

# **A STUDY ON EXPORT OF NEPALESE CARPET**

**A STUDY ON EXPORT OF NEPALESE CARPET**

**A Thesis Submitted to  
the Central Department of Economics, Faculty of Humanities and Social  
Sciences, Tribhuvan University, in Requirement for the  
Partial Fulfillment for the  
Degree of Master of Arts (M.A)  
in  
ECONOMICS**

**By  
KHEM RAJ BHATTA  
Roll No. 262(2060-2062)  
Central Department of Economics  
Tribhuvan University  
Kirtipur, Kathmandu  
2006**

**—By Khem Raj Bhatta**

## **RECOMMENDATION LETTER**

This thesis entitled "**A Study on Export of Nepalese Carpet**" has been prepared by **Khem Raj Bhatt** as a partial fulfillment of the requirements for the Degree of Master of Arts in Economics, under my supervision. I forward it with recommendation for acceptance.

---

**Prof. Dr. Madhavi Singh Shah**

(Thesis Supervisor)

Central Department of Economics

Kirtipur, Kathmandu

Date:

## APPROVAL LETTER

This thesis entitled " **A Study on Export of Nepalese Carpet**" Submitted by **Khem Raj Bhatt** has been accepted as the partial fulfillment of the requirements for the Degree of Master of Arts in Economics.

Thesis Committee

Chairman

---

Prof. Dr. Madhavi Singh Shah

External Examiner

---

Thesis Supervisor

---

Prof. Dr. Madhavi Singh Shah

Date:

## **ACKNOWLEDGEMENTS**

This study prepared as a dissertation for the partial fulfillment of the requirement for the Master's Degree course in Economics, analyzes the Export of Nepalese Carpet during the period 1990/91-2004/05.

I am extremely indebted to my supervisor Prof. Dr. Madhavi Singh Shah, Central Department of Economics, Tribhuvan University for her generous encouragement and undertaking of the supervision of my entire research work. This study is the result of her continuous encouragement, many helpful suggestions and comments.

I wish to express my deep sense of gratitude to Lecturer, Naresh Nepal, Central Department of Economic for his valuable suggestions. I am very much grateful to my other respected teachers of the Central Department of Economics for providing me valuable suggestions and information.

I want to extend my indebtedness to Mr. Rahul Dev Bhatt, Mr. Nav Raj Awasthi and Mr. Charingabi Tiwari. I also like to thank Mr. Rajiv Maharjan of Friend's Computer Service, Kirtipur for helping in desktop printing of this thesis.

Lastly, I wish to express my thanks to my family members and relatives for their help in many ways.

**Khem Raj Bhatt**

## CONTENTS

	<b>Page</b>
<i>Recommendation Letter</i>	
<i>Approval Letter</i>	
<i>Acknowledgements</i>	
<i>Contents</i>	
<i>List of Table</i>	
<i>Abbreviation</i>	
<b>CHAPTER ONE : INTRODUCTION</b>	<b>1-10</b>
1.1 Background	1
1.2 History of Carpet Weaving	2
1.3 Development of the Carpet industry in Nepal	3
1.4 Export Scenario	5
1.5 Importance of Carpet Industry in Nepalese Economy	7
1.6 Statement of the Problem	7
1.7 Objectives of the Study	9
1.8 The significance of the Study	9
1.9 Limitation of the Study	9
<b>CHAPTER TWO : REVIEW OF LITERATURE</b>	<b>11-22</b>
<b>CHAPTER THREE : RESEARCH METHODOLOGY</b>	<b>23-29</b>
3.1 Research Design	23
3.2. Source and Collection of Data	23
3.3 Tabulation and Analysis	24
3.4 Statistical tools and Variables	25
<b>CHAPTER FOUR : PRESENTATION AND DATA ANALYSIS</b>	<b>30-52</b>
4.1 External Trade and Payments Situation	30

4.2	Foreign Trade	30
4.3	Balance of Payments	32
4.4	Existing Market of Nepal for Nepalese Carpet	34
4.5	Domestic Market	35
4.6	Foreign Markets	35
4.7	Market Composition	36
4.8	Carpet Export From Nepal by Destination	38
4.9	Germany A Leading Importer of Nepalese Carpet	41
4.10	Carpet Export Compared to Total Export From Nepal	43
4.11	Carpet Export to The Asian Countries From Nepal	45
4.12	Major Carpet Trading Partners of Nepal	47
4.13	Determinants of Nepal's Carpet Exports	49

## **CHAPTER FIVE: PROBLEMS OF NEPALESE CARPET**

<b>INDUSTRY</b>		<b>53-67</b>
5.1	Introduction	53
	5.1.1 Labour	53
	5.1.2 Raw Material	54
	5.1.3 Floor Price	54
	5.1.4 Pollution	55
	5.1.5 Transport	56
	5.1.6 Health Hazard	57
	5.1.7 Shortage of trained Worker	57
	5.1.8 Quality Control Problem	58
	5.1.9 Market Diversification	58
5.2	Challenges of The Carpet Industry	60
	5.2.1 Child Labour	60
	5.2.2 WTO and Nepal	62
	5.2.3 Export of Nepalese Carpet in WTO Regime	64

5.2.5 GSP Rules of Origin	66
<b>CHAPTER SIX : SUMMARY, CONCLUSION AND RECOMMENDATION</b>	<b>68-80</b>
6.1 Summary	68
6.2 Conclusion	73
6.3 Recommendation	76
<b>BIBLIOGRAPHY</b>	<b>81-83</b>
<b>APPENDIX</b>	<b>84-87</b>

## **LIST OF TABLE**

Table 1: Quantity in (Square Meter) and Value in (s. 000)	36
Table 2 : Carpet Export From Nepal by Destination (in %)	39
Table 3 : Carpet export to Germany from Nepal	41
Table 4 : Carpet export compared to total export from Nepal	44
Table 5 : Carpet Export Trend with some Asian Countries From Nepal	46
Table 6 : Major Carpet Trading Partners of Nepal	48
Table 7 : Determinants of Carpets ExportSimple Linear Model	51
Table 8 : Log - Linear Forms	52



## **ABBREVIATIONS**

CBS	:	Central Bureau of Statistics
EPZ	:	Export Promotion zone
FNCCI	:	Federation of Nepalese chambers of Commerce and Industries
GDP	:	Gross Domestic Product
GNP	:	Gross National Product
LDCs	:	Least Developed Countries
NRB	:	Nepal Rastra bank
CIWIN	:	Child Workers in Nepal Concern Centre
UNICEF	:	United Nations Children Fund
WTO	:	World Trade Organization
UNCTAD	:	United Nations Convention on Trade and Developed
GSP	:	General System of Preference
MFN	:	Most Favoured Nation
FDI	:	Foreign Direct Investment
GATT	:	General Agreement of Tariff and Trade
EEC	:	East European Countries
RER	:	Real Exchange Rate
TE	:	Total Export
FY	:	Fiscal Year
SATA	:	Swiss Association of Technical Assistance Programme
INGOs	:	International Non-Governmental Organization
NGOs	:	Non-Governmental Organization
sq. km.	:	Square Kilometer
CEDA	:	Centre for Economic Development and Administration
NCEA	:	Nepal Carpet Exporter's Association
CWDB	:	Carpet and Wool Development Board
TPC	:	Trade Promotion Centre