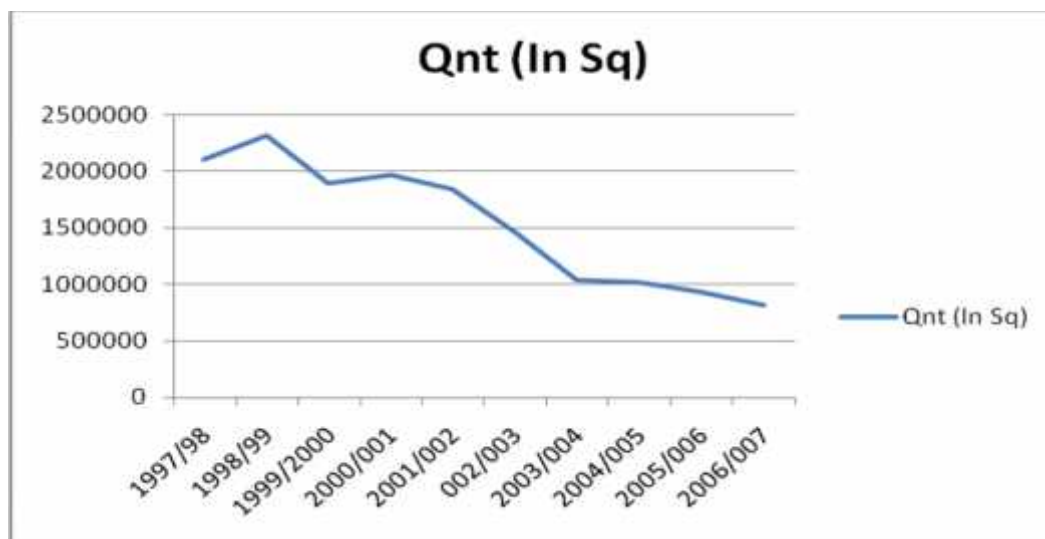
For Germany the trend has been measured decreasing from the year 1997/98 to 2004/05. The gap period 1997/2003/04, it has been decreasing, because the problem of child labor, quality maintains Government policy, distributor problem and other many causes.

It seems increased in 2004/05 in comparison to the previous year. Even though, the quantity in 2004/05 and 2005/06 were down 84891 sq. m. and 119528 sq. m. respectively but the value were increasing by Rs. 143644572 and Rs. 499814921 respectively. The trend in the last years in quite fluctuation and the maximum fluctuation was measured up to 105.7% in the value.

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

Figure 4.3

Trend of Woolen Carpet export to Germany



4.4.2 United States of America (USA)

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

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

The table 4.4 shows the export trend of carpet from Nepal to USA in terms of value, quantity and share composition of the total carpet export from Nepal.

Table 4.4
Hand Knotted Woolen Carpet Export to USA
Date covers the period mid July-mid July of the respective

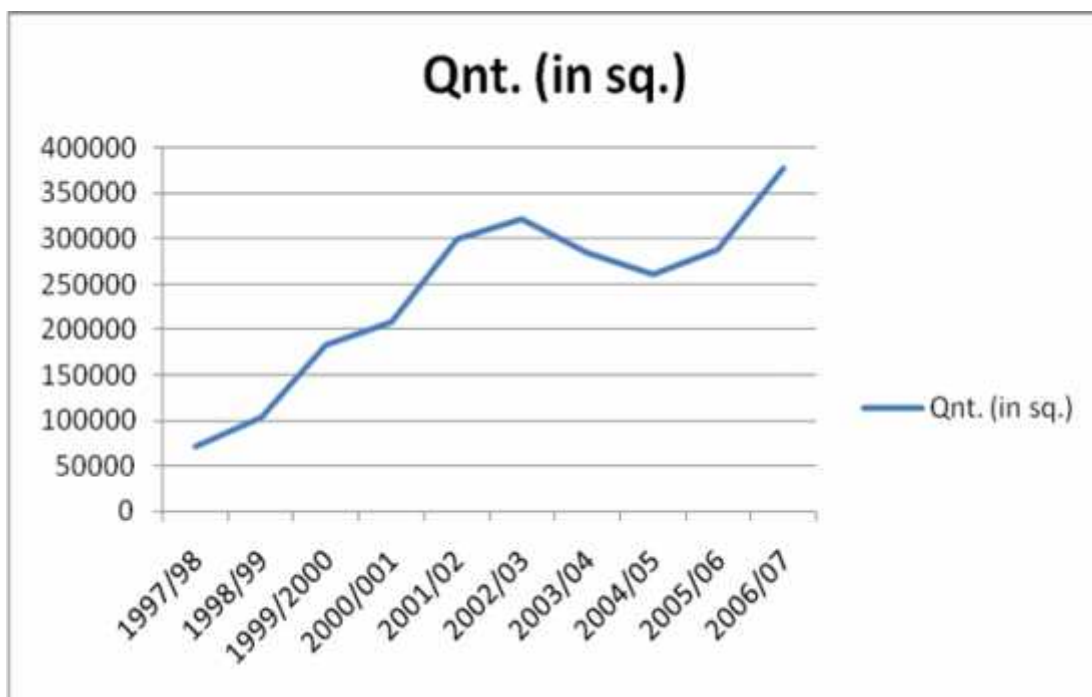
Fiscal year	Qnt. (in	Value in Rs	Total export	% share of
1997/98	72195	26119	8032233	3.34
1998/99	104471	430347	9144635	4.7
1999/2000	182932	821100	8516344	9.64
2000/001	208836	968018	9885106	9.79
2001/02	300005	147386	10390538	14.18
2002/03	320841	1507475	8603721	17.52
2003/04	283657	1336333	6108636	21.88
2004/05	261196	1237182	5317656	23.27
2005/06	287052	1360739	5461301	24.92
2006/07	376617	1825951	596116	30.63

Source: TPC, NRB

In 1997/98 USA in 2nd positioning import in Nepalese carpet after Germany. Then after 1997/98 it was growing rapidly in year 2003/04. Then after 1997/98 it was growing rapidly. In year 2003/04 04/05, the export value were decreased but share % were increasing trend which covered 21.88 percent and 23.27 percent. In the fiscal year 2004/05-2005/06 and 2006/07 it has covered the 23.27 percent, 24.92 and 30.63 percent consumption. Thus with every change in rug market worldwide Nepalese carpet manufactures have become increasingly results to tap USA market.

Figure 4.4

Trend of woolen carpet export to USA



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

Importers from America also helping to promote Nepalese carpets in US market. Rebecca converser, and American carpet specialist, has been working with Nepalese carpet manufactures to improve the repertoire of designs and

colors that can be sold in the American market. All that is because the American consumers have not been accepting what is easily accepted by the European market. Therefore at a time Nepalese carpet export has gone by 4.7 percent in total carpet export share composition in the fiscal year 1997/98. Slightly increased in seen in the percentage share in the alter years remaining value in 2003/04 and 2004/05. there is need to study the us market for that better trade in the years head, while some seem to argue that American prefer tabby carpets with all sorts of color combination and wizardly in the center there are people in the industry who do not share it. On the center their are people in the industry who do not share it. On the other hand, what other feel that we can also have market for 60 and 80 knots quality of carpet with the desired color combination? They too prefer American designers coming here and briefing the industry people on the taste of the American carpet buyers,. This is to safeguard the interest of Nepalese carpet industry which had taken a nosedive earlier on.

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

American prefers high quality products and this explains why rugs made in Iranian which are priced at us 225 are easily sold in us market. However, control carpet industrial association (CCIA) has inked up with an international management and communication company of the USA with an intention to accelerating the access of Nepalese carpets into the US market. Initial success, although into yet resounding is expected to be still round the corner of course,

the concerned efforts will have to be backed up by the use of natural colors, research concern for environment impact.

4.4.3 United Kingdom (UK)

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

From the below, data and trend shows the export trend of carpet to UK from Nepal. Since that part of UK was the fourth largest hand knotted woolen carpet importer country form Nepal with the fiscal year 2006/07.

Table 4.5

Hand Knotted Woolen Carpet Export to UK

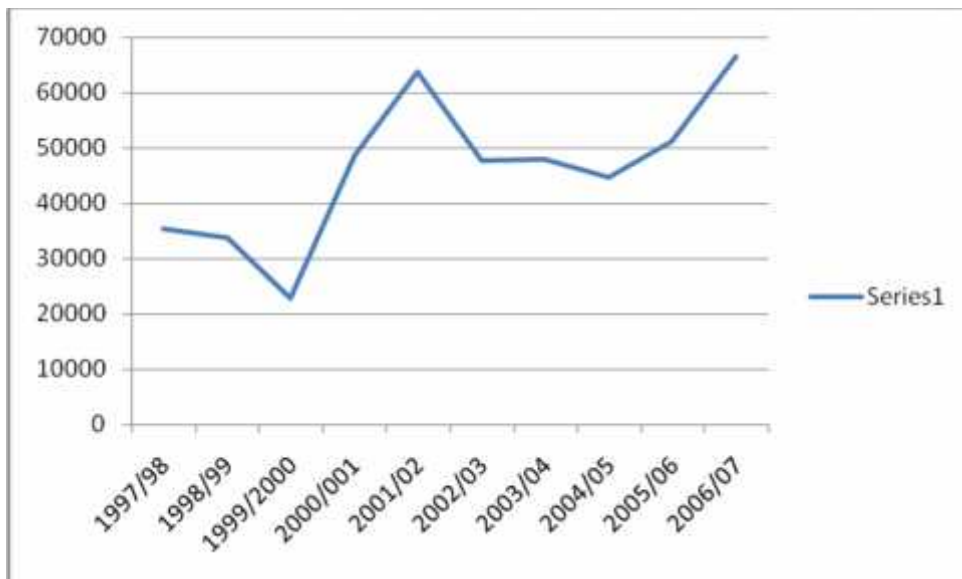
Date covers the period mid July-mid July of the respective year

Fiscal year	Qnt. (in sq.)	Value in Rs (000)	Total export value in (000)	% share of Germany
1997/98	35455	104519	8032233	1.3
1998/99	33878	105911	9144635	1.2
1999/2000	22927	85887	8516344	1.0
2000/001	48725	188315	9885106	1.9
2001/02	63782	252134	10390538	2.4
2002/03	47912	262327	8603721	3.0
2003/04	48000	177369	6108636	2.9
2004/05	44832	160437	5317656	3.0
2005/06	51356	190972	5461301	3.5
2006/07	66637	247877	596116	4.2

Source: TPC, NRB

Figure 4.5

Trend of woolen carpet export to UK



The trend of Hand Knotted Woolen Carpet Export to UK is in increasing. Nepal has expected maximum volume in 2000/01, at the time the quantity was 4792 sq. m. and the value was Rs.262326639. it was the highest volume that Nepal has exported Nepalese hand knotted woolen carpet to UK after 2001/02 the expert volume was decreasing till the data 2002/03 but in total expert its share percent was in increasing trend. From FY 2002/03 to 2004/05 the export to UK was increasing trend. In FY 2006/07 the export of Nepalese carpet in quality was 66637sq. m. and in value was Rs.247876890. It was also the nearest point of highest export. Since the export of carpet to UK is fluctuating every year so best efforts have to be made by he manufactures and government also to hold the previous position

4.5 Co-relation Analysis

It is obvious that there are low degree of consistency between export quantity and price of carpet. So the relation between quantity export and its value should be seen. So in table no 4.6 the co-relation between exports quantity and its value. According correlation analysis between quantity export and its value adopting "Karl person's coefficient of correlation":

Co-relation Analysis

Fiscal year	Qty X1	Value X2	X1-x1	X2-x2	X1X2	(X1-x1)2	(X2-x2)2
1992/93	1.63	3702	-0.72	-3965	2855	0.5184	15721225
1993/94	2.37	7131	0.02	-356	10.7200	0.004	287296
1994/95	3.13	9526	0.78	1859	1450.02	0.6084	3455881
1995/96	3.33	9518	0.89	1851	1813.98	0.9604	3426201
1996/97	2.90	7704	0.55	37	20.35	0.3025	1369
1997/98	2.62	8032	0.27	365	98.55	0.0729	133225
1998/99	2.90	9145	0.55	1478	812.90	0.3025	2184484
1999/2000	2.45	8516	0.10	849	84.90	0.0100	720801
2000/001	2.57	9885	0.22	1918	421.96	0.0484	3678724
2001/02	2.62	10391	0.27	2724	735.48	0.0729	7420176
2002/03	2.21	8604	-0.14	937	-131.18	0.0196	877969
2003/04	1.67	6109	-0.68	-1558	1059.44	0.4324	2427364
2004/05	1.61	5318	-0.74	-2349	1738.26	0.5476	5517801
2005/06	1.65	5461	-0.70	-2206	1544.20	0.4900	4866436
2006/07	1.66	5961	-0.69	-1706	1177.14	0.4761	2910436
	35.32	115003			3670.28	4.8925	53629388

$$\bar{X}_1 = \frac{\sum x_1}{N} = \frac{35.32}{15} = 2.35 \qquad \bar{X}_2 = \frac{\sum x_2}{N} = \frac{115003}{15} = 7667$$

$$\begin{aligned} \text{Correlation (r)} &= \frac{\sum X_1 Y_1}{\sqrt{(\sum X_1^2 - \frac{(\sum X_1)^2}{N})} \sqrt{(\sum X_2^2 - \frac{(\sum X_2)^2}{N})}} = \frac{13670.28}{\sqrt{4.8925} \sqrt{53629388}} \\ &= \frac{13670.28}{2.2119 \sqrt{7323.2089}} = \frac{13670.28}{16198.2058} = 0.84 \end{aligned}$$

The correlation is found 0.84 percent. It means that the degree of relation between quantity (export volume) and the cost has positive and 84 percent. It means the correlation coefficient is significant (very high). It seems satisfactory relation. we can assume that the export prices of woolen carpet have satisfactory carpet in high price hen the demand because high and in low

demand of carpet the price might be decrease so the pricing policy has no consistency.

4.6 The Comparative Study Between Carpet Export to Germany and Other Countries

Table 4.6
The Comparative Study between Carpet Export to Germany and Other Countries

Fiscal year	Export Germany		Export to other countries		Total
	X ₁	%	X ₂	%	X ₃
1997/98	6447	80	1608	20	8032
1998/99	7255	79	1890	21	9145
1999/2000	6447	76	2069	24	8516
2000/001	7400	74	2485	26	9885
2001/02	6767	65	3624	35	10391
2002/03	5377	63	3227	37	8604
2003/04	3462	57	2647	43	6109
2004/05	2949	55	2369	45	5318
2005/06	2599	47	2862	53	5461
2006/07	2468	41	3492	59	5961
Total	51171		26274		77422

$$\bar{X}_1 = 51170/10 = 5117.1$$

$$\bar{X}_2 = 26274/10 = 2627.4$$

$$\bar{X}_3 = 77411/10 = 7742.2$$

In the period of these 10 years total export volume of woolen carpet have been exported of Rs 77422 million. Out of this value Rs 51171 million have been exported to Germany which is 66.1 percent and Rs. 26274 million have been exported to other countries is 33.9 percent of total value. In the 10 years the mean value of total export is Rs7742.2 million, export to Germany is Rs 5117.1 million and export to other countries is Rs 2627.4 million. If we

compare between contribution of Germany and other market in woolen carpet export, Germany market major contribution is find out in every year in the above table no. 4.6.

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

4.7 Marketing Aspect of Carpet in Nepal

4.7.1 Composition of Distribution Channel

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

The survey report shows following compositions in distribution channels which is base on the year 2006/07.

Figure 4.7

Sale through retailers and wholesalers

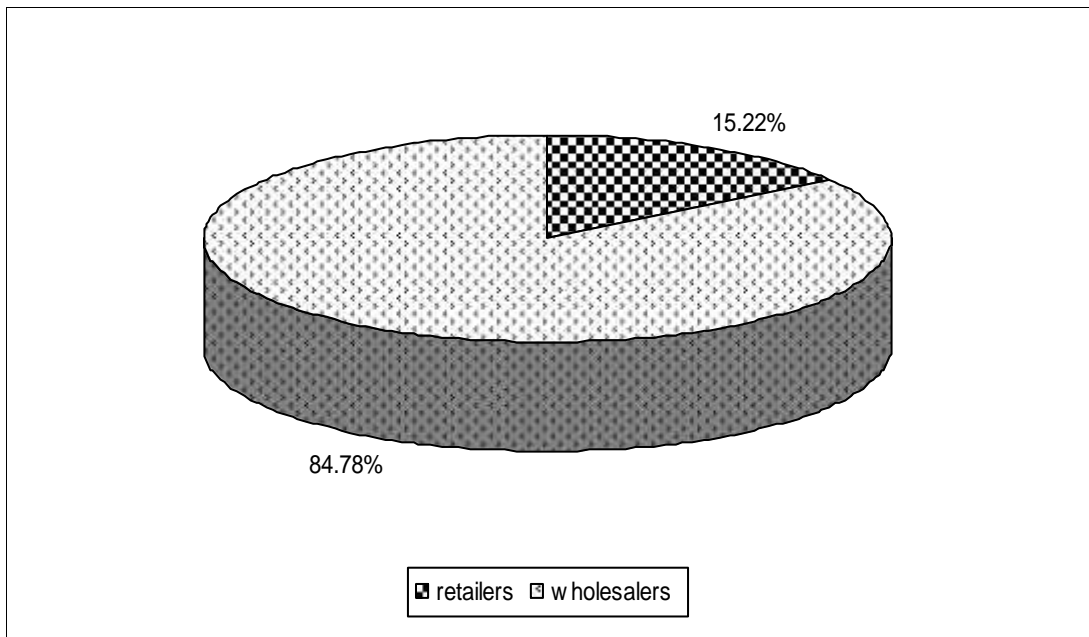


Figure 4.8

Sale through Agent and Direct Export

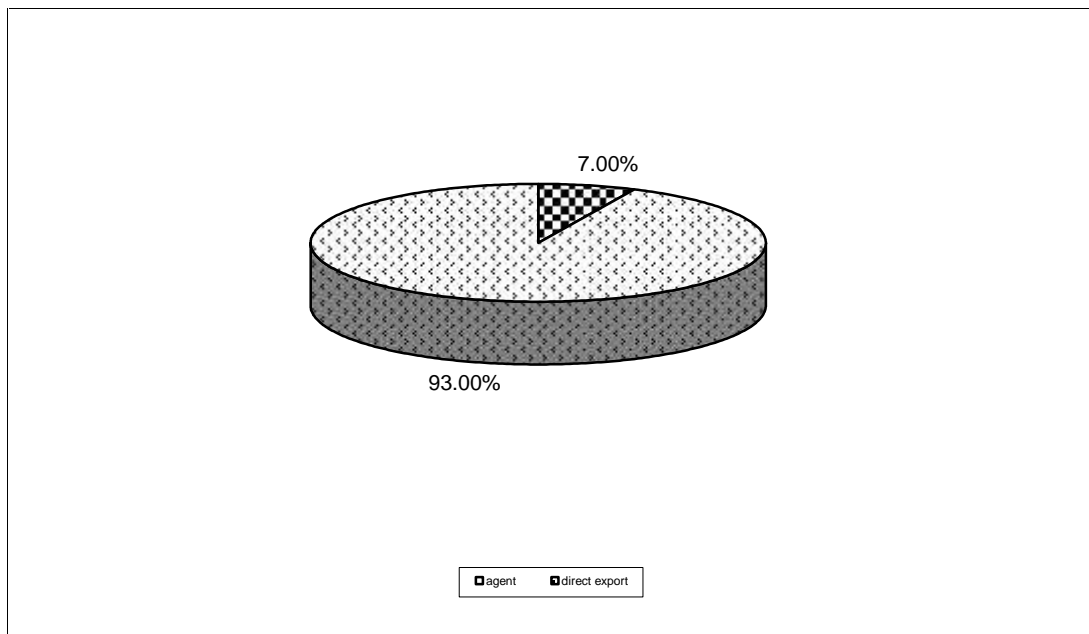
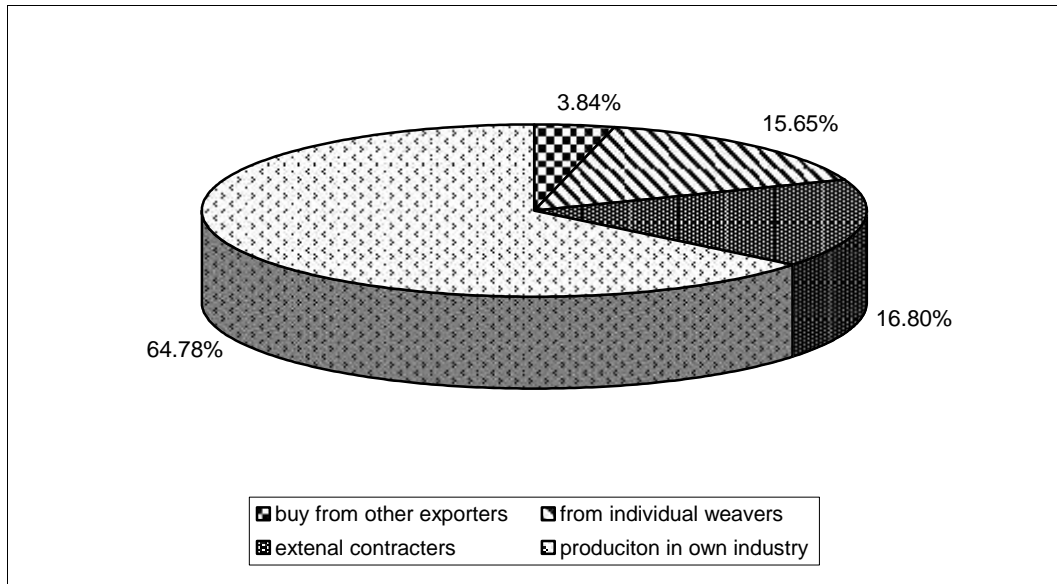


Figure 4.9
Accumulation of stock



Source: CWDB

The Nepali exporters and manufactures have not their own distribution cells in foreign countries expect on trade fairs. About 84% or more sales goes to wholesalers and only 16 percent sales goes to retailers. 64 percent of the sales go to wholesales in Germany who are specialists' merchants and do re-exporting in other countries. The re-exporting is done by other countries specialists as well like UK , Switzerland, Belgium, Hong Kong, Singapore etc.

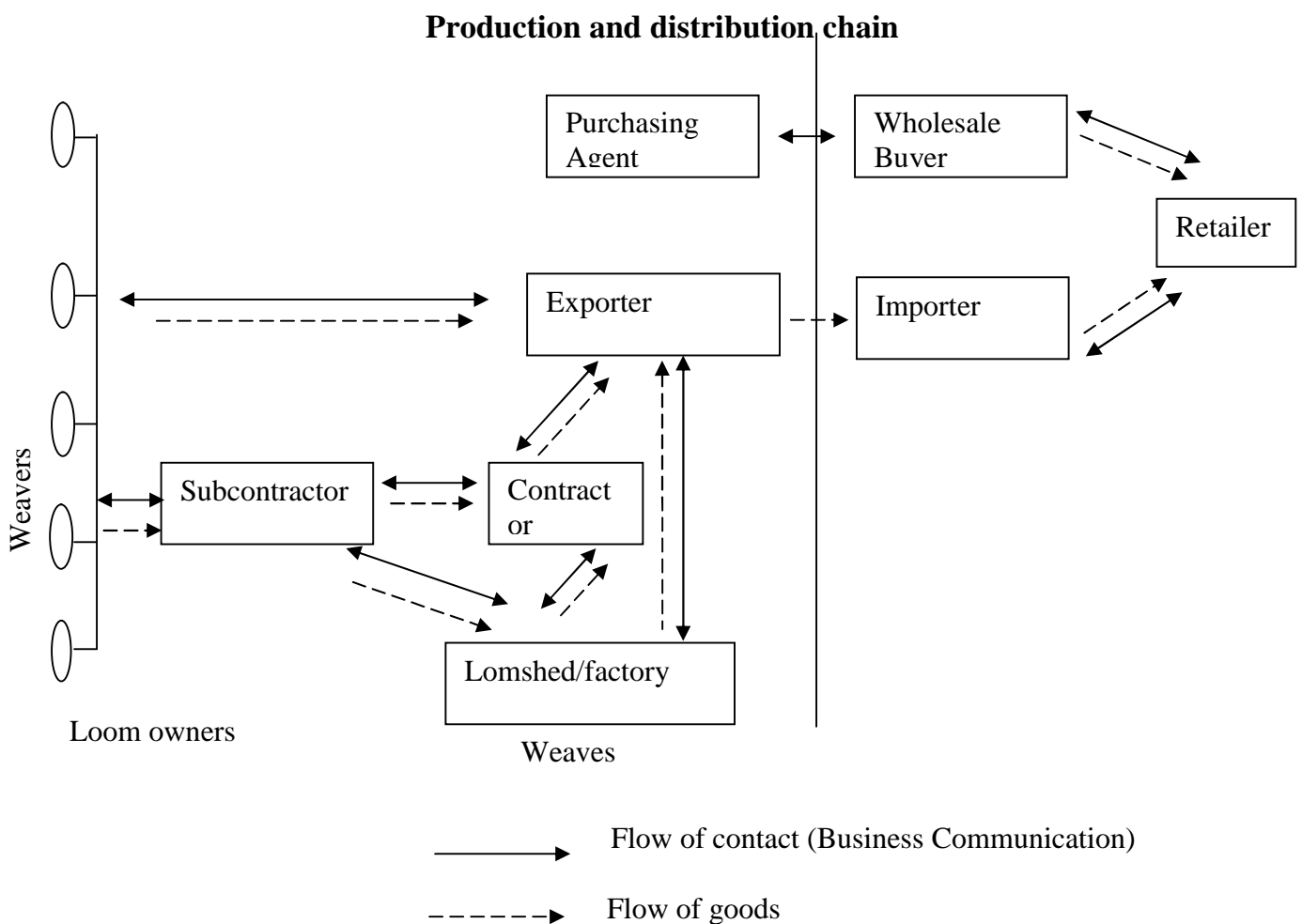
One more area of investigation in market size and structure is an evaluation of trade policies and other pertinent government regulations of market countries. That may in flue marketing action, pricing and the like,. These include registration and controls, exchange permits, anti-monopoly legislation and labeling and standardization. But they are out to scope of this study only 7 percent of the sales go to agents and 93 percent goes to direct export. It's necessary to find out the best destruction channel for foreign market of Nepalese woolen carpet.

4.7.2 Hand Knotted Woolen Carpet Chain of Production and Distribution

A chain of production and distribution exists among the supplying and buying nations. In the exporting nation weavers who are employed by

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

Figure 4.11



Source: <http://www.dol.gov.ilabpp3>

Figure 4.10 present a convert view of activities that actors in the value chain undertaken as it depicts that both production countries and importing countries are linked in a continues flow of contact (business communication) and flow of goods. This trade relation links developing country firms to the global economy.

4.8 Competitive Market Structure of Nepalese Hand Knotted Carpet

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

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

4.8.1. Product Competitors

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

The features of Nepali carpets are influenced by Chinese, Mongolians and Turkishan, but the ways of making knots are quite different. Even the marketing is knots are similar to Persian, the Persian knots need a cutting each time. But, in case of Tibetan carpets al knots are connected till one line is weaved with the help of iron rod and then knots are separated by cutting a single stroke over the iron rod. The Nepalese carpet has the symbolic designs and colors inspired by the Hinduism and Buddhism and have specific significance, reflecting both the life and thinking of the people. However, in recent years the Nepali manufacturers can produce carpet of any design, color and size according to buyer's choice.

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

The three main types of hand made carpets are: hand knotted pile carpets such as Persian, Bokhara, Berber or Chinese style; flat woven rugs of Middle East origin such as Kelems and Karamanie; and simple design flat carpet made of wool or cotton principally from India where they are known as dhurries. Other simple flat woven and tapestry types are available from a range

of sources such as Africa and Latin America. The production of any one of these hand made products are confined to traditional sources of supply providing the requisite skills. The hand knotted pile carpets are, by far, the most important are in handicraft floor covering sector.

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

4.8.2 Compleitive Scopes

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

Another parameter of measuring consumer type is the economy of the people. ' a market requires not only people and willingness to buy, but also purchasing power and the authority to buy. One of the important features of Nepali carpet is that it is economically accessible to all class of the people. In markets every carpet needed consumer can afford for Nepali carpets. In contrast, even the Persian carpets and durries and affordable to higher class people: they also like to have Nepali carpet as being a distinct and having

uniqueness in weaving style, pile thickness, wool type and texture. It can attract the fallings of people for having a handicraft item. The consumers also used to buy Nepali carpet with the sympathy to a poor country and by the name of Tibetan refugee.

But, there is no specific consumer group buying Nepalese carpets. They do compare the price, design ad quality of the carpets while buying. According to the fashions trend that new generation consumer group do not like the traditional designs, and sizes are also changing according to the room sizes of modern houses in Europe.

4.8.3 Price Structure

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

The price structure is influenced by following factors:

a. Firm Level Factors

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

b. Product Specific Factors

Nepalese Tibetan carpets are cheaper than the Persian and other carpets more sold in markets. At first the consumers used to buy Nepalese carpets as being uniqueness in weaving style, design, quality and raw materials. But in later years everything except the weaving style has changed according to the demand of time. However, the product has already reached in mature stage as there are substitute of same style and design carpets from India, China and other countries. The delivery and other attributes of shaping have not changed. The geography of Nepal is causes the Nepalese carpet costlier in markets. The labor cost, raw materials and lack of any kind of government incentives also make Nepalese carpets costlier than the Indo-Nepalese and Nepal-China carpets. India and China use most of the wool produced in their own country.

c. Market Specific Factors

Till 7-8 years ago all of the consumers of Germany, Switzerland, U.K. and other EC countries were not able to buy Nepalese carpet only the economically middle and higher class people used to buy Nepalese carpets. But after 1991-92 the production in Nepal increased according to the political change (Multiparty Democracy, Constitution Monarchy) and change of government policies. The deflation of Nepalese rupee in comparison of US\$ and DM reduced market price of Nepalese carpet.

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

The government had tried to control the quality of carpet and price reduction by maintaining floor price of US\$ 67 (unwashed) and US\$ 70 (washed) in 1987. But Nepalese carpet exporters could not compete in markets in that price. So the floor price dropped to US\$ 65 (washed) in 1989 and again US\$ 60 (washed) in 1992.

d. Environmental Factors

In comparison to the price structure, Indian and Chinese carpets are more competitive with the Nepalese carpets. The buyers, being price sensitive, began to compare between those carpets. Indian and Chinese carpets are comparatively cheaper than Nepalese carpets although the quality differ. China brought about very competitive offering by reducing price as promotional tool after 1991. Similarly India also increased its carpet export 21 percent in quantity in 1992 by reducing price. The devaluation of exchange rate also brought reduction in export price in India and Nepal in 1991. In Iran also the export price of carpet dropped to 40 percent due to exchange rate variation after the ending of Iran Iraq war.

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

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

There recession in Europe also affected the macro-economy of carpet marketing. The lower class consumers' today use to buy cheaper carpet not

withstanding the difference in quality. Hence also the Nepalese carpets become more prices competitive with the indo-Nepal carpets and Nepal-china carpets. But, there are still quality conscious consumers, who know the uniqueness of Nepalese carpet. The Nepalese carpet exports should maintain and promote these features in order to meet the competition.

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

4.9 Marketing Efforts Made of Hand knotted Carpet

4.9.1 Advertising

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

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

The media is used by the exporters and the tourist magazines: Nepal traveler. Adventure Nepal, Shangr-la, welcome Nepal, Nepal visitors, Bazaar international, connection are some examples. Nepal traveler and adventure Nepal are periodic magazines freely distributed to tourists visited in Nepal, hotels, travel agencies and airlines. These include various articles about Nepal's tourist-valued places and things along with tourist information materials. Hence the Nepali exporters aim to inform the buyers and their agents who visit Nepal

and stay Hotels. Nevertheless the tourists for the other purposes are also informed.

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

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

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

4.9.2 Sales Literatures, Catalogues and Sales Promotion

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

patterns while constricting the program order and rest 30 percent exporters do only letter correspondence (mail marketing).

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

4.9.3 Trade Fairs, Shows and Seminars

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

Domotex trade fair of carpets and floor covering is the most important trade fair in international carpet trading. 75 percent the Nepali carpet exporters are found participated in that fair. Domotex fair, a largest carpet and floor covering fair, is organized in January of every year at Hanover, Germany. The fair provides an exclusive opportunity for the importers and exporters across the world to establish or renew their contacts, to place orders and buy and sell their world to establish or renew their contacts,. To place orders and buy and

sell their products, and to have first hand experience about the recent innovations in the industry. Every year about 40 countries' machine and hand-made carpets, textile floor coverings, and other floor coverings are displayed at the fair. Nepali exporters do not subscribe their own space but in collaboration with their buyers, they could visit the fair to know the new innovation in designs, quality, and fashion trends. The exporters also make contacts with new buyers and get contract of order. The Domotex fair is visited by more than 80 countries' visitors including architects and interior designers. There is also organized a series of lectures on the future trends and prospects, quality, environment and marketing.

In the Domotex fair 1993 a group of German importers together exhibited a special show called "fascination Nepal" at the cost of one million German Mark. They had displayed Nepali carpet will special attention of focus Nepal and its products. The show was highlighted in a special television program at Europe. The show had found benefited German importers as well as Nepali exporters. Hence, the same show was repeated in the year 1995 as well. But, in that year the exhibitions and Nepali exporters could not get satisfactory response. The Nepal's stratus has taken over by the Iranian 'nomadic' carpets and the completely new look of Iranian hand woven carpets called 'Gabeh'.

The experience of Nepalese exporters, who had participated the Domiotex fair 1995, were quite encouraging than the previous year, but they opine that Nepal will have to wait for some times to see the fruits of this fair to materialize but from the year 1996/97 the trade is falling till the year 2004/05.

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

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

In each visit the exporters have to expand around 1.5 lakhs to 5 lakhs Nrs. Expand depends in the duration of visit and number of countries in one trip. The expenses are higher in the fair time visit than other visits and those expenses are borne by the exporters themselves.

4.9.4 Promotion through International Channel Members

Nepali exports are not practiced in promoting consumers directly. In other words they are using push strategy by promoting and inviting more middlemen (bulk importers). Direct benefits, incentives and influences are provided to the consumers.

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

The European importers of Nepalese carpets mainly of German, Switzerland and U.K. are re-exporting the Nepalese carpets in other carpet consuming countries. They are employing sales agents in the US, trying to work in joint venture with American importers and are promoting market prospect by acting as supporting companies there.

Form the survey, only 9 percent of the exporters are found to have been done cooperative advertising in the German Magazines.

4.9.5 Public Relation and Social Factors

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

PR assists in the launching of new product, building up interest in a product and positioning. Nepali carpet was firstly promoted with public reaction. The Swiss agency and international red Cross had created the flourishing environment for Nepali carpets in the European markets. The carpets were sold with the name of Tibetan refugees as "Nepalese- Tibetan Carpets". The sympathy to the Tibetan refugees and a poor country, Nepal, was the sensitive promotional tool. In 70s and 80s Nepalese carpets were getting popularity in the markets with the "made in Nepal" label.

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

'Public reaction is good reaction with the public, and the public of the firm are broader than its market. They include all those who are affected by the firm's operation and all of them can have effect on firm's success. They include

customers, general public, investors, government, media, laborers, suppliers, activist and lobby groups and distributors.

The concerns of public activities group and media were the child labor. Female labor and pollution's eh child labor is not a new source of labor,. It has been using since the sixteenth century in Europe. But, the more of the twentieth century is towards the human right, social welfare and children's welfare. The issues have been taking pace since the decade of 1980. "In 1992-93, the governed of USA has banded imports of toys form china in which child labor was being used. The entire fur industry has collapsed because of boycott from animal lovers. In that concern the carpets made with the child labor cannot get markets. (www. Carpet-e-world, India 1992:6)

Tremendous pressure had already been placed in 1990/91 form human right organizations in the counties like Germany, Belgium, England, Canada, USA, Austria etc. to boycott India carpets. As a result the India carpets had already set back form markets. Hence the India had used to label a trademark on carpets productized without the child labor with the efforts of indo-German export promotion project (IGEP) and carpet export promotion council (CEPC). The Indian government had made compulsory for exporters of Indian had knotted carpets to furnish registration cum-membership membership certificate of ECPC.

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

The public ration tools were used to maintain good public relation by creating events such as conferences, seminars on the issues risen in the media. Several articles and views were published in 1989-1993. Similarly public service activities like child care center, improvement of working environment

employee's health check up camps were also conducted by some carpet factors. But the actors destroying PR were more sensitive on the one hand and on the other hand the new comers and more profit-oriented industries did not care about the threat. HMG had fined 10 factors in 1993 as child labors are found in those factors in surprise visit (Econ) internal news, USAID, February 22, 1994).

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

The already starting price bargaining and hesitating to order Nepali carpets peaked when the panorama channel or Norddeutscher Rundfunk, Hamburg, T.U. highlighted the child labor in Nepali carpets on April 28, 1994, and many about 50%) of the carpet industries are forced to close their industries due to cancellation of orders, others also could not get orders.

On the other part, the public was sensible in the impact of pollution and health hazards of the carpet industries. Several studies had been done by some organization like: NPEDC, previously economic service enter., and done study on assessment of problems of carpet washing in Nepal and location aspect of carpet industries in Kathmandu valley and concluded that the pollution in water and air from washing and dying is dependent in chemical used and the concentration, and other pollution of carpet industries are land, garbage and waste and absorption of ground water. The carpet industries fail to reflect the full economic and social cost of environment. Recommendations were made to relocate carpet industries outside the Kathmandu Valley. But the government could not take any strict and effective policy regarding relocation, pollution control and employees' welfare by developing infrastructure and incentive packages for them. The activist group and general public continued to oppose the carpet industries.

Thus from the end of 1980s the traditional good will and reputation of Nepali carpets in the market had been decreased; instead, it brought bad publicity about the industries.

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

4.9.6 Institutional Efforts on Promotion

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

Government Associated Organizations

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

The carpet industries are taken in the category of cottage industry and handicraft sector. Hence, the activities of TPC regarding carpet conducted

under the cottage industry Export Development and Export Promotion Council. The establishment of 'products of Nepal' in the USA nevertheless, could not make great impetus in the promotion of Nepalese carpet. TPC has brought several publications like exporters directory of Nepal. Commodity profile (Woolen Caperers)

To strengthen the export of some specified product, another project, export service center (ESC) was also created in mid 1980s. It took carpet and wool products in one sector and worked under the marketing strategies chosen by the TPC. Its major activities were: develop contacts among Nepalese exporters and importers abroad, product development, provide technical and market information, train the manpower, check quality of raw materials and exportable products. Organization of buyer seller meets and publication for rosters of exporters etc.

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

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

There are several other government associated organizations like: ministry of labor, department of cottage and Small Industries, Cottage and Small Industry Development Board (CIDB) Nepal Bureau of Standard and metrology, National productivity and economic development center are also playing indirect roles in promotion of Nepalese carpet.

Non- government Associations and Agencies

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

CCIA is the focal point of export promotion of Nepalese carpet workshops and seminars for the Nepali manufactures and exporters about the trend and threats of market since the establishment. In the year 19988/89 the then carpet association for the first time competed and published the detail and informative brochure about carpets and carpet production in Nepal called "Carpets from the Country of Mr. Everest". Similarly, a video film was also made and shown at the ORIA fair in 1991 in New York Copies of video were also distributed for many carpet importers. CCIA has been continuing such activities to create good public relation in markets. It has published another brochure named.

("The Himalayan Collection" in 1994 and 1995). It is also working for quality development and market diversification of Nepalese carpet.

Similarly the association is working to tap American market since 1993 in collaboration with the USAID's economic liberalization project and with the technical assistance of IMCC. The program is focused on familiarization of the Nepali manufactures/ exporters with American market taste, design development and establishment of market linkage with American importers. After the two way visits of buyers and exporters, Nepali exporters could receive sample orders through the coordination of CCIA in few lots. The sample carpets were exhibited in the USA as well. Similarly, Nepali designer training in the US also conducted in May 1995. The program is still continuing. The association is also exploring market of Nepalese carpet in Japan in cooperation with Nepal- Nippon forum and JETRO. A seminar was held in Kathmandu in December 1993 and carpet Marketing in Japan, and a market research has done in July 1994 with the help of FNCCI. It has also requested the government to maintain good trade agreement in order to make import of Nepali carpet in Japan easier. Presently an import duty of 35 percent is levied in Japan for Nepali carpet.

The associations also working in the fields of child labor, environmental pollution and quality control, coordination with several other government and non-government organizations. An organization named 'national society of protection of environment and children' (NASPEC) is also formed in August 1994. NASPEC aims to work to (i) certify child labor free carpets and (ii) develop welfare and rehabilitation program for children withdrawn from the industry.

The joint GATT-UNCIAD ITC in Geneva, formed to serve less developed countries for export promotion, has also played important role in export development of Nepalese carpets. it has published the study report on "Major Markets of Oriental Carpets" in 1981 and 1983. the center has

organized several seminars, workshops and training in Nepal with cooperation of TPC, Nepal chamber of commerce and other organizations, similar workshop, seminars and training are organized by TPC in Nepal with the support form ESCAP-Geneva, EEC-Brucellas and GTZ- Germany.

4.10 Procedure for the Trading of Carpet in Nepal

4.10.1 Export Procedures

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

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

The industries must be reregistered within 6 months of operation in department of industry of department of cottage and small industries or its branches. But in present practices, the small manufactures that supplies to the established manufactures and exporters have not registered their industry.

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

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

1. Export Contract form,
2. Commercial Invoice, packing and weight List
3. Certificate of Origin,
4. GSP Certificate of Origin
5. Letter of Credit (L/C)
6. Foreign Exchange Earning Bank Certificate
7. Custom Transit Declaration certificate (CTD from)
8. Bill of Lading or Shipping Bill
9. Railway receipt/Airway Bills
10. Custom Clearance
11. Insurance Policy

The certificate of origin is issued by the Nepal chamber of commerce. To enjoy preferential tariff concession in the importing country, the GSP certificate was obtained from the export section of the trade promotion center. But, at present the carpet and wool development board checks and certifies the GSP. It consists of the information about the means of transport, route, name and address of the exporter and importer, number of items, number of packages, description of goods, place of manufacture, gross weight, Quality and number, date of invoice and value, certification etc.

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

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

If the goods are shipped from Nepal border to Indian border by rail, the railway authority issues a rail way receipt and endorses it to the exporter. If the goods are not sent by train it can be replaced by cover note (C/N) issued by a transport company. When the goods are sent by air the Tribhuvan International Airport issues an Airway Bill. The freight charge is paid by the exporter if the contract is on CIF or C and F and if it is on FOB (FCA) policy, the importer will pay the freight charge. Sixty-two percent of Nepali carpets are exported under FOB term, 28 percent C and F term and rest 10 percent under CIF term. The importers prefer FOB and C and F term. Even if sometimes exporters hesitate to export on CIF term.

Before the consignment crossing the Nepal border the exporter should get the goods cleared by the customs. This procedure should be completed in the customs office of Nepal border or of Tribhuvan international airport office or of foreign post office department; from there the goods are passed. At present there is no custom duty, no excise duty, no sales tax and no quantities restriction in export of carpets from Nepal. A 2 percent service charge was levied

in the value before, but it has been reduced to 0.5 percent since the budget speech of fiscal year 1996/97 (June 11, 1995).

If the goods is transported through India, the exporter should clear the custom office at Indian border. As soon as the export consignment crosses the Nepal border, the exporter must get in issued by an authorized insurance company. But the insurance policy depends on the FOB, C and F and CIF terms.

4.10.2 Transportation

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

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

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

4.11 Problems and Prospects of Woolen Carpet Export

4.11.1 Problems on Woolen carpet Export

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

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

4.11.1.1 Problems on Export

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

i. Problems of Sea Port

Due to the landlocked ness, Nepal has no own sea port. Depend upon the Indian sea port, warehousing, road transportation problem, labour strike, Nepal strike are the main problems. Due to different problems Nepalese woolen carpet could not reach in time in international market.

ii. Problem on Air Transport

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

iii. Lack of Government's Commodities Policy

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

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

The export policy is not properly implemented by government departments and offices

v. Trade Mark/Brand Name

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

vi. Unnecessary Process on Carpet Export

To export finishing woolen carpet different process should be performed. On the exporting process the production certificate should be received from Nepal chamber of commerce. For this purpose the exporter should pay 12 percent amount on exported invoice price. In the second process the recommendation letter from carpet and wool development board for getting GSP facility in foreign countries should be taken. For this purpose the carpet and wool development board takes Rs. 2 per sq. meter of carpet export. In the final the carpet on flat basis. All lengthy process should be curtailed.

vii. Export Service Change of Carpet is Unscientific

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

4.11.1.2 Problems on Market

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

i. Lack of Research

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

ii. Competition

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

iii. Problem of Promotion

Today's world is a world of promotion of the product. To take the market different types of promotional tools should be sued like as advertisement, personal sells, such promotion etc. an intensive promotion about the woolen carpet its qualities, character could not be done in an international market as well as requirement by Nepal.

iv. Problems on Market Diversification

Since 30 years Nepalese woolen carpet has depended upon only Germany market but the German market was going to be decrease year after year. The market cannot be established in other countries as in Germany.

v. Import of wool cannot be discriminated

Required raw materials wool has been imported only from Netherlands and Tibet. From which wool cannot be got at cheap price.

vi. Nepali Woolen Carpet cannot be exported in Reasonable Price

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

vii. Lack of Information Technology

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

viii. Problems on Price Discrimination

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

ix. Problem on Knitting Technology

Nepalese carpet knitting technology is being copied by different carpet produce countries like as Iran, Egypt, and Vietnam. Nepal doe not have signed

in an international treaty and transit on international copy right, which has effected on Nepali woolen carpet production.

4.11.1. 3 Problems on Production

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

i. Problem on Raw Wool Import

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

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

ii. Lack of Capital

Without capital no industry can be operated. In case of carpet industry of Nepal, most of industries are suffering form the lack of capital. From the production purpose to marketing purpose they are unable to run their program smoothly. Commercial banks in Nepal have been providing loan to carpet

industries at expensive interest rate. So the carpet industries have not able to growth speedily due to the lack of capital.

iii. Child Labor Problem

Child labor is being used in most of carpet industry to get high profit by giving low wages to child labor. In 1993 some western medias had created propaganda a of child labor use which have created irritation to Nepalese woolen carpet in European market and brought huge trouble in carpet industry. Government of Nepal and such private sectors have succeeded to remove that propaganda partially by making any propaganda a about child labor. So the problems of past may come again in their industry. It is very necessary to remove child labor from the carpet factory.

iv. Problems on New Technology

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

v. Lack of Skilled Manpower

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

vi. Problem on Social and Environmental

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

vii. Weakness of Carpet Industrialist

To get high profit margin and to compete with other carpet on price decreasing as price war Nepali industries use cheap material and cheap labor. Like, cut prices of wool (Hindu) and child labor. This results production of low qualitative carpet and decline on Nepali woolen carpet's demand in international market.

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

4.11.1.4 Other Problems

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

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

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

4.11.2 The Future Prospect of Nepalese Carpets

A revolutionary chapter was began in 1960s when the commercial production started in Nepal and now, Nepalese woolen carpet industry is a million-dollar venture. Carpet is in fact a main source of earning foreign exchange. But due to inherent flows, which became prominent in the last few years, the size in export has tended to decline and as a consequence of this majority of medium and small scale carpet industries stared to close down after 1994/95.

The first consignment of carpet was exported in 1964, the mass production packed up only after 1980s when the total production was at one hundred and thirty seven thousand square meters. Price wise since there was steady increase in demand up to 1992, the figure show disproportionate earnings compared to the square meters of the carpet exported. But soon after, the evils in the trade which took shape in the form of overproduction at the cost of quality and the resultant adverse publicity published by regional competitors abroad put a break on the steady trend. As a result of it, Nepalese carpet exporters suffered a serious setback.

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

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

Carpet is luxury item. Being poor country, the domestic sale of carpet is negligible and entire production, which comes up to more than 3 million sq. m is designated to be exported. Many enterprises are supported by the carpet industry one or another. Knowing this, the Nepalese government recognizes the tremendous harm that the country's economy may takes in the carpet business in neglected. Trade is being taken seriously at al levels. The most important

step is to close the huge gap between the rates of different producers. Because some people are selling at a rate that is lower than the manufacturing cost. Many are getting hurt by unhealthy competition.

An important factor that may help the carpet industry is publicity. Effective methods which will expose Nepalese Tibetan carpets to foreign markets needs to be found. To rely on Germany alone does not guarantee the future safety of the carpet industry, where more than 80 percent carpets are exported. German economy, political situation and buying attitude may change and Nepal's carpet dealers will be directly influenced. Expansion is the shale answer for the future and for that a workable marketing strategy is indispensable. Every taste has to be studied thoroughly, whether it is in Europe or outside. Nepalese entrepreneurs can't afford to miss any business opportunities because of lack of information, the way things are, there may not to be a probable with that.

As long as there is full confidence among the manufactures, exporters and importers on the carpets positive factors, there is little to worry about. The market is out there and the carpet industry has come long way through periods that were as difficult. A few tumbles don't necessarily mean that carpet people should feel discouraged. One thing which is out to kept in mind the quality of the product and the brand. Iran has like Tibet, century old carpet weaving tradition and they have art Persian rugs and chartered items. So could be the Nepalese carpets provided more innovation is effected and crass commercialism abandoned.

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

As far as Nepal as a LDC is concerned. It can derive sound and reliable benefits by following the various WTO principles, WTO provides for a proper level playing field i.e. the most favored nation (MFN) status to all the member

countries. LDC like Nepal will not be discriminated with the other trading patterns including DCs like USA, Germany, and Japan etc. similarly, the description will exist between one's own and foreign products and services where by they are given national treatment. It provides for free trade, gradually through negotiations by means of progressive liberalization whereby trade barriers like customs duties, imports bans or quotas are lowered to encourage trade. It has made the business environment stable and predictable. The countries are bound by their markets for goods and services. This invites regular surveillance of the national trade policies and transparency in multilateral trade rules.

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

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

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

The concept of making Nepal the transit point between the world largest populace countries like India and china obviously plays vital roles for the promotions of Nepalese carpet to world. On the other hand the newly operation

of Shaja Yatayat between Nepal and china might reduce the cost of raw materials due out major importing partners of raw materials is Tibet. This consequently reduces that cost of productions and increases that competitive power, which will be vital to compete on the world market.

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

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

Major Findings

1. During the period 1973/74 to 1993/94 the export of carpet was increasing trend then after 1993/94 to 2003/04 the export of carpet was decreasing trend then after increasing trend. In fiscal year 1993/94 the export was peak point with Nrs. 9526 million.
2. The selling price of carpet depends on demand.
3. The main Nepalese hand knotted woolen carpet importer countries are Germany, USA, Belgium, U.K. Switzerland, Turkey, Italy, Canada, Netherlands, Austria and Japan in latest trend.
4. The import in the major countries is in increasing trend but the percentage imports of Germany, France, UK, Switzerland, turkey, and Netherlands in total world import have decreased comparatively in the period 19988-1994. the export to USA is increasing trend.
5. Iran is the largest supplies among the carpet export group China, India, Pakistan and Nepal are than listing. Nepal had very significant share in total export of hand knotted woolen carpet but it has increased sharply

reaching the share 10.4 percent in 1993 but it again reduce little 2005/06 becoming 9.4 percent of the world market share.

6. The Germany has played vital role in promotion of Nepalese carpet. Out of EC country carpets are exported more than 60 countries.
7. The woolen adept have played major role on GNP of national because it is the main product to earn foreign exchange.
8. The total consumption among the countries is not forecast and interpretable due to massive fluctuation in the trend. However, it is observed that there is still good demand of hand knotted woolen carpet among those countries.
9. There is a tough competition for Nepalese woolen carpet in comparison to the market share. Even the market share in terms of value may not be quite informative of competition, Nepalese carpet have to face the competition in market with the carpets have to face that competition in market with the carpets of Iran, China, India, Pakistan, Afghanistan, Turkey and Morocco are the main competitors for the woolen carpet.
10. The Nepalese exports and miniatures have not their own distribution cells in foreign countries except on trade fairs. About 64 percent of the sales go to wholesales in Germany who are specialists merchants and re-exporting to UK, Switzerland, Belgium, Hong Kong, Singapore etc.
11. 93 percent of the export of the Nepalese woolen carpet is based on direct selling through the individual effort of entrepreneur, remaining 7 percent is through agent and intermediate's 85 percent carpet export through wholesalers and only 15 percent through retailers in the international market.
12. One of the important features of Nepalese carpet is that it is economically accessible to all class of the people, uniqueness in

weaving style, pile thickness wool type and texture and some used to buy sympathy to poor country and by the name of Tibetan refugees.

13. The effort made by government to promote the market of Nepalese carpet to making policies entrepreneurs side efforts are only limited to participation on seminars and exhibition.
14. The reduction of price and demand of Nepalese carpet in the world market is seen which is because of deflation of Nepalese rupees in comparison of US\$ and DM, quality of carpet, use cheap wool, child labor, other competitor country export in cheap price, problem of promotional tools etc.
15. Nepalese hand knotted woolen carpets have not its own trademark, brand name and copy right certificate. India has sold Nepalese carpet with other brand name.
16. Nepali exporters are not using the consumer promotion tools like; samples, coupons rebates, premium, prize etc but they are using trade promotion tools as sales promotion. Trade promotion can persuade the retailer or wholesaler to carry more goods than the normal price.

CHAPTER –V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

A land locked country, Nepal is dependent upon agrarian economy. The export component, which is the main part of foreign trade, plays an important part in the overall economic development of the country. The carpet industry produces an exportable item that has earned an important position in the national economic and helps to solve unemployment problem. Nepali labor and skills are used. People of Nepal who live in northern part of country having traditional carpet knitting skill are being employed in carpet industry. The major commodity exports from Nepal are carpet, readymade garments, goat skin, hides, pulse, handicrafts, leather products, woolen goods and jewelers items. Among them carpet (hand knotted woolen) is the most important product. The carpet industry is on top and it has the first rank in the Nepalese economy.

The major markets of Nepalese woolen carpet are Germany, USA, Belgium, UK, Switzerland, Turkey, Italy, Canada, Netherlands and Austria. Nepalese woolen carpets are exported more than 60 countries of the world. The export to Germany was about 84 percent of the total carpet export in 1996/97 then after the export was decreasing and in 2005/06 it covered only 42 percent only.

The major markets of hand knotted woolen carpet are concentrated in Europe especially in EEE. Germany, USA, Japan, France, UK, Italy, Switzerland, Belgium, Austria and Sweden are these countries who re-export the Nepalese hand knotted woolen carpet among them Germany is the first rank of Nepalese carpet re-exporter. The major competent exporters countries are Iran, China, India, Pakistan, Afghanistan and Romania among them Iran is the

main competitor of Nepalese carpet than after china and India are the ranked in 2nd and 3rd rank respectively.

Major changes had occurred in design production technologies on carding, dyeing, washing and raw materials in 1990s. The designs underwent changes to suit the changing taste of western buyers and ever since many importers have also suggested color scheme which is being readily accepted by Nepalese manufactures. Nepalese carpets are different from other hand knotted carpets like Persian, Bokhara, Berber, Kelems, Karamaine and Dhurries. Today Nepalese design and knot typed carpets are made from different types of wool most of Nepalese carpet are made with the blending New Zealand and Tibetan wool in ratio 80:20.

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

The geographical structure of Nepal is one of the major bottlenecks in development of export sector. There is no government incentive on the transport. The country has an access to sea only through India which arises several problems in getting various documents and custom clearance to satisfy the Indian government. Carpet promotion is found to have been done by Nepalese exporters by mail-marketing, advertising, trade discounts and personal selling to the channel numbers. The financial constraints and lack of technical know-how are the causes that Nepalese exporters do not communicate their carpets direct to the consumer. The exporters and produces

get only the second had information through their respective buyers. One of the short term promotional policy and pull strategy is practiced by advertising in the magazines. The advertising is especially done during fair time usually opening in Germany and USA and they are done for channel promotion than consumer promotion.

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

Nepalese exports also participate in the trade fairs. About 75 percent of the exporters visit the Demotex. Trade fair of carpets and floor coverings in Germany and 20 percent visit the Atlanta national floor covering market fair, USA every January. The participation of the Nepalese exporters are not directly subscribing a stall but with their respective importer buyers. They make new contacts and receive orders from the buyers in the fairs. The past success of the Nepalese carpet marketing is because of the good public relation. The sympathy to the Tibetan refugees, poor country and the image of Nepal's cultural heritage and natural beauty had created good image of Nepalese carpet.

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

So many numbers of carpet industries were established and closed. There are so mainly problems in carpet industries. Due to the different problems in carpet industry in Nepal it could not increase in the firm of institution. The main problems are no export, problems on market, problems on productions and other common problems. Being the membership of WTO by Nepal the trade is going to free trade so it must be necessary to improve in every sector of carpet production, export, market diversification, and other sectors.

5.2 Conclusions

Since 1962 woolen carpets were exported from Nepal with the production and promotional efforts of Swiss agency. Those carpets of Nepal were Tibetan carpets which were liked by European consumers because of the unique artistic and handicraft items. The major changes took place in the early 1980s because Nepalese manufactures were with the European design in Nepalese carpets. Nepalese carpet had been enjoying very good reputation in the markets and the market is expanded to the large group of consumers as a common item. Nepalese carpet has secured 3rd position in the market which is classified under 5701 HS code in international market. Nepal has to compete with Iran and Indian woolen carpet in EC. Among EC Germany was the center for the international carpet trade.

The second largest market of Nepalese woolen carpet is USA in the world. Nepal has not been able to export woolen carpet in USA in large volume but since 1997/98 the trend of Nepalese woolen carpet export was increasing. The trend of export in the year 2002/03 and 2003/04, similarly USA, Switzerland, UK, Belgium, Turkey, Japan, Canada, Austria and other many countries are found to be the sub-main market of woolen carpet in the world. Nepal has to do exercise on the market of woolen carpet in the world. Nepal has to do exercise on market promotion. The initiation of the largest trade fair in Germany hampered the imitation of the largest trade fair in Germany named domestic fair, since 1989

exploited the popularity of the Nepalese carpet then after the market structure changed to the pure competition.

Nepal has been exported woolen carpet to Germany about 82 percent. A small conflict in Germany market can produce huge problem in Nepalese woolen carpet industry. In 1996/97 the propaganda made in Germany about child labor use in carpet industry had greatly effected in carpet industry. The demand of carpet felt down. It can't be maintained till today. So it is very essential to search other international markets for Nepalese woolen carpet.

The rapid growth of industry in Nepal has created its own problems and competitions. The price of carpet differ not only according to the design, color and type or in program another without any apparent reason of quality and others.

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

Nepali exporters were producing a large quantity of the same product targeting to the same taste and preference of the European consumers consequently they have got O set the price according to the market. The manufactures and exporters use intensive, selective and exclusive distribution policies as well as direct and indirect channels. No effort was made to create channel relation in USA, Japan and other potential markets with design development. Nepalese exporters communicate with their buyers by mail advertising, sales letters and personal visits. But the exporters use design sheets, photographs and slides, trade brochures and discount on stock sales as promotional tools. The government has established a single body "Carpet and wool development board" for development of carpet industries and promotion

carpet export. It has engaged nearly in the export development activities. The major media is fair magazines of Nepalese publishers, which is denoted by advertising. Nepalese carpet experts create demand in different markets and they are based on the second hand information. The participation in trade fairs had contributed well in export promotion and visitors response on the trade fairs.

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

Although there are many trade associations in the country, their actual performance regarding export promotion is negligible. There is lack of co-ordination, co-operation and dedication on the individual traders' trade associations and government bodies. They are working without proper guidance and committed plans. The CCIA is the main responsible body on behalf of the private sector. It was only making efforts to protect the welfare of the members out of the government policies and the public. There is lack of activities on market survey, information and marketing intelligence system; promotion and publicity campaign. The USIAD/CCIA market promotion program in USA has short position results, even taken then it is not determined property as succeed.

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

5.3 Recommendation

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

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

Quality of carpet should be maintained to make recognition of "Made in Nepal" and price should be stable to increase the perceived value, producers must have produce qualitative carpet through different angle wool, thread, color etc. the quality control should be done in the process of production but not in production.

Market promotional activities like advertising, through different media, electronic media, news paper etc and demonstrations, trade fair etc. are very essential for export promotion of carpet like new market in USA very heavy

advertising campaign is necessitate fro promotion of carpet. To overtake complete India and china this advertisement campaign is very essential identification of market is must for expert promotion and the inputs of commercial in formation, intelligence and access to market data also need to be provided.

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

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

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

The government, the manufactures/ exporters and the trade should be aware of present threats as (i) trade barriers raised by the advanced countries like ISO-9000, (ii) eco-friendly certification and (iii) AZO dyestuffs etc. they should be able to assure about meeting the agreed standard of the Nepalese carpets rather than just making efforts to label for the same.

The government with all its specialized agencies like CWDB, TPC, and EPC etc should look into the matter and needed to come forth with concrete program.

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

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

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

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

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

Last but not the least; Nepal has to practice well in export planning and strategy setting to achieve the objectives of export promotion. Export planning involves complete and comprehensive information, guidance and control of marketing actions. The planners and entrepreneurs should understand the comparative advantage of the product, pricing, distribution, product development; product competitive scopes; import rules and regulations, and market potential, continuous information, persuasion and influence of product quality and new strategies are needed.

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- TPC, various issues, (<http://www.tpc nepal. org. np.>)

APPENDIX- I

Questionnaire for Central Industries Association and Carpet and Wool Development board

1. Name of Respondent and Designation
2. When was
 - a. CCIA/CWDB established? registered with HMG/G
3. According to recent data, what is the share of Nepalese carpet exports as a percentage of overseas carpet export?
4. Is the carpet sector open for foreign investment? If so, how many firms registered with CCIA and CWDB are affiliated to foreign enterprises. (Wholly owned or joint ventures?)
5. How do you assess the government's past and present policy towards the carpet sector? (please underlings)
6. What areas head to be strengthening to improve the competitive ness of the carpet sector?
7. What percentage of exported carpets, according to latest figures, now has some sort of labeling indication the non-use of child labor?
8. What are the main areas identified by CCIA and CWBD for the sector be truly an international player in carpet exporters?
9. Which countries are considered to be Nepal's main competitors?
10. Based ion current government. Policies, global competition, domestic skill and other factors, how does CCIA and CWDB view the prospects for the Nepalese carpet industry? (please underlines)
11. What types of promotional strategies have been lunched to export carpet?
12. What are the main problems that CCIA and CWDB facing how about the Nepalese carpet sector?
13. How many production and export agency are registered in your association?
14. What role can you play in the carpet sector?

APPENDIX- II

Questionnaire for the Producers

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

APPENDIX- III

Questionnaire for Carpet Exporters Nepal

1. Name of the company
 2. Type of seller (please underline)
 3. Form which country do you export hand knotted carpet?
 - a. EU
 - b. USA
 - c. Others
 4. Which are the main competitors countries? (please underline)
 - a. Iran
 - b. India
 - c. China
 - d. Pakistan
 5. Do you have your own agency in foreign countries?
 6. With which countries do you have business relationship?
 7. Do you
 - a. Visit trades shows like as: trade fair, Domotex?
 - b. If yes, how frequent do you make such visit?
 - c. How are these visits useful for your business?
 8. How did you come to know about the labeling initiative?
 9. State briefly what role do carpet producers expect the CCIA to play for the sustainable growth of the sector?
 10. Please mention the years in which:
 - a. You set up business.
 - b. Started export of carpets.
 - c. Provide data on quantity and value of carpets export in 2005.
 11. What are the main problem that carpet exporters face?
 12. What are the problems do you have facing in international market?
 13. Do you have done any international market research for carpet?
 14. Do you satisfies with government role? What are your expecting from government for development of carpet industry and its export?
- Do you export carpet directly or indirectly?