Fall 2011

Pulling the Cash From Cashmere: Reviving Nepal's Pashmina

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Pulling the Cash from Cashmere

Reviving Nepal’s Pashmina Industry
Abstract

This study is an in depth examination of the dynamics behind the Nepali Pashmina industry. Since its boom in 2000, Nepal’s once-number-one industry has faced a stagnant lull. Driven by the Nepali Pashmina Industries Association (NPIA), the industry continues to strive to overcome obstacles posed by the vagaries of globalization and changing economies worldwide. Considering the insurmountable level of capital required for the industry’s necessary industrial development to become a key competitor, perhaps, as a leading export industry, pashmina is no longer viable. This research concludes that as long as high-quality genuine Pashmina continues to be in demand, Nepali Pashmina will continue to have strong potential as a favorable part of Nepal’s export economy. Notwithstanding, in order to become more profitable, the domestic industry must be more competitive with the larger manufacturing actors in the international market for Pashmina.

Keywords: Export Economy, Development, Pashmina
Acknowledgements

First and foremost, I would like to give a special thanks to everyone – staff and students – at SIT for their patience, wisdom, and encouragement. Thanks to the staff for putting so many hardworking hours into our preparation for this incredibly rewarding opportunity!

A warm and heartfelt thanks goes to my Aamaa and Baabaa for welcoming me into their home, inviting me to be a part of the family, and for being a part of wonderful memories.

Thanks to Daniel Putnam for listening to my thoughts and steering me in the right direction. And for that breakfast at Mike’s.

To Karken Gurung; to Nitesh Gurung; to Anin and Jolly Rajbhandari; to the Himalayan Times; to Vijoy Kumar Dugar; to Andrea; to Joshua; to Thinley; to the shopowners in Namche; and to the many others who shared their knowledge and opinions with me – thank you for your time and your insight.

Finally, I give a million thanks to my family for conceding my intermittent and often scarce attempts at communication for the past few months.
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Introduction

The rugged terrain of northern Nepal’s Himalayan valleys hosts the region’s native Chyangra goat. This native species’ fine undercoat produces the valued Pashmina, a type of cashmere wool. Chyangra Pashmina, however, is the finest and the lightest, making it the warmest and most luxurious of all animal fibers. To most of the world, the Himalayas and Pashmina define Nepal, giving Chyangra Pashmina special sentimental value (Dugar 2011).

Before the turn of the millennium, Nepali Pashmina reached 8 billion rupees in exports (Himalayan News Service 2011)\(^1\). At this time, Pashmina scarves selling at about $50 in Nepal sold at about $350 in Paris (PM Shrestha, 2002). When wool manufacturers in China and India saw this opportunity they began producing fake-pashmina products labeled as pashmina, consequently saturating the market. As a result, the tainted market for pashmina faced a bust period and other external factors caused the industry to quickly decline.

While the Nepali government has been pre-occupied steadying political instability for the past decade, Nepal’s once-number-one export commodity, Pashmina, has since struggled as a sector of export industry. Driven by the Nepali Pashmina Association (NPIA), the industry continues to strive to overcome obstacles posed by the vagaries of globalization and developing world economy in reaching a vision of a ‘progressive and sustainable development of the Pashmina sector’ (NPIA 2007). In the opinion of Pashmina-baron and managing director of Nepal Pashmina Industry, Puspaman Shrestha, although the tainted market for pashmina faced a detrimental bust period, the industry is certainly not dead despite the slump in the market (Shrestha 2002). According to Shrestha, Nepali Pashmina continues to be a luxury item of high world demand. As long as high-quality genuine Pashmina

\(^1\) See Appendix 1.
continues to be in demand, Nepali Chyangra Pashmina will continue to have strong potential as a favorable part of Nepal’s export economy.

In order to become more profitable, the domestic industry must be more competitive with the larger manufacturing actors in the international market for Pashmina. Currently, the Nepali Pashmina industry’s manufacturing sector is very controlled by the industrial capabilities of its powerful neighbor, China. According to a survey, locals in Manang have been selling Chyangra wool at a price as low as Rs 1,500 per kg, while Nepal often imports the spun fiber at Rs 10,000 – 16,000 per kg from China (E. Manandhar 2011).

By redirecting the process through which Nepali Pashmina is commoditized with funding and support from the government and International Non-Governmental Organizations (INGO), Nepal can improve its export economy. However, based on trends from the past ten years, access to the industry’s needed support to compete with world market prices has proved challenging and often onerous. According to the NPIA, the fate of the industry’s development, particularly in the form of allocating funds, is in the hands of government ministries and INGOs (K. Gurung, Intro to Nepali Pashmina Industry 2011). NPIA has recently looked toward the United Nations Industrial Development Organization (UNIDO), World Band, and International Monetary Fund (IMF) for such support since the Nepali government has proved incapable of offering such monetary and industrial support or economic development, but so far there has been no significant response (K. Gurung, Intro to Nepali Pashmina Industry 2011). The objective of this study is to understand the dynamics of the Nepali Pashmina industry in relation to its stagnancy and to examine it as a vehicle for developing Nepal’s export industry.
Methodologies

Along the narrow streets of Thamel, flashy signs advertising Nepali Pashmina lure foreign visitors into small shops. “Sakkali2?” I asked as I looked around a store. The Nepali trader nodded his head and presented an ash-colored scarf for me to feel. “Real Nepali Pashmina,” he responded as he pointed to the label: 100% Nepali Pashmina. With rampant counterfeiting and misrepresentation common in tourist areas, how does one know that this 2000-rupee scarf is a genuine product of Nepal? What exactly constitutes real sakkali Nepali Pashmina? An even more pervasive question these days is the direction of the Nepali Pashmina Industry.

In order to solve these questions and understand the fundamental aspects of the industry, I approached various figures within and surrounding the Nepali Pashmina Industry. Although I spoke with many people that are involved with the NPIA, I also held interviews with informants who had no connection with the association in order to reach unbiased conclusions. I was keen on gathering insight regarding the NPIA because that is where the industry’s primary development initiatives are implemented. This organization is the binding factor between Nepali manufacturers, wholesalers, retailers, etc.; and their sources of support such as the Nepali government and INGOs who are concerned with the welfare of the Nepali Pashmina industry. The association’s office is located in Babar Mahal, Kathmandu. After receiving an informal invitation to the association’s next monthly board meeting, I eagerly anticipated a pivotal research opportunity, though unfortunately the board members continuously claimed to be too busy and the meeting was postponed beyond my stay.

In the few weeks before the time allotted for our research began, I made one especially beneficial contact that is very well connected within the industry. This man,

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2 Sakkali: Nepali for real, genuine, or authentic.
Karken Gurung, is Managing Director of Everest Pashmina and is a board member for the NPIA. His extended family is from the Jomson area in Mustang and is very well connected with some Chyangra goat farmers based in Upper Mustang. In addition to this strong connection to the roots of the industry, he offered access to other dimensions within the industry. His business is spread primarily throughout the Kathmandu Valley with an office in Jawalakhel, a factory in Godawari, retail outlets in Thamel, and another store located outside the valley in Pokhara. I spent a day with Karken’s nephew, Nitesh, at the Everest Pashmina factory. I also visited the retail outlet and showroom in Thamel. He also provided me with contacts at UNIDO and in the Ministry of Commerce and Supplies.

Initially outlined in my proposal, a crucial aspect to my research was a field visit to Upper Mustang, Nepal. Here, in the villages surrounding Lo Manthang, nearly all households rely on Chyangra goat farming for their livelihood. This is also where the NPIA plans to establish cooperatives and collection centers for raw fibers. Through a frequently visited resource, Karken Gurung, I had coordinated a week-long visit to Upper Mustang accompanied by a guide and established hospitality set up by Mr. Gurung. The last obstacle was to obtain a permit to gain access to Upper Mustang: a government restricted zone. For the ten days leading up to my departure date, Mr. Gurung said he had been in touch with his friends in the Home Ministry and that he would be able to set up a permit for me. Unfortunately, two days before my departure, Mr. Gurung called to tell me that acquiring a permit to Upper Mustang would not be possible through his connections.

At this point I had very little time and few options, so I decided to go to the Home Ministry myself and present my educational documents, identification, and research proposal for a research permit – or any other means of access. After running through the bureaucratic maze of Singha Durbar’s Parliament complex for nearly 8 hours, I was told that my last option is to find a single tourist or tourist group with whom I can enter Upper Mustang. I
spent the next 36 hours visiting travel and trekking agencies Thamel, as well as poaching the Immigration office in search of tourists heading to the area. With no luck, I was forced to cancel the trip.

The lesson learned from this logistical nightmare is to take research and coordinated matters into your own hands and not to fully rely on someone else’s word. While such helpful and connected people can open doors for me, I must be sensitive to the amount of trust I put in them and be responsible for my own logistics. This situation was a direct result of putting too much trust into someone, a consequence of poor decision-making on my part.

In lieu of a trip to see first-hand the roots and base on which this industry stands, I rerouted my travels to SoluKhumbu with the intention of observing Nepali Pashmina retailed as ‘souvenir’ in geographically unsound location of Namche Bazaar. I chose this location because of my interest in the marketing dynamics of selling bogus Pashmina to foreigners in tourist destinations such as Thamel. In Thamel, fake Pashmina storefronts sandwich genuine manufacturers’ showrooms and retail outlets. Any onlooker would be rightly confused because Kathmandu is the manufacturing hub for Nepali Pashmina and Thamel is a logical location for retail. However, souvenir shops lining the village chowks of Namche Bazaar have no sound reason for selling expensive and authentic Nepali Pashmina.

I conducted several rounds of casual interviews with shop owners and salespeople in shops and small storefronts in Namche. I posed a similar set of questions addressing the source of their products, customer base, price points, and other aspects of retail that would help me to access the implications of selling Pashmina in such a geographically removed location.

Upon my return in Kathmandu, I held another interview with Karken Gurung and acquired contacts to set up more meetings in the coming weeks. He arranged for me a visit to
his factory in Godawari. On November 30, I traveled to the Everest Pashmina factory. That same day, I went to Tara Oriental’s factory in Harrisiddhi.

I also met two women on separate occasions with interesting and unique perspectives on the Nepali Pashmina Industry. Over coffee, I met with them individually two separate times and they shared their insight with me.

I spent a lot of time tracking down two other key informants: Mr. Purushottam Ojha, the Secretary of the Ministry of Commerce and Supplies, as well as Mr. Purna Prasad Manandhar who is a coordinator for UNIDO. Unfortunately, I was only able to arrange a brief phone call with Mr. Manandhar. In further studying the Nepali Pashmina industry, I would highly recommend talking further with these two sources.

In general, my interviews were no more structured than a few starting questions and following topics to stay on track. I found that by letting these discussions flow naturally, the interviewee felt at ease to elaborate and expand on our talking points at their will. As a result, the data I acquired was a diverse assortment of explanations, opinions, and thoughts regarding the Nepali Pashmina Industry.

**Research Findings**

**Pashmina or Cashmere?**

Cashmere, the warmest of all the animal fibers comes principally from a Central Asian species of goat. The name is misleading for although the original cashmere shawls were woven in Kashmir India, the fiber comes from goats living in the harsh environments of the high Himalayan Plateau in Central Asia (Dunsmore 1993). Native to this region is the Chyangra goat, meaning 'Himalayan’ goat. This goat wears an especially precious wool coat as it contains the finest and most luxurious cashmere fibers often referred to as Pashmina.
Even more misleading is the wavering identity that accompanies the term ‘pashmina’. Nitesh Gurung, factory manager at Everest Pashmina says that Pashmina is the name of the product: it is a brand, whereas cashmere is the name of the fiber. A piece is also considered Pashmina if it is 70% Cashmere/30% Silk – a blended yarn that is commonly used in scarves and shawls because of its strong and smooth natural properties (N. Gurung 2011).

Ironically, even people’s definitions of Pashmina differ within the same company. Karken Gurung, managing director at Everest Pashmina, says that Pashmina is the raw material, but after the Pashmina boom period, the name’s meaning changed to a reference to the manufactured shawl (K. Gurung, Intro to Nepali Pashmina Industry 2011). Experts tell America’s Federal Trade Commission (FTC) that there is no pashmina fiber that is separate and distinct from the cashmere fiber. Some manufacturers use the term Pashmina to describe an ultra fine cashmere fiber; others use the term to describe a blend of cashmere and silk (Federal Trade Commission 2003). To distinguish Nepali Pashmina, the Nepal Pashmina Industries Association (NPIA) has registered a Trademark around the world, called Chyangra Pashmina (Marks 2011) (R. Khanal 2011).

The Pashmina Boom and Bust: A Brief Economic History

As mentioned above, interpretations of the name Pashmina have evolved with the fluctuations of the industry. During the late 1990s, the term Pashmina was ‘branded’ as people recognized its luxurious qualities. Consequently, the Pashmina boom began in 1997-1998, triggered by western models, idols, and high fashion magazines. For a few years, Pashmina was in extremely high demand (Dugar 2011). The peak of the high-quality Pashmina industry was in 1999³. Shortly thereafter, fake Pashmina flooded the market and the name Pashmina became a reference to a shawl of any kind of wool. (J. Rajbhandari

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³ See Appendix 1 for export data.
2011). When manufacturers began producing cheap Pashmina out of China and India, the market was overridden with fake products labeled as 100% Pashmina (Dugar 2011).

In 2000, Nepal exported $103 million worth of Pashmina, but over the course of ten years that figure had dropped to about $18 million (Marks 2011). The reason, local producers believe, is that cheap Chinese and Indian-made scarves sold for a few dollars in tourist shops all over the world. Rebecca Ordish, an Australian intellectual property lawyer based in Nepal said, "Pashmina has gone from being a luxury product associated with royalty to a cheap shawl or scarf" (Marks 2011). Now, many high quality manufacturers use ‘Cashmere’ on their product labels, as Pashmina has become a somewhat vague and artificial term (J. Rajbhandari 2011). Perhaps the Nepali Pashmina industry fell because the definition of Pashmina was never deliberately or specifically defined (Wellington 2011).

Most Pashmina companies came into business at the time of the Pashmina boom, says Karken Gurung. His company, Everest Pashmina was incorporated in 2002 and has been Nepal’s leading exporter of Nepali Pashmina since 2005 (N. Gurung 2011). Previously, the business was called ‘KN Company’ and it was a small-medium scale manufacturing and export business during the ‘boom’. Roughly 2,000 businessmen and entrepreneurs were in the Pashmina business at that time (K. Gurung, Pashmina Revisited 2011). Today’s seven or eight large-scale pashmina manufacturing businesses were also active during the boom period. All other manufacturers are small businesses.

During the boom period, 60,000-70,000 people were employed. Today, about 10,000-15,000 people are employed. Everest Pashmina has roughly 300 employees. “For any business in the industry,” Karken Gurung said, “Management is key because it is a labor-intensive industry.” The Maoist insurgency especially tested businesses’ labor management skills. Labor unions reached their worst in 2007 through 2009, but since then, unions have been managed better and uprisings have subsided. Today, labor-intensive industries still face unions, but they are
professionally organized (K. Gurung, Pashmina Revisited 2011). In addition, labor in China is becoming more expensive: a plus for Nepali manufacturing industries. Right now, labor is 30% cheaper in Nepal (K. Gurung, Intro to Nepali Pashmina Industry 2011).

The Making of Pashmina

Tradition Meets Commercial

Besides the upper Himalayan regions of Nepal, Pashmina is also procured from goats in Afghanistan, Mongolia, Nepal, North India, and Pakistan in order to meet the demand (K. Gurung, Intro to Nepali Pashmina Industry 2011). These regions have similar harsh weather conditions to those of the Himalayan region and are thereby apt for the goats to grow this inner wool. The inner wool is collected and spun to produce Cashmere yarn (Franck 2001).

Pashmina is an indigenous product of Nepal (K. Gurung, Pashmina Revisited 2011) (Kharel 2066). Before the late-1990s when the production of Pashmina proliferated, all fiber was locally procured in Nepal and processed by hand. When products were made from handspun yarns, they were very thick, Karken Gurung explained to me; but now, with changing modes of production, the finished products feel very different. Of all Pashmina produced today, 95% is spun in China. The reliance on spinning facilities in China emerged about fifteen years ago (K. Gurung, Pashmina Revisited 2011).

Nowadays, Pashmina fibers are spun in China, and then sold to manufacturers in Nepal. All Nepali businesses use machine-spun yarns. “There are no spinning facilities for any Pashmina business in Nepal,” said Karken Gurung. Nepali manufacturers procure their yarns from suppliers in China, and then have it tested in Hong Kong. If the quality of the threads does not meet the standard for pashmina (16 microns), they will be returned to the supplier (N. Gurung 2011).
The Everest Pashmina Factory is located beyond the Godawari Village Resort. Although surrounded by open farmlands, the facility is gated and guarded. In the manager’s office, the sound of buzzing machines resonates. Water sprays loudly as it circulates through hoses and filters. On the desk, orders are organized by pink slips stacked like sticky notes. The large, intricate, humming weaving machines came from India a little over fifteen years ago, said my guide, Nitesh Gurung. The factory runs from electric power and is assisted by a generator in order to cope with load shedding and Nepal’s general scarcity of power.

At first, the woven material is coarse before it is washed and dyed. Fabrics are woven in different styles: basket, twill, diamond, and herringbone. Knitting is done by hand because it is a more difficult procedure. After pieces are woven or knitted, they are checked for the correct thread count and weight before they are washed and dyed. The washing process must meet certain chemical requirements. Pieces are washed at a specific pH-level, which explains the giant water filters.

Everest Pashmina uses high quality Swiss dyes. Dyeing requires a lot of skill and training (Wellington 2011). The dye master learned dyeing techniques in Lazimpat over twenty years ago. The factory also makes intricate frames for in-house custom screen-printing. Once dyes and prints are checked, each piece is ironed either by hand or by machine. In the packaging room, each piece undergoes a final inspection, tags are attached, and orders are neatly packed into boxes ready to ship. This factory supplies five or six big customers and about thirty other small customers (N. Gurung 2011).

Overall, Nepali manufacturing is intricate and caters to high quality products. The company, Everest Pashmina, has no minimum order, appealing to many high-end clients in

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4 See Appendix 2 for accompanying figures and photographs.
the international market. Nitesh concisely explained, “whatever clients can not get from china, whether it is design, quality, or print work, they look for in Nepal.” (N. Gurung 2011)

The Market for Pashmina

Historically, high-quality pashmina was a niche product (Dugar 2011). During the boom period, almost all Pashmina produced in Nepal was exported to western countries – there was no domestic market (K. Gurung, Pashmina Revisited 2011). The influx of manufacturers caused heavy competition, which did not translate into sustainable growth. As a result, compromises in quality began to hurt the industry.

Nevertheless, those businesses that survived the downfall maintained a dedication to quality and design (Mathema 2010, A. Rajbhandari 2011). By preserving this consciousness, they are rebuilding the Pashmina industry to cater to a niche market for high quality, innovative products (Mathema 2010). Anin Rajbhandari’s business, Tara Orientals, made a comeback by putting more emphasis on design in addition to maintaining high quality. As a result, he attracted a lot of high-end buyers who were interested in both quality and design (A. Rajbhandari 2011). According to many entrepreneurs in the industry, there is always a demand for high-end Pashmina, as it is loved all over the world (K. Gurung, Pashmina Revisited 2011) (Dugar 2011).

Providing an extensive product line full of unique designs has allowed Tara Orientals to not only tap into the niche market, but also take the brand international. Although the demand for pashmina products is growing, Rajbhandari says, it has been difficult for many Nepali companies to tap the growth (Rai 2011). In 2009, Nepal exported Rs. 2 billion worth of Pashmina and earned an additional Rs. 1.5 billion through the local market. Today, there are 150 pashmina manufacturers and more than 400 exporters in business (Mathema 2010). In several cases, Nepali manufacturers and retailers only have to access the domestic market.
This is a slipper as the domestic market is rampant with low-quality Pashmina and knock-offs imported from China and India.

Nowadays, with prevalent false marketing, consumers are very confused about authenticity (Dugar 2011). Not only do foreigners have a hard time identifying which Nepali Pashmina retailers sell authentic products, so do Nepali customers. Genuine Pashmina is highly valued among Nepalese. They are willing to pay more for better quality products and are becoming more aware of what businesses are trusted and which to avoid (J. Rajbhandari 2011).

On the other hand, there will always be customers who want a cheap product, just as there will be customers who want high quality. The concern is not that cheap products are marketed in Nepal; it is that they are marketed as genuine Pashmina (Dugar 2011). See Appendix 3 for narratives on False-marketing in the Domestic Market.

**The Nepali Pashmina Industries Association (NPIA)**

Entrepreneurs, manufacturers, retailers, and other leaders in the Nepali Pashmina industry formed the Nepali Pashmina Industries Association (NPIA) in 2002. The NPIA is an organizational institution established to assist members' respective businesses in making advancements in the Pashmina industry. Dealing with the ‘historic’ boom period and little support from the government has forced many sectors of the industry to turn inward for ideas on how to sustain the Nepali Pashmina industry. The association comprises of 80 members and 11 board members who host ‘monthly’ meetings. Members gather for cooperation in

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5 Although no board meeting was held between the dates of Oct. 1, 2011 and Dec. 7, 2011.
reaching their vision of a ‘progressive and sustainable development of the Pashmina sector’ (NPIA 2007).

In reaching this vision, the NPIA strives for the following objectives: Facilitate sourcing of raw materials and promoting national as well as international markets for pashmina products; assist mountain people in Chyangra farming for the production of top quality pashmina; protect the rights and privileges of Nepali Pashmina sector; develop links between industrial, commercial, governmental, and non-governmental organizations for the development of pashmina industry; lobby to government to formulate policies and programs related to pashmina sector; and ensure quality of pashmina by providing pashmina trademark (NPIA 2007).

**Soft Loans And Export Incentives**

As understood by NPIA board member and Everest Pashmina managing director Karken Gurung, one of the NPIA’s main responsibilities is government lobbying regarding labor issues, export incentives, and financial assistance. In the same conversation he said that after many years of lobbying to the government for funding and the implementation of soft loans and export incentives, there has been little-to-no response (K. Gurung, Intro to Nepali Pashmina Industry 2011). “If the government provides even half of the incentives to Nepali Pashmina industrialists as enjoyed by their Chinese counterparts, the nation can witness a pashmina boom again, reducing unemployment and also significantly bridging the trade deficit,” said Karken Gurung in an article (Himalayan News Service 2011).

The NPIA has continued to work with the government to lobby for incentives and soft loan programs that would work in the favor of export businesses. Last year, export companies that were profitable received soft loans. In these soft loans, or soft financing, the government subsidizes the Central Band so that Commercial Banks can offer special financing to export
companies. Karken Gurung said that these forms of financial support are very important and that “they must be implemented”. (K. Gurung, Intro to Nepali Pashmina Industry 2011)

In September of 2011, representatives from the NPIA met with the government Ministry of Finance to implement soft loans. (K. Gurung, Intro to Nepali Pashmina Industry 2011). The Nepali government has announced that they will provide soft loans to export businesses, but commercial banks have not yet complied. Apparently, the government has not yet distributed funds through the commercial banks (Dugar 2011).

Representatives from the NPIA also attend Nepal’s Export Industry Forum in which industries come together to lobby for various means of export incentives. The arising arguments from this forum were then brought to the attention of World Band, IFC, and UNIDO. The government has also announced that it will provide incentives for exporters, says the secretary general of the NPIA, “but the problem is that the economic system is very complicated with the government”. They should take into consideration that Pashmina is a very good potential export item for Nepal because it comes in hard-money form as international currency (Dugar 2011).

**Chyangra Pashmina Trademark**

With rampant counterfeiting and misrepresentation common in tourist areas, how does one identify a genuine Nepali Pashmina product? Responding to this issue and the heavily saturated market, the NPIA has launched national and international campaigns for the promotion of ‘Chyangra Pashmina’, a collective trademark for Nepali Pashmina products at the beginning of 2011. The campaign aims to raise awareness about the quality of genuine Nepali pashmina to tourists and potential international buyers willing to buy original products (Himalayan News Service 2011).
“Nepal must create an exclusive identity for its Pashmina if it is to retain exceptional features of the luxurious Nepali fabric and its image in the export market,” writes business consultant Gourish Kharel. The reputation of Nepali Pashmina used to be very high, but nowadays the market is rising so people try to sell everything as Pashmina (N. Gurung 2011). With prevalent false marketing, consumers are very confused about authenticity, “that is why we have issued the Chyangra Pashmina trademark” (Dugar 2011). Sudarshan Man Singh, the owner of the Himalayan Chyangra Pashmina shop in central Kathmandu, said it was difficult to compete with mass-produced imitations. "The imitation [goods] are obviously of low grade," he said. "It is hampering our reputation in the market, and we need to act now" (Marks 2011). Anin Rajbhandari, proprietor for high quality Pashmina business, Tara Orientals, believes that the branding of Chyangra Pashmina has come too late (A. Rajbhandari 2011). To some, it seems almost impossible to salvage the reputation and credibility of the Nepali Pashmina industry (Wellington 2011).

Both the Nepali government and INGOs are supportive of the NPIA’s registration of the Chyangra Pashmina trademark. With financial support from UNIDO, the association purchased its testing facility for $80,000 in order to define Chyangra Pashmina. The facility is currently owned by the NPIA with strong beliefs that branding Nepali Pashmina through the trademark will be financially benefitting to the association members by bestowing the true value of the product and distinguishing from other cheap imitations. The trademark will also sustain true Nepali traditional craftsmanship of weaving Pashmina (Kharel 2066).

The Chyangra Pashmina brand has already been registered in many countries (Dugar 2011). To reach people coming to Nepal, the NPIA has published the trademark logo on a tourist Help Card and other brochures. The logo is also shown on digital displays in the Kathmandu Airport. The campaign also aims to raise awareness about the quality of Nepali pashmina among potential international buyers (Bhuju 2011). For now, the association waits
for funds to pursue its international marketing strategy via TV channels, international magazines, fashion shows, and the likes (Dugar 2011). According to the NPIA, promotional materials would be aired through leading broadcast media like BBC and CNN, and published in popular magazines like Vogue, Draper and Gap Press, among others (Bhuju 2011).

Mandu Bahadur Adhikari of the NPIA said members would monitor wool markets to make sure others did not use the Chyangra Pashmina label. They would also check the labels of goods sold in shops in the West, and were planning a media campaign to alert importers and consumers to possible imitations (Marks 2011). This strategy evokes a lot of skepticism, however, as it resembles a logistical nightmare with a lot of wiggle room for fakes and loopholes. “If we can handle the distribution of the trademark,” says V. Dugar, “then there is very good prospect for high-end pashmina” (Dugar 2011).

Although the Chyangra Pashmina trademark was issued one year ago, very few logos have actually been issued and an even fewer amount have been sold. Karken Gurung estimated that 250 logos have been issued. According to Karken Gurung, Everest Pashmina will “soon apply trademark”, however before doing so, he would like to see marketing efforts advance. The NPIA has not released the logo to local retailers because the trademark has a very strict code of conduct. In order to access the logo, the product must reach high technical standards. Product fibers must be tested at the NPIA’s testing facility in Kathmandu. To date, about 20 exporters have begun to apply the trademark (Dugar 2011).

Another problem is that the testing facilities are not as precise as they need to be. Even though it can provide a basic reading that can define whether a product is worthy of the ‘Chyangra Pashmina’ trademark, it is not a sufficient facility to read into specific micron levels. According to published articles in the Himalayan Times, only the inner layer fibers measuring fewer than 16.5 microns is used for making Pashmina. The machine that was donated by UNIDO unfortunately lacks the feature to identify exact Pashmina yarn that is
Chyangra wool, as it can only identify yarn below 17 microns as Pashmina (Himalayan News Service 2011). Puspamam Shrestha, the president of NPIA, said in an article, “Chyangra Pashmina is now a registered brand in more than 41 countries and if the certification from the laboratory proved incorrect, it will wipe out our reputation in the international market” (Himalayan News Service 2011).

For a more detailed reading, yarns must be sent to a testing facility in Hong Kong, which can often charge expensive shipping charges (K. Gurung, Intro to Nepali Pashmina Industry 2011). Two commonly used testing facilities are SGS Testing, a Swiss testing company based in Hong Kong, and Intertech Testing with facilities located in Shanghai and Boston (K. Gurung, Pashmina Revisited 2011) (A. Rajbhandari 2011). Manufacturers send purchased yarns to these facilities to be tested before production begins. Although the readings are exact and detailed, the process is very expensive and takes a lot of time (N. Gurung 2011) (Dugar 2011).

**Cooperatives and Collection Centers**

One of NPIA’s most publicized goals is their intention to establish cooperatives in the Chyangra goat farming regions of northern Nepal. In doing so, they plan to institutionalize the farming and collection of fiber to increase the goat-count per farmer, as well as for yield of raw fiber for each region. The cooperatives will also be a way to connect Nepali manufacturers to Nepali farmers to create a more localized and direct line of production that will ultimately benefit Nepal’s economy (Himalayan 2011).

An effective way for any industry to achieve sustainability is to establish a ‘backwards link’. As of now, the Nepali Pashmina industry cannot be sustainable due to disconnect between Nepali manufacturers and Nepali farmers who procure the necessary raw materials. Due to a “lack of proper awareness regarding Chyangra wool and its uses, farmers
in these regions are selling Chyangra wool at a very low price to Tibetans," said Puspaman Shrestha, adding that a survey also revealed that locals in Manang have been selling Chyangra wool at a price as low as Rs. 1,500 per kg, while Nepal imports it at a much higher rate of Rs. 10,000 – 16,000 per kg from China (E. Manandhar 2011). Many farmers raise their goats with two purposes in mind: eating the meat and selling the skins to Tibetan traders. They are not aware of their goats’ valuable fibers. The farmers live close to Tibet, so the materials go straight to China. Currently, chinese traders and spinners collect the raw materials and Nepali manufacturers and wholesalers must buy the spun yarn at an unreasonably high price. As a result, Nepali Pashmina exporters have a hard time competing with international competitors who have raw materials at low costs (Dugar 2011).

Vijoy Dugar, the secretary at the NPIA, hypothesized that if Nepal had collection centers for Pashmina raw materials, then they could the pay the farmers more. He said that the NPIA is planning on a pilot project to increase farming yield in these regions. They want to set up a cooperative, or some other institutionalized system. The first phase is to create awareness among farmers that the fiber from their Chyangra goats is extremely valuable. So far, visits have been done in Manang and Mustang in which farmers are gathered and shown the “right practice” to collect Pashmina fiber (Dugar 2011).

In order for these cooperatives to be operational, the NPIA must provide incentives. In their establishmen, the NPIA will guarantee buyback of fiber. They will also increase herds through education and institutionalizing collection centers (K. Gurung, Intro to Nepali Pashmina Industry 2011). At this point, it is hard to say if these initiatives will prove successful given the long-term relationships the farmers have with Tibetan traders.
Discussion & Analysis

Industry As Development

In addition to communications with the Ministries of Commerce and Finance, the NPIA has also been in touch with UNIDO. In its campaign for financial support, the NPIA stands behind its development-based argument. While there continues to be a high world demand for high quality pashmina, the Nepali Pashmina industry will be a strong potential competitor as long as they can maintain competitive prices. Currently, China’s economy provides export incentives for its businesses, making their products especially tough to compete with; meanwhile, the Nepali government has not yet offered export incentives. Without support, many Nepali industries cannot reach their potential.

“The government never talks about trade issues, even though these economic issues are integral for politics,” Karken Gurung said candidly. Lately, the country’s economic focus has been on human exports, like remittance, but not material exports. The NPIA has taken to INGOs as resources for the industry’s development, but so far there has been no significant response. There have been no conversations with Nepali NGOs to date. (K. Gurung, Intro to Nepali Pashmina Industry 2011).

A Localized Industry

Localizing the Nepali Pashmina industry will significantly help Nepal’s export industry. In order to reach this goal, “Nepal needs its own spinning and processing plant,” Vijoy Dugar said. “It is a very important facet to the industry.” In doing so, more money would remain in country, expenses for product inventory would decrease, and product quality would be guaranteed.

The discussion surrounding in-country spinning facilities began two years ago. The secretary general, V. Dugar, claims that if 50% of the raw materials processed by this facility...
are collected within Nepal, then the establishment of the plant will be justified (Dugar 2011). If a spinning facility is established here [in Nepal], then the Nepali Pashmina industry can be independent. (K. Gurung, Intro to Nepali Pashmina Industry 2011). However, for obvious reasons, there are many obstacles that stand in the way of the establishment of new industrial facilities.

Acquiring the necessary capital support requires both government agency and persistent communication with INGOs. According to Karken Gurung, the NPIA is seeking 70% of the funding for Nepali spinning facilities. However, “no one knows the exact price.” Once they receive a commitment from an INGO or from the government, then the price will be estimated. For now, they continue to campaign for support without using concrete numbers or estimations (K. Gurung, Intro to Nepali Pashmina Industry 2011). Based on this lenient approach, perhaps the association has been focusing on other means for the development of the industry.

The NPIA needs a substantial amount of capital support to establish the proposed in-country spinning facilities. For the mean time, perhaps a more realistic goal is for integrated facilities in which manufacturers outsource raw materials for spinning (K. Gurung, Intro to Nepali Pashmina Industry 2011). While this approach appears to be more feasible, there are still several logistical hurdles that the NPIA must overcome.

The market is not a problem. There will always be a demand for Chyangra Pashmina in the world market. Even if manufactured products cannot sell, yarns and threads can (Dugar 2011). The main obstacle is acquiring the raw materials. The NPIA needs to establish collection centers, as well as the means of transportation for access to manufacturers and wholesalers. The NPIA cannot begin to ask for funding or support because without materials and transportation, there can be no facility.
Establishing an in-country spinning facility is not realistic at the moment. The lack of raw materials collected in Nepal is the main problem. Even though the NPIA knows the fibers are there, they first must to access it. (Dugar 2011) They, the NPIA, have recognized that different places in the Mustang region could be able to supply around 40 percent of the total 200 tons of raw materials needed annually for the manufacturing of Chyangra Pashmina. With the development of promoted local cooperatives and collection, according to the NPIA, Nepal’s Pashmina industry will soon be able to access the full capacity of the local supply of Chyangra fiber (Himalayan News Service 2011).

According to Vijoy Dugar, cooperatives were promoted initially, but due to transportation limitations, there is no convenient access to these areas. However, it seems that establishing cooperatives and collective centers would be the most realistic, productive, and effective step to take in order to advance the Nepali Pashmina industry as a whole. Once the fiber is gathered in these coops, Nepalis can send the fiber internationally to other spinning facilities for much cheaper than it is to buy directly from China. Additionally, importing Pashmina yarns from China is a burden and is bad for the country’s industry (K. Gurung, Intro to Nepali Pashmina Industry 2011).

By collecting raw materials from Nepali farmers and outsourcing it to international facilities for spinning, rather than buying processed yarns from China, the production cost of Nepali Pashmina will decrease significantly. “The same product that is sold for $300 will be able to be sold for $65,” said NPIA’s secretary general, Vijoy. With lower costs, Nepali Pashmina will have a more competitive advantage against China and India (Dugar 2011).

**Development Theory And Nepali Pashmina**

The current status of the Nepali Pashmina industry as a struggling sector of Nepal’s exports supports dependency theory and simultaneously critiques the modernization approach
towards development. Dependency theorists argue, in opposition to modernization theorists, that underdeveloped countries need to reduce their connectedness with the world market so that they can pursue a path more in keeping with their own needs, less dictated by external pressures. Core periphery theory, a subset of dependency theory, contends that resources flow from a periphery of poor and underdeveloped states to a core of wealthy states, enriching the latter at the expense of the former. Dependency theory also states that the poverty of peripheral countries is not because they are not integrated into the world system, but because of how they are integrated into the system (Indira Gandhi National Open Universtiy n.d.). In this context, the Nepali Pashmina industry is a prime example as its manufacturing sector is very controlled by the industrial capabilities of its powerful neighbor, China. In addition, through the lenses of the Nepali Pashmina Industries Association, the fate of the industry’s development, particularly in the form of allocating funds, is in the hands of government ministries and INGOs (K. Gurung, Intro to Nepali Pashmina Industry 2011).

Currently, the Nepali Pashmina Industry relies on China for the processing of raw fiber and spinning it into yarn – an industrialized process that takes place in large machine factories. Dependency theory’s cyclical nature denotes that the Nepali Pashmina industry will remain stagnant or slowly decrease as China’s labor wages continue to slowly rise, increasing the cost of spun fiber (K. Gurung, Intro to Nepali Pashmina Industry 2011). In addition, the continuous influx of fake products in the Pashmina market will also take a toll on the authentic Pashmina industry.

Based on the association’s claimed objectives, the NPIA portrays a small-scale representation of modernization theory in regards to its economic priorities. To attain these objectives, the NPIA takes a modernization approach. The association’s other, more specific goals demand support from external sources to accelerate growth of the Nepali Pashmina industry (Himalayan News Service 2011).
However, this theoretical approach does not seem the most effective for the Nepali Pashmina industry. Currently, in the Mustang region, farmers own herds of goats based on their socioeconomic status (K. Gurung, Intro to Nepali Pashmina Industry 2011). How does the NPIA plan to manage those farmers who are economically incapable of managing larger herds? Won’t institutionalizing or, rather, modernizing the process of collecting raw fiber affect the farmers’ livelihoods and way of life? Perhaps modernization is not the most affective approach to developing the industry. While it is optimistic and foresees good intentions, it is not a realistic approach.

In further discussing dependency and underdevelopment in a Nepalese context, Luitel describes the structural dynamic between India and Nepal in terms of domination and exploitation. These dynamics can also be applied to Nepal’s relationship with China in the context of the Pashmina industry as an underdeveloped country that is economically dependent on its larger developed neighbor. As far as the manufacturing and trade relationship between China and Nepal within the Pashmina Industry is concerned, a similar dynamic has ensued. China’s advancement in industrial technology is responsible for its grossly large industrial capacity and hence, hosts many of the world’s largest wool spinning machine factories (K. Gurung, Intro to Nepali Pashmina Industry 2011). The other rudimentary aspects of the Nepali Pashmina industry take place in Nepal: the farming and harvesting of raw fiber and piecework manufacturing, which are both low cost and non-industrialized processes. As a result, due to minimal industrial resources, Nepal remains an underdeveloped nation in terms of its industrialization capabilities (Luitel 2010). Thus, the dependency theory explains the stagnancy of the Nepali Pashmina industry over the past decade.

Consider the following hypothesis: if technological advances were made in the form of funding industrial development (i.e. for spinning factories), would it spur national
economic growth within the Nepali Pashmina industry? Both theorists would say that yes, it is likely that if the Nepali pashmina industrial process – farming raw fiber, spinning process, and piecework manufacturing – was localized within Nepal, the industry would experience economic growth and the country would reap economic benefits. However, the dispute remains focused on the issue of accessing and reaching the means for development.

Without involvement in the means of funding from the government or INGOs, the industry will remain stagnant, as seen over the past ten years. This hypothesis would be accepted by both dependency and modernization theorists. However, the pessimistic dependency theorist would argue that this funding is inaccessible and way out-of-reach and that acquiring developed-nation industrialization in Nepal is not enough to compete with China’s capabilities. In addition, the dependency theorist would say that after this extended period of stagnancy and slow decline, perhaps this industry might be ‘over the hill’ and that Nepal should focus on strengthening other export industries, such as remittance. On the other hand, the modernization theorist – the optimist – would say that in order to keep up with the global industrialization and modernization of textile manufacturing, the Nepali Pashmina industry must strive for the funding, even if it is beyond the NPIA’s budget. The NPIA rests on this approach; that, despite the last ten years of stagnancy in the market and little-to-no response from investors, the NPIA will continue to lobby for funding and support for the betterment of the Pashmina sector.

**Conclusion**

*The ‘Fate’ of Pashmina*

During the peak of the Pashmina boom, people bought mostly plain color products. Now, tasteful designs are more desirable as high quality Pashmina is still in demand. “If you
maintain good quality and design, there will be a demand. You must be innovative all the time (J. Rajbhandari 2011)”. That said there is a good future for high-end pashmina as those businesses are very design and quality conscious. Especially with the issuing and marketing of the Chyangra Pashmina trademark, high-quality Pashmina businesses have a bright future (Dugar 2011).

According to Mr. Gurung, the coordinator from UNIDO has visited the NPIA office in Babar Mahal and they have discussed means of support. UNIDO has said that they have the funds for other projects like a laboratory testing facility. In addition to UNIDO, the Asian Development Bank, World Bank, and International Finance Corporation have been potential sources for financial support (K. Gurung, Pashmina Revisited 2011). Aside from a testing facility that was funded a few years ago, UNIDO has not given significant support to the NPIA. So far they have only held a few meetings and seminars with the NPIA, but Mr. Manandhar “looks forward to future communications”. He believes the Nepali Pashmina Industry is worth supporting (P. P. Manandhar 2011). If big INGOs like UNIDO follow-through with said support, the association will surely reach some of their proposed goals.

According to NPIA’s secretary general, Vijoy Dugar, the manufacturing industry should expand beyond the Kathmandu Valley. Currently, all manufacturing is done only in Kathmandu, but it should be brought back to villages (Dugar 2011). Although his suggestion has good intentions, the means for implementation are far beyond realistic. Before jumping to idealist solutions, the NPIA must first capitalize on the materials and functions they have access.

For an international supplier of high-end textiles, it is hard to find and identify genuine high quality Pashmina in Nepal. Thinley, a Bhutanese textile wholesaler living and working in London shares the same opinion as most people involved in the Nepali Pashmina industry: that the flooding of the market negatively affects the Nepali Pashmina industry in
the long run. “It affects all textiles, not just Pashmina,” she said. “Once the industry gets the reputation of have mixed fibers and degraded blends, it looses customers and consequently declines.” From a commercial point of view, Thinley believes that Nepal needs spinning facilities locally because it lowers production costs, the margins stay in the country, and the quality is improved because the production process will be controlled and monitored. However, it will only be successful if there are producers with 100% Nepali Pashmina in the market.

Mrs. Wellington has been a fashion advisor for high-fashion companies for many years and shares an interesting perspective on the Nepali Pashmina industry. It has already earned a poor reputation, she said. Nepali Pashmina has lost all of its credibility. The falling of the industry is a result of Nepali manufacturers having no culture of research, investigation, and innovation. Personal initiative and assertiveness is not present in Nepali culture and it shows in their imitations. Eight years ago, she saw copies of embroidered pieces that she had designed over ten years ago. She explained that there is so much low-quality product because that is the local market demand. She also shared her fatalist views on the prospect of Nepali spinning facilities. Mrs. Wellington says that Nep (M.K. Dahal April 2008)al cannot build its own factory. It is too expensive and there is not enough power. “Pashmina is a finished fad,” she said, “there is a four-year cycle in the fashion world. Pashmina arrived over a decade ago, meaning it is no longer in style” (Wellington 2011).

On a different note, Tara Orientals co-proprietor Jolly Rajbhandari said that if the government responds to requests, they will provide more facilities and incentives for exporters, and then we will see the industry grow. She believes that the Nepali Pashmina industry is worth supporting because it employs many people. In turn, the industry supports

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6 Name changed due to request for anonymity.
families, allowing for more children to go to schools. “They are the children for tomorrow – the government must think for the export industry.” (J. Rajbhandari 2011)

**Future Research**

In further researching the Nepali Pashmina Industry, I would highly recommend visiting Chyangra goat farming villages in Upper Mustang. There are many unanswered questions about how this luxurious fiber is procured and the social implications surrounding its value. Have rural goat farmers in the high Himalayan valleys benefitted from the increased demand and value of cashmere since the Pashmina Boom? How will the further development of the road through Upper Mustang affect the farmers’ relationships with traders and the overall price of Pashmina fiber? Additionally, in-depth research on the perspectives and profiles of INGO and Ministry representatives who have been in communication with the NPIA would be very beneficial in understanding the potential development of the Nepali Pashmina Industry.

**In Conclusion**

Many NPIA members are very optimistic about the industry. Managing director Karken Gurung believes that with the redeveloping of new designs and more brainstorming, Pashmina will continue to be in high demand. It is unclear, however, if it is the attention to design, or the luxurious nature of the fabric and brand that keeps Pashmina products in demand (K. Gurung, Intro to Nepali Pashmina Industry 2011).

Considering the unfathomable amount of funding required for the industry’s necessary industrial development to become a leading competitor, perhaps this industry is in fact over the hill. However, as long as high-quality genuine Pashmina continues to be in world demand, Nepali Pashmina will be a strong potential export item for the nation’s economy. That is, however, if the domestic industry can remain competitive with larger
actors in the international market for Pashmina.
Appendices

Appendix 1: Pashmina as an Export
The following are charts, tables, and summaries from the Nepal Trade Integration Summary 2010 that highlight Pashmina as a potential export industry.

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>~ Favourable climatic and geophysical conditions for pashmina production</td>
<td>~ High cost of new product development</td>
</tr>
<tr>
<td>~ Well-developed skills and expertise</td>
<td>~ Difficulty in producing large volumes to serve big buyers</td>
</tr>
<tr>
<td>~ Workers available on reasonable wages</td>
<td>~ Lack of high-skilled technicians in knitting plants</td>
</tr>
<tr>
<td>~ Established and reliable suppliers of raw materials</td>
<td>~ Weak capacity for luxury packaging</td>
</tr>
<tr>
<td>~ Quality commitment and consistency</td>
<td>~ Lack of market networks and limited market information</td>
</tr>
<tr>
<td>~ Availability of large numbers of looms and equipment</td>
<td>~ Absence of national infrastructure to support the sector</td>
</tr>
<tr>
<td>~ Capacity to meet the orders of fashion boutiques in assorted designs and quantities</td>
<td>~ Limited capacity to develop market-oriented designs and colour combinations</td>
</tr>
<tr>
<td>~ Innovative and new products supported by foreign designers and buyers</td>
<td></td>
</tr>
<tr>
<td>~ Excellent, long-term relationship with buyers</td>
<td></td>
</tr>
<tr>
<td>~ Good upstream linkages and product image</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>~ New markets can be identified as there is always good demand for textile fashion products in world markets</td>
<td>~ Strong price competition from India and China</td>
</tr>
<tr>
<td>~ USA and Middle East are the most promising high-end markets</td>
<td>~ Possibility of market resistance for low-priced imitation fibre products, in spite of the mechanism for the introduction of collective trademark being in place</td>
</tr>
<tr>
<td>~ EU has niche market for adapted new and quality products such as blankets and pullovers</td>
<td></td>
</tr>
</tbody>
</table>

**Actions**

*Product and Technology*
- Initiate Chyangra farming development activities on a pilot project basis at suitable locations to meet at least 20 per cent of the total Pashmina yarn requirement.
- Set up Pashmina processing plants on cooperative basis at appropriate locations (e.g. Upper Mustang, Mugu, Dolpa or Humla) to encourage poor livestock farmers in remote areas to enter into production.
- Implement a long-term sericulture project for the development of a silk sector in Nepal (Pashmina shawls usually contain 30 per cent silk), based on the findings of a recent feasibility study.
- Set up a national institute with appropriate laboratory testing capacity and research and training facilities to provide quality assurance for Pashmina and silk materials.
- Undertake a feasibility study to set up a Pashmina yarn spinning plant in Nepal.
- Undertake a feasibility study to set up a Pashmina knitting sector in Nepal.

*Market Access*
- Support marketing of a ‘Chyangra Pashmina’ trademark in the most promising markets with support from the Chamber of Commerce and Nepalese diplomatic missions.
- Develop proper market research capacity to assist the sector in product design and development, as well as market promotion strategies and programmes. *Pashmina* is a fashion item that requires continuous market watch.
- Strengthen market linkages by organizing Nepal’s participation in the most relevant international trade fairs and exhibitions in existing and promising new markets.

Figure 1 (Ministry of Commerce and Supplies 2010).
Table 2:
Main Nepalese Goods Exports, 2004-08, in US$1,000 by HS-2, HS-4 and HS-6 Codes

<table>
<thead>
<tr>
<th>Product</th>
<th>HS-codes</th>
<th>Exported value 2004</th>
<th>Exported value 2008</th>
<th>Share 2008</th>
<th>% Annual Growth 2004-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>All goods exports</td>
<td>681,380</td>
<td>962,459</td>
<td>100.0%</td>
<td>9.0%</td>
<td></td>
</tr>
<tr>
<td>Sheep's wool</td>
<td>454</td>
<td>644</td>
<td>14.0%</td>
<td>18.6%</td>
<td></td>
</tr>
<tr>
<td>Iron and steel products</td>
<td>72,73</td>
<td>27,581</td>
<td>15.5%</td>
<td>22.6%</td>
<td></td>
</tr>
<tr>
<td>Carpets</td>
<td>57</td>
<td>105,645</td>
<td>12.1%</td>
<td>2.5%</td>
<td></td>
</tr>
<tr>
<td>Garments</td>
<td>61,62</td>
<td>178,408</td>
<td>11.4%</td>
<td>-11.4%</td>
<td></td>
</tr>
<tr>
<td>Pashmina</td>
<td>611410, 611420, 611490, 630120</td>
<td>18,691</td>
<td>22,074</td>
<td>2.3%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Wool products</td>
<td>611011, 611012, 611091, 611092, 611099</td>
<td>9,411</td>
<td>16,450</td>
<td>1.7%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Plastics and articles thereof</td>
<td>39</td>
<td>37,039</td>
<td>66,057</td>
<td>6.9%</td>
<td>15.6%</td>
</tr>
<tr>
<td>Artificial staple fibres</td>
<td>55</td>
<td>25,118</td>
<td>52,475</td>
<td>5.5%</td>
<td>20.2%</td>
</tr>
<tr>
<td>Coffee, tea, spices</td>
<td>09</td>
<td>19,797</td>
<td>47,718</td>
<td>5.0%</td>
<td>24.6%</td>
</tr>
<tr>
<td>Large cardamom</td>
<td>090820</td>
<td>11,699</td>
<td>21,329</td>
<td>2.2%</td>
<td>16.2%</td>
</tr>
<tr>
<td>Tea</td>
<td>0902</td>
<td>4,886</td>
<td>16,805</td>
<td>1.7%</td>
<td>36.1%</td>
</tr>
<tr>
<td>Ginger</td>
<td>091010</td>
<td>2,518</td>
<td>8,130</td>
<td>0.8%</td>
<td>34.9%</td>
</tr>
<tr>
<td>Vegetables</td>
<td>07</td>
<td>Not available</td>
<td>Not available</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lentils</td>
<td>071340</td>
<td>22,884</td>
<td>22,258</td>
<td>2.3%</td>
<td>-0.7%</td>
</tr>
<tr>
<td>Textile articles, sets, worn clothing, etc</td>
<td>63</td>
<td>12,426</td>
<td>29,073</td>
<td>3.0%</td>
<td>23.7%</td>
</tr>
<tr>
<td>Copper and articles thereof</td>
<td>74</td>
<td>12,605</td>
<td>27,245</td>
<td>2.8%</td>
<td>21.3%</td>
</tr>
<tr>
<td>Beverages, spirits and vinegar</td>
<td>22</td>
<td>9,227</td>
<td>26,783</td>
<td>2.8%</td>
<td>30.5%</td>
</tr>
<tr>
<td>Artificial filaments</td>
<td>54</td>
<td>9,682</td>
<td>25,643</td>
<td>2.7%</td>
<td>27.6%</td>
</tr>
<tr>
<td>Animal, vegetable fats and oils, cleavage products, etc</td>
<td>15</td>
<td>21,403</td>
<td>22,899</td>
<td>2.4%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Essential oils, perfumes, cosmetics, toiletries</td>
<td>33</td>
<td>32,670</td>
<td>15,623</td>
<td>1.6%</td>
<td>-16.8%</td>
</tr>
<tr>
<td>Essential oils, res</td>
<td>330129</td>
<td>259</td>
<td>1,001</td>
<td>0.1%</td>
<td>40.2%</td>
</tr>
<tr>
<td>Miscellaneous chemical products</td>
<td>38</td>
<td>4,896</td>
<td>14,872</td>
<td>1.5%</td>
<td>31.5%</td>
</tr>
<tr>
<td>Aluminium and articles thereof</td>
<td>76</td>
<td>5,961</td>
<td>14,824</td>
<td>1.5%</td>
<td>25.2%</td>
</tr>
<tr>
<td>Wedding, felt, nonwovens, yarns, twine, cordage, etc</td>
<td>56</td>
<td>10,088</td>
<td>14,165</td>
<td>1.5%</td>
<td>8.9%</td>
</tr>
<tr>
<td>Residues, waste of food industry, animal fodder</td>
<td>23</td>
<td>5,576</td>
<td>13,783</td>
<td>1.4%</td>
<td>25.4%</td>
</tr>
<tr>
<td>Animal feed preparations, res</td>
<td>32</td>
<td>3,881</td>
<td>12,199</td>
<td>1.3%</td>
<td>34.9%</td>
</tr>
<tr>
<td>Vegetable textile fibres, res, paper yarn, woven fabric</td>
<td>53</td>
<td>15,563</td>
<td>11,894</td>
<td>1.2%</td>
<td>-6.5%</td>
</tr>
<tr>
<td>Instant noodles</td>
<td>1902</td>
<td>2,955</td>
<td>10,390</td>
<td>1.1%</td>
<td>38.9%</td>
</tr>
<tr>
<td>Electrical, electronic equipment</td>
<td>85</td>
<td>6,709</td>
<td>10,309</td>
<td>1.1%</td>
<td>11.3%</td>
</tr>
<tr>
<td>Pearls, precious stones, medals, coins, etc</td>
<td>71</td>
<td>7,619</td>
<td>10,252</td>
<td>1.1%</td>
<td>7.7%</td>
</tr>
</tbody>
</table>

Other export potential goods

Medicinal herbs (combined with essential oils in others) | 121190 | 1,604 | 2,991 | 0.3% | 16.9% |
Handmade paper (shown data do not cover all exports; see text) | 481210 | 711 | 561 | 0.1% | -5.8% |
Honey | 0409 | 49 | 14 | 0.0% | -26.9% |

Source: ITDC, Trade Map 2004, 2008

Yellow highlights show potential export products included in the export potential assessment at HS-6 level. All data other than those for lentils are 'mirror data' (Nepal's export data). For more detailed HS-6 Code data, see the full report.

Figure 2 (Ministry of Commerce and Supplies 2010).
Table 6:
Export Potential and Socio-Economic Impact of 19 Products and Services

<table>
<thead>
<tr>
<th>No.</th>
<th>Sector</th>
<th>Nepali exports, 2008 (US$ 1,000)</th>
<th>Index 1: Export performance</th>
<th>Index 2: World market conditions</th>
<th>Index 3: Domestic supply conditions</th>
<th>Overall export potential</th>
<th>Socio-economic impact</th>
</tr>
</thead>
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<tr>
<td>1</td>
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<tr>
<td>2</td>
<td>Ginger</td>
<td>8,130</td>
<td>medium</td>
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<td>medium</td>
<td>medium</td>
<td>medium</td>
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<td>3</td>
<td>Honey</td>
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<td>low</td>
<td>medium</td>
<td>medium</td>
<td>medium</td>
<td>medium</td>
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<tr>
<td>4</td>
<td>Lentils</td>
<td>22,258</td>
<td>medium</td>
<td>high</td>
<td>high</td>
<td>medium</td>
<td>medium</td>
</tr>
<tr>
<td>5</td>
<td>Tea</td>
<td>16,805</td>
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<td>high</td>
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<tr>
<td>6</td>
<td>Instant noodles</td>
<td>10,390</td>
<td>high</td>
<td>medium</td>
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<td>low</td>
</tr>
<tr>
<td>7</td>
<td>Medicinal herbs/essential oils</td>
<td>11,000</td>
<td>low</td>
<td>medium</td>
<td>high</td>
<td>medium</td>
<td>high</td>
</tr>
<tr>
<td></td>
<td>Craft and Industrial Goods</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Handmade paper</td>
<td>4,000</td>
<td>low</td>
<td>low</td>
<td>high</td>
<td>high</td>
<td>high</td>
</tr>
<tr>
<td>9</td>
<td>Silver jewelry</td>
<td>9,519</td>
<td>low</td>
<td>high</td>
<td>medium</td>
<td>medium</td>
<td>medium</td>
</tr>
<tr>
<td>10</td>
<td>Iron and steel products</td>
<td>149,394</td>
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<td>11</td>
<td>Pashmina products</td>
<td>22,074</td>
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<tr>
<td>12</td>
<td>Wool products</td>
<td>16,450</td>
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<td>medium</td>
<td>high</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>13</td>
<td>Tourism</td>
<td>352,000</td>
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<td>high</td>
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<tr>
<td>15</td>
<td>IT &amp; BPO services</td>
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<td>medium</td>
<td>medium</td>
<td>medium</td>
<td>medium</td>
</tr>
<tr>
<td>16</td>
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<td>medium</td>
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<td>low</td>
<td>low</td>
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<tr>
<td>17</td>
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<td>low</td>
<td>low</td>
<td>low</td>
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<tr>
<td>18</td>
<td>Engineering services</td>
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<td>medium</td>
<td>medium</td>
<td>medium</td>
<td>low</td>
</tr>
<tr>
<td>19</td>
<td>Hydro-electricity</td>
<td>0</td>
<td>low</td>
<td>high</td>
<td>medium</td>
<td>medium</td>
<td>medium</td>
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</table>

Source: Export Potential Assessment (MTIS, Chapter 2)

Figure 3 (Ministry of Commerce and Supplies 2010).

Table 7:
Export Potential compared to Socio-Economic Impact
19 Export Potential Goods and Services

<table>
<thead>
<tr>
<th>Export Potential</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tea</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Handmade paper</td>
<td>Wool products</td>
<td>Tourism</td>
<td>Labour services</td>
</tr>
<tr>
<td></td>
<td>Pashmina products</td>
<td>Large cardamom</td>
<td>Lentils</td>
</tr>
<tr>
<td></td>
<td>Honey</td>
<td>Silver jewelry</td>
<td>Iron and steel products</td>
</tr>
<tr>
<td></td>
<td>IT and BPO services</td>
<td>Hydro-electricity</td>
<td></td>
</tr>
<tr>
<td>Health services</td>
<td>Engineering services</td>
<td>Instant noodles</td>
<td></td>
</tr>
<tr>
<td>Education services</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Export Potential Assessment (MTIS, Chapter 2)

Figure 4 (Ministry of Commerce and Supplies 2010).
Figure 5 (Ministry of Commerce and Supplies 2010).

<table>
<thead>
<tr>
<th>No.</th>
<th>Sectors</th>
<th>Electricity intensity</th>
<th>Water intensity</th>
<th>Overall resource intensity</th>
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<td>Large cardamom</td>
<td>low</td>
<td>medium</td>
<td>medium-low</td>
</tr>
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<td>2</td>
<td>Ginger</td>
<td>low</td>
<td>low</td>
<td>low</td>
</tr>
<tr>
<td>3</td>
<td>Honey</td>
<td>low</td>
<td>low</td>
<td>low</td>
</tr>
<tr>
<td>4</td>
<td>Lentils</td>
<td>medium</td>
<td>low</td>
<td>medium-low</td>
</tr>
<tr>
<td>5</td>
<td>Tea</td>
<td>low</td>
<td>low</td>
<td>low</td>
</tr>
<tr>
<td>6</td>
<td>Instant noodles</td>
<td>medium</td>
<td>medium</td>
<td>medium</td>
</tr>
<tr>
<td>7</td>
<td>Medicinal herbs/essential oils</td>
<td>low</td>
<td>low</td>
<td>low</td>
</tr>
<tr>
<td>8</td>
<td>Handmade paper</td>
<td>low</td>
<td>medium</td>
<td>medium-low</td>
</tr>
<tr>
<td>9</td>
<td>Silver jewelry</td>
<td>low</td>
<td>low</td>
<td>low</td>
</tr>
<tr>
<td>10</td>
<td>Iron and steel products</td>
<td>high</td>
<td>medium</td>
<td>medium-high</td>
</tr>
<tr>
<td>11</td>
<td>Pashmina products</td>
<td>medium</td>
<td>medium</td>
<td>medium</td>
</tr>
<tr>
<td>12</td>
<td>Wood products</td>
<td>medium</td>
<td>medium</td>
<td>medium</td>
</tr>
<tr>
<td>13</td>
<td>Tourism</td>
<td>medium</td>
<td>medium</td>
<td>medium</td>
</tr>
<tr>
<td>14</td>
<td>Labour services</td>
<td>none</td>
<td>none</td>
<td>none</td>
</tr>
<tr>
<td>15</td>
<td>IT and BPO services</td>
<td>medium</td>
<td>low</td>
<td>medium-low</td>
</tr>
<tr>
<td>16</td>
<td>Health services</td>
<td>low</td>
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<td>medium-low</td>
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<tr>
<td>17</td>
<td>Education services</td>
<td>low</td>
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<td>18</td>
<td>Engineering services</td>
<td>none</td>
<td>none</td>
<td>none</td>
</tr>
<tr>
<td>19</td>
<td>Hydro-electricity</td>
<td>low</td>
<td>high</td>
<td>medium</td>
</tr>
</tbody>
</table>
Appendix 2: Factory Production
The following figure demonstrates the manufacturing process of Chyangra Pashmina.

Figure 6: Sourced from the Nepali Pashmina Industries Association website (NPIA 2007).

All photographs were taken at the Everest Pashmina Factory and Tara Orientals on December 1, 2011.
Appendix 3: Narratives on False-marketing in the Domestic Market

Authenticity In Thamel:

One evening I strolled into a typical Thamel Pashmina shop with the intention of buying a scarf for a friend who had just arrived in Nepal and was about to go trekking. The shop owner was young, relatively speaking, probably mid-20’s (but you never know in Nepal). I spoke only in Nepali, asking about different products and their costs. Then, I told him I knew a lot about the industry and dropped Karken Gurung’s name as well as the NPIA. He was impressed and proceeded to explain with more honesty what each variation of ‘Pashmina’ ran for price-wise. He showed which one was 40% versus 80% Pashmina, and then pulled out a small paper-wrapped package. The cream-colored scarf inside was noticeably more delicate and luxurious than the other products in the store. Yesterday, he said, he sold another piece like this to a white woman for 100 euros.

It is as if they use the vast amounts of stocked cheap product to inflate the price of the real genuine Pashmina. After discussing his business and manufacturing facilities in the Godawari area, I haggled the price on one of the 70% Pashmina scarfs for my friend. Seemed good enough.

“Seems good enough” – Is that the fate of the industry?

No one really cares about the absolutely pure product because:

A) It’s almost impossible to test its quality on the spot, and who knows if the seller is being honest. I’ve seen the crappiest blends of wool marked as Nepali Pashmina. Technically, or legally, how do products need to be marked? It seems there is no integrity, but also no controlling force to monitor the fakes… I guess that is Asia for you.

B) In these questionable retail outlets, the price demanded for the pure product – and it is made clear that it is pure – is absurdly high. I will have to find out how often those real scarves go for 100 euros. It’s obscene.

C) The lower grade products seem real and soft enough – who, of the tourist-based customer group, is going to know the difference?

Another note is that store only had one of those ‘genuine’ products left in stock on the shelves. That seems a little strange. It clearly indicates the limited supply of genuine Nepali
products in their inventory. Does it also show a limited supply of Pashmina in general? Could this be a result of limited demand?

Let’s consider the Supply and Demand trends of top-quality genuine Nepali Pashmina. Which came first? It is likely that the demand for authentic and pure Pashmina declined since the boom in 1999-2000. Or, post-boom, the flooded market filled with Chinese and Indian fakes and caused the cost of manufacturing of authentic goods to increase and consequently a decline in supply.

**FINDINGS IN SOLUKHUMBU:**

Upon arriving, I realized that I had overestimated the amount of Nepali Pashmina sold in Namche Bazaar. There is nothing of the Pashmina sort sold at the Bazaar in the stocks of items brought by Tibetan traders. However, there are various products labeled as Nepali Pashmina sold in several shops along the village chowks. In Namche, there are three general categories of shops in Namche: shops for souvenir goods; outdoor apparel and other goods for trekking; or grocery and pharmaceutical goods. Souvenir shops typically sell Pashmina. All of the Pashmina products that I observed in these shops were scarves.

Many of the storeowners were Tibetan. In many cases, both the interviewee and myself struggled since they generally spoke little Nepali and even less English. With each of our demonstrative skills, we prevailed and I got the information that I needed despite the language barrier(s). After the first broken interview, I knew what to expect from other shop owners and improved upon each interview, accumulating useful qualitative data.

**November 15:**

Shop owner 1 - Naam: Dawa

This shop is located along center steps going up from bazaar. Dawa, the shopowner, is Tibetan and although our discussion was concise due to both of our limited Nepali language skills, I was able to access key information. Dawa bought his stock of Pashmina from traders, both from Tibet and Kathmandu, who deliver the goods to the shop in Namche. Of the shop’s Pashmina, one half was brought from Tibet and the other half from Kathmandu. The product from Tibet runs at about 450 rupees and is half the price as the product from Kathmandu. Dawa claims that the products from Kathmandu is 70% Pashmina, whereas the stock from Tibet is only 30% Pashmina.
According to Dawa, this season, no one has bought his Pashmina products. He has nothing to attribute this to and seemed contrite to have fully-stocked shelves of a stale product.

Shop owner 2 - Naam: unknown.

This shop owner was too busy with customers to give me much time, but in the quick exchange, I was able to gather some information about the Pashmina in his shop. This was his first year selling Pashmina, he said. His products were stocked the same way as Dawa’s: brought by traders from Kathmandu and Tibet. About three quarters of his stock, as demonstrated by a quick diagram, was from Kathmandu. He said it is better than the Pashmina from Tibet. He has sold five pieces this season and based on the stock remaining on the shelves, he had about twenty pieces remaining.

Shop owner 3 – Naam: Lhakpa Sherpa

Lhakpa runs one of the larger souvenir shops in Namche. She has operated the shop for 16 years and claimed to have sold Pashmina for the past ten years. She said that Pashmina has always sold well for her.

Of her products, about 75% are Pashmina scarves brought from Kathmandu. The other quarter is cheaper stock brought from Tibet. A few products were labeled as 100% Nepali Pashmina. For these marked products, Lhakpa charges her customers 6,000 rupees as a starting price.

According to Lhakpa, the most frequent customers are German and second most American. Two weeks ago, a German woman bought 15 pieces from her. This season she claims to have sold 50 pieces, 20 of which were brought from Kathmandu. Maybe next year she will be stocked with the cheaper products from Tibet as they seem to sell better.

“Why do people buy Pashmina here in Namche?” I asked. She said that in general, prices are cheaper here in Namche because there is no tax. In Kathmandu, stores must pay a steep fee for rent and taxes.

November 16:

Shop owner 4 – Naam: Nawang

The ratio of Pashmina in Nawang’s shop is roughly the same as the last few shops in which three quarters of the stock is from Kathmandu and the other quarter is from Tibet. The products from Kathmandu are all marked as 100% Nepali Pashmina and Nawang claims to sell them for 800 rupees per piece. So far this season, Nawang has sold 8 pieces. He said
that he chooses to sell Pashmina because it is light, easy to transport, and sells well alongside other souvenirs.

I asked Nawang the same final question as Lhakpa. “People buy Pashmina here for the memory of trekking,” he said. They buy it in Namche as a souvenir because it reminds them of the small village.

**Synthesis Of Explorations Around Namche:**

According to Dawa, the Tibetan storeowner, half of his Pashmina stock is from Kathamandu and the other half from Tibet. Apparently Pashmina has been hard to move these days. Dawa said no one has bought Pashmina yet this season, whereas Lhakpa Sherpa claims to have sold 50 pieces this year – 20 of which were marked as Nepali Pashmina from Kathmandu.

From these observations I can deduce that for most shops in Namche, Pashmina is not an easy-to-move product. Interesting, however, because it is cheaper to buy in Namche rather than in Kathmandu.

I was also curious as to why these shop owners have chosen to sell pashmina. Nawang claims that Pashmina products are light and easy to transport. It is also easy to sell and market alongside other souvenirs. Dawa says that Tibetan traders come to stores with pashmina to sell to shops, so ultimately, it is very easy to acquire cheap pashmina.
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List of interviews


Dugar, Vijoy Kumar, interview by Corinne Prevot. *Secretary General of NPIA* Kathmandu, (December 1, 2011).


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