

## PETITION FOR CARPET INDUSTRY ADVANCEMENT IN NEPAL

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Sender: Stephanie Odegard

Addressee: **Government of the Federal Democratic Republic of Nepal**

*Background:*

### **The Nepali Carpet Industry Its Current State & Critical Role in Nepal's Development**

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The economic potential of the Nepali carpet industry became clear towards the end of the last decade. In the mid 1990's, the industry **employed almost one million people**, accounted for a **third of Nepal's exports, was the largest supplier of foreign currency**, and brought approximately **1300 - 1000 crore Nepali Rupees** into the economy each year.

Today the industry has shrunk by over 70% as local manufacturers, experienced artisan weavers, and carpet importers move their production into India and China to escape the **unstable production situation, hostile business environment, and the local disturbances** that have become increasingly present in the Kathmandu Valley. This situation has led to a significant and continual decline in production standards since 2000, causing the quality of Nepal's yarn production and weaving to fall dramatically. Because of this decline, Nepal is losing its hard earned reputation as a leader in the hand-knotted carpet industry and its valuable share of international end markets.

The decreased importance of the Nepali carpet industry is visibly reducing the industry's role in the country's economic and social development. Nepal's exports have proven to be strongly and positively correlated to economic growth. The Nepali carpet industry plays an important role in this as seen by its near 30% share of Nepal's total exports and its **direct contribution to approximately 3% of Nepal's GDP in 2004/2005**. Increased domestic support for this industry can once again raise exports, increase revenue for the national government, and foster skill development and advancement for even the lowest paid workers. It also presents the government with an opportunity for economic growth and diversification through an already established industry.

The carpet industry also plays a critical role in Nepal's social development and rural poverty reduction. **Workers in Nepal's carpet factories are an important source for domestic remittances** being sent into the countryside. This type of remittance flow was shown, in a 2003 World Bank study of the Nepali economy, to have a powerful and direct effect on reducing rural poverty.

To sustain and maximize on the economic and social benefits of the industry, **we propose that there is an immediate need for a more productive, secure, and corruption free work environment** within the Nepali carpet industry. As end market users and importers of this wonderful product, we hereby petition the Nepali Government to recognize and take action on the following necessary points for change: **labor regulation, export promotion, quality certification, investment climate, labor union policies**. Details are outlined on the following page.

With focused and properly directed intervention, the carpet industry has the potential to play a vital role in Nepal's development. The industry has shown that it can directly foster economic development while increasing the effectiveness of the government's work to reduce national poverty. We believe that given the support proposed in this petition, the Nepali carpet industry will once again become an important source for national revenue, social development, and the preservation of centuries old artisan techniques.

***Petition to the Government of the Federal Democratic Republic of Nepal:***

**PROPOSALS FOR INDUSTRY ADVANCEMENT**

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- The creation of a **distinct set of labor laws focused on the export industry**. These laws should be developed through a participatory approach inclusive of industry players, non-governmental organizations working in the industry, unions, employees and government officials, and should ensure that the industry is allowed to grow in a way that increases workers' productivity while also increasing employment.
- An **increase in the government's export promotion policies**, meant to help this industry win market share from the increasing number of machine made and lower quality carpet manufactures. This should include tax incentives for exporters, government backed funding structures for exporters, producers and suppliers, government promotion of the "Nepali Carpet" brand, and assistance to address environmental and labor issues damaging not only the industry but also its reputation abroad. Export incentives should have a direct and positive impact on the industry's sales and national revenue derived from the industry.
- A **standardization of quality certifications with incentives to increase the percentage of rugs being made with a traditional Tibetan construction and utilizing hand spun yarns and the highest quality long staple wool**, thereby increasing and protecting the value of the Nepali carpet brand. Certification standards should be put into place to distinguish the traditional pieces using crossed knot construction and hand spun yarns from the non-traditional pieces using a non-crossed knot construction and/or machine spun yarn.
- The creation of a **safe and welcoming investment climate** that fosters foreign and domestic investment by ensuring that investors need not fear the unlawful loss of their investment or their lives when traveling within the country.
- A **reworking of the labor unions' relationship with the factories to ensure that the labor union activities and demands are responsible towards the workers and lead to the betterment of the industry, working conditions, and employment standards**. The current thuggery and politicization of a select number of labor unions is reinforcing counterproductive activities that weaken and damage the industry and the working conditions of its employees.
- The implementation of effective **incentives and tools to ensure that industry workers and their children have access to medical services and education** up to the higher secondary level.
- The strengthening of government policy and **enforcement to combat and diminish the use of child labor** in the industry.

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*Company*

*Name*

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*Address*

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*Signature*