

IMPACT OF QUOTA PHASE OUT IN GARMENT INDUSTRY OF NEPAL

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Deependra Dhakal

Universitet i Nordland

Candidate no: 16

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Abstract

The concept of this study is to analyze the impact of quota phase-out in garment industry of Nepal. Readymade garments industry is a labor intensive industry and is an abundant supply of cheap labor in the country and with training and introduction of improved machines and accessories the exiting labor force could be made quiet productive within a short period of time. Now a days the readymade garment industry in falling tough times following the GATT agreement which will automatically phase out the US quotas and bring more competition to the business. Hence focus of this study is to final out the problems of garment industries in Nepal and their relative measure and also analyzes the trend and position of garment industries in international market. Starting from the mid 1980s, the readymade garment (RMG) industry in Nepal experienced rapid growth, mainly due to the quota facility provided by the industrialized countries such as the United States (US). In 1994/95, though the industry comprised less than 1 percent share in the global RMG trade, its exports made up 29 percent of the country's total exports and employed more than 50,000 workers. In recent years, the industry is, however, facing stiff competition in the global market and struggling to survive. The World Trade Organization (WTO)'s rule to phase out all textiles and clothing (T&C) quotas by 31 December 2004 under the Agreement on Textiles and Clothing (ATC) has not only led to the drastic reduction in T&C exports and closure of T&C manufacturing units but has also created other serious human development challenges, including unemployment.

The loss of protected market has prompted garment manufacturers to stop their production in mass bringing down the number of operating industries to less than twenty from hundred just a year before. Nepal is the only country in the region whose export to the United States has nose-dived minus 50 percent in the first two months of 2005, compared to the same period of last year. Bangladesh, Sri Lanka are the countries without textile base like Nepal saw their exports increased ranging from 10-20 percent each despite they were also cited likely victims the quota free trade.

Nepal was identified as one of the countries to be affected overwhelmingly by the liberalization in apparel trade. The impact of the quota phase out was most pronounced in Nepal while some LDCs, such as Bangladesh and Cambodia, managed to withstand competition and even increased their exports despite the dire predictions. The combined T&C export of Nepal to the US, the largest market for the product, decreased by more than 25 percent in value and over 40 percent in volume during the first nine months of 2005 compared to the same period in the previous year. The decline is even more catastrophic in clothing, which declined by 38 percent in value and 45 percent in volume. It is interesting that while some countries such as Bangladesh and Cambodia have survived despite predictions made that they would lose, some confirmed winners such as China and India are yet to benefit as anticipated. This reflects how unpredictable international trade in T&C has become after the elimination of quotas.

The RMG industry has been playing a significant role in the Nepalese economy. The industry contributed nearly 30 percent in the total export of Nepal during 1990s and during its peak, it provided direct employment to 50,000 people, including a significant number of women. While the share of this sector in manufacturing was 26 percent in 1994/95, it reached 37 percent in 2000/01. The phasing out of the quota system has, however, led to a drastic decline in RMG exports, closure of many manufacturing units and loss of employment, including those of women. While in value terms, RMG exports declined from NRs. 11,890 million in 2002/03 to NRs. 6,039 million in 2004/05, out of 115 RMG manufacturing units in 2000/01, around 30 were operational in July 2006. As a result, the employment has decreased from 50,000 in 1999/00 to less than 5,000 in July 2006. These consequences in the RMG industry have now raised several concerns for the Nepalese government, private sector, workers and other concerned stakeholders. The impact of the quota phase out has been severe to the extent that they are now facing serious socio-economic challenges, ranging from macroeconomic imbalances to human development concerns. This study has suggested to take corrective actions for building a capacity to face the adjustment problems brought by the abolition of quotas Utilization of the

market opportunities properly product innovating and skill development vertical production and consolidation of industry through GDZ, public private sector partnership approached are some ideas to build capacity to face the adjustment problems brought about by the abolition of quota.

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ABBREVIATIONS

FY	Fiscal Year
GAN	Garments Association of Nepal
GPZ	Garment Processing Zone
GSP	Generalized System of Preference
HAN	Handicrafts Association of Nepal.
INGO	International Non- Government Organization
NCC	Nepal Chamber of Commerce
NG	Nepal Government
NRB	Nepal Rastra Bank
RoO	Rules of Origin
SAWTEE	South Asia Watch on Trade, Economics & Environment
SME	Small & Medium Sized enterprises
T&C	Textiles and Clothing
UNCTAD	United Nation Conference on Trade and Development
EPZ	Export Processing Zone
HS	Harmonized Commodity Description and Coding System (Harmonized System)
SAARC	South Asian Association for Regional Cooperation
VAT	Value Added Tax
JICA	Japan International Cooperation Agency

CHAPTER ONE: INTRODUCTION

1.1 GENERAL BACKGROUND

Nepal is small Himalayan country covering the area of 147,181 square kilometer and 0.03 percent of total world area. It has been situated between the economic giant countries: India and China. Nepal is the least developed, land locked, geographically disadvantageous, economically vulnerable nation with rich in ecological, cultural and ethnic diversity. Agriculture is the prime mourner of the Nepalese economy. More than 80% of total populations are engaged on the subsistence agriculture and agriculture contributes 40% GDP which reflects that the agriculture is the largest economic sector contributing to GDP. Despite of substantial investment in the agriculture sector this sectors performance has been disappointing. In Nepal, the industrial sector is vulnerable. Total contribution of industrial sector in GDP is extremely low, which is about 10% and less than 2% of the total population are dependent on it. Industries are running in the small scale. There is no any significant expansion of industrial base in Nepal due to heavy reliance on imported raw materials, capital and intermediate goods. Nepal's foreign trade sector has been characterized by huge deficits due to poor export performance, imports and a graded reduction in trade dependence in India. An acceleration import growth and normal growth in exports has exacerbated the growing trade deficits (Pokharel 2010).

The history of garment industry in Nepal only dates back to early 1980 BS. This industry started flourishing when Indian garment exporter started coming to Nepal to escape te quota constraint in India. At that time, the Nepalese garment was not aware of the pros and cons of this trade. It took very long time for government to recognize garment industry as viable, suitable and important export oriented industry. Indians seeking ways to meet orders from the USA, but limited by the quota applied to import from India developed the garment industry in Nepal. Despite many negative factors, Nepalese garment industries have plays a significant role. The export of garment in 1991/92 was NRS 3112 million that marked NRS 77852 in F/Y 2002/03 with an increase of approximately 212.72%/ however, the trends in the exports of garments are oscillating (FNCCI Report 2003,65). The importance of this industry as a source

of vital foreign exchange for Nepal can be underlined by the fact that beside carpets this is the other major export item from Nepal.

Nepal import more than what she exports. Import has increased at a faster rate than the export, leading to a huge and widening trade deficit and unfavorable balance of payments. Thus, in order to reduce trade deficit and correct unfavorable balance of payments government started to give high priority for the export oriented sectors. Government is trying to promote the export of every feasible product by adopting various measures. In this contest export promotion of readymade garment is one of them. Readymade garment industry could be one of the promising and potential areas for Nepal's export. It could help the economy in breaking the vicious circle of poverty and achieving the goals of economic development (Budhathoki 2009).

Nepalese readymade garments have been known all over the world for its rich art and crafts and architecture for centuries. Each and Every product is unique in it and reflects the arts and skill of the craftsmanship. It is cottage scale and home based industry where traditional techniques and skill have been handed over from generation to generation. USA, UK, Germany, France, the Netherlands, Taiwan, Singapore, Japan, Hong Kong, Canada, Italy and Australia etc. are noted as major markets of Nepalese readymade garments.

Textile and garment industries have been known to kick start industrialization in many an emerging economy. They have been known for providing the impetus for transforming strategic industrial policies of import substitution to export promotion. These industries due to their labor-intensive characteristics are known for large employment generation capacity.

This young industry's initiation was very haphazard and with no set policies by the government. The garment industries flourished during the decade only due to the continuous effort made by the industrialists albeit government policies aimed by developing this sector. The scenario has changed quite a lot during the years. The government has set some policies which are deemed friendly to this industry. Since, the garment industries being export based and have to compete with many countries especially with neighboring countries. The policies adopted by these countries are bound to have direct impact on garment export of Nepal.

Full implementation of the Agreement on Textiles and Clothing (ATC) of the World Trade Organization (WTO) on 1 January 2005 ended 40 years of quota-based trade of textiles and clothing. Even though the quota system restricted trade for competitive manufacturers, it resulted in an unintended but beneficial outcome for the least developed countries (LDCs) like Nepal by allowing them to export to rich countries' markets. However, the expiry of the quota system has not only resulted in a drastic decline in Nepal's readymade garment (RMG) exports but has also led to the closure of manufacturing units and loss of jobs (Maharjan 2005).

Starting from the mid 1980s, the readymade garment (RMG) industry in Nepal experienced rapid growth, mainly due to the quota facility provided by the industrialized countries such as the United States (US). Capitalizing on the quota 'rents', within 10 years, the industry also became the biggest export-oriented manufacturing industry of the country. In 1994/95, though the industry comprised less than 1 percent share in the global RMG trade, its exports made up 29 percent of the country's total exports and employed more than 50,000 workers. In recent years, the industry is, however, facing stiff competition in the global market and struggling to survive. The World Trade Organization (WTO)'s rule to phase out all textiles and clothing (T&C) quotas by 31 December 2004 under the Agreement on Textiles and Clothing (ATC) has not only led to the drastic reduction in T&C exports and closure of T&C manufacturing units but has also created other serious human development challenges, including unemployment (Bhatt and Bhattarai 2006).

The Nepalese garment sector is in dire straits since the abolition of Multi Fibre Arrangement (MFA). More than expected, the impact of the end of MFA regime looks more pronounced in the case of Nepal. The quasi-guaranteed Market access as enjoyed by Nepalese apparels particularly in American Market has gone with complete phase out of quotas. The loss of protected market has prompted garment manufacturers to stop their production in mass bringing down the number of operating industries to less than twenty from hundred just a year before. Nepal is the only country in the region whose export to the United States has nose-dived minus 50 percent in the first two months of 2005, compared to the same period of last year. Bangladesh, Sri Lanka are the countries without textile base like Nepal saw their

exports increased ranging from 10-20 percent each despite they were also cited likely victims the quota free trade (Pokharel 2010).

One of the reasons to reach this critical situation could be due to the insufficient commitment at the industry and policy level to respond to the foreseen adjustment problems in trade without quota. The industry's capacity to utilize quota only on a selective items in the past and overall dependent on American Market somehow revealed its relevance to product and Market diversification as long as it had the easier and protected market access. The industry's initiative to cut output cost and raise delivery efficiency was largely restrained by the lack of commitments to overcome persistent internal bottleneck. Steps were taken to convert the guaranteed market access in the US into preferential market access at the last moment. But, no adequate efforts were put on to compensate the market share loss in the US by diverting export to the market with preference elsewhere. Neither the industry nor the government had substantially looked any concrete measure to exploit, the opportunities in the EU and Canada, which indicated promising sign due to already existing preferential treatment. Taking into account of the performance during the protected regime and assessing the implications of the liberalized trading system, this report takes a stock of the current situation and appraises the external environment in the changed context i.e. post M.FA scenario. This report also reviews export trend in post MFA and suggest Nepalese readymade garment traders and export for their sustainable growth.

1.2 STATEMENT OF THE PROBLEM

The quota phase out under Agreement on Textiles and Clothing (ATC) began in 1995 but its impact on the Nepalese economy was not immediate. This was due to the fact that the RMG exports from Nepal were concentrated on a few products (mainly cotton casual wear) and these products were not under quota restrictions until the last phase of the Agreement. The RMG sector, in fact, continued to grow during the first five years of the quota phase out and the share of the RMG industry in the manufacturing sector rose from 26 percent in 1994/95 to 37 percent in 2000/01. The decline in exports began only after 2001, mainly due to two reasons. The terrorist attacks in the US in 2001 created unanticipated problems for the RMG exporters, as did the increase in the number of RMG items on which quotas were lifted. The impact has been severe after quotas on all RMG products were completely eliminated on 31 December 2004.

The impact ranges from negative consequences in the macroeconomic situation of the country to employment and other human development aspects of the workers. In the post ATC period, while RMG manufacturers are facing problems in finding ways to adjust to the changed situation and enhance the competitiveness of their products to survive in the international market, a majority of workers have lost their jobs and those who have found new jobs have seen a decrease in their earnings.

The Nepalese readymade garments sectors faces problems relating to production and promotion which affect the future prospect of readymade garments export. Some of the main problems related to the Nepalese readymade garments industries are lack of availability of raw materials, quality control, product design & development, inadequate & irregular production, proper packaging, publicity & promotional measures, training program, market research, skilled craftsmen and technology are lacking, problem of inadequate infrastructure, government policies, facility through legislation and lack of incentives.

Despite more than 50 years of development effort, Nepalese economy has not become dynamic and vibrant. Still Nepalese economy is basically subsistence economy, economic activities are also slow and low. Due to high dependence in agriculture, Nepal's exports are confined to raw materials and primary products with little advancement.

There is problem of trade diversification, both for country wise and commodity wise. Nepal's main trading partner is India, as almost 50 percent of trade is confined to India only. Trade treaties between the two countries, signed at different years, have governed Nepal's trade with India. Nepal faces the problem of widening trade deficit with India. Although Nepalese products are theoretically allowed unhindered entry into the Indian markets, if they bear the certificate of origin issued by FNCCI, but there are problems in implementation.

Nepalese foreign trade has increased considerably but there has been import-dominating tendency over export, showing permanent trade deficit. Due to the huge trade deficit, Nepal is near to fall into debt trap. Due to the dominant role of agriculture in Nepal's economy, we still have an agriculture outlook, the farmer tilled the land, planted his seed, transplanted the seeding, ensured adequate water and at the

end of 4 months reaped the harvest, the rest of the year, and he remains idle. Garments can provide supplemental earning during winter season in the farm areas. The export promotion of Nepalese readymade garments can play vital role in diversifying the export trade of Nepal (Shrestha 2009, 25).

With the complete elimination of the quotas, the competitive environment of Nepalese garment exporters have changed drastically. The export-oriented Nepalese garment industries are facing arduous adjustment problems. New scenario has emerged that the production and trade in this sector would be determined by the reallocation of economic resources under market forces, rather than protected by quota system. This has created a more complex and competitive situation for the garment manufacturers and traders to adopt new regime which is without quotas, but not with tariffs and other trade barriers.

Both external and internal problems are there in post MFA regime for the garment manufacturers and traders. External environment includes such difficulties like Chinese domination in Foreign Market, tariff and non-tariff barriers. Similarly, low productivity and higher transaction cost, inadequate institutions and trade support services, administrative complexity to developing backwards linkages are the persistent internal bottlenecks and implementation problems.

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

RESEARCH QUESTION

- What is the impact of the T&C quota phase out at the level of workers and manufacturers?
- What is the demand and supply side factors affecting RMG exports and prospects and challenges of the RMG sector in the post ATC period?
- What is the policy and practices on export marketing strategies in present situation?

1.3 OBJECTIVES OF THE STUDY

The major objective of this study is to analyze impact of quota phase out in garment industry of Nepal. The specific objectives of the study are:

- a) To assess the impact of the T&C quota phase out at the level of workers and manufacturers.
- b) To evaluate the policy and practices on export marketing strategies in present situation
- c) To analyze the view of entrepreneurs, CEO, or marketing managers about the export marketing strategies

1.4 SIGNIFICANCE OF THE STUDY

Since the Nepalese readymade garment industries contribute more foreign exchange for the balance of payment of the nation, some tangible research study is always needed to be conducted in this field. From both employment opportunities as well as foreign exchange earnings for nation, Nepalese readymade garment industry's importance can't be overemphasized. Because this industry orients employment, production and promotion of export in the agro based Nepalese economy, it becomes essential to manage this industry for its development and enlargement. For this purpose some integrated research based study is always welcomed.

Hence to make the backbone of our economy stronger, more is expected from the Nepalese readymade garment industries. It is obvious that more importance should be given for the protection and further nourishment of the industry, especially with reference to its export side.

The quota system has been phased out since the beginning of 2005. With the quotas been phased out, there has been free trade in textile and clothing. This change in international trade has been advantageous to developing countries like India Pakistan, China etc. But for countries like Nepal with no competitive edge this has become a major hindrance.

After 1st January 2005, the garment industry in Nepal has been in dire straits with sliding export figure. Large numbers of jobs are lost. This study is important to show

the clear status of RMG which may ultimately assist garment's entrepreneurs to take corrective measures. Besides these, the study may be a reference for new investors, market planners and other research workers to know the present situation of garment industry in Nepal.

1.5 DELIMITATION OF THE STUDY

This study has following limitations:

- a) Instead of overall trade of export and imports, this study will deal with export trend or aspect of garment trade only.
- b) Mostly this report will reflect the post MFA scenario i.e. year 2005.
- c) The present study is only a presentation of the past trends but no analytical techniques have been used to predict the future trends.
- d) Domestic market of the Nepalese readymade garment is not taken into consideration by the study.
- e) The study has drawn a conclusion that the impact of the T&C quota phase out has a significant bearing on the status of human development in Nepal since it has, particularly at the level of workers, affected several aspects of human development such as income, health and education. However, the study has not compared the pre and post scenario of human development at the level of workers.

1.6 OVERVIEW OF THE STUDY

The research study has been organized into five chapters which are as follows.

The first chapter deals about the introduction that includes general background of the study, statement of the problem, objectives of the study, significance of the study and delimitation of the study.

The second chapter deals with literature review. This chapter includes two major parts as: Conceptual review. Here, conceptual review includes review of the area based on books and other reference materials such as journal and magazines. The second section deals with review of related studies. Where review of related studies includes a review of thesis, research article and project works made earlier

The third chapter deals about research methodology. This chapter includes introduction, research design, nature and sources of data, population and sampling, data collection procedure, data processing, analyzing and presentation.

The fourth chapter is the pivotal chapter of this study. This chapter deals about the presentation, tabulation, interpretation, analysis of data and finally major finding of the study.

The fifth chapter consists of conclusions and recommendations. In this section conclusion of the study is presented with key findings. Based on those conclusions, recommendations of the study are made which will be helpful to all those marketers, students of marketing and any other interested parties related to it.

CHAPTER TWO: LITERATURE REVIEW

2.1 CONCEPTUAL REVIEW

Clothing in Nepal, in the past days were done by a group of people known as “Damai” a tailoring caste groups and “Sujikar” a professional group of Newar community. But, both of them had their own determination in the area of work. The profitable sides of this division always belonged to the sujikar, as they used to stay and run their business activities in the urban areas. On the other hand, the Damai lived in the area of scarcity and poverty and continued their business for livelihood.

The history of garment industry is not very old. It was initiated about three decade ago. Garment industry started in early 1980's in Nepal. Though there were handful of garment traders in middle of 1970's the business really picked up significantly after 1980's. The main reason for the growth of the garment industry in Nepal is attributed to the Indian entrepreneurs who shifted their enterprises in Nepal after United State of America imposed quota on imports of readymade garment from India. This induced many Indian garment entrepreneurs to come to Nepal especially to Kathmandu, with the intension of utilizing the unused quota of readymade garments provided to Nepal. Kathmandu in this context proved to be a virgin for them because there was no competition from the local entrepreneurs, no hard currency problems, no need of passport and visa and no problem of importing raw materials and workers. Garment produced were shipped to the United States with “Made in Nepal” label. This was privilege for Indian entrepreneurs, as they could use both quota and non quota facilities provided by the USA to the Nepal. Gradually many other Nepalese entrepreneurs were attracted to this industry because of export potential and started industries on their own.

2.2 ORGANIZATION FOR DEVELOPMENT OF GARMENTS INDUSTRY

All the country of the world have opted for some or the other institutions, which shall be responsible for the development and promotion of the garments. These institutions are responsible for the policy decisions for their garments items. They are as follows,

1. International Trade Center: - The International Trade Center CTAD/GATT (ITC) is the focal point in the United Nations system for technical Co-operation with developing countries in trade promotion. ITC was created by the General Agreement on Tariffs and Trade (GATT) in 1964 and since 1968 has been operated jointly by GATT and UN, the latter acting through the United Nations Conference on Trade and Development Program (UNDP). ITC is directly responsible for implementing UNDP – financed projects in developing countries related to trade promotion.

ITC works with developing countries to set up effective national trade promotion programs for expanding their exports and improving their operations. One aspect of this activity is advising governments on their national trade promotion strategies, institutions and services. ITC also provides market development services aimed at identifying new export opportunities, adapting products for sale abroad and promoting these goods on the international market. Such work is undertaken for both non-traditional exports of developing countries and selected primary commodities. ITC's special services to backup these export marketing efforts include advice on export packaging, quality control, costing and pricing, publicity, trade information, export financing, institutional requirements for trade promotion, legal aspects of foreign trade, joint marketing for small and medium size firms and official commercial representation abroad. ITC also works with import management organizations to improve their import operations and techniques. Training is organized by ITC on a broad range of export and import subjects. In addition to these main areas, ITC's program deals with the special trade promotion needs of the least developed countries and trade promotion activities of national chambers of commerce and other business organizations.

ITC's technical co-operation projects are carried out in all developing areas at the national, regional and inter-regional levels. They are administered from ITC headquarters in Geneva and are implemented by ITC experts. In addition to project support, ITC headquarters' activities consist of research and development on trade promotion and international marketing.

Financing for ITC's technical co-operation activities in developing countries comes from UNDP (United Nations Development Program), international financing institutions and individual developed and developing countries. Its headquarters

budget is funded in equal parts by GATT and the UN (International Trade Center, 1991)

2. Garments Association of Nepal: - Garments association of Nepal was established in 1971 to enhance and to promote Garments trade and industry. It was registered under institution Registration act of Nepal. As a service oriented non-profitable organization of private sector business and artisan community, it helps its members improve their productivity, explore market and introduce them to the international arena. It also works as liaison between its members and the Government/three branches within Nepal.

Aims and Objectives

1. To work towards steady growth of Garments trade and Industry.
2. To encourage Nepalese artisans to adopt Garments production as their profession by reserving Nepalese cultural heritage and to popularize it in the world.
3. To provide pragmatic suggestion and advice to Nepal Government and its related agencies to formulate Policy/Programs for the betterment of Garments trade and Industry.
4. To popularize and promote Garments products.
5. To strive towards enhancing the quality of Garments goods and its productivity.

Activities

To attain its aims and objectives, the association has been undertaking the following activities.

1. Organize seminars, symposiums and conferences various topics relevant to strengthening of the Garments trade industry.
2. Explore additional markets for the Garments products.
3. Organize exhibition and trade fair to highlight Garments products and create public awareness in its usage.

4. Activate and increase contacts with National and international agencies for the growth of Garments trade industry.
5. Institute award in recognition of highest export and best Garments products.
6. Arrange participation in international trade fairs and organize exhibitions for its members.
7. Publication of news bulletins, books, catalogues, directory and the materials relevant to Garments trade and industry.
8. Act as catalytic agent for management of training program for the benefit of its members.
9. Issuance of valuation certificate for Garments products.
10. Certification of products made from the parts of domestic animals.
11. Documentation & Dissemination of information regarding garments trade and industry (GAN, 2005).

3. Trade and Export Promotion Center: - Trade Promotion Center (TPC) is a national trade promotion organization of the country established in 1971 under the Nepal development Board Act 1956. It is a non- profit making and focal organization of the promotion of foreign trade in general and export trade in particular. To develop and strengthen the export trade of the country, the center has been doing various activities since its establishment. Furthermore, to facilitate the small and medium entrepreneurs in international trade by making them more competitive and giving them access to advanced information and telecommunication technology and network, the center has joined the trade point Program of UNCTAD and launched Himalayan Trade Point Kathmandu under the joint coordination of the center and Federation of Nepal Cottage and Small Industries.

Principal Functions:

- Undertake export promotion activities to boost export trade
- Assist the Government in formation and implementation of national trade policy, including export promotion strategies.
- Undertake research activities for export product feasibility, export promotion and market access.
- Coordinate national product development and product adaptation.

- Design and develop effective trade infrastructure conducive to export trade.
- Maintain liaison with trade related international organizations.
- Coordinate and assist business enterprises for their participation in expansion of export trade of the country.
- Act as a catalyst agent between Government and exporters.
- Develop export awareness and entrepreneurship among the business communities.

Services:

- Product survey for identification, adaptation and development of export product.
- Market research and export marketing promotion.
- Develop the export consciousness and entrepreneurship among the business community.
- Conduct training, seminar and workshop to facilitate the exporters.
- Organize buyer seller meeting and entertain trade opportunity.
- Provide trade information and counseling services.
- Publication and publicity for export trade development.
- Compile, analyze and disseminate the overseas trade statistics.
- Maintain professional link with national and international trade and business related organizations.
- Provide trade facilitation service (TPC, 2005).

4. Export Promotion Board (EPB): - EPB constituted in December 1995 under the Chairmanship of the Commerce Minister. It supports product development and export promotion program with a view to improving the balance of trade position.

The EPB encourages export promotion schemes such as product development, product diversification and quality improvement projects through various implementing agencies such as Government undertakings, FNCCI, FNCSI, commodity Associations, Bi-national Chamber of Commerce and other Organization particularly engaged in export promotion. Further, the Board provides assistance for developing export-related infrastructure, conducting market study and research, organizing training and trade fair and participation in trade fairs at home and abroad.

Policies and Activities

The EPB policies basically cover the following activities:

- Preparation of long –term strategy and export perspective plan.
- Implement of program related to product development.
- Improvement of Quality of the export products.
- Stabilization of export.
- Diversification of export.
- Development of infrastructure for export and
- Recognition source and honor of good performers.

5. Federation of Nepal Cottage and Small Industries: - Federation of Nepal Cottage and Small Industries (FNCSI) is a member based non- profit organization established in 1990 as the movement of the cottage and small entrepreneurs in Nepal. It is an autonomous, non- government umbrella organization for cottage and small industries. As a single organization to lead CSI sector in Nepal, it also leads micro industries. Main objective of the FNCSI is to contribute to the overall development of Cottage and Small Industries (CSI) sector in Nepal by uniting cottage and small entrepreneurs into a national organizational framework, providing business information, promoting industrial relations, promoting and enhancing entrepreneurship as well as their capacity through of lobbying and advocacy with larger voice.

FNCSI spreads in 68 districts out of 75 district of Nepal. It has a central women entrepreneurs committee with 46 district committee. It has total industrial members of 28,000 including 6,500 women members (TPC, 2005).

2.3GARMENT EXPORT EXPERIENCING DOWNFALL

During the Multi Fiber Arrangement (MFA) period Nepali apparel products which were enjoying free market access to American market prior to quota termination, has witnessed a decline of 30 percent in 2004.

After the United States of America announced the termination of MFA that elapsed the quota system on exports to US effective from January 1, 2005. The situation

became worse. Termination of MFA was as per the world trade organization (WTO) agreement on “Textile and clothing”. Garment export to America decreased by 46.5% in January 2005.

Having acquired WTO membership Nepal has to compete with other countries in the world, there is necessity to increase the quality to be able to survive. Not only in terms of quality but in terms of price also Nepal has to outdo other countries, which is a great challenge. Due to this, large numbers of garment industries have closed down. According to 1995 data, there were 323 industries operating which in 2005 has declined to 155.

It was feared that Asia’s T and C industry would collapse following the abolition of agreement on textile and clothing (ATC) on January 1, 2005 under world Trade organization (WTO) rules. One of the biggest fears among T and C producers in developing and least developed countries was that china would dominate world markets, a claim that has proven to be unfounded due to mechanisms to control Chinese exports as well as the competitiveness of smaller developing economies in the wake of intensified competition. China’s T and C exports to the European Union (EU) and the United States (US) rose sharply in the first quarter of 2005 but then eased back under safe guard agreements limiting export surges from the Asian economic giants.

The report states that marginal Asian and pacific developing country suppliers along with former large quotas holders such as Hong Kong, Korea and Taiwan Witnessed erosion of their market shares in the EU and the US. The combined US market share of the latter three countries declined from 9.7% in 2004 to 6.1% in 2005 (in volume) and from 11.4% in 2004 to 8.4% in 2005 (in value). Other competitive Asian suppliers such as Bangladesh, Cambodia, India, Indonesia, Pakistan, Sri-Lanka and Vietnam have done relatively well. Their combined US market share rose to 24 percent from 23% in volume and to 22.7% in value in 2005 compared to 2004. The report states that in the short term, china may lose some of the rapid gains it made in market share in 2005 as many Asian suppliers are witnessing sing an increase in their exports. Despite the safeguarded quotas china is the world’s leading Producer and exporter of clothing with 30 percent of EU and 25 percent of the US market shares. One reports conclusion is here attached with.

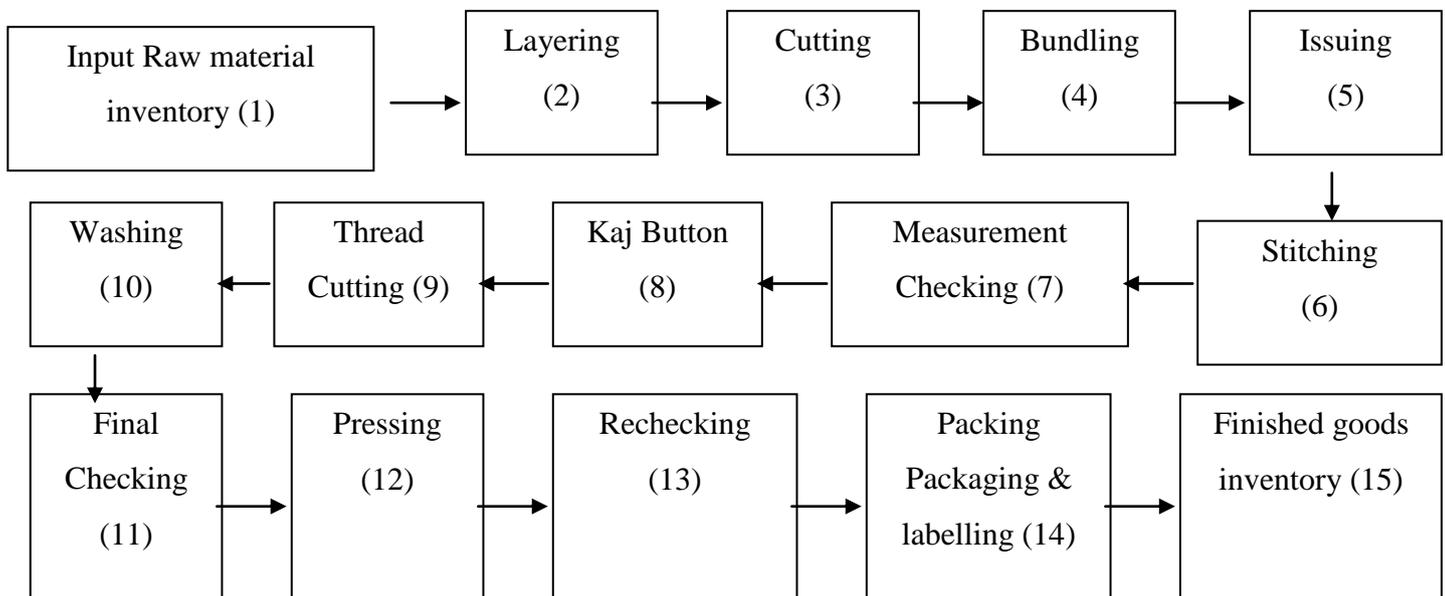
2.4 SITUATION OF NEPALESE READYMADE GARMENT

Pudasaini (2006) found that most of the Nepalese garment manufacturers' use a piece rate system for production of garments. It is a most traditional technology in operation with a low productivity. Under this system one tailor stitches and prepares the entire garment except button hole making and button fixing operation, irrespective of his/her ability and skill to maintain the quality standards where as all over the world and even in some parts of India this system is no more in existence and was being replaced by an assembly line system. It is right time for Nepalese garment producers to improve their technology and adopt as assembly line technology. This is one of the appropriate alternative ways available to improve the productivity and quality of the Nepalese garment so that they can be competitive in the global Market.

Production Process (Piece-Rate System)

Initially a sample design is received and a sample garment is manufactured and sent to the internationally buyers or their agents. Once the sample design has been approved, they send a complete set of orders specifying the exact materials to be used for garment, production along with the exact measurement of the garment. Then the order for the required type of cloth, button and thread is placed on the usual suppliers of India or Hong Kong. Once the order is received the RMG Production Process starts:

The figure given explains the RMG Production Process:



Source: Pudasaini, 2006

The processes as shown in figure are briefly described below:

1. Inputs

The main input or raw material in the garment is cloth which is the prime cost component. Other raw materials include tread, button, shoulder pads, zipper, elastics, paper foam, eye lets (metals).

2. Layering

The layering process is done by the technician. The cloth has been laid out perfectly on the cutting table and this can take one to two days to do so. This can be as much as 1000 layers of cloth to be cut at the one time; this is an important process because the whole cutting process can go wrong if the layering is not perfect. Mostly, the size of the cutting machines decides the thickness of the layers of cloth to be cut. The maximum thickness that can be cut by machine is 8 inches.

3. Cutting

The major activities at cutting stage are cutting of the fabric as per specification and then inspecting, assorting and arranging the cut fabric to facilitate the flow of stitching process. First of all, a pattern of the sample garment is cut in the paper according to the specification of the design. The fabric is laid on a long cutting table and folded lengthwise in required length in layers. The pattern paper made is placed as the top of the fabric cut by an electric cutting machine to different parts. After inspection if the cut fabric is not of required specification or of improperly over locked nature it will be reworked or rejected. The cloth is measured and cut by technician.

4. Bundling

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

5. Issuing

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

6. Stitching

Each tailor receives almost equal number of pieces to stitch, but those who work faster receive extra pieces. The tailors are paid under a piece-rate system. During peak season it is not unusual to find the tailors working 20 hours a day. This part of process takes a long time and the bottleneck of process. This section employs the most of employees (at least 60-70 percent). The management usually does not interfere with their working methods.

7. Measurement Checking

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

8. Kaj Button

The piece that fit the specification is then sent to the Kaj button room for necessary work, which will again be the parameters specified. The workers in this department also work on a piece rate system.

9. Thread Cutting

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

10. Washing

The garment is washed and dried if necessary products are stonewashed.

11. Final checking

Before pressing and packaging the product is checked to confirm the quality and size.

12. Pressing

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

13. Rechecking

After pressing, individual pieces are rechecked.

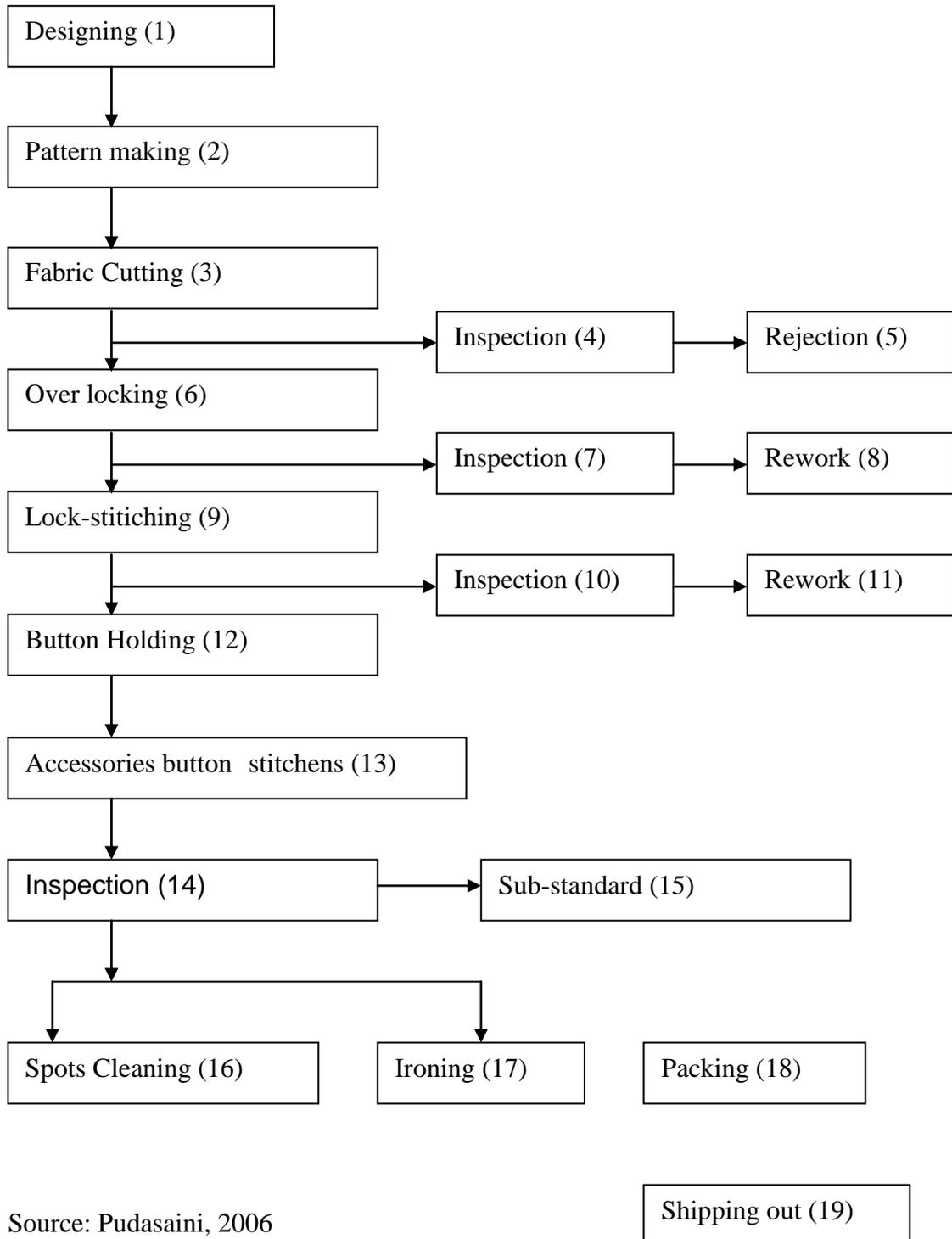
The ready labeled garments are folded and packed into polypropylene bags of sizes instructed by the buyer. Then one set of garment, according to the sizes as per the specified ratio is packed in another similar bag (in general the ratio of garments shirts as required by the US market is small: medium: large = 2:3:1). The packed garments are put in a corrugated box, covered with a plastic sheet from insides in order to avoid possible damage due to dampness during transportation. After this the boxes are sealed, stapled and covered by a box cover. Finally the boxes are marked with the address of the exporters and the buyer. Generally labeling of garment is done during two different stages of production. Labeling I is under taken during the stitching stage when embroidered tape of labels of two types- one containing the brand name and other containing information, such as fiber content, origin marking, washing instructions and size are normally stitched below the collar bend of the shirt. Labeling II is undertaken during the test stage of process, before packing, when a hangtag printed on both sides is attached to the garment. One side of the hangtag contains the printed brand name and the reverse side contains information such as style number, size, colour and price (Pudasaini, 2006).

2.4.1 RMG MANUFACTURING FLOW PROCESSES

Assembly line machinery is designed by the industrial (machinery) manufacturer based on minutely studies of the entire production process and identification of the cheaper and quicker sequence.

Under this system one person does only a part of the entire work and specialize in it, i.e. each part of a garment is made in a particular section of the unit and a complete garment is produced only after passing through different sections in an integrated way. This results in higher productivity and uniform quality. RMG manufacture flow chart depicting different operation is given in figure below:

RMG Manufacturing Flow Chart



Source: Pudasaini, 2006

NPEDS (2007) presents the status of the RMGs manufacturing sector and highlights industry performance relative to export aspect. The study estimated that 757 industries are in operation based on quota allocation, with 538 industries, which are engaged in exporting till August 8, 1993. The capacity utilization of the RMG industry in 1990/91 was 51.67 percent up from 37.93 percent in 1989/90. The average earning per employee is \$630, which is 3.7 times more, the per capita income of Nepalese people at 170 US \$. The value added of the industry is reported to be about 50 percent. The share of RMG exports in total overseas export has decreased from 45.59% in 1985/86 to 24.6% in 1992/93, due to the increasing exports of woolen carpets. United State of America is the major destination with 92.27 shares in quality and 92.53% share in value of exports in 1990/91. The performance of the sector, with regard to fulfillment of allocated quota for USA, has increased with utilization rate up from 45.2% in 1991 to 72% in 1992. Considering the high quota utilization on one hand and low capacity utilization of the sector on other, quota expansion is now necessity, if Nepal is to attain high economic benefits.

2.4.2 READYMADE GARMENTS AND ITS EXPORT PERFORMANCE

Pokhrel (2008) study on readymade garments and its export performance in USA under quota arrangement had concluded that USA is the major destination with 90.6 percent in value of export in 1993/94. The US holds second position among the major trading Partners of Nepal in export. The USA imposes Quota restriction on the import of seven categories of RMGs exported from Nepal. The first imposition was on category 337 in 1985 and the recent imposition is on category 336-636 in effect from Jan. 1, 1995. Finally, the study recommends for increasing exports and consequently production of garments. There should be availability of raw materials at internationally competitive rate, establishment of new bonded warehouses in all the exporting countries and improvement in the exiting warehouse, which facilitates easiness and regulate supply of major inputs etc.

Adhikari (2009) studied with a view to identify integration of MFA into WTO and its implication on Nepalese readymade garment industry. The Purpose of the study was to analyze the different factors of Multi- Fibre arrangement, examine the major implications of integration of MFA into WTO in Nepalese garment industry and to examine the status of garment industry along with major problems of this sectors. The

study found that USA is the major importer of Nepalese readymade garment with 90 percent of share. The integration of MFA in the WTO can result in significant net trade wins for developing countries including Nepal. Before integration into MFA, Nepalese government has to improve its comparative competitiveness among other competitors. The number of registered industries are decreased 1400 (1995) to only 300 units, out of them only 70-80 units are running its business regularly. Nepalese garment industry actually has a good prospects. However government has to form various proper policies regarding garment industry.

Budhathoki (2009) study on present situation of readymade garments industries in Kathmandu valley. The study had concluded that the industry is primarily based on imported raw materials fabrics, thread, machine and other accessories are imported from India, Pakistan, china and other third countries Domestic raw material cannot meet the requirement. The international Market for readymade garment is unlimited. However, Nepal exports only 28 countries. Among them, Nepalese readymade garment had made special recognition in USA which holds exactly 90% share of total export and out of the share goes to other countries. In the boom period of readymade garment industry, about 1553 units were registered. However, at present only 212 units are registered at register only 50-60 units one in operation. Among them 90% units are located in Kathmandu valley. Production and sales of readymade garment product in present days in very unsatisfactory due to lack of unavailable order size. Nepal produces both cotton and rayon garments but cotton garment has dominated the other garments. Loan and other banking facilities are not so satisfactory and sufficient. Nepalese businessmen make sales by using either Indian agent or direct contact but direct contact with entire buyer is very poor. Most of the garment industries use piece rate, daily wage and monthly system for playing in garment production. However piece rate system is very popular among them. Most of the employees do not feel job security and does not support hire and fire employment policy. Most of the industries do not have labor union. However, some large scale industries consist of labor union. The unions have been found doing lots of welfare function or activities. The USA has provided quota free and duly free access.

However, Nepal is getting such the facility. That's why Nepalese export is decreasing since 2001. EU has announced GSP (General system of preference) to the less

developed countries. On the region wise comparison, Nepalese's garment industry has less competitive capacity cost of production is 20.25% higher than other SAARC nations and quota provided by USA is low, with comparing Bangladesh, Sri Lanka and Pakistan. Quota system had abolished on the basis of MFA since 2004. The implication will not be positive. It is certain that there should be increased comparativeness in garment sectors.

Shakya (2009) study on "prospects of developing garment, handicraft and curious industry in Nepal" has given a lot of suggestions on the promotion of garment and handicrafts export. His main focus was on the artisans' side of the industry. According to Shakya artisans have been exploited by the exporters and the collectors of garments. He was right in this point up to the year 1984. But this is not true in present situation when the artisan have been taking full benefits of their skills. Moreover, the highly skilled artisans want unnecessary benefits because of monopoly skill. This has increased the wage of artisans more than two times within years. He has also shown the problem of unavailability of raw materials.

Shrestha (2010) study on the problems and prospects of Nepal's woolen carpet and garment export has highlighted the fact that Nepal should identify new market for market segmentation, heavy market campaign is necessary. Market promotion can be conducted via different media, newspaper, trade fairs etc for the export promotion of handicraft items. Entrepreneurs should consider the quality aspects therefore in the process of production quality control should be done. Government should develop export trade, transit facility and should act as a facilitator to promote handicraft in overseas countries. Export of Nepalese woolen carpet is in increasing trend but diversification of export is very essential. For this marketing activity should be conducted such as market research, promotion.

Pokharel (2010) study on Nepalese handmade paper and garment products and found that there is the problem of the international market expansion for handicraft goods. New international market needs to be explored and identified and for it technical knowhow is very essential. There is a need of financial support from the government, private sectors, INGO and NGO in order to participate in the international fair trade for promoting the Nepalese handicraft.

From all the preceding review of literature, it is known that researchers and scholars have analyzed many aspects of garment sectors. Most of the studies are related to the pre MFA period. So, it is realized that the Nepalese readymade garment study in post MFA era is essential to bring out some indigents in this field. The present study is an endeavor to present Nepalese readymade garment after phasing out quotas regime. This study has outlined major issues in textile trade without quotas and found out persistent internal bottlenecks and implementation problems assisting with capacity building to face post MFA situation.

CHAPTER THREE: RESEARCH METHODOLOGY

The basic objectives of this study is the export marketing strategies of Nepalese readymade garment industries & problems and prospects of readymade garment after abolishing the quotas system with supplementary objectives as a major issue in garment trade without quota and persistent internal bottlenecks, implementation problems supported with capacity building to face post MFA situation. So to attain these objectives research methodology is give below:

3.1 RESEARCH DESIGN

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

3.2 SAMPLING PROCEDURE

Stratified random sampling has been taken for the study purposes. For this small medium and big garment export has been approached. All manufacturers, dealers and exporters of Nepal in garments sector is considered as a population and sample of primary and secondary data. For research purpose of secondary data from various pubs is taken as period cover. With regards to the analysis of problems and prospect simple random sampling is used to take interview for primary data. About 50 questionnaires were distributed at different places of Kathmandu, Bhaktapur & Lalitpur district and only 40 questionnaires were obtained. The 40 respondents were dealers, manufacturers and exporters who were doing their business in Kathmandu, Lalitpur and Bhaktapur district.

3.3 TOOLS AND TECHNIQUES OF DATA COLLECTION

Due to various obstacles and problems, primary data will not be taken for study. In stand of it secondary data or information will be collected but to some extent primary data will be collected through questionnaire, interview discussion and observation.

Likewise, secondary data information will be collected from different sources such as Garment Association of Nepal (GAN), Federation of Nepal Chamber of Commerce

and Industry (FNCCI) Trade and Export Promotion Center (TEPC), Nepal Chamber of Commerce (NCC) Department of Small and Cottage Industry, Department of Custom, Articles Bulletins published in different newspaper (Journal)

3.4 METHODS OF DATA ANALYSIS

After collection the data they will be classified and tabulated according to their attributes. Recent and latest data will be incorporated.

Since the study is descriptive type statistical tool such as percentage ratio, percentage change (increase/decrease) has been used for data analysis.

CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

Until the mid-eighties, export of readymade garment from Nepal was very low due to a small-scale and a traditional way of doing business. Afterwards, relocation of industries from quota constraints neighboring countries, especially from India proliferated the number of garment industries and increased the export volume unexpectedly. The number of registered garment firms increased from 58 in the early 1980's to over 750 in the beginning of 1990's and reached a peak of over 1000 after five years. However the number declined, at first due to change in the internal quota distribution mechanism and presently due to the eliminations of MFA quotas from 1067 in 2006/07 to 323 in 2008/09 and to 212 in 2010/11. Currently only 130 are registered, and out of that hardly 20 percent are in operation.

4.1 IMPACT OF QUOTA PHASE OUT UNDER ATC

The quota phase out under ATC began in 1995 but its impact on the Nepalese economy was not immediate. This was due to the fact that the RMG exports from Nepal were concentrated on a few products (mainly cotton casual wear) and these products were not under quota restrictions until the last phase of the Agreement. The RMG sector, in fact, continued to grow during the first five years of the quota phase out and the share of the RMG industry in the manufacturing sector rose from 26 percent in 1994/95 to 37 percent in 2000/01. The decline in exports began only after 2001, mainly due to two reasons. The terrorist attacks in the US in 2001 created unanticipated problems for the RMG exporters, as did the increase in the number of RMG items on which quotas were lifted. The impact has been severe after quotas on all RMG products were completely eliminated on 31 December 2004. The impact ranges from negative consequences in the macroeconomic situation of the country to employment and other human development aspects of the workers. In the post ATC period, while RMG manufacturers are facing problems in finding ways to adjust to the changed situation and enhance the competitiveness of their products to survive in the international market, a majority of workers have lost their jobs and those who have found new jobs have seen a decrease in their earnings.

4.1.1 IMPACT ON MANUFACTURERS

Out of 212 RMG manufacturing units in 2000/01, around 30 manufacturing units were operational in 2006. During the survey conducted with 26 manufacturing units, only four manufacturing units reported an increase in demand after January 2005, five reported no change and the remaining 17 reported a decrease. While six manufacturing units stated that there had been improvement in their business in the post ATC period, 17 manufacturing units mentioned that their business was in a worsening situation. Similarly, only 27 percent of the manufacturing units reported that they would survive without T&C quotas. In the post ATC period, price, along with other factors such as tariff and non-tariff barriers, trade policies of the trading nations and the capacity of the RMG sector to respond to the changing trade environment determine the competitiveness of RMG products. In this context, the problems faced by the Nepalese RMG manufacturing units have worsened. Besides the elimination of quotas, deteriorating political climate in Nepal has been perceived to be a major impeding factor for the growth and survival of the RMG manufacturing units. General strikes, blockade of roads and shut downs of trading institutions have negatively affected the RMG industry. Moreover, the surveyed manufacturers cited that the government has not been able to promote the RMG industry with incentives and establish Garment Processing Zones (GPZs). In addition, they indicated that the government has not made any concerted effort to obtain duty free access to the US market.

4.1.2 IMPACT ON WORKERS

23 percent of the current workers reported a decrease in their earnings after 2004. They also reported that it has limited their ability to spend on basic needs such as food and accommodation as they spend the largest portion of their income on food (39 percent), followed by house rent (12 percent). In addition, 54 percent of the workers were found to have been sending remittance (12 percent of their income) to their families. The decrease in their earnings has not only restricted their ability to financially support their families but has also limited the scope of their families to spend on basic needs, including education of family members and debt payments. 66 percent of the jobless workers cited that the closure of the RMG manufacturing units has led them to joblessness. About 60 percent of the workers were able to get another

job in less than a year but for 11 percent, it took three or more years. Among the workers who managed to get a job, 30 percent reported an increase in income while 64 percent stated that there has been a decrease in income. Workers with little or no education were among the hardest hit by the closure of the RMG manufacturing units.

4.2 GROWTH OF RMG INDUSTRY

During the multi-fibre arrangement (MFA) era, many Asian countries, including India and Pakistan, were benefiting from the exports of T&C products. However, T&C exports from most of these countries started to decline after developed countries imposed quotas on them. This, however, provided a spillover business to relatively less efficient countries, including Nepal. Having gained experience from Indian businesses in Nepal, the Nepalese entrepreneurs soon came in the forefront by enhancing their capacity to respond to the global demand of T&C products. They even became capable to supply clothing to the renowned US retailers on 'cut, manufacture, trade (CMT)' basis. Since the RMG industry is highly labor intensive and requires relatively low investment, many manufacturing units came into existence for RMG exports. The number of export oriented RMG manufacturing units continued to grow until the beginning of the quota phase out under ATC. With the phasing out of the quota system and the changes in internal quota distribution policy,⁵ the number of establishments declined. In 2001, 212 manufacturing units were operational but after the expiry of ATC, the number has gradually declined. According to the Garment Association of Nepal (GAN), in July 2006, around 30 manufacturing units were in operation.

4.3 EMPLOYMENT, PRODUCTION AND COST

Although data and trend on employment (direct and indirect) in the RMG sector is not readily available, GAN puts the figure at 50000 during the boom period (1999-00), which accounted for 12 percent of employment in the manufacturing sector. After peaking in 1991/92, the number of manufacturing units in the RMG sector continued to decline while output continued to rise. In addition, the number of people engaged in the RMG industry increased by around 3000 between 1996/97 and 2001/02.

Table 4.1**Key indicators of RMG industry in Pre Quota Phase Out period**

Fiscal Year	No. of Establishments	No. of Employees	Average No. of employees per establishment	Output (in 1000 NRs.)	Wages and salaries (in 1000 NRs.)	Average wage(in 1000 NRs.)
1986/87	86	8518	99	391303	79291	9.30
1991/92	234	17260	74	2528233	409160	23.70
1996/97	136	14848	109	3801673	374818	25.24
2001/02	115	18134	158	5771802	795932	43.89

Source: CBS, Census of Manufacturing Establishments (various issues).

The reduction in the number of establishments along with an increase in employment and output suggests that the average size of establishments was growing, perhaps to reap the benefits of economies of scale. This argument is reinforced by the fact that the average number of employees per establishment increased from 109 to 158 between 1996/97 and 2001/02, along with a rise in average wage by 73 percent during the same period.

Table 4.2**Number of employees by nationality and sexes in Pre Quota Phase Out**

Fiscal year	No. of employees			
	Nepalese		Non-Nepalese	
	Male	Female	Male	Female
1991/92	9913 (58%)	1968 (11%)	5338 (31%)	23 (>1%)
1996/97	10362 (70%)	2657 (18%)	1827 (12%)	2 (>1%)
2001/02	11807 (65%)	4853 (27%)	1472 (8%)	2 (>1%)

Source: CBS, Census of Manufacturing Establishments (various issues).

A popular misconception regarding the RMG sector in Nepal is that it employs mostly foreign nationals, mainly Indians. In 1991/92, a third of the RMG industry employees were not citizens of Nepal but 10 years later in 2001/02, less than one out of every 12

employees of the industry was non-Nepalese. Also notable in the employment figure of the industry is the percentage of women involved in this sector. Nearly 45 percent of the employees are women.

Although the RMG industry is labor intensive, the capital-labor ratio in the Nepalese RMG industry is relatively high compared to some other RMG exporting countries (Table 4.3). The labor content in the RMG industry is less than 15 percent of gross output. It is paradoxical that the industry's capital is relatively higher than labor in total value added. The technology requirements of a modern garment factory imply that the Nepalese manufacturers are unable to exploit cheap labor and become price competitive in the world market. Another reason for the low labor content in the total value added is that the garment products of Nepal are low-end clothing items. Nevertheless, the RMG industry provides employment to a large number of unskilled workers through factory floor jobs.

Table 4.3

Cost and value addition in the apparel industry in selected countries (% of gross output)

	Labor	Capital	Value added	Intermediate inputs	Of which imported
Nepal	13.79	27.69	41.48	58.51	-
Vietnam	10.20	3.8	14.0	86.0	40.0
India	24.0	7.8	31.8	68.0	40.4
China	20.7	12.2	32.9	67.1	5.7
Italy	17.4	16.4	33.8	66.2	13.5
France	26.3	8.4	35.0	65.0	24.3
US	26.8	5.8	32.6	58.8	19.8

Source: Nordas, 2012.

* Calculation based on the principal indicators of the apparel industry given in the Census of Manufacturing Establishment of CBS.

4.4 CONTRIBUTION TO MANUFACTURING INDUSTRY

The RMG industry in Nepal occupied a significant position in the overall manufacturing sector. The share of this sector in manufacturing grew from 26 percent in 1994/95 to 37 percent in 2000/01. However, with the phase out of the quota system

the share of RMG in manufacturing sector declined to 26 percent in 2003/04 and further to 16 percent in 2004/05 (Table 4.4).

Table 4.4
Share of RMG Exports in manufacturing for pre and post Quota Phase Out

	1994/95	1996/97	1998/99	2000/01	2002/03	2003/04	2004/05
Garment exports as % of manufacturing exports	26	24	32	37	35	26	16

4.5 TREND, COMPOSITION AND DIRECTION OF RMG EXPORTS

RMG products have occupied a prominent position in Nepal's exports. Its average annual share exceeded 40 percent of Nepal's overseas exports and about 20 percent of the total exports. Table 4.5 shows the share of RMG in total exports. Until the complete elimination of T&C quotas, RMG exports from Nepal were not affected due to 'back-loading' or delay in eliminating quotas on product categories that interested the Nepalese manufacturers. However, the downward trend in RMG exports was apparent after the last phase of quota elimination in 2004 (Table 4.6). The overseas market dominates the Nepalese RMG exports, accounting for more than 95 percent of the total RMG exports. The exports to India remained modest, despite market proximity and bilateral preferential trading arrangement between the two countries.⁹ In recent years, the share of India in total RMG exports has, however, been encouraging. The US, the EU, Canada and Japan are the major destinations for the Nepalese apparel and will remain crucial in the future. Among them, the US has been a prime market for apparel exports, with a share of almost 85 percent until the first half of the ATC period. This has, however, decreased to 75 percent immediately after the quota phase out, reflecting the impact of liberalization in the international RMG trade.

Table 4.5
Contribution of T&C in export pre and post Quota Phase Out (NRs. in million)

Year	Total Export	Export TC*	Export RMG	Share TC	Share RMG
1993/94	19293.4	5943.2	5943.2	30.8	30.8
1994/95	17639.2	5390.8	5139.3	30.6	29.1
1995/96	19881.1	5612.8	5374.8	28.2	27.0
1996/97	22636.5	6281.3	5955	27.7	26.3
1997/98	27513.5	7582	7032.5	27.6	25.6
1998/99	35676.3	10231.4	9744.7	28.7	27.3
1999/00	49822.7	22134.4	13987.7	44.4	28.1
2000/01	55654.1	23046.3	13316.8	41.4	23.9
2001/02	46944.8	12408.6	8046.5	26.4	17.1
2002/03	49930.6	16692.8	12289.3	33.4	24.6
2003/04	53910.7	16201	10176.7	30.1	18.9
2004/05	58705.7	14988.41	6490.5	25.5	11.1
2005/06	55812.5	14922	6505.7	26.7	11.7

Source: MoF, Economic Survey (various issues)

Notes: * Internationally, products from HS codes 50 to 63 are considered as T&C and include carpet (HS 57). In this table, "T&C" means Pashmina, Polyester Yarn, textile, Thread and RMG.

The trend was reversed in the case of the three other export markets, the EU, Canada and Japan, where export shares have grown moderately. This is probably due to preferential market access granted by these countries to Nepal, under the Generalized System of Preferences (GSP). The share of the EU has particularly been encouraging in recent years, mostly due to the relaxation of the standard EU preferential rules of origin (RoO).

Table 4.6
Nepal's apparel export to overseas countries and India for pre and post Quota Phase Out (value in 1000 NRs.)

Fiscal year	Overseas	%	India	%	Total	%	% change in total
2000/01	11,431,246	98.34	192,100	1.65	11,623,346	100	-
2001/02	7,752,296	97.31	213,500	2.68	7,965,796	100	- 31.4
2002/03	11,613,749	96.67	399,200	3.32	12,012,949	100	+ 50.8
2003/04	9,552,544	93.84	626,700	6.15	10,179,244	100	- 15.2
2004/05	6,307,211	94.51	365,700	5.48	6,672,911	100	- 34.4

Source: Calculation based on the data available at TPC.

In particular, EU countries, such as the United Kingdom (UK) and France, appear more promising than Canada and Japan. Some other EU countries with scope for expansion are Germany, Italy and Spain. However, export values in these markets

have been small, despite the preferential market access and relaxation of the standard RoO. These facts show that Nepalese RMG exports after quota abolitions have two distinct market choices: the preferential market in the EU, Canada and Japan; and the non-preferential market in the US. Regarding the export items, in general, cotton items have dominated Nepal's RMG exports. Product categories such as trousers, shorts, t-shirts, vests, blouses, pullovers and cardigans managed to retain their position in the US market. Although these products had the highest quota utilization rates (above 90 percent), Nepal lost the market share of these products in the US despite the growth in US imports in the first quarter of 2005. An important reason for Nepal's loss could be increased market share of the previously quota-constrained suppliers such as China, India, Bangladesh, Pakistan, Sri Lanka, and Vietnam. For instance, China increased its share in US imports from 21 percent to 65 percent in April 2006 in items freed from quotas. Similarly, India's share in the US market increased from 2.9 percent to 3.8 percent, and Vietnam's rose from 0 percent to 2.9 percent.

Table 4.7
Share of major markets in RMG exports for pre and post Quota Phase Out (in %)

Fiscal year	US	EU	Canada	Japan
2000/01	90.96	7.32	0.91	0.42
2001/02	85.28	12.28	0.85	0.60
2002/03	87.87	9.80	1.00	0.65
2003/04	75.58	20.48	2.18	1.00
2004/05	75.18	17.84	3.25	1.45
2005/06	62.07	27.31	3.58	2.00

Source: Calculation based on the data available at TEPC, 2006.

It is also worth mentioning that there is a marked difference in the product composition of the two major markets. Products concentrated in the US market are lower-end cotton items while the EU market has attracted relatively high value wool and silk based items along with a few cotton products. Compared to previous years, export values for cotton items in both the markets sharply declined in 2004-05, indicating stiff competition in the cotton category in the post ATC period. The reduction in exports in the five major cotton items to the US is alarming. If the trend continues, Nepal's position in the US will deteriorate further. RMG exporters have, however, held their position in the EU market. This is probably due to an established brand image in Europe in woolen and silk shawls, scarves and veils. In recent years,

the market for woolen or fine animal hair shawls has been deteriorating due to oversupply and lack of quality control but the EU market for silk items has expanded due to market diversification within EU countries. The government's decision to provide bonded warehouse for silk material imports has provided extra impetus for exporters.

4.6 EMPIRICAL STUDY ON IMPACT OF THE QUOTA PHASE OUT

The end of the quota system after the expiry of ATC has increased international competition in the RMG sector in terms of lower prices, increased demand for shorter lead times and higher quality clothing. Due to their inability to compete against more efficient industries of China, India, Thailand, and Mexico (Pasha 2004), countries like Nepal are now finding it hard to survive and compete in the global T&C market. The quota phase out has not only led to the closure of T&C manufacturing units and drastic reduction in T&C exports but has also created other serious human development challenges. The impact has been severe among the workers due to major cuts in employment and deteriorating working conditions, decrease in wages and increase in working hours, for those who are able to keep their jobs. Decline in RMG exports has also increased women unemployment as when labor cuts are required, women are the first to be let go (UNCTAD 2004). This, in turn, has generated other socio-economic problems at the household level as women workers in the T&C sector are often the main household income earner and the chances of getting an alternate job are relatively low for women (Bhatt and Bhattarai 2006).

The impact of the loss of employment is most keenly felt by those who are unable to find another job after being laid off. The RMG manufacturing units are relatively specialized with most of the workers concentrating in only one stage of the production process. With the closure of RMG manufacturing units, the laid-off workers have difficulty in finding employment in other industries due to a lack of transferable skills. In order to assess the impact of T&C quota phase out on Nepal, particularly at the level of manufacturers and workers, SAWTEE and AAN conducted an empirical study between June and July 2006. While dealing with impact at the level of workers, the study analyzed the situation and condition of the workers from the perspective of human development. It has been observed that the removal of quotas has a significant bearing on human development, particularly because it has not only affected the

income of the workers but has also limited the choices of their families to live a decent life and support their family members to get a better education and health facilities. The study has not, however, done a comparative analysis of pre and post scenario of human development at the level of workers.

4.7 EMPLOYMENT, INCOME AND WORKING CONDITIONS

4.7.1 WORKERS EMPLOYMENT

In order to grasp the depth and severity of the impact of the removal of T&C quotas at different levels, the empirical study was done at two levels – at the level of the manufacturers and workers. At the enterprise level, 26 manufacturing units were surveyed for data and information on the internal and external problems faced by the RMG industry in the post ATC period and the domestic and international factors that determine the future of the Nepalese RMG industry. Similarly, at the level of workers, 274 present workers from 26 manufacturing units and 133 past workers were surveyed.

When the Nepalese RMG industry was at its peak, it used to provide direct employment to more than 50000 people but after phase out, it was found that there has been a drastic reduction in employment. Only 4450 people were found to be currently employed in the industry. Out of these, 274 workers were surveyed for the empirical study.

Table 4.8
Full time employee data for 26 manufacturing units

	Sewers	Helpers	Supervisors	Managers	Others	Total
Male	1450	351	131	125	397	2454 (55%)
Female	1015	634	77	19	251	1996 (45%)
Total	2465	985	208	144	648	4450

Source: Action Aid Nepal (AAN), 2011/12

Among the current workers surveyed, 175 were male (77 percent married and 23 percent unmarried) and 99 were female (61 percent married and 39 percent unmarried). Most of the workers (91 percent) were less than 40 years of age while 65 percent of the female workers were less than 30 years of age (Table 4.9). Out of 274 current workers interviewed, 6 percent earn less than NRs. 2000 per month and 8

percent earn less than NRs. 2250. Only 15 percent of the workers earn more than NRs 7500 per month.

Table 4.9
Number of people surveyed (by age group)

Age group	Male		Female		Total	
	Number	Percent	Number	Percent	Number	Percent
Less than 20	8	4.6	16	16.2	24	8.8
21-30	82	46.9	48	48.5	130	47.4
31-40	67	38.3	29	29.3	96	35.0
41-50	14	8.0	4	4.0	18	6.6
51 and above	4	2.3	2	2.0	6	2.2
Total	175	100	99	100	274	10

Source: Action Aid Nepal (AAN), 2011/12

Out of 274 current workers interviewed, 6 percent earn less than NRs. 2000 per month and 8 percent earn less than NRs. 2250. Only 15 percent of the workers earn more than NRs 7500 per month (Table 4.10)

Table 4.10
Monthly income of workers

Basic monthly salary (NRs.)	No. of workers	%
Less than 2000	16	5.84
2000-3000	84	30.66
3000-4000	45	16.42
4000-5000	48	17.52
5000-7500	41	14.96
7500-10000	31	11.31
10000 and above	9	3.28
Total		100.0

Source: Action Aid Nepal (AAN), 2011/12

4.7.2 IMPACT ON MANUFACTURERS

Exports

In 2004, the total value of exports of the surveyed manufacturing units was NRs. 3135 million. In 2005, exports dropped by more than 10 percent to about NRs. 2790 million. Since, these figures only cover manufacturing units that were still operating and exporting in 2005, it does not portray an accurate picture of the overall decline in RMG exports. Many manufacturing units that were exporting in 2004 have ceased production altogether after the abolition of the quota system on 1 January 2005.

Table 4.11
Change in exports (NRs. in million)

Year	2004 (pre quota phase out)	2005 post quota phase out
US	2957	2700
EU	134	48
Canada	21	16
Others	23	26
Total	3135	2790

Source: Action Aid Nepal (AAN), 2011/12

Similarly, only four manufacturing units reported an increase in supply orders after January 2005, five reported no change, while most of the units reported a significant decrease in supply orders after the phasing out of ATC (Table 4.11).

4.7.3 BUYING AND SELLING OF NEW ASSETS

Buying and selling of new assets reveals the future expectations of the entrepreneurs. Buying of new assets is usually associated with optimism in the industry while selling with pessimism. The survey found that only six manufacturing units purchased capital assets after January 2005 while a majority, i.e., 22 manufacturing units did not. In addition, four reported selling some capital assets after January 2005.

Other Aspects of Business

When asked for their opinion on the impact of quota phase out on other aspects of the business, the response was mixed. As expected, an overwhelming majority thought the impact on the business as a whole was negative. The impact on production

capacity seemed minimal while the condition of overtime and outsourced work had deteriorated (Table 4.12)

Table 4.12
Comparison of pre and post ATC period

	Better	Worse	Same	Total
Your business	6	17	3	26
Production capacity	7	8	12	26
Overtime work	3	11	9	23
Outsourced work	3	11	5	19
Benefits to workers	10	5	11	26

Source: Action Aid Nepal (AAN), 2011/12

4.8 NEPALESE RMG INDUSTRY IN THE POST ATC PERIOD

The nature of competition in the international RMG trade has changed after the quota phase out under ATC. In order to enhance the competitiveness of their products in the international market, the government and the private sector now need to concentrate on different factors that affect the demand and supply side of RMG trade. It is due to the fact that in the post ATC period, in addition to price, many other factors such as infrastructure, technology, tariffs and non-tariff barriers and trade policies of the trading nations determine the capacity of the manufacturing units to respond to the changing trade environment.

Factors affecting Demand Side

Strong Buyers' Market

The international clothing market is fast changing from a 'seller's market' to a 'buyer's market'. With the elimination of quota restrictions, international buyers are free to import from wherever they choose. Consequently, they are now concentrating their imports from a few countries with consolidated production capacity. The US Department of Commerce in its report in 2004 estimated that the number of countries from which US imports garments will be reduced to half by the end of 2006, and by a third by 2010. The surviving exporters to the US market will exclude countries that

have enjoyed an "artificial comparative advantage" due to the "quota rents." Some landlocked least developed countries (LDCs) such as Laos and Mongolia that lack consolidated production capacity have already lost their market share. Hence, it is likely that if the major buyers, including the US, exclude from their list the countries that have low production capacities and few manufacturing firms, Nepal will also suffer.

The China Factor

China is a leading player in the world's T&C market. With the expiry of ATC, its export of apparels has grown rapidly. China's comparative advantage and supply capacity in the apparel industry has added more to its competitiveness.

Table 4.13
Leading apparel exporters

	Value (billion US\$)	Share in world clothing exports (in %)			
		2004	1980	1990	2000
EU (25)	74.9	-	-	27.0	29.0
Extra EU exports	19.1	-	-	6.9	7.4
China	61.9	4.0	8.9	18.3	24.0
Hong Kong (China)	25.1	-	-	-	-
Domestic	8.1	11.5	8.6	5.0	3.2
Re-exports	17.0	-	-	-	-
Turkey	11.2	0.3	3.1	3.3	4.3
Mexico	7.2	0.0	0.5	4.4	2.8
India	6.6	1.7	2.3	3.1	2.8
US	5.1	3.1	2.4	4.4	2.0
Romania	4.7	-	0.3	1.2	1.8
Indonesia	4.5	0.2	1.5	2.4	1.7
Bangladesh	4.4	0.0	0.6	2.0	1.7
Thailand	4.1	0.7	2.6	1.9	1.6
Vietnam	4.0	-	-	0.9	1.5

Source: Action Aid Nepal (AAN), 2011/12

The catalogue of China's strengths is long, some of them are: low labor costs, strong business networks, and excellent shipping connections that allow for shorter transit times to the world's major markets – the US and the EU. China's share of total apparel exports has substantially increased with the quota phase out. Total exports from China went up by 6 percent and constituted 24 percent of the total world exports in 2004.

Moreover, the phenomenal growth in exports has occurred in categories of clothing important to the Nepalese exporters. China's export growth rates for some of Nepal's key export items increased by more than 100 percent immediately after the quota phase out (Table 4.14). For example, China claims 40 percent share of world exports for cotton and manmade fibre trousers, men's woven shirts, cotton and manmade fibre knit shirts and underwear.

Table 4.14
Growth rate of selected Chinese clothing imports to US

Key individual category/description	Quantity (January-March 2005 against January-March 2004)	Percentage change
Cotton knit shirt	+ 6,521,795 doz	+ 1257.87%
Non-knit shirts	+1,422,603 doz	+284.12%
Cotton and manmade fibre trousers	+6,176,504 doz	+1521.04%

Source: Action Aid Nepal (AAN), 2011/12

In 2005, the US and the EU imposed restrictions through safeguard quotas on some of the major categories of RMG that were removed from quota restriction.¹³ With safeguard quotas in place, the growth of Chinese exports to the US is limited to 7.5 percent. Chinese companies utilized the US quotas within the first few months (particularly in those items restricted during the quota regime and also important for the Nepalese exporters) and they had to stop exporting for the rest of the year. The quota exhaustion in China gave some scope to other countries' exports. However, Nepal failed to benefit from the US' action on China and larger suppliers like India and Bangladesh benefited the most. It appears unlikely that Nepal will benefit from the safeguard measures of the US and the EU on China's exports without strengthening its capacity to meet the buyers' requirement for extra services.

Declining Apparel Prices

The price of apparel seems to be declining in a quota free RMG trade for several reasons. The average international price of apparel will continue to decline, mainly due to increased world production, reduced distribution and administrative costs for quotas and relocation of production bases to cheaper locations. The decreasing trend in the world apparel price is also reflected by the value growth rates, which are much lower than volume growth, implying declining unit values and product prices

following the quota abolition. All these factors have contributed in lower prices, primarily in China. According to National Council of Textile Organization (NCTO) of the US, in 2005, the prices for Chinese apparel products have declined by an average of 48 percent between 2001 and 2004 and the prices for items removed from quotas will continue to decline further. The sharp fall in average prices of Chinese apparels is more threatening to other countries than any other single factor.

Table 4.15
Reduction in unit value of select Chinese apparel (in
first half of post Quota Phase Out)

Cotton trouser		T-shirt	
US	30% approx.	US	45%
France	> 25%	France	30%
UK	> 25%	UK	> 40%
Germany	>20%	Germany	40% approx.
Canada	> 20%	Canada	–

Source: ActionAid Nepal (AAN), 2011/12

Prices of some items important for the Nepalese exporters such as cotton trousers, shorts and t-shirts have reduced by almost half. The trend of price reduction in Chinese apparels is intense not only in the US market but also in the European and Canadian markets (Table 4.15). If the present trend continues, price competitiveness of small suppliers like Nepal is likely to further erode. The fact that price is a sensitive variable in the demand function is demonstrated by the inverse relationship between prices and values of some exported items (Table 4.16 and 4.17). However, it is difficult to generalize these observations to the Nepalese exports as demand for select Nepalese items has gone down despite lower prices. This suggests that the price difference is not the only or the most decisive factor to the buyers.

Table 4.16
Price for cotton knit shirt for men/boys in the US

Exporter	Price per piece in US\$		Import value in million US\$	
	Jan-Sept 2004	Jan-Sept 2005	Jan-Sept 2004	Jan-Sept 2005
Bangladesh	3.39	2.52	18.8	38.8
China	8.86	2.93	37.9	91.0
India	4.88	3.78	78.9	102.2
Pakistan	3.65	3.23	157.0	137.2
Sri Lanka	6.02	4.94	21.0	31.4
Nepal*	2.96	2.71	12.39	7.31

Source: Action Aid Nepal (AAN), 2011/12

Table 4.17
Price for cotton trousers/shorts for women/girls in the US

Exporter	Price per piece in US\$		Import value in million US\$	
	Jan-Sept 2004	Jan-Sept 2005	Jan-Sept 2004	Jan-Sept 2005
Bangladesh	5.90	4.42	37.1	63.7
China	12.36	5.47	73.9	334.7
India	9.34	7.54	46.7	76.2
Pakistan	5.56	6.25	8.2	18.0
Sri Lanka	6.94	6.77	62.2	90.1
Nepal	3.86	4.02	43.55	22.33

Source: Action Aid Nepal (AAN), 2011/12

Other factors, including quality and delivery efficiency, could equally affect demand. Therefore, the Nepalese exporters have two options to respond to declining demands. They can either improve the price competitiveness by squeezing the output cost or add more values to quality and delivery, without reducing the prices, preferential market access and duty advantage. The demand for clothing in the international market is not solely determined by the product price and quality. Countries that have access to preferential market access have extra leverage to raise their exports at the expense of non-privileged ones. Preferential market access (regional, bilateral, etc.) to select countries is not uncommon in international trade. Countries with preferential access gain a competitive advantage at the cost of countries that do not have such privilege. The proliferation of preferential market access has, in reality, complicated

the new trading system in apparel trade.

4.9 PROSPECTS FOR THE RMG INDUSTRY IN THE POST ATC PERIOD

Nepal was identified as one of the countries to be affected overwhelmingly by the liberalization in apparel trade. The impact of the quota phase out was most pronounced in Nepal while some LDCs, such as Bangladesh and Cambodia, managed to withstand competition and even increased their exports despite the dire predictions. The combined T&C export of Nepal to the US, the largest market for the product, decreased by more than 25 percent in value and over 40 percent in volume during the first nine months of 2005 compared to the same period in the previous year. The decline is even more catastrophic in clothing, which declined by 38 percent in value and 45 percent in volume. Observing the trend, it can be inferred that landlocked and economically vulnerable countries are likely to lose their share in apparel trade. It is interesting that while some countries such as Bangladesh and Cambodia have survived despite predictions made that they would lose, some confirmed winners such as China and India are yet to benefit as anticipated. This reflects how unpredictable international trade in T&C has become after the elimination of quotas.

With the elimination of quotas, other restrictive measures, vis-à-vis, the standard and certification requirements as well as the trade remedy measures have emerged as new means of trade barriers. For instance, the new trade policy measures by the US and the EU as in the form of new safeguard restrictions on China and anti-dumping on bed linen from Pakistan would appear to have caused fresh market distortions, which shows that trade policies of affluent countries continue to be the major underlying cause afflicting the export prospects of several developing countries. Therefore, it is not enough to consider only the product price but also market imperfections in place to successfully revive Nepal's RMG industry in the post ATC period.

4.10 NEPALESE READYMADE GARMENT IN POST MULTI FIBER AGREEMENT

4.10.1 READYMADE GARMENT EXPORT

Nepalese readymade garment market is basically differentiated by two markets preferential and non- preferential. After the fourth step of the MFA Phase out in

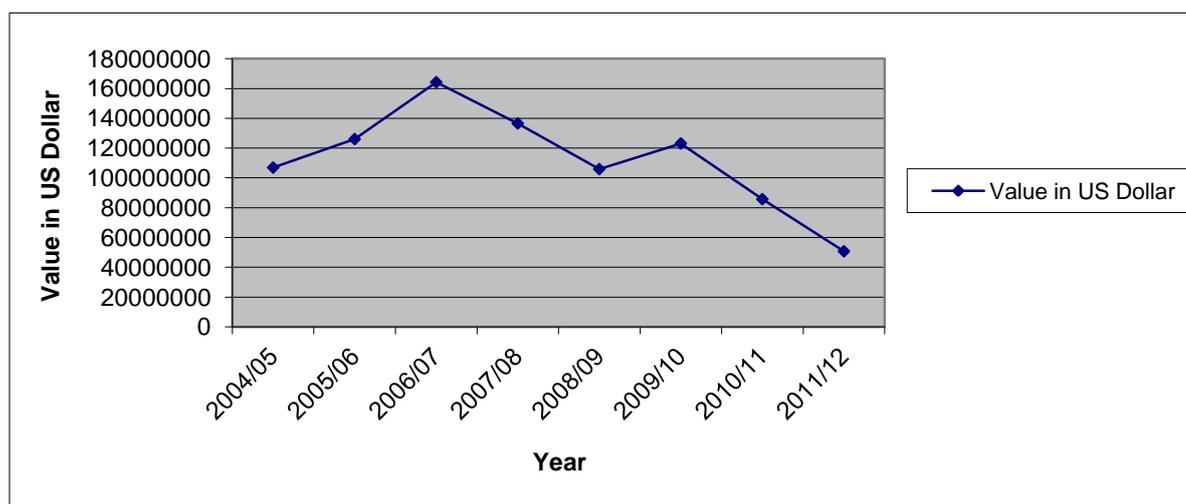
2004/05, it was seen that Nepalese readymade garment export in US is drastically decreased (Table 4.21), because the quotas and major export interest items from Nepal was eliminated.

Table 4.18
Readymade Garment Export to USA (value in US Dollars)

Year	Qty Dorzen	Qty Kg	Value	% change
2004/05	2204829	294577	106917453	-
2005/06	2716193	253756	126033262	18
2006/07	3907645	300022	164223481	30
2007/08	3239627	202442	136527813	17
2008/09	2603277	141805	105910708	22
2009/10	2994429	138810	123121594	16
2010/11	2074319	108987	85716568	30
2011/12	1081841	161821	50722713	41

Source: TEPC, 2004/05-2011/12

Figure 4.1
Readymade Garment Export on Non Preferential Market



The trend of garment export in USA was uneven for the past eight years. In percentage change column, we can see positive percentage only in the years 2004/05, 2005/06 and 2006/07. Although the year 2005 was proclaimed as the export year, The export value was not satisfactory. The year 2006/07 (after MFA) was the worst of the worse among previous years.

Table 4.19
Readymade Garment Export to Canada

Year	Qty NMB	Value	% change
2006/07	190516	1328314	-
2007/08	140923	1448356	9.04
2008/09	90581	498259	-65.6
2009/10	223590	784847	57.53
2010/11	394349	1552281	97.78
2011/12	383921	1400903	-9.75

Source: TEPC, 2006/07-2011/12

Figure 4.2
Readymade Garment Export to Canada

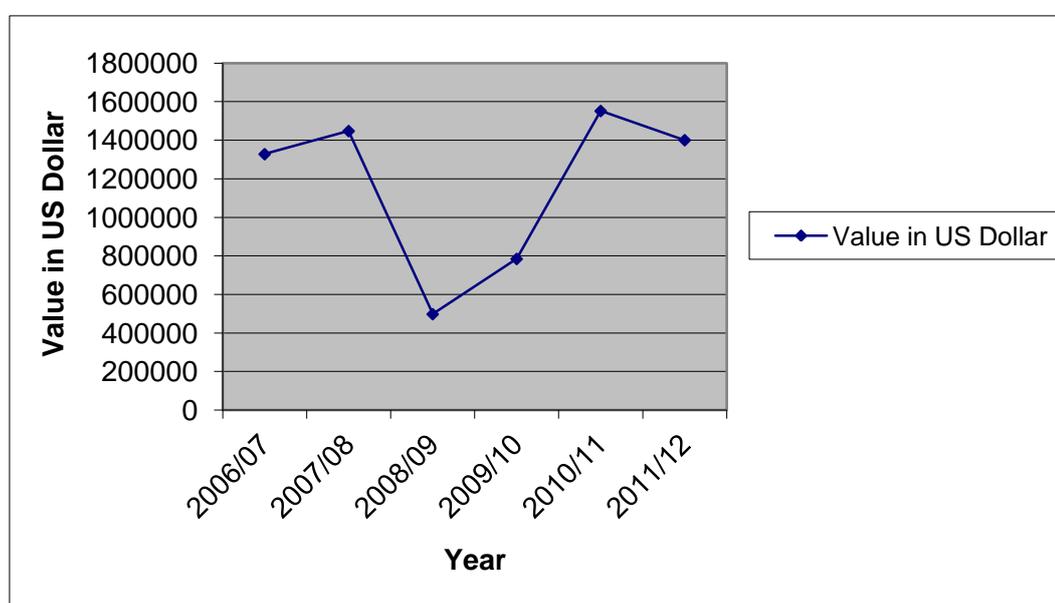


Table 4.20
Readymade Garment Export to European Union (EU) (Value in US)

Year	Qty PCS	Value	% change
2006/07	4681752	20429036	-
2007/08	4880753	22449034	9.88
2008/09	4233887	12459957	-44.50
2009/10	5621328	14017270	12.50
2010/11	5797250	16559955	18.14

2011/12	6010300	19374790	17.00
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Source: TEPC, 2006/07-2011/12.

RMG export on preferential Market

Although the export to the EU and Canada were not encouraging, the performance in these markets indicated minor and little improvements during later year due to duty free treatment to Nepalese apparels given by these countries. RMG export to EU was increased by 9.88 percent in the 2006/07, 12.50 percent in 2009/10 and 18.14 percent in 2010/11. Though, the RMG export in Canada for the year 2009/10 and 2010/11 were in increasing order. The year 2011/12 was decreased with 9.75.

4.10.2 ANALYSIS OF PRODUCT AND MARKET MIX

The product concentration with respect to the two markets also differed significantly. In general, Nepalese manufactures exported standard product categories, such as t-shirts, ladies dress and males/boys shirts and trousers made out of cotton textiles. Besides the higher rate of US quota Utilization for cotton trousers and shirts, the capacity to utilize quota in other terms were fairly low. The quota utilization rate for hot items gander category 336/636, 340 and 347/348, crossed 90 percent while the rate for even some cotton categories were fairly low. In the latter years, category 347/348 crossed the 90 percent mans. The price was the major factor determining the success of the items interested to Nepalese manufactures as there items had relatively less value of fashion and designs. For marketing, most of the Nepalese manufactures focuses on these lower in product categories with higher degree of competition. In recent year, rich counting markets was shifted the high prices and high fashioned clothing, so we have to catch these trend.

4.10.3 NEPAL IN SOUTH ASIA UNDER READYMADE GARMENT EXPORT

During the Multi-Fibre arrangement era, many Asian countries including India and Pakistan were considered to be competitive in textile and clothing (T and C) sector. However T & C exports from these countries declined offer developed countries imposed quantitative restriction (quotas) on them. Such quotas limited these countries potential export T & C Products but at the same time also provided an opportunity for

the growth of T & C sectors in several other Asian countries. Particularly because the quota imposing developed countries started importing T & C products from other countries since they lacked production capacities to meet domestic demands.

Four south Asian countries, Bangladesh, Maldives, Nepal and Sri Lanka responded quickly to fill the void. However these countries did not have the competitive edge and most of them did not also make any conscious efforts to diversify the product range and the market. From table 4.25, which depicts the level of concentration of market and product category, there important observations for the T & C exporting South Asian countries can be made. First, relatively small countries of the region which are latecomers in T and C business have more than 90 percent extremely vulnerable to change in market dynamics. Although India and Pakistan managed to diversify their markets their shares of export to show high level of concentration. Part of the reason could be that the European Union (EU) and United States (US) hold a significant share in global imports of T and C products i.e. Pakistan total 63 percent and India 57 percent Concentration of export in US and EU.

Table 4.21
Level of Market and Product concentration in Five South Asian countries

Countries	Major export market (% of export)			Top Five export product
	US	UE	Total	
Bangladesh	38	56	94	Knitted cotton T0shirts other rest, pullover sweat shirts, cardigans of manmade fibre, men's boy's cotton trousers or shirts, women's and girls cotton trousers or shirts woolen sweaters, pullovers, coats
India	24	33	57	Men's and boy's cotton shirts; women's and girl's cotton blouses, shirts other rest, cotton sweater waist coat, woolen knotted carpets
Nepal	80	18	98	Woolen knotted carpets, women's and girl's cotton trousers or shirt, pull over, sweat shirt shawls, scarves, mufflers,
Pakistan	31	32	63	Cotton sweaters, pullovers, waist coat, kitchen lines, cotton printed bed lines, woolen know led carpets
Sri Lanka	57	35	92	Women's and girls cotton trousers, brassieres pullover, sweat shirt, waist coat, t-shirts other rest, brassieres

Sources: South Asia Watch on Trade, Economic and Environment.

4.10.4 COMPARISON OF PRE AND POST MULTI-FIBRE AGREEMENT PERIOD IN READYMADE GARMENT EXPORTS

Export business in Nepal has been experiencing a decreasing trend since last fiscal year. The main reason behind this is the removal of multi-fibre arrangement (MFA). Nepali apparel products which were enjoying free market access to American market

prior to quota abolition has witnessed decline of 30 percent in 2006/07. The export the more narrowed in the year 2011/12. It has witnessed a decline of 41 percent in 2011/12.

Table 4.22
Total RMG Export in US (2006/07 and 2011/12)

Value in Dollars

Month	Year 2006/07		Year 2011/12	
	Value in '000000	% change with respective months of 2006/07 and 2011/12	Value in '000000	% change with respective months of 2006/07 and 2011/12
Jan.	11.35	-31	6.09	-46
Feb.	9.9	-41	4.46	-55
Mar.	10.64	-11	6.24	-41
April	7.35	-35	6.23	-15
May	8.33	-7	4.20	-50
June	5.16	-46	4.36	-16
July	5.7	-29	4.68	-18
Aug	7.02	-26	2.70	-62
Sept	5.95	-30	3.37	-43
Oct	4.96	-30	2.60	-48
Nov.	5.36	-33	5.36	-33
Dec	4.072	-61	4.00	-16
Total	85.792	-30	54.29	-41

Source: TEPC, 2011/12.

Figure 4.3
Total RMG Export in USA (2006/07 and 2011/12)

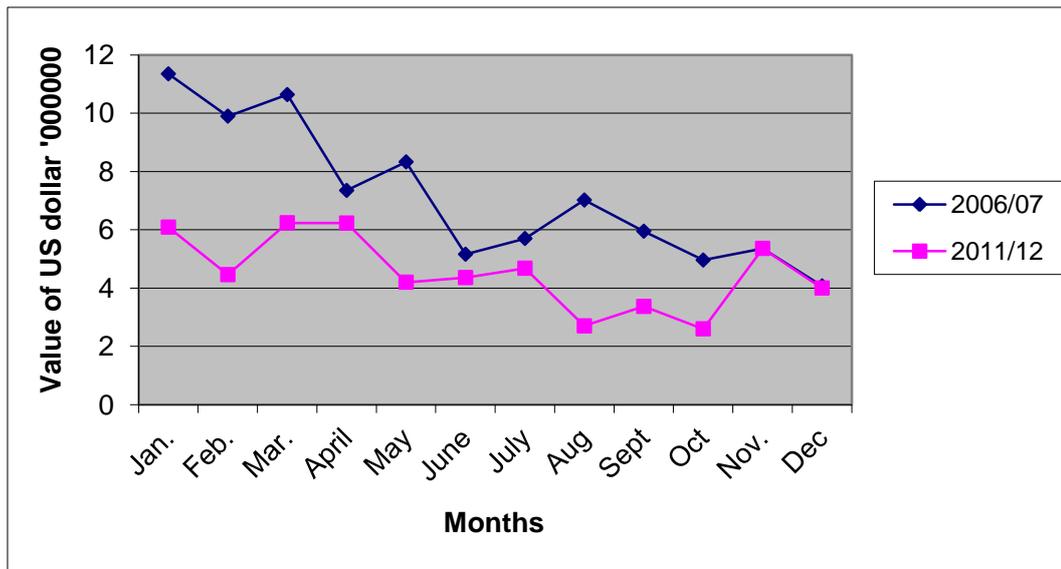


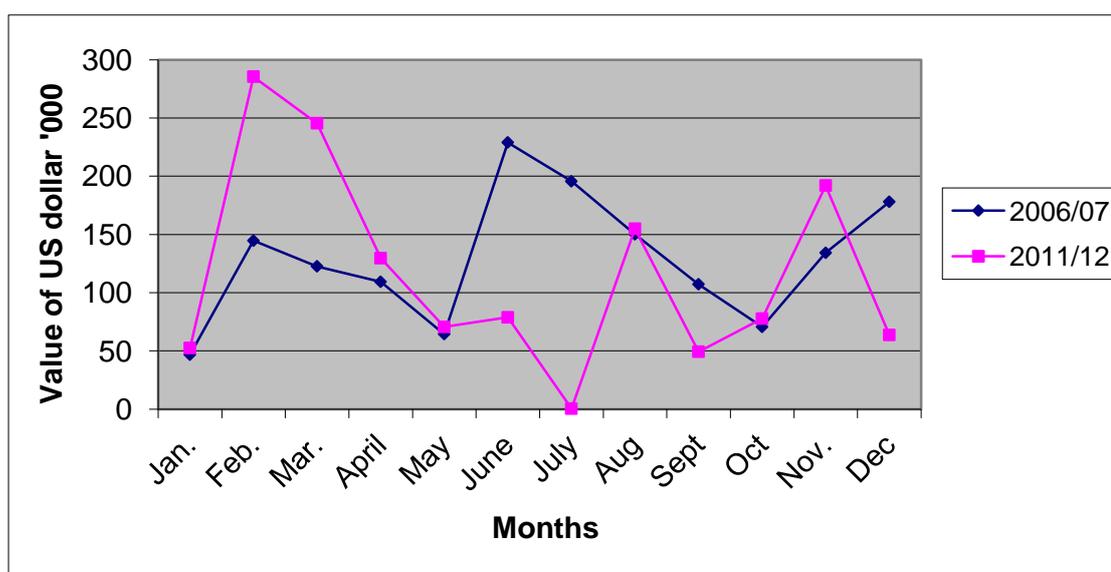
Table 4.23
Total RMG Export in EU (2006/07 and 2011/12)

Value in Dollars

Month	Year 2006/07		Year 2011/12	
	Value in '000	% change	Value in '000	% change
Jan.	46.7	-31.46	52.5	12.30
Feb.	144.6	27.89	285.5	97.50
Mar.	122.6	27.13	245.5	100.35
April	109.3	37.48	129.6	18.54
May	64.4	104.67	70.6	9.78
June	229.0	248.97	78.8	-65.57
July	195.6	124.11	0.4	-99.79
Aug	150.1	33.03	154.9	3.24
Sept	107.2	1232.55	49.3	-53.98
Oct	70.6	102.35	77.7	9.97
Nov.	134.2	100.06	192.0	43.13
Dec	178.0	769.83	63.7	-64.19
Total	1552.0	97.78	1400.5	-9.75

Source: TEPC, 2011/12.

Figure 4.4
Total RMG Export in EU (2006/07 and 2011/12)



4.11 SOME EXTERNAL CHALLENGES OF NEPALESE RMG IN POST MFA

4.11.1 THE CHINESE DOMINATION

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

Table 4.24
Growth Rate of Selected Chinese Clothing Imports to US

Key individual Category	Quantity (Jan.-March) 2011/12 compared to Jan-March 2006/07	Percentage Charge
Cotton Knits Shirts	+6521795 dozen	+1257.87
Non-Knit Shirts	+1422603 dozen	+284.12
Cotton and MMF Trousers	+6176504 dozen	+1521.04
MMF Knit Shirts	+2128603 dozen	+331
MMF trousers	+1597270 dozen	+269.16

MMF = Man-made Fibre

Source: Source: TEPC, 2011/12.

Clearly, China has emerged as monopolist in the post MFA, in international clothing market. Its strength the capture the world market came out of its capacity for vertical production availability of unlimited type of cheap labor with relatively higher productivity and investment in modern manufacturing and trade infra structure. All these advantages give China to increase market share enormously in the USA and Europe immediately after quota phasing out.

A recent World Bank study predicted these China and India would be only significant beneficiaries of quota elimination sharing more than 71 percent of the global market. Besides these two major countries, all supplying countries are anticipated to lose either market share in the US in trade without quota. A WTO study revealed China's share in US to grow from 12 percent in 2001 to 56 percent in 2005 and India from 4 to 15 percent.

4.11.2 PRICING-TREND OF RMG IN POST MFA

The average world apparel price is rapidly falling down with the abolition of quotas and high competition. It is estimated that the US wholesale price would come down to one fifth of the existing price after 2005. The prices of Chinese goods are tumbling down, with an average of 48 percent reduction from 2007 to 2010.

Table 4.25
Changes in Average Chinese Price
(Quota Free Apparel Categories Per Square Meter)

2009	2010	Dec. 2011	Mar. 2012	Change: 2009 to 2012 March
\$ 6.23	\$ 3.37	\$ 2.65	\$ 3.12	-48%

Source: Nepal Government, Ministry of Finance, 2011/12

In country, the average unit price for Nepalese apparels has increased from approximately US \$ 3 in early 2008 to \$ 9.5 after a decade. For categories such as trousers and shirts which were major items in Nepal's export, are roughly US and 3 on average against US \$2.13 in China, making Nepalese apparels 40% costlier than

Chinese. However Nepalese price is cheaper by 4.0 percent, if compared to the rest of the world average price, revealing a scope for market expansion, provided the production and delivery match the post MFA situation (Table 4.34).

Table 4.26
Comparison of Nepalese Apparel Prices with China and Rest of the World

Category	Chinese average export price	Average rest of the world price	Average Nepalese export price
Cotton trousers 347/8	\$ 2.87	\$ 7.73	\$ 3.86
MMF trousers 647/8	\$ 2.16	\$ 4.90	\$ 2.50
Men's woven shirts 340/640	\$ 2.83	\$ 4.16	\$ 3.12
Cotton knit shirts 338/9	\$ 1.29	\$ 4.29	\$ 2.71
MMF knit shirts 638/9	\$ 1.50	\$ 4.37	\$ 3.0

Source: Nepal Government, Ministry of Finance, 2011/12

4.11.3 TARIFF AND NON-TARIFF BARRIERS IN POST MFA

The issue of tariff and non-tariff barriers would be an important factor determining competitiveness of Nepalese apparel in quota free trade. The use of tariffs would escalate to undermine intense price competition and import Surya in developed countries, most prominently in the USA and EU. The average tariff rate on apparels in developed countries still remains significantly higher than on other industrial goods. After the Uruguay round, average tariff in industrialized nation for the product category is 12%, which is almost four times greater than the rates applied on other products imported to these countries. About half textiles and clothing items entering the American market are subject to tariffs in between 15 to 35 percent and that is about 9 percent and 7.6 percent in Japan.

Some major items imported to the US, EU and Canada are almost ten times the average MFN rates in the respective countries and almost fifteen time than they applied to imports from other rich countries (Table 4.35). Nepalese apparels face the tariff rate of 14.6 percent on average in the USA. The tariff revenue from Nepalese goods imports in USA is shocking high.

Tariffs on clothing in developing countries are no less intense some of the higher tariff-imposing countries included, India (39%), Pakistan (20%) and Thailand 25 percent. Nepal can benefit from tariff reform in large developing countries for market diversification. The bilateral preferential trade relation with India would be more meaning to Nepal with respect to tariff advantage and geographical proximity for effective market diversification strategy and to compensate the loss of market share in the USA.

Table 4.27
Tariffs for major Nepalese Apparel in US

Product HS Code		Applied MFN (Total Valorem equivalent)
620462	Women's/girl's trousers and shirts not knitted of cotton	Max. 16.60% - Min. 0.00% Average 8.15%
620342	Men's/boy's trousers and shirts not knitted or crocheted of cotton	Max. 16.60% - Min. 0.00% Average 8.30%
611020	Pullovers and similar articles knitted or crocheted of cotton	Max. 16.5% - Min. 5.0% Average 10.75%
620630	Women's/girl's blouses and shirts not knitted of cotton	Max. 15.4% - Min. 9.0% Average 12.20%
610910	T-shirts, siglets and similar garment, knitted or crocheted of cotton	16.50%
620640	Women's/girl's blouses and shirts, not knitted of MMF	Max. 26.9% - Min. 4.00% Average 15.45%

Source: Nepal Government, Ministry of Finance, 2011/12

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

4.12 DOMINATION OF PREFERENTIAL TRADING ARRANGEMENTS

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

Problems faced by RMG

Keeping the objective of the study in mind, questions with various, personnel related to garment business was conducted regarding the problem of their business. As regards to this the respondents replied that there are many such problems. The most prominent are pointed out were WTO effect in RMG industries, poor labor policy, higher interest rate, poor infrastructure, poor security, Maoist problem etc.

The garment industry in Nepal has been suffering from a number of bottlenecks at different levels, from lack of infrastructure to narrow export base, from problematic government policies to markets access to foreign countries. A study conducted by the United States Agency for international Development (USAID) in 1994, states. "If Nepalese producers do not invest in better equipment, reduce cost and develop direct contacts with international buyers, then the garment industry will start disappearing by next year.

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

Italy, Germany France and UK have arranged for re-importing finished textile products, including apparels without tariffs from countries like Poland, Romania and Hungry as well as Mediterranean rim, such as Morocco and Tunisia to pave higher labors cost. The preferential market access has helped to increase apparel trade

volume between these countries remarkably. Thus, these types of strategies may harm the export of non-competitive countries like Nepal Bangladesh etc.

4.13 INTERNAL BOTTLENECKS OF NEPALESE RMG AFTER PHASING OUT QUOTA SYSTEM

In addition to external challenges, some internal bottlenecks have been suffering to Nepalese RMG time to time, Even now, almost all Nepalese apparel industries are confined to a production based only on CMT (cut, make and trim) so, the main aim of the industries is to manage only lasso force. At that time, garment products can be sold in foreign market because there was quota. Buyers were not so sensible. But, now the scenario has been changed. We have to depend on buyers to supply are products. Buyer's interest on style, types designs, cost and so on are the competitive weapon for foreign market access.

Therefore some internal bottlenecks of Nepalese RMG in a quota abolition trade are explained as follows:

4.13.1 CONSTRAINTS TO SUPPLY EFFICIENCY

Supply side of the Nepalese apparel industry is impeded particularly by low productivity and higher transaction cost. The use of out dated and non- competitive technology including the lack of methods to rationalize production with research and development (R&D) has already inhibited Nepalese produced ability to compete efficiently on the basis of price, quality and delivery as the quotas were removed.

Relatively low labor cost is the only distinct advantage that Nepal has, but low labor productivity remains obstacles to competitiveness. As one of the studies shows, except for Bangladesh, per hour labor cost in garment industry in China and India is highly than in Nepal. But the productivity of Nepalese workers is lower by more than half of the Chinese or India worker who are supposed to be competitive in the charged context. The ability to compete in post MFA will largely depend on not just a cheap labor cost but on a work force that is both relatively cheap and technically skilled. Trained Manpower would also be essential in the field of merchandising, production management and Marketing to increase the efficiently in overall production.

Cost format for apparels along with the labor lost is given below in the table which shows that most of the cost is incurred in the importing raw materials i.e. 61.41 percent that Nepal is highly dependent in raw materials from foreign countries labors cost comes at 29.17 percent. Transport expense up to Calcutta is 4 percent that also makes our RMG less competitive because it is extra burden.

4.13.2 INADEQUATE INSTITUTIONAL AND TRADE SUPPORT SERVICES

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

The problem related to bank financing has intensified further. Instead of giving a privilege to the section which is actually facing with the difficult adjustment problems, the commercial banks are increasing becoming reluctant to make new investment in this sector and initiating strict actions against debtors, impending further growth of the industry as most of the garment entrepreneurs have complained about it. In addition the garment sector among other export oriented industries added extra cost to their financing. To make the bank financing more efficient, in order to reduce the industry's financing cost, there should be an intervention by NRB (Nepal Rastra Bank) to prioritize the garment sector or bank loans.

4.13.3 ADMINISTRATIVE COMPLEXITY

Administrative hassles are more widespread with regard to the bonded warehouse facility, bank, guarantee and rebate of VAT, as imposed on the exported products.

The new provision has delayed the release of bank guarantee, maintained for the use of bonded ware house facility and rebate of the VAT.

The new provision required garment exporters to get two separate recommendations from the department of customs and the department of internal revenue, instead of a single recommendation, from the customs department, as was the case before, to release the bank guarantee. Considering the objective of minimizing transaction lost, it is necessary to revise to the previous system and apply a only bank guarantee for both to purposes.

The purpose of refunding VAT should be simplified to reduce the prevailing higher transaction cost. The process of refund should be made within 30 days from the date to claim made by the exporters. The document required for this purpose should be mentioned specially to overcome the hassles faced by the exporters while on the administrative process.

4.13.4 POLICY DRAWBACKS

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

4.14 SOME IDEAS TO BUILD CAPACITY TO FACE POST MFA SITUATION

The WTO's ATC in fact gave ten years for Nepal to prepare itself to face with adjustment issues after the complete phase out of MFA quotas. It was globally

anticipated that the intensified competition in the post MFA would concentrate garment industries in countries with availability of textile base, trade infrastructure, favorable trading terms, proximity to major markets and low wages with capacity to respond to the buyer's tastes and a fashion trend. But, Nepal did not possess. Strong positions in none of these competitiveness factors, besides the labors endowment.

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

4.14.1 UTILIZE MARKET OPPORTUNITIES PROPERLY

The markets for Nepalese garments in a quota free trade can be observed distinctly on the preferential and non-preferential market access opportunities. With two different market behaviors, it is required to build two separate strategies to retain positions in the respective markets and contributes to growth of the overall export volume. The US market is a major destination for the Nepalese RMG but it has lost the comparative benefit due to cut throat competition. So with the political revolution and readiness of America to help Nepal, the immediate strategy for American market should be intensified by lobbying for the US duty free market access, aiming at the level playing field and also achieving a means to offset the high price through a duty advantage.

The share of Nepal's export to EU and Canada was also not satisfactory. So it is important to note that Nepalese exporters should exploit the preference in EU to a fuller extent. EU and Canadian market is to be penetrated by launching promotional programmes because Nepal is losing its market in US. Although Nepalese exporters take part in America trade fairs on regular basis, they have hardly given priority to the EU trade fairs for promotion of garments, despite there was prospect of market

expansion. Consequently, they lacked adequate knowledge for marketing in the EU. That is why, a provision of a separate programmes and fund under the public private sector approach, should be envisaged for market promotion and GAN should play leading role from the respective sides.

4.14.2 PRODUCT INNOVATION AND SKILL DEVELOPMENT

The commodity type items have been dominating the production of Nepalese apparel manufacturers. The reasons for containing to the low priced item in the past were due to lack of indigenous skill for design and fashion and also because of the practice to follow only the buyer's design and requirement. The past practice had not encouraged Nepalese producers to divert from the product mix of commodity type to high fashion wears and to product innovation with increased competition in commodity type items in a quota free trade.

Nepalese producers should focus on fashion-oriented high value products for niche markets, but identification and production of such high value added category cannot be made without development of trained man powers and fashion institutes. Presently, there are no fashion institutes or vocational centers for textile and garments, which are effectively working. Initiative should be immediately taken in the form of a partnership between the private sector and government to establish or strengthen the existing textile training centers for immediate improvement in productivity and innovation through skill development.

The readymade garment-training center, which was established under the JICA and Government of Nepal, was operating since 1981. The department of cottage and small industry look responsibility to run the training center after stopping of JICA assistance, by signing a memorandum of understanding with the GAN in 1919 for observing the man power produced by the existing garment industries as they were not trained to be able to meet international requirement and also lacked talents to run modern equipment and perceive the latest international fashion trend. It would be advisable to activate the existing training institute under the department by restructuring and strengthening with modern equipment, including a fashion and design curriculum to match with the latest trend, and coordinating with regional fashion training centers the training centers. The training center can be converted into

a specialized institute for textile and garment research for quality and design, with ownership of the GAN.

4.14.3 VERTICAL PRODUCTION AND CONSOLIDATION OF INDUSTRY THROUGH GLOBAL PROMOTION ZONE

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

Conceptually, the GPZ and EPZ look similar but there is difference between them. Unlike the EPZ, which is primarily for facilitating rebate from taxes and to effectively implement the duty drawback, the GPZ intends to industry consolidation as a short-run objective and the vertical production and export oriented should meet various special functional areas to match international excellence. It should be well equipped with all kinds of basic infrastructure trade support services and also the individual factory commitments.

The GPZ as an industrial estate can facilitate the output as a large scale with economies by concentrating garment manufactures closely and helping them to consolidate the overall product. For strengthening of the industry as a whole the participating firm can also jointly establish sophisticated and costly technology, which could have been expensive on industrial industry basis. They can also initiate cooperative purchasing of imported raw materials, mainly high value fabrics and materials at the most competitive price to reduce manufacturing cost.

The idea of GPZ could be an instrumental for clustering of ancillary industries and also providing all kinds of services near to the production. Initially the establishment of basic raw material manufacturing (such gray fabric, threads, label, plastic insert, and clips, tags, zippers, buttons and packing material among others) with low involvement can be streamlined.

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

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

As mentioned earlier, the GPZ with an approach to industry consolidation and industrial cluster is also important to attract likely business spill over from India as the Indian producers could see consolidated production base in Nepal as an alternative to source from and also to offset the rising costs there.

4.14.4 PUBLIC PRIVATE SECTOR PARTNERSHIP APPROACH

By considering the contribution of the garment sector to the economy and impact from its deteriorating situation, private public sector partnership is urgently needed. Instead of forming new bodies, the simplest way to facilitate this objective through the public-private sector partnership could be by broadening the role of the existing. Readymade Garment Export promotion goal, the scope of the public private sector partnership should concurrently focus on three broader areas; continuity to lobbying

for duty free market access in the UAS, intensified promotional programmes to exploit the GSP market (Canada and EU) and development of a modality for construction and operation of the GPZ, a technical body, representing all concerned, should be immediately formed for designing operation and management modality of the GPZ.

4.14.5 PROSPECT OF NEPALESE GARMENT INDUSTRY

Nepal's garment industry actually has a very good prospect, if the government also realizes the potentials and enforce practical and flexible policies that would not only develop the industry but would also make the garment exports of Nepal of the level of competing countries of south Asia, Bearing the production inefficiency and policy flaws, Nepalese trades should perceive the change taking place in the global trading environment if they want to retain their position even in this post MFA, which has been one of the biggest transformations in the apparel trade history. If the government takes proper step and exchange the views, discuss on the problems and its solutions with garment exporters and accordingly formulated policies that would not only facilitate of development of the industry, but would also accelerate the process of development of industry.

Relatively low cost of labor will be the key advantage to Nepalese apparel producers in the liberalized system. However, low labor productivity will offset the advantage of low wages. The labor productivity in garment industry in Nepal is about 60-70% that of Chinese labor, who are considered the most productive in the world. That suggests for investment in productivity enhancement with application of latest technology. At the same time it is also required to overcome the internal bottlenecks, related supply constraints high transaction cost, lack of quality and inadequate infrastructure to sustain in international clothing trade.

4.15 ANALYSIS OF PRIMARY DATA

Under this analysis, data has been presented with the help of table. 40 Manufacturer/dealer/exporters have filled up the questionnaire and provide interview where necessary. The information and data obtained through the questionnaire survey

have been tabulated and they have been explained with different Figures and diagrams as appropriate.

4.15.1 NATURE OF ORGANIZATION:

The table 4.36 depicts that 80 percent respondents out of 40 have small-scale organization, 20 percent respondents have medium scale organization and none of the organization is large scale.

Table 4.28
Nature of Organization

S.N.	Nature of Organization	Percentage
1.	Small Scale Organization	80
2.	Medium Scale Organization	20
	Total	100

Source: Field Survey, 2013

The organization with the investment of up to 30 million is termed as small-scale organization whereas more than 30 million and up to 100 million is medium scale organization and the more than 100 million is large scale industry.

4.15.2 TYPES OF ORGANIZATION:

The table 4.37 depicts that 40% of the Respondents are manufacturer and Exporters where as 30% of the respondents are manufacturer, dealer and exporters.

Table 4.29
Types of Organization

S.N.	Types of Organization	Percentage
1.	Manufacturer and Exporter	40
2.	Manufacturer, Dealer and Exporter	30
3.	Dealer	10
4.	Exporter	20
	Total	100

Source: Field Survey, 2013

Similarly 10% of respondents are dealer, 20% of the respondents are exporters who export garments goods in the international market. Most of the respondents are interested in manufacturing the garments products and exporting them directly in the international market. So they can eliminate the middleman.

4.15.3 PROBLEM OF RAW MATERIAL OF GARMENTS:

The table 4.38 depicts that 10% of the respondents are getting difficulty for raw materials, 30% of the respondents are getting difficulty sometimes.

Table 4.30
Difficulty for Raw Material

S.N.	Difficulty in getting raw material	Percent
1.	Yes	10
2.	Sometimes	30
3.	No	60
	Total	100

Source: Field Survey, 2013

Similarly 60% of the respondents are not getting any difficulty for raw materials. Most of the respondents aren't getting difficulty for raw materials.

4.15.4 QUALITY CONTROL OF THE PRODUCTS:

The table 4.39 depicts that 20% of the respondents used to control the quality of the products by themselves.

Table 4.31
Quality control of the Products

S.N.	Quality Controller	Percentage
1.	Self	20
2.	QC Officer	50
3.	Marketing Department	20
4.	Others	10
	Total	100

Source: Field Survey, 2013

Similarly 50% of the respondents used to control the quality of the products by QC officer, 20% of the respondents used to control the quality of the products by marketing department, 10% of the respondents used to control the quality of the products by others techniques, So most of the respondents used to control quality of the products through QC officer.

4.15.5 DEALING WITH INTERNATIONAL CUSTOMERS:

The table 4.40 depicts that 50% of the respondents directly deal with the international customers. 25% of the respondents deal indirectly and 25% of the respondents deal through agent.

Table 4.32
Dealing with International Customer

S.N.	Dealing with international Customer	Percentage
1.	Direct	50
2.	Indirect	25
3.	Agent	25
	Total	100

Source: Field Survey, 2013

On interviewing it has also been identified that 50% respondents deal directly to the countries where they have good contact with their customers and in some others countries where they are not too aware of the customers, they hire agent. This indicates that 50% of the exporters are dealing with international customers directly & remaining by agent and indirectly.

4.15.6 COUNTRIES WHERE NEPALESE GARMENTS PRODUCTS ARE EXPORTED:

The table 4.41 depicts that 50% of the respondents export garments products to USA, 10%, 15%, 20%, 5% of the respondents export garments product to UK, Japan, EU countries and other countries respectively.

Table 4.33
Countries where Nepalese Garment Products are Exported

S.N.	Countries	Percent
1	USA	50
2	UK	10
3	Japan	15
4	EU countries	20
5	Other Countries	5
		100

Source: Field Survey, 2013

This indicates that most of the exporters are exporting their garment products to USA, UK, Japan, EU countries with first priority basis but others countries export is comparatively very few.

4.15.7 MEETING DEMAND ON TIME:

The above table depicts that Among 40 respondents 28 respondents (70%) of the respondents are meeting demand on timely basis but sometimes, 12 respondents (30%) are getting problem to meet the demand on time.

Table 4.34
Meeting Demand on Timely Basis

S.N.	Timely Basis	Percent
1	Yes	70
2	Sometimes No	30
	Total	100

Source: Field Survey, 2013

They have pointed that lack of new technology, lack of raw material & political problem are the major cause of not meeting demand on timely basis.

4.15.8 PROBLEM OF MARKET EXPANSION:

The table 4.43 depicts that among 40 respondents, 24 respondents (60%) are facing the problem of advertisement for market expansion.

Table 4.35
Market Expansion Problem

S.N.	Market Expansion Problem	Percent
1	Advertisement Problem	60
2	Legal Problem	0
3	Political Problem	0
4	Others	40
Total		100

Source: Field Survey, 2013

But among 40 respondents, 16 respondents (40%) are facing others problem except advertisement which is as follows.

- Lack of the sufficient information about the potential markets.
- Global changes & Global competitors.
- Sometimes social and cultural problem.
- India being the only transit country for Nepal, It has to face transit problem many times.
- Similarly, the country has not sufficiently developed infrastructure.

4.15.9 Choice of Promotional Strategies:

The table 4.44 depicts that among 40 respondents, 12 respondents (30%) are promoting their garments products through advertisement.

Table 4.36
Promotional Strategies

S.N.	Promotional Strategies	Percent
1	Advertising	30
2	Direct Marketing	50
3	Personal Selling	5
4	Public Relation	5
5	Sales Promotion	10
Total		100

Source: Field Survey, 2013

Similarly 20 respondents (50%) are promoting their business through direct marketing, two respondents are promoting garment products through personal selling, two respondents are promoting garment business through public relation & four respondents are promoting garment products through sales promotion.

This indicates that most of the exporters are promoting their garments products through direct marketing and advertisement. The above table can be presented through Pie Figure as below.

4.15.10 RANGE OF ADVERTISING BUDGET:

The table 4.45 depicts that among 40 respondents, 32 respondents (80%) are spending Rs. 0- 500,000 per annum for advertisement and 8 respondents (20%) respondents are spending 500,000 to 10,00,000 per annum for advertisement.

Table 4.37
Advertising Budget

S.N.	Advertising Budget	Percent
1	0-500,000	80
2	500,000- 10,00,000	20
Total		100

Source: Field Survey, 2013

This indicates that most of the exporters are spending Rs. 0- 500,000 per annum for advertisement.

4.15.11 ACCESS TO GLOBAL MARKET THROUGH WEBSITES:

The table 4.46 depicts that among 40 respondents, 24 respondents have websites, 12 respondents have no website and 4 respondents are planning to construct the websites.

Table 4.38
Websites Construction

S.N.	Access of Website	Frequency	Percent
1	Yes	24	60
2	No	12	30
3	Planning to Construct	4	10
Total		40	100

Source: Field Survey, 2013

This indicates that more than 50% of the exporters who are dealing with int'l customers have websites but still 30% of the respondents have no ideas about the websites.

4.15.12 PARTICIPATION IN INTERNATIONAL TRADE FAIR:

The table 4.47 depicts that among 40 respondents, 35 percent respondents have participated in the International trade fairs whereas 65 percent respondents have not participated in the Int'l trade fairs and exhibitions.

Table 4.39
Participation in International Trade Fair

S.N.	Participation in Int'l Trade Fair	Percent
1	Yes	35
2	No	65
Total		100

Source: Field Survey, 2013

On interviewing to the respondents, it has been identified that out of the total of 14 respondents who have participated in int'l trade fair held in different countries such as USA, EU countries, Asian Countries etc. Most of the respondents have participated in exhibition held in Germany, France, UK, Japan and USA.

5 of the respondents have participated in less than 6 trade fair, where as 4 of the respondent has participated in more than 6 exhibition. Generally, the duration of the exhibition varies according to the nature of exhibition and the location of the country but respondents inform that mostly the duration of the exhibition will be 2 to 7 days.

4.15.13 MARKET RESEARCH:

The table 4.48 depicts that among 40 respondents, 16 respondents (40%) are conducting market research program in their organization for promoting garments in int'l market but 24 respondents (60%) are not conducting market research program.

Table 4.40
Market Research Conducted

S.N.	Market Research	Percent
1	Yes	40
2	No	60
Total		100

Source: Field Survey, 2013

This indicates that most of the exporters are still doing garment business through traditional way, only 40% exporters are conducting Market research program.

4.15.14 SUPPORT FROM NG/NGO/INGO AND OTHERS ORGANIZATION:

The table 4.49 depicts that among 40 respondents, 10 respondents (25%) are getting support from NG/NGO/INGO and others organization but 30 respondents (75%) are not getting any support from them.

Table 4.41
Support from NG/NGO/INGO and others organization

S.N.	Support from NG/NGO/ INGO & others org.	Percent
1	Yes	25
2	No	75
Total		100

Source: Field Survey, 2013

This indicates that most of the exporter are not getting any support from NG/NGO/INGO and other organization, only few big organization are taking advantage from them.

4.15.15 FAMILIARITY WITH E-COMMERCE:

The table 4.50 depicts that among 40 respondents, 16 respondents (40%) are familiar with e-commerce and they are doing garment business through e-commerce but 20 respondents (50%) respondents are unfamiliar with e-commerce. 4 (10%) respondents are little bit familiar with e-commerce but they haven't used this tools for promoting their garment export.

Table 4.42
Familiar with e-commerce

S.N.	Familiarity with e-commerce	Percent
1	Yes	40
2	No	50
3	Little Bit	10
Total		100

Source: Field Survey, 2013

This indicates that more than 50% exporters are unfamiliar with e-commerce but 40% exporters are taking advantage of through e-commerce.

4.16 PERCEPTION ABOUT FUTURE PROSPECT OF NEPALESE GARMENT EXPORT:

The table 4.51 depicts the perception about future prospect of Nepalese garment export business in Nepal.

Table 4.43
Future prospect of Nepalese Garment Export

S.N.	Future Prospect	Percent
1	Good	65
2	Not Good	15
3	Bad	20
Total		100

Source: Field Survey, 2013

The table 4.51 depicts that among 40 respondents, 26 respondents (65%) are quite positive towards the future prospect of garment export business in Nepal, 6 respondents (15%) are unsure about garments export business in near future, 4 respondents are quite negative towards the future prospects of garments export business because on interviewing, they have pointed that India and China will capture our export business in coming days. They also added that it will be very hard to compete with them. This indicates that still most of the exporters are quite positive towards the future prospect of garments export.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATION

5.1 CONCLUSION

Nepalese readymade garment industries are the export based enterprises whose contribution plays vital role in GNP. But in the recent time, the phasing out of quota system has changed the rule of the game of international apparel trade and as anticipated Nepal's exports have declined sharply in 2005. Nepal now is the great loser among the Asian countries regarding the garment exports particularly in the American market. American market has occupied 80 percent of apparel export whereas EU only 18 percent. In spite of the gradual decline in Nepal's garment export in the past few years sharp decline in Nepal's of garment export in the past few years, sharp decline of garment was seen in the post MFA i.e after phase out of quota system since Jan 1, 2005, garment export to America decreased by 46 percent in January, 62 percent in August, 57 percent in November and 13 percent in December, Altogether garment export to USA was decreased by 41 percent in aggregate. Similarly export to Canada was decreased by 9.75 percent. However positive trend has been found in EU in the year 2004 where garment export was increased by 17 percent.

There is several numbers of reasons of falling down readymade garment export. One of them is price competition. The average per unit export price of garment decreases from US \$ 3.24 to \$ 2.77 a decrease of 8.4 percent which makes Nepalese garments more competitive in post MFA. Domination of few efficient exporting countries like India and china tariff and other trade barriers domination of preferential trading arrangements are some of the reasons that helped to decline garment export in foreign countries.

Some internal bottle necks such as low productivity and higher transaction costs, use of out dated and non-competitive technology, along delivery time, poor marketing strategies along with cumbersome government policy etc. Administrative complication in VAT and custom division policy drawbacks systems and others are the factors that hinder garment export to overseas countries especially US.

The RMG industry has been playing a significant role in the Nepalese economy. The industry contributed nearly 30 percent in the total export of Nepal during 1990s and

during its peak, it provided direct employment to 50000 people, including a significant number of women..

While analyzing the constraints of the RMG industry in the post ATC period, it was realized that various supply and demand side factors have affected the competitiveness of the Nepalese RMG exports. Therefore, in the future, the supply capacity will largely depend on the availability of trade infrastructure, transportation facilities, skilled human resources, and technology and policy stability. Similarly, the demand side will be determined by market access conditions, including tariff rates, RoO and quality requirements. Given such constraints and challenges, it is imperative for the government and the private sector to work together and address the problems in the post ATC period. However, in this process, other actors and agencies such as civil society, media and the international community also have a major role to play. In particular, the developed countries such as the US and the EU should create favourable conditions of market access for the LDCs like Nepal and provide support to strengthen their supply side capacity through ‘technical and financial assistance’ and ‘aid for trade’.

The application of quota system under the multi fiber arrangement (MFA) was the main reason for the growth of apparel industry in Nepal. In the early 1980’s Indian exporters constrained by the lack of quotas turned to Nepal resulting in a sharp increase in the export oriented garment manufactures. The number of the firms in this sector grew from 58 in 1982/83 to 1067 in 1994/95. The number of firms however declined to 323 in 1995/96 came down to 212 and 100 in 2004 and approximately 130 in 2005.

USA was the main destination market for Nepalese readymade garment. Till 2004/2005 almost all the garment export was to the US. The total export and the share of the US export in total exports have declined after 2005. Export to the US has gone down and in 2004 it was 52 percent of the export. It was only 32 percent of the export in 2005.

The downfall in the world apparel price since the end of quotas seems to be a serious concern to Nepal. The China syndrome looks more threatening in terms of price competition as the average price for Chinese apparels, removed from quotas declines

by 48 percent between 2008 and March 2009. And the price for items interested to Nepalese exporters have fallen by 58 percent compared to China, the Nepalese average export price for selected items is 40 percent consider, because the unit price is for Nepalese apparels has gave up from US in 1990 to approximately 3.5 after a decade. But the price is 10 lower by 40 percent if compared to average price for rest of the world.

The issue of apparel tariffs still matter greatly to Nepal. Nepalese apparels are subject to average tariffs of about 15 percent in the US, which is almost ten times greater than the US average MFN rate for other product. The average tariffs for apparels in rich countries are about four times higher than the rate of other goods where as the rate is no less intense in developing countries. The application of tariffs in the USA has further aggravated price competition of Nepalese apparel, which are already finding difficult to face the situation due to higher production and transaction costs. In addition, Nepal has lost the level of playing field after the US provided duty free to the clothing made in Sub-Saharan poor countries under the AGOA.

5.2 RECOMMENDATION

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

5.2.1 GOVERNMENT

In order to help the RMG industry survive in the quota free environment, the government should assist the private sector in upgrading technology and productivity enhancement. The government should not also delay the establishment of GPZs. Intervention is also required to resolve persistent complications relating to taxation, bank financing, trade procedure, labor and trade facilitation.

The government must understand that the enterprise level efforts are not sufficient to overcome all the supply side constraints that the RMG industry is currently facing and

is likely to face in the future. In addition, there is also a need to help the private sector to address the demand side constraints such as in relation to market access. The government, along with the private sector and governments of other likeminded LDCs, should continue to lobby for duty free access to the US market.²⁵ Such an alliance is important to build pressure on the US to implement the US Tariff Reduction Assistance for Developing Economies Act or the TRADE Act 2005, which is intended to grant duty free treatment (similar to AGOA) to apparel imports from 14 LDCs of Asia and the Pacific region.

5.2.2PRIVATE SECTOR

At the enterprises level, manufacturers will have to improve lead-time and decrease output costs, by taking more responsibility in the value chain. They should strengthen their competitiveness by responding to specific buyer requirements and handle smaller and more difficult orders as this can help divert their business from the traditional US market to the EU market. However, as international retailers are placing smaller and more frequent orders closer to the selling season, this will require development of merchandising capabilities and efficient sales networking. Moreover, collaboration with buyers is essential for the development of patterns and designs and exchange of data. In addition, the private sector will be required to make investment in training for product development and quality improvement as well as identify niche products and markets. Equally important is to respond to international regulations, especially labor standards and other non-tariff barriers.

5.2.3OTHER IMPORTANT ACTORS

Besides the government and the private sector, other actors such as NGOs, trade unions and consumer groups should play an influential role in helping the industry compete in the post ATC period. They should help the government and the private sector in their efforts to increase productivity and consolidate the industry through research, networking and advocacy. International influence over these elements should not be underestimated, as international NGOs and consumer forums in other countries as well as in buyers' countries are more suited to fulfill their interests, particularly in the area of social compliance and environmental issues. GAN, as an apex body of RMG entrepreneurs, is responsible to promote and protect the industry.

The association should focus on activities that are not possible at the enterprise level such as advocacy for market access. For this purpose, GAN should strengthen its institutional capacity to assess and monitor international agreements related to T&C trade. GAN also has an important role of networking between the private sector, government agencies and NGOs. The activities of trade unions are equally important to develop congenial industrial relations. As the RMG industry is labor-intensive, it cannot flourish and sustain without good industrial relations. Unfortunately, the RMG industry is time and again obstructed by labor agitations. This problem cannot be solved without a labor policy, which is acceptable to both employers and employees and embraces issues of international labor standards related to job security, working conditions, and health and safety regulations. The labor policy also needs to take into account the changing international environment and the sensitivity of delivery deadlines in the RMG industry.

I Focus on high value product.

The price of the readymade garment products exported from Nepal ranged from US \$3 to 6 in average. These were the lowest price categories in readymade garment and fielded very low margin to the producer. So it is suggested to Nepalese producers and exporters going for higher value products in which the margin would be higher. For this the Industry had to identify some specific high value products and concentrate on developing its specialty in them.

II Diversity of product Range

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

III Diversity of the market

Almost all the Nepali readymade garment exports were to North America during and after the quota regime. Though some exports were destined also to the European Union since late 1990's when EU started providing some special concessions (GSP) to Nepali product EPN (Economic policy Network)

IV Operationally the Inland Container Depot (ICD) at Birgunj

This was expected to reduce the turnaround time so that the garment exporters would be able to deliver the goods faster. Though the ICD is now operational, it was achieved only from last July i.e. July 2009, just six month before the termination of quota system. So fully operation of Birgunj ICD and modernization of other dry port is essential to reduce land transit time and handling cost and cumbersome procedure.

V Focus on the market demand

The garment products should be according to the demand of customers in foreign market. Hence traders should have necessary advice, research facilities and market information through various institutions. So this direction NG/HAN/TPC should have to make more significant effort by incorporating various information centers and agencies to get more information regarding the new market in foreign.

VI Focus on the quality of products

Since garments are handmade products and each piece is different from another, it may not be possible to maintain exact or accurate quality standards. Nepalese manufacturers and exporters, in the absence of quality control measures, tend to take undue advantage of this and spoil their image in the overseas market. In a bid to enhance the image of Nepalese garments in the overseas market, it would be good to set certain guidelines. Apart from the use of quality raw materials in required portion, steps should also be taken to ensure uniformity in the finished products. Workmanship could also improve if garment production for export is organized through skilled craftsmen and is strictly supervised.

VII Focus on the participation in the trade fair & exhibition

Trade fair and exhibition play a vital role to increase the demand of garment export therefore the country should always be ready to participate in international trade fair and exhibition. International fair and exhibitions help to develop and evaluate export marketing strategies. The overall purpose of participating in international trade fair and exhibition is to recognize a market need and a business opportunity. This recognition is based on understanding of customer's desires and detailed knowledge of existing products for specified markets within the companies has financial and manufacturing limits.

VIII Essential co-operations by private sectors

For promoting the garment export, there must be participation from private sectors, so they must be motivated for such cooperation as the garment export promotion is not the task of government alone or private sector alone. It needs the participation of both parties. Thus for promoting it, there should be estimated separate certain budget.

IX Government policy

The government should provide adequate protection to the evergreen garments industry of the country, implement the policy effectively and launch concrete program such as establishing training centers and providing loans at low rates for the promotion of this indigenous industry and its export. Policy of government must not be change as the change of government. It must be long term vision.

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APPENDIX

Questionnaire

Scheduled and Structural Questionnaire to

Name of the organization: (Optional)

Respondent: (Optional)

Position: (Optional)

1. What is the size of your organization?

Small (investment up to 30 millions)

Medium (investment up to 100 millions)

Large (investment of more than 100 millions)

2. please mention where your organization is

Manufacturer & Exporter Dealer

Manufacturer, Dealer & Exporter Exporter

3. Is there difficulty in getting raw material of garments?

Yes Sometimes No

4. Who control quality of the products?

Personally Marketing Department

QC officer Other

5. How do you deal with the international customers?

Direct Agent

Indirect (Broker, Commission Agent, etc)

6. In which countries do you export Nepalese Garments products?

USA Japan EU countries

UK Others countries

7. Are you able to fulfill the demand on the time?

Yes No Sometimes No

8. If not then why?

Lack of adequate raw materials

lack of new technologies

Financial Problem

Other please specify_____

9. What type of problem do you face in Market Expansion in the International Market?

Legal Problem advertisement Problem

Social Problem Other

10. What are your promotional strategies? Please mention

Advertising Direct Marketing

Public Relation Sales Promotion

Personal Selling Others

11. How much do you spend on advertising per annum?

NRS. 0- 500,000 NRS. 500,000 – 1,000,000

12. Do you have websites for promoting your product in the international market?

Yes Planning to construct it

No

13. Have you participated in the international trade fair/ exhibition?

Yes, No.

a) How many trade fair & Exhibition does your organization Participate annually?

1-5 5-10

b) What is the duration of the trade fair & Exhibition that you have participated?

1-7 days 7-15 days

c) Please mention the countries where you have participated in the International fair trade?

USA Japan France

UK Germany Italy

Hong Kong Belgium New Zealand

Other please pecify _____

14. Do your organization has market research program?

Yes No.

15. Have your organization got any support from Government, NGOs, NGOs or donor agencies?

Yes No

16. If support is provided then what nature of support?

Financial Support

Technical support

Rent Free Stalls

Lodging & Food free

Marketing the product in the international market

Other please specify _____

17. Do you know about E-Commerce?

Yes Little bit

No

18. What do you think about the future prospects of Nepalese Garment Export?

Good

Not Good

Bad

Worse

19. Give your suggestion for promoting the export of Nepalese garments in Int'l market?

20. Please point out the problems of Nepalese garment export?

Thank you