

Nepalese Carpets : An Analysis Of Export Oriented Production And Labour Markets

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INTRODUCTION

When considering the volume and value of overall world trade, carpets only account for a small proportion. Yet, for many of the exporting countries this trade has an important role, both in terms of national trade balances and employment opportunities, as is the case for Nepal. During the 1970s the world trade in carpets was dominated by Iran, which had a market share of 30-40 percent of the overall trade value of about 280-400 million US \$ (UN 1976). At that time carpet production in Nepal was still in its infant phase and was not even mentioned in international trade statistics, as UN's Yearbook of International Trade Statistics, (1976), YITS, now called International Trade Statistics Yearbook, ITSY. On the other hand, the first national trade statistics published by the Nepalese Trade Promotion Centre (TPC) for the fiscal year 1972/73 documents an export volume of 4,612 carpets and an additional 1,094.78 sq.m. with a total financial value of almost 2.5 million Nepalese Rupees, equal to about 230,000 US \$ (TPC 1974: 23/24). This accounted for about 1.8 percent of Nepal's total overseas exports, 135 million NRs.

By the early 1990s the world trade in carpets had increased to about 2.5 billion US \$ (UN 1993), showing an almost ten fold increase during the previous two decades. Nepal had advanced to an important exporting country, which accounted for almost 10 percent of the world trade in carpets. Nepal was listed in the YITS for the first time in 1977 (UN 1976). After a decade, 1987, Nepal was listed among the top ten list of exporting countries, with an estimated market share of 4 percent and 1.2 percent for 1982, which was later on reassessed as 1.5 percent (UN 1993). In the early 1990s the YITS shows Nepal to have a leading role with about 9 percent of the world trade for 1992, after Iran, 27.3, China, 18.6 and Pakistan, 9.1 percent.

These statistical data may suffice as an introduction to a closer look at the developments which have taken place during this period of time. The analysis which follows, is based on an examination of export statistics as well as other studies and data from field work carried out by the author

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from 1996 onwards. Much of the latter were collected during 1998/99, interviewing government officials, businessmen and women as well as about 580 workers in carpet manufactories, specifying their districts of origin, ages, family backgrounds, schooling, and working histories.

A SHORT HISTORY OF EXPORT ORIENTED CARPET PRODUCTION IN NEPAL

In contrast to other Asian and Middle Eastern countries, where carpet production has a long history, this activity is only of marginal historical importance and confined to a few mountainous regions in Nepal, but is not relevant to the export boom which was to take place later on. Carpet manufacturing in Nepal had its major impetus when Tibetan refugees fled south in the early 1960s. While the contemporary Indian government both financially supported the refugees and allowed the Tibetan government in exile considerable administrative autonomy the Nepalese government from early onwards sought the help of international donor agencies, as for instance the International Red Cross Society (O'Neill 1997) Even during this early stage the aid programmes were based on self reliance programmes which were to sustainably, to use the diction of the 1990s, secure the livelihoods of the refugees. These programmes were based on low capital and labour intensive handicraft techniques, as for instance the weaving of carpets (Hagen 1975).

Carpet weaving was thus established at the three largest Tibetan refugee camps, at Jawalakhel, south of Kathmandu, Pokhara, western Nepal, and Chialsa, today Solokhumbu district, co-financed by the Tibetan government in exile (O'Neill 1997). From late 1965 onwards, after the initial short term aid programmes had come to an end, the Swiss Government, or to be more precise the Swiss Agency of Technical Assistance (SATA), took charge of organising further rehabilitation programmes. The so-called handicraft centres were converted into private companies in 1966 and placed under Tibetan management. The Carpet Trading Company was founded as a marketing agency. The company's early roeport document an annual production of about 4,300-5,600 sq.m. and an export volume of about 2,7003,750 sq.m. for the years 1966-70 (CTC 1972). Yet, even after increasing the volume of trade to more than 4,000 sq.m. from 1971 onwards this export remained essentially a small scale trade, as standard sizes of 3 by 6 feet, 0.9 to 1.8 m. and resulting overall size of 1.67 sq.m. suggests that less than 2,500 carpets were exported annually (Maskey 1999). Nevertheless, the chairman of the CTC's board of directors stated in a brief note as considerations of a possible expansion of carpet production in Nepal, that increases in demand, suggested that production should be increased (Hogger 1970).

This brief overview of the beginnings of export oriented carpet production in Nepal may suffice in order to show that production, at least during the early years, was strongly linked to securing livelihoods for the Tibetan refugees and that exports of these carpets to Europe were primarily aimed at securing sales and thus the overall financing and survival of these projects. At the same time, bottlenecks in production gave impetus to the founding of new manufactories, both by Tibetans and Nepalese businessmen. These new companies were not located within the camps and recruitment of the work force was not confined to the comparatively limited group of Tibetan refugees. The importance of non-Tibetan carpet manufacturers is evident from an early study by the Trade Promotion Centre on woolen carpets of nepal (TPC 1975), which records that Tibetan Handicraft Centres, even though they were still the major centres for production, had been joined by a broad spectrum of other producers, as Hindu or Newari company names, such as Nepalese Carpet Ltd., Keshar and Sons, Mahendra and Sons, or Dan Ratna Tuladhar (TPC 1975).

The increase in production led to a first export boom, as is documented in the trade statistics for 1976, when the export volume tripled within one year to reach about 28 million NRs. accounting for 7.6 percent of the overall overseas exports (TPC 1977) and when Nepal for the first time was listed as one of the carpet exporting countries in the YITS. One reason for this boom was the government's economic policy of introducing a bounus system, which granted the businessmen the benefits of import allowances of 60 percent of their export value, which could be used either for direct imports or could be sold to importers.

This increase in trade volume also had implications for Nepal's trade partners. The early national trade statistics document the close links to Switzerland, which in 1974 still accounted for almost 60 percent, 1.4 million NRs, of all carpet exports from Nepal (TPC 1975). Other important trading countries were Germany and the United States, 16 percent and 14 percent respectively, whereas Japan 4.3 percent, France 1.6 percent, Australia 0.8 percent Canada 0.5 percent and Hong Kong 0.6 percent were of lesser importance (TPC 1975). The increase in production to almost 50,000 sq.m. which took place during the mid 1970s also brought about successful diversification of trade partners. Between 1974 and 1976 exports to the United States increase ten fold, to Japan eleven fold, and to the United Kingdom even two hundred fold. Within the same period of time carpet trade to Switzerland only increased three fold and to Germany five fold, and thus the shares of Switzerland and Germany declined to 20 percent and 7 percent whereas the shares of Hong Kong, the United States, the United Kingdom, and Japan rose to 30 percent 18 percent, 8 percent

and 5 percent respectively. Yet, this diversification of trading partners was of fairly short duration. During the late 1970s, both British and German traders substantially increased their market shares and by 1981 exports to these two countries accounted for about 30 percent each, while only 17 percent of the carpets were then sent to the United States and 10 percent to Switzerland (UN 1976-82).

Details about the manufactories of the early 1980s can be obtained from two contemporary studies. A small case study undertaken in the western part of Kathmandu Dambu and Swayambhu, by a student of geography indicates that only 16 of 29 manufactories were still under Tibetan management whereas the others were run by Nepalese, especially by Newar (Gautam 1984). A study undertaken by the Nepal Rastra Bank on credits within the cottage and small scale industry project reveals a wide regional coverage throughout the Kathmandu valley including Bhaktapur, with centres east Chabhil, and north Balaju of Kathmandu (NRB 1984). The latter study, covering a total of 46 manufactories with a work force of about 490 people, also reveals that even credit receiving companies were at that time still rather small units with an average of 5-10 and 10-20 and a maximum of 60 workers (NRB 1984).

A second phase of increasing exports is apparent for the early 1980s, when the export volume again increased annually by 20-50 percent reaching a trade volume of 100,000 sq.m. in 1982, and especially in 1983/84 when it increased by almost 75 percent. As the Nepalese currency was devalued during this time the rise in (NRs) value was even higher, namely 28-64 percent and 92.6 percent for 1983/84. During these years, the share of carpets in total export trade, which had slowly but continually increased from 5 to 10 percent during the 1970s, increased substantially to 18.1 percent in 1981, 47.5 percent 1982, and 54.8 percent in 1983/84. In 1984/85 export figures declined for the first time, 13.6 percent of the trade volume, due to shortages in wool supply on the one hand and difficulties in dyeing with natural colours on the other hand (O'Neill 1997). National trade statistics document this decrease only for 1984/85, while it is much more apparent in the YITS, where assessments of trade volumes for these years are characterised by later devaluation. For instance, the trade volume for 1983, first assessed at 25 million \$ (UN 1983) was devalued to 0.76 million \$ (UN 1984). Similarly, for the first phase of reconvalence (UN 1986), the trade volume was initially assessed at 38 million \$ but was again devalued to 19 million \$ from 1988 onwards.

The real export boom, especially to Germany, took place in the late 1980 and early 1990s, when in 1989 the trade volume for the first time reached above 1 million sq.m. and annual growth rates ranged between 26

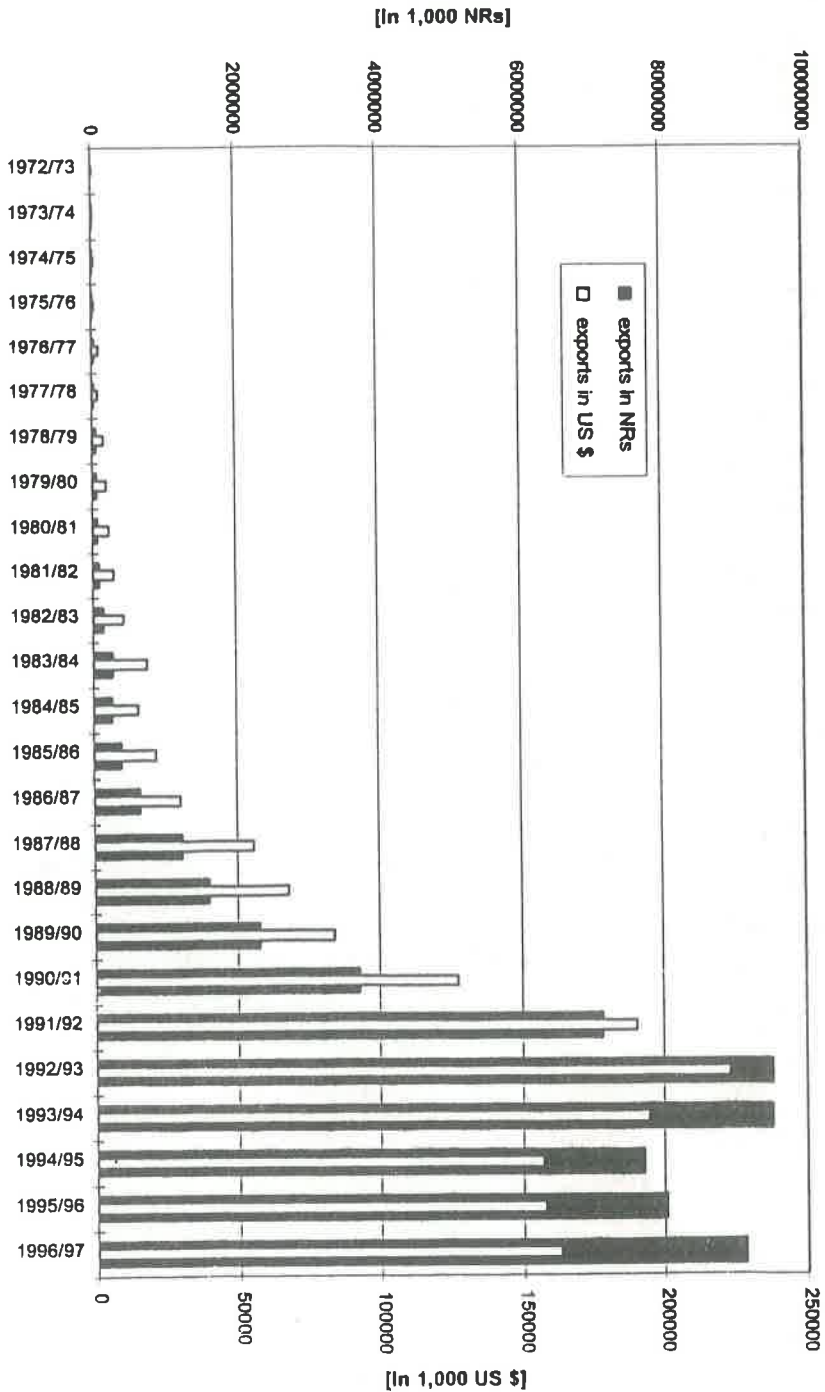
and 42 percent. As during this time the Nepalese Rupee was again devalued, especially due to the implementation of the World Bank's Structural Adjustment Programme, growth rates in terms of financial values reached 31-93 percent in the national currency (NR) and even 17-86 percent in terms of Dollar values. During this time, carpet exports again accounted for more than 50 percent of all overseas exports, in the record year 1990/91 even for 65.3 percent (NRB 1999).

Yet, these euphoric numbers need to be read with some care. In order to save the economy from downward pressure on prices, the Nepalese government introduced a so called floor price for all export items back in the 1970s, which defined a minimum at which these items were to be exported. The rate for carpets, previously 60-70 \$, was 54 \$ per square meter for washed carpets, 48.5 \$ for unwashed ones during the 1990s. Invoices have to be made at this rate and nominal export, taxes, 0.5 percent, have to be paid. Yet, at the same time, especially since the early 1990s, many export deals take place at unofficial rates, i.e. exporters agree to reimburse their partners with a smaller or even larger amount of money. As this reimbursement can only be undertaken via unofficial channels, the so called *hundi* system, there are no data available on actual financial values of carpet exports. Estimations done through interview indicate that about 10-25 percent of all carpets are nowadays exported at this official rate or above, whereas many are sold at real prices ranging from 30-40 \$, or even 20-30 \$ per sq.m. (Khadka 1998).

In addition to these dramatically reduced prices, the trade volume also declined by 12.9 percent in 1994/95, so that even the national statistics record a decrease in financial value of 19.1 percent (Figure 1 and Table A Appendix). Reasons for this decline were manifold, and included an over saturated market in Europe, due to overproduction in Nepal and cases of quality decline, usage of recycled wool wastage. Public discussions on working conditions and especially child labour have also led to a substantially lower demand, especially in Germany, which in the early 1990 had a market share of more than 80 percent. In recent years, overall export volumes still have a volatile nature, declines in 1995/96, 9.6 percent and in 1997/98 15.4 percent, are followed by years of recovery, as in 1996/97 + 10.4 percent. Exports in terms of dollars slightly increased and as the Nepalese Rupee was again devalued the export volume in Nepalese Rupees is again on the rise. Efforts at stabilising exports aim at market diversification, as for instance increasng trade to the US (Maskey 1999).

Figure 1

Carpet Exports From Nepal



Source: Constructed by the Author based on the field work 1996-99.

LOCAL CARPET PRODUCTION AND EXPORTS

Increases in demand and production and the rising numbers of manufactories do not automatically imply that all of these newly established enterprises were in a position to enter the export market. The prerequisites for doing so are on the one hand and an officially issued export license on the other hand promising contacts with potential trading partners. Whereas the former is a matter of Nepalese administrative procedures, the latter is much more difficult to achieve, especially for newly established enterprises. These manufacturers usually offer their carpets to larger producers/ exporters, a structure which has led to a continually increasing local carpet market. These markets exist in two different types, either in form of sub contracting, i.e. the direct handing over of production orders, or in the form of so called stock markets, where carpets are woven without previously being ordered and where rates have always been lower. Sub contracting is usually done by handing over the designs to the sub contractors, but there are also numerous types of conditions with different margins of profit. In some cases the wool is also handed over and only the weaving process, and some profit margin, is being paid for, whereas in other cases other production processes, as for instance wool spinning, cutting and washing are also done by the sub contracting enterprises.

This structure has remained until today and is best documented in a study done by O'Neill (1997) in the eastern part of Kathmandu Chabhil, Bouddha, Jorpati. It shows that in 1995/96 only 20 percent of all enterprises, 59 out of 295, were directly engaged in exporting, whereas all others were either sub contractors, 133 or 45 percent or stock producers, 94 or 34 percent. Interestingly, this structure has a distinct ethnic dimension. Many of the manufacturers working as sub contractors or stock producers are from Nepalese Tibeto-Burmese ethnic groups as for instance Tamang, Yolmo or Sherpa (O'Neill 1997. On the other hand, only 27. percent of all carpet manufactories are under Tibetan management but these still dominate export, 31 of 59 or 52.5 percent). When considering their higher production and export, volumes, their share is even higher. This is apparent from a brochure, Nepal Carpet Mar (NECAMA 1998) which includes a top sixty list of carpet exporters, who in the financial year 1997/98 had a trade volume of over 13,000 sq.m. and a maximum of 74,642 sq.m. Among the top ten, about half of all companies are under Tibetan management, whereas the others are run by Newar, Brahmins or Sherpa. Yet, by contrast to O'Neill's study, both the NECAMA list and an analysis of all companies registered in the Central Carpet Industry Association, which members run 844, (CCIA 1997) record a high percentage of companies run by Newar, a total of 146 companies; 17.3 percent many of them Shrestha, the traditional merchant community of the Newar, 71 companies. These have

been highly underrepresented in O'Neill's study, which concentrated in the eastern, and thus relatively newly settled, areas of Kathmandu, where Newar only accounted for 9.5 percent of all companies.

The differentiated structure of the local carpet industry was most pronounced during the early 1990s when there was an enormous rise in demand, to more than 3 million sq.m. and when the exporters faced difficulties in increasing their production accordingly. During this period, many exporters extended their production accordingly. During this period, many exporters extended their production capacities by sub contracting some parts of their production to either existing or newly established manufactories which often were up graded by infrastructure and or technical staff who were put in charge of overseeing the production process. Some exporters also gave financial support in form of loans to staff who had previously been in charge of their company's production, loom masters, who then could establish their own manufactories, and or production in private homes. The high rise in demand as well as the high rates and profits of this period (Table 1) had a strong impact upon production, and so this phase of export boom is characterised by an extremely high spread into small and smallest scale manufactories and even private households, where overhead costs were much lower. Yet all of these small scale production units were still linked either directly, via various stages of sub contracting, or indirectly, but producing for stock markets, to the export markets.

During this time of increasing demand even the smallest production units had a favourable bargaining position towards their contractors and were able to secure good profits, as usually orders had a tight schedule and had to be finished within the required time schedule, at possibly higher rates. Rates in the domestic market rose from 1,150-1,500 NRs/sq.m. during 1990/91 to 1,350 - 1,750 NRs within one or two years, while production costs only increased much less and later. Thus, this was a time of high profits of 100-300 NRs (Table 1).

On the other hand, this multi layered structure had extremely negative effects when demand as well as export prices declined rapidly during the mid 1990s. Many of the larger exporting companies concentrated their production, again in their own factories, and the over capacity of production, coupled with a drastic decline in demand from the exporters, meant that soon the small scale enterprises especially were no longer in a position to bargain for rates which could guarantee them a good profit margin (Table 1). Declining export rates had a devastating effect upon local carpet producers, a phenomenon which was slightly buffered by the devaluation of the Nepalese Rupee, as inflation occurred only later on.

Table 1
Production Costs And Sale Rates For 60 Knot Carpets 1990-99

(in NRs/Sq.M.)

Particulars /Years	1990/91	1991/92	1993/94	1996/97	1998/99
Production Costs	1050-1400	1250-1550	1320-1750	1360-1850	1620-2300
National Market Rates	1150-1500	1350-1750	1360-1850	1380-1950	1650-2500
Profits at the National Market	100-200	100-300	40-150	20-150	30-200
Export/Rates (NRs)	1450-2030	1875-2525	1960-2450	1680-2520	2010-3350
Export/Rates (\$)	50-70 \$	50-70 \$	* 40-50 \$	*30 - 45 \$	* 30-50 \$

Note : * Estimations

Sources : Field Data by the Author 1996-99; O Neill 1997.

LABOUR MARKETS - HIGH SUPPLIES AND CHANGING DEMANDS

The situation described for the domestic carpet market has its parallels on the labour market. The extreme rise in demand during the late 1980s and especially during the 1990s led to an enormous demand for labourers, skilled as well as semi or unskilled ones, especially for the labour intensive processes of carpet manufacturing, such as the spinning of wool and weaving. According to generally accepted estimations, the total labour force employed in carpet manufacturing was about 250,000 persons in 1990s ((Shrestha 1991, Pradhan 1993). On the other hand, official statistics, as the Census of Manufacturing Establishments, mention only 62,000 persons in establishments with more than 10 workers and another 21,000 workers in small, scale < 10 persons, enterprises (CBS 1994a). Some of the tasks are done by men rather than by women, such as the dying of wool and contour cutting of finished carpets, or by women, such as spinning, whereas weaving has always been done by both. Yet the composition of the labour force has slightly changed over the last few years, whereas about two thirds of all weavers used to be women (Thacker 1993), recent field data suggest that nowadays the proportion is more equal, 276 women and 242 men.

The high rise in demand led to an unprecedented migration to the Kathmandu Valley. Labourers usually come from rural areas in districts either adjoining the Kathmandu valley, as indicated in the CWIN study (1993), but also from other eastern districts, and a few from the west (Map 1). Many of the workers are from Tamang communities, but there are also increasing numbers of Cheetri, Newar, Magar and even Brahmin workers involved according to an ISD study of 1997, 37 percent, 13 percent, 10 percent, 7 percent and 6 percent respectively. In the areas of origin, labour

During the boom period, recruitment of labourers was done both via family/village networks and via middlemen. Many persons who were already employed in the production process brought along younger family members or their villagers when returning back to Kathmandu after their annual festival trips in autumn. These unskilled persons were then usually placed at the same frame for weaving the monochrome inner fields of the carpets, where they would be trained for about two to three months. The semi skilled workers were responsible for weaving the more complicated designs which required at least some skills for reading the design sheets, *naxa*, literally maps. In addition to this informal increase in labour force many manufactory owners took the help from the side of so called *thekkadars*, contractors, people who make themselves responsible for recruiting labourers from either their home towns/villages or from elsewhere. For this purpose, many of them demanded high advances from the manufactory owners in order to hand over these advances to the parents of the potentially recruited new weavers. Yet, advance payments to parents were often not handed over, as most parents were not in a position to demand advance payments in order to agree to send their children to join the labour force in Kathmandu.

During this phase of almost chronic shortage of labourers many young persons and even children were willingly incorporated into the manufacturing process, a matter which was soon to bring about much publicity and political debates. During the early 1990s many reports by national and international NGOs sharply attacked working conditions in manufactories, and especially child labour (CWIN 1989, Adams 1992, Sattaur 1993), and brought these partially polemics to international forums. Estimations on the percentage of child labour in carpet production vary significantly, whereas a government source mentions 9 percent for 1993 (Rai 1999), Child Workers of Nepal (CWIN 1993) claims the percentage to be as high as 50 percent, i.e. about 150,000 children, a figure which most certainly is too high, even for early 1990s. As a consequence, international media, such as for instance the German T.V. magazine Panorama, have taken up these issues. At the same time, some much more worrying cases of girl trafficking have become apparent, where girls recruited for weaving have ended up in Indian brothels. Several NGOs have tried to avoid this danger by increasing awareness raising in rural areas, as for instance by performing street drama addressing these issues.

Overall, the relative shortage of labour, coupled with a continually increasing demand for labourers, led to a fairly strong position for people in search for work. Thus, during this phase demands for wages could be

continually increased and demands for advances, so called *peskii* could be made when taking up work at a new place (O' Neill 1997). At the same time, changing work places was frequently done but still manufacturers had to hand over advances, even facing the danger that some of workers would not stay long enough to repay their advances. Shifting of work is still pronounced today, of all those workers who mentioned the period of employment in the respective manufacturers during the field survey reported, 524 persons, 49.6 percent had been working there for less than one year. This was even more pronounced among men, 54.8 percent.

After the onset of recession and after the processes of increasing concentration of production in larger manufactories, a rapid deterioration of bargaining capacity for the labour force occurred. The dramatic declines in demand have led to a relative over supply of labourers which had an extremely negative effect upon wages. This is especially the case for small manufacturing units selling their carpets at local markets, as increasing costs and simultaneously decreasing rates for carpets easily force these owners to the margin of viability, bringing about the closure of further manufactories and thus more unemployed labourers.

Since the mid 1990s the situation for workers in carpet manufactories, especially weavers, is characterised by slowly rising nominal wages but highly inflationary costs for living, a condition which has led to continually decreasing real purchasing capacities. The price index for wages is at about 150 percent. Thus, whereas in the early 1990s the average wages of weavers were sufficient for the subsistence of 2 to 3 persons, this has by the late 1990s decreased to 1 to 2 persons (Table 2). In addition, most of the smaller carpet manufactories suffer from low, or even sporadic orders, so that people working there are not in a position to work continuously, and thus their monthly wages are again diminished. These circumstances have drastically reduced accumulation of surplus wages and also have had negative impacts upon remittances. In the late 1990s many workers, especially families, have to spend most of their earnings in order to cope with their living expenses in Kathmandu. Thus, this industry and its workers have become a comparatively non-remitting or at least a small scale remitting sector of the national economy, especially when compared to international labour migration (Seddon et al. 1998). Above all, many manufactory owners have become reluctant to pay cash advances, especially before the *dasai* holiday, and in 1998 many workers stayed in Kathmandu rather than to return home Rupee less.

Table 2

Wages For Weaving 60 Knot Carpets And Costs For Subsistence

Particulars/Years	1983/4	1990/91	1991/92	1993/94	1996/97	1998/99
Approximate Costs of Living*	n.a.	550	600	700	850	1000
Wages NRs/Sq.M.	180-200	220-280	250-350	270-370	290-390	350-450
Average Monthly Wages	n.a.	12-15000	12-1600	14-1800	15-1900	16-2200
Costs as Percentage of Wages		36-46	37-42	39-50	45-57	45-62

Note: * Accomodation is usually provided by the enterprises.

Sources : NRB 1984, Field Data by the Author 1996-99 and O'Neill 1997.

Attempts from the side of the workers to again ameliorate their wages and working conditions have also been done via unions. For instance in August 1998 they handed over a 2 point demand list to the Ministry of Industry as well as to the Central Carpet Industry Association and the Department of Labour. There, they asked for the implementation of the Labour Act (1.) the issuing of working contracts (3), the definition of working hours (2.), increases in wages by 50 percent (5) and a dearness allowance of one month wages for *dasai*, as is provided in public services (21) as well as the harmonisation of wages in all manufactories (7) For improving working conditions, both masks and gloves were demanded (14) and the establishment of small health posts *swastha chowki* at enterprises with more than 100 workers (2). It was suggested that kindergartens should be established at enterprises with more than 25 female workers (13) and evening classes for basic schooling provided at enterprises with more than 50 workers (14). Although by now, most of these demands have been agreed upon, 21 of 26, the implementation is low, to put it mildly.

The labour market at the end of the 1990s is divided into two groups, according to the type of manufactories, whether exporting companies or manufactories depending upon orders for sub contracting. While the workers of the former have been successful in increasingly voicing their demands and also in having their demands fulfilled, the latter face more severe difficulties. They have to put up with lower wages due to low

bargaining capacities both of themselves and of their company owners. Demands for higher wages and/or other social benefits may better their position in the short run but may also risk increasing working costs for these sub contracting manufactories to the point where they exceed their own income, and thus lead to further closures and loss of work.

CONCLUSION

Carpet production in Nepal has reached a crisis which is only partially home made. While Nepal was virtually a shooting star among carpet exporting countries during the early 1990s, the country has then been sharply attacked for bad working conditions and child labour. Even though some of this criticism are appropriate, discussions are partillaly characterised by western norms and values regarding working and living conditions which can not as easily be applied to the Nepalese context as has been done. The naive assumption that children who are not allowed to work in carpet manufactories in Kathmandu would stay or return to their home villages and regularly attend school reveals an extreme lack of understanding of the country's economy and the economic realities of many rural households. Above all, there is a considerable gap between foreigners' demands for better working and living conditions on the one hand and their willingnes to provide real support for implementing these demands. For instance, several German traders have played a notorious role in undercutting rates and thus effectively undermine attempts form the side of Nepalese manufactureres to improve conditions in their enterprises.

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Appendix

Table A
Export Statistics

Overseas Exports		Exports Carpets		Exports Carpets		P.C. Carpet
Years	[in 1,000 NRs]	[in Sq.M.]	Changes to Previous Year	[in 1,000 NRs]	Changes to Previous Year	in Total Overs Exports
1972/73	135051	10458		2479		1.84
1973/74	172280	13065	24.93	3752	51.35	2.18
1974/75	166792	18577	42.19	7853	109.30	4.71
1975/76	266303	19784	6.50	9276	18.12	3.48
1976/77	363296	47473	139.96	27906	200.84	7.68
1977/78	601329	26530	-44.12	23944	-14.20	3.98
1978/79	849515	53279	100.83	45819	91.36	5.39
1979/80	780605	66775	25.33	55367	20.84	7.09
1980/81	604659	79623	19.24	65590	18.46	10.85
1981/82	462307	98740	24.01	83929	27.96	18.15
1982/83	289692	150622	52.54	137756	64.13	47.55
1983/84	483738	262862	74.52	265350	92.62	54.85
1984/85	1118978	227199	-13.57	248361	-6.40	22.20
1985/86	1760786	329518	45.03	376414	51.56	21.38
1986/87	1659826	465296	41.21	627535	66.71	37.81
1987/88	2488643	802100	72.38	1211785	93.10	48.69
1988/89	3040937	913482	13.89	1589191	31.14	52.26
1989/90	4388989	1152262	26.14	2294694	44.39	52.28
1990/91	5670977	1628318	41.31	3701992	61.33	65.28
1991/92	12184836	2317145	42.30	7130928	92.62	58.52
1992/93	15494054	3126290	34.92	9525648	33.58	61.48
1993/94	16494746	3325123	6.36	9518055	-0.08	57.70
1994/95	14288312	2896090	-12.90	7703760	-19.06	53.92
1995/96	15526476	2617645	-9.61	8032233	4.26	51.73
1996/97	17011139	2891225	10.45	9144634	13.85	53.76
1997/98	17987216	2447050	-15.36	8516344	-6.87	47.35
1998/99*		2600000	6.25	9380000	10.14	

* Provisional ,Kathmandu Post.

Source: Trade Promotion Centre (1975) *Woolen Carpets Of Nepal*, Pradhan (1993) *Kathmandu Post* 12-10-1999.

Book Review

Poudyal, Sri Ram (edtd.), *Trends in Nepalese Economy : Foreign Trade and Investment*, Centre for Policy Studies, Kathmandu, 1999, pp. 122 including Appendices, Price not maintained.

The book under review is a product of the one day workshop on the theme "Foreign Trade and Foreign Investment in Nepal" conducted by the Centre for Policy Studies with the financial support of the Asia Foundation.

In the opening the book highlights the overall macro economic situation of Nepal, reflecting saving gap and foreign exchange gap and perceives that these are the major issues of the Nepalese Economy, widening these gaps further with growing budgetary deficit, resulting current account deficit in the balance of payments, and foresees the danger of debt crisis, if increasing trend of utilising foreign loan to fulfill the resource gap is continued.

The growth performance, percapita GDP and poverty, performance of agricultural and non-agricultural sector, investment and saving performance, fiscal situation of the nation, internal as well as external debt situation, monetary and price situation, trade and balance of payments during 1984/85 to 1997/98 are the major themes discussed in the first paper entitled "Macro Economic Situation and Outlook" by professor Sri Ram Poudyal.

The author opines that the average annual growth performance of the country is well below than the targeted growth rate though it cannot be considered to be a poor performance which shows sharp fluctuation during the years. In real terms the per capita income of the Nepalese people is increasing more or less equal to the population growth rate. It is clearly apparent that the reform programmes initiated by the government after the restoration of multiparty democracy have largely failed to accelerate growth diversity of the economy to stimulate savings and to create a basis for sustained growth leading to greater self reliance and reduction of poverty of the mass. Import liberalisation has placed domestic industries to a much more competitive environment and increased the incidence of industrial sickness. The author also pleads for the systematic export promotion measures and some form of strategic intervention.

Lastly, the author concludes that in the present situation of Nepal totally liberalising the economy is harmful to the country thus the state has to play a more dynamic and responsible role rather than simply let the market forces decide the course of th economy.

Discussing on "Nepal's Foreign Trade: Trends and Issues" professor Sharad Sharma has explained clearly the status of Nepalese foreign trade both export and import, and has tried to formulate meaningful policy prescriptions for enhancing foreign trade performance of the country with

empirical analysis based on secondary data. Here the author tries to review the trade policies, trade treaties, direction of foreign trade, trade with SAARC countries focusing Nepal's volume of export and import since 1992/93, and the World Trade Organisation (WTO). But with various amendments in declared trade policies of Nepal, the author here is silent whether the change in the policies is the reflection of the external pressure or the party manifesto of the ruling party, which has resulted to increase the rate of growth of import trade to double than the growth rate of export since fiscal year 1991/92. On the other, there is no diversification of exportable commodities and countries though currently Nepal has signed trade agreement with seventeen countries and has trade link with more than fifty other countries.

The third and final paper of the workshop presented by Hemant Dabadi is "Domestic and Foreign Investment in Nepal." Here the author briefly analyses the economic condition of Nepal focussing on investment sector. The major issues discussed here are: low rate of internal saving and investment, private and public sector investment, sectorwise distribution of capital formation, internal as well as external investment and their effectiveness to the economic growth of the country, foreign direct investment in Nepal and status of joint venture industries in the country.

The author concludes that despite the focal point of the economic policy of the Nepalese government to raise investment to achieve higher rate of growth, the rate of investment, both internal and external, has declined over the last few years which hinders the economic growth of the country not only at present but also in future too. In this context the author is of the opinion that the country needs to increase internal savings and promote foreign private investment to achieve higher economic growth. He points out that there is a room to increase saving rate with appropriate improvement in government policies and instruments, and with significant reform in many areas for attracting foreign direct investment at a significant level.

The book contains 19 appendices giving much more information on the theme of workshop but lacks analytical touch. Despite some lackings the book is useful to the policy makers, implementing agencies, investors, persons related and interested to business sector, intellectuals, students and also to the common people interested in Nepalese foreign trade and investment.

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