

EXPLAINING DISPARATE ECONOMIC SUCCESS IN HIGHLAND NEPAL: OPPORTUNITY, COOPERATION, AND ENTREPRENEURSHIP IN MANANG

Clint Rogers

Nepal is a country marked by poverty and development challenges, especially in its rural highland areas where residents are primarily engaged in subsistence-level agriculture and pastoralism made difficult by a short growing season at high altitude. Remote from concentrated population centers, roads, markets, and sources of capital, the inhabited areas of Nepal's Himalayan highlands are generally characterized by a low level of commercial activity.¹ But a few highland communities stand out in Nepal due to the widespread involvement of their members in business ventures and their relative economic success and high standards of living.² This disparity in economic success among communities is quite striking, particularly since Nepal's Himalayan highland communities share a similar environmental and cultural milieu. Over the course of the past few decades, the causes of this disparity have been the subject of some scholarly focus.³

Explaining Disparate Economic Success in Highland Nepal

In the 1970s, as areas of Nepal's Himalayan highlands were increasingly opened to researchers, nascent scholarly attention devoted to the region's inhabitants developed into an academic debate over the factors involved in the differential level of commercial involvement and economic success among the various communities throughout the region. This debate was framed by two published works, a book written by Christoph von Fürer-Haimendorf (1975) and a subsequent article by Andrew Manzardo (1977). Both of these works focused on the historical involvement of Nepal's highland communities in trade across the Himalaya mountain range between Nepal and Tibet.

Throughout Nepal's Himalayan highlands, environmental constraints on agricultural and pastoral production imposed by high altitude have long forced the regions' inhabitants to look for external commercial means to supplement their local subsistence economies. Prior to the advent of mountain tourism in Nepal in the 1960s, trade had been the primary form of commercial activity available to the country's highland peoples. The Himalaya mountain range forms the dividing line between two disparate but complementary economic zones, the high plateau of Tibet and the lower hills and plains of Nepal and India, a situation which gave rise to a demand for trade across the mountains. Historically, this trade primarily consisted of the exchange of salt and wool from the Tibetan highlands for rice grown in the lowlands.

Trans-Himalayan trade came to a virtual halt in the 1960s as a result of the occupation of Tibet by communist China and the increased availability in Nepal of goods from India. The supply of Tibetan goods to Nepal's hill regions dried up with the closing of the Tibetan border by occupying Chinese forces following a failed Tibetan uprising against Chinese occupation and the flight of Tibet's leader the Dalai Lama and thousands of his followers from Tibet in 1959. Even after Chinese authorities re-opened the Tibetan border to limited trade, it was under tight Chinese control and not nearly as lucrative for Nepal's highland trading communities as it had been. During the same time frame, the demand for Tibetan goods in Nepal was dealt a serious blow by the construction, with international development assistance, of roads linking the interior of Nepal with India. The improved transportation links increased the availability and lowered the price of Indian goods in Nepal and enabled imported Indian goods to widely replace Tibetan ones (von Furer-Haimendorf 1975).

But even while trans-Himalayan trade was thriving, levels of involvement and success in trade varied greatly among the communities inhabiting Nepal's Himalayan highlands. This variation can largely be attributed to the availability of commercial opportunities in trade not being uniform throughout the region. There were two primary reasons for this non-uniformity: geographic location and government-sanctioned privileges.

Although the Himalaya mountain range poses a formidable barrier to travel, there are several crossable points that served as natural corridors for trade. Based on the proximity of their home regions to such corridors, some highland communities were historically better situated than others to engage in and benefit economically from trans-Himalayan trade. Other geographical

factors also came to bear. For example, since pack animals were essential to large scale trans-Himalayan trade, communities with large numbers of livestock suitable for use in transporting goods could better participate in trade. Because of the unfeasibility of travel across high mountain passes snowbound in winter and across mudslides and raging torrents in lowland areas during Nepal's summer monsoon, trade between Tibet and lowland Nepal was necessarily a disjointed operation requiring both the seasonal storage of trade goods and a change between different types of pack animals at suitable altitudes. Thus, the geography and associated ecological attributes of some communities' home regions positioned those communities to take economic advantage of the peculiarities of trans-Himalayan trade (von Furer-Haimendorf 1975, Manzardo 1977).

Some communities were able to enhance their ability to take advantage of commercial opportunities in trade by obtaining special privileges from the Nepal government. In an effort to control and capitalize economically on trans-Himalayan trade, the Nepal government historically granted trade monopolies to several communities, or in some cases to individuals within those communities.⁴ The Nepal government collected customs taxes on the large scale trade conducted along major trade routes, and the granting of trade monopolies, by reducing the number of participants and inducing their cooperation with government authorities, made regulation of trade and collection of customs taxes easier for the government (Messerschmidt and N. Gurung 1974, von Furer-Haimendorf 1975, Regmi 1984:123-124, Schrader 1988).

While pointing out the important roles of geographic location and government-sanctioned privileges in providing advantages to certain of Nepal's highland trading communities, von Furer-Haimendorf (1975) credited economically successful communities with certain cultural characteristics amenable to their members' widespread involvement and success in trade. For instance, von Furer-Haimendorf emphasized the wide scope for individual choice and risk taking in economic activities among members of Himalayan highland communities. Contrasting the Buddhist culture of highland communities with that of Hindus in lower lying areas of Nepal, von Furer-Haimendorf suggested that highlanders were free agents from an early age without constricting economic obligations to a joint family dominated by an elderly patriarch, since at marriage they establish a separate household with the inheritance of parental property individually apportioned among siblings. In addition, von Furer-Haimendorf pointed to the lack, again

relative to lowland Hindus, of social hierarchy and social restrictions among both men and women in Himalayan highland culture that would otherwise hinder personal interactions and relations with trade partners from other regions and make distant travel for trade difficult.

The importance von Furer-Haimendorf placed on cultural factors was challenged by Manzardo (1977), who argued that, together with geographic location and government-sanctioned privileges, ecological advantages and constraints rather than cultural characteristics were primarily responsible for different communities' variable involvement in trade. In particular, Manzardo emphasized the role of local natural resources in supporting the keeping of pack animals used to transport trade goods, arguing that communities with adequate pasturage for large numbers of pack animals could engage in trade to a greater extent.

In a subsequent comparative analysis of highland Nepal's more economically successful trading communities, Heiko Schrader (1988) bridged the Haimendorf-Manzardo debate by suggesting that economic success in trade depended upon the combination of favorable location, ecology, and government-sanctioned privileges (all of which can be considered forms of commercial opportunity) with beneficial cultural characteristics. To get around another issue in the Haimendorf-Manzardo debate, namely the Weberian-Marxian question of whether socio-cultural forms determine economic forms or vice versa, Schrader maintained that economic and socio-cultural forms mutually influence each other.

Barbara Parker (1988) contributed to the debate with an article focusing on the significance to a community's economic success of what she termed a "culture of entrepreneurship" among the community's members in combination with local control over local economic surplus. In particular, Parker attributed the heavy involvement in commercial ventures by Nepal's Thakali community to "a powerful cultural impetus toward trade, investment, and capital accumulation" that developed under circumstances of geography (namely the isolated location and relatively poor natural resources of the community's homeland) that enabled the community to maintain control over its own economic resources. Thus, Parker credited the lack of oppressive expropriation (i.e. heavy taxation) of local economic surplus by external authorities with enabling the culturally entrepreneurial Thakali to reinvest their earnings and thus increase their involvement in commercial enterprise.

In her study of several of Nepal's more enterprising ethnic groups, Laurie Zivetz (1992) pointed out the importance to entrepreneurial activity of a

supportive cultural environment, access to capital, and government policies that encourage private enterprise. Zivetz noted that members of village communities are often precluded from entrepreneurial activity due to cultural conservatism and limited capital. As a result, she suggested that commercial opportunities and sources of credit were necessary to provide the incentives and the means, respectively, for community members to pursue commercial endeavors.

To the mix of factors affecting the disparate success in trade achieved by various highland communities, Wim van Spengen (1992) added the geo-historical influence of state politics and international market dynamics. He argued that the Nepal government's regulation of trade, which effectively restricted open competition between groups, was a result of political relations between the government and individual groups. He maintained that special trade privileges or monopolies were granted to particular groups by the government in order to achieve border containment security by bringing those groups closer to the government and thereby controlling against separatism. He also pointed out the importance to trans-Himalayan trade, and hence to the highland trading communities that brought the disparate markets of South and Central Asia together, of the historical emergence and development and eventually the drying up and shifting to other channels of trade flows.

The curtailment of trans-Himalayan trade severely affected those Himalayan highland communities in Nepal that had depended upon it as an essential supplement to local subsistence-level agro-pastoralism. Many members of those communities were forced to migrate, either seasonally or permanently, to more urbanized lower lying regions in search of alternative economic opportunities. But some communities were able to turn to mountain tourism as a supplemental economic activity as Nepal's popularity as an international adventure tourism destination grew in the 1970s and thereafter.

As was the case with trans-Himalayan trade, some of Nepal's highland communities have been better situated than others to participate in the business of tourism, with geographic location and government-sanctioned privileges again serving as major determining factors. Due to border sensitivities with China, the Nepal government has dictated exactly where foreign tourists are allowed to travel, opening some highland areas and leaving others, particularly those with easy access to Tibet, off-limits. Among those highland areas open to trekking tourism, some have benefited from

government-developed transportation infrastructure making them easier to access, an important factor in attracting large numbers of tourists. The Nepal government has also controlled the number of tourists visiting some highland areas by imposing annual quotas and charging high entry fees. Together with the level of infrastructure development, entry restrictions and radically different fees levied by the Nepal government for visiting different areas have funneled most trekking tourists to just a few regions.

Although numerous scholarly and popular works have been written about tourism in Nepal, most have focused on the perceived negative effects of tourism on local residents and the natural environment while very few have addressed the varying degree of economic success in tourism among the country's highland communities. Most authors seem to have been content with considering the various communities' tourism economies to be driven by tourist demand (as influenced by travel restrictions, visitor fees, infrastructure development, and the attractiveness of the local environment) with little regard for the supply side effect generated by the response of particular communities to available opportunities in tourism. But there are a few noteworthy exceptions.

Sherry Ortner (1998) took the position that certain cultural characteristics attributed to the Sherpa ethnic group residing in Nepal's Khumbu region have contributed to the group's economic success in tourism. For example, Ortner demonstrated how, in their dealings with foreign visitors, Sherpas have benefited from what visitors widely see as a friendly, good-natured, cheerful approach to working in tourism. Vincanne Adams (1996) went even further in claiming that Khumbu Sherpas deliberately employed manipulative inter-cultural strategies in order to benefit economically from their relations with wealthy foreign tourists. And Jim Fisher (1990) described how improvements in local education levels as a result of schools funded by foreign visitors positively affected the way Sherpas in the Solu-Khumbu area have been able to take advantage of commercial opportunities in tourism. But while describing ways in which the Khumbu Sherpa community has taken advantage of commercial opportunities in tourism, each of these authors was quick to point out that the existence of those opportunities in the first place has been primarily due to the proximity of the community's home region to Nepal's most famous tourist destination, Mount Everest.

Each of the scholarly works mentioned above has contributed to our understanding of the factors involved in the disparate economic success of Nepal's highland communities, be it in the business of trade or tourism. An

interesting characteristic of the debate outlined above is that rather than diminishing the credibility of prior arguments, each contribution has instead generally incorporated and built upon the existing thinking. As a result, one is apt to believe that it has been a variety of factors identified by various scholars rather than any single factor that has enabled certain communities to achieve economic success. For example, the availability of even a compelling commercial opportunity would not by itself be enough to spur the emergence of entrepreneurial activity, but the availability of such a commercial opportunity to members of a community with an entrepreneurial culture and access to capital might be.

As a kind of summary then, by aggregating the explanatory factors highlighted in the various contributions outlined above, one might conclude that the economic success achieved by certain of Nepal's highland communities has been due to a favorable combination of available commercial opportunities (resulting from such factors as geographic location, ecological environment, government-sanctioned privileges, market dynamics, and infrastructure development), a culture that is not only open to but also encourages entrepreneurial activity, access to capital to finance business ventures, and a lack of business-hindering regulatory restrictions and economic expropriation.

Over the course of my own research on the rise of entrepreneurship in Manang, the home of one of the more enterprising communities in highland Nepal if not the entire country, I have not been surprised to find explanatory factors that correspond quite well with those found by prior researchers working in highland Nepal as summarized above. For example, the Manang community has benefited greatly from the availability to its members of significant commercial opportunities in both international trade and tourism. It has an extremely entrepreneurial culture where members are not only free to engage in business but feel compelled to do so as part of their very identity. The community's members have been able to access the necessary capital to finance a variety of business ventures without even resorting to the use of commercial credit. And the community has not only been free from external economic control and expropriation, its own regulation of private enterprise has remained remarkably business-friendly and free market oriented.

What *has* been surprising to me, however, has been the critical importance to the Manang community's economic success of something that has received comparably little attention from other scholars who have worked

in highland Nepal. The emergence of the Manang community as one of the leading entrepreneurial communities in Nepal can largely be attributed to its social systems of economic cooperation that have facilitated the widespread involvement of its members in private entrepreneurial ventures. Sufficient attention has not been given to the role that these systems have played in the Manang community's economic success or that similar systems could play in the economic success of other communities. This article is an attempt to balance that lack of attention.

The Manang Community

Manang is the name of a large village in the Nyishang region of north-central Nepal.⁵ Situated in a glacially carved valley between the Himalaya and Tibetan Marginal mountain ranges, Manang lies at an altitude of 3540 meters (11,615 feet) and is virtually surrounded by mountains over 6000 meters (20,000 feet) high. Nearly all the residents of Manang are Nyishangte, the ethnic group indigenous to the Nyishang region. The Nyishangte people number a little more than 5000, with nearly half of the population currently residing in their traditional homeland of Nyishang. Most of the others live in Nepal's capital city, Kathmandu – a result of massive urban migration by Nyishangte pursuing commercial opportunities in international trade in the 1970s and 1980s. What I refer to in this article as the Manang community includes the Nyishangte residents of Manang village and its subsidiary settlements of Tenki and Humde, a community with a current population of roughly 900.

Although quite poor as recently as the early 1960s, the Manang community has managed to rise to prominence in Nepal as one of the country's more economically successful village communities. The Nyishangte people have a colorful history of engaging in entrepreneurial activity, from trading in various countries of South and Southeast Asia, to running retail and hotel businesses in Kathmandu, to catering to foreign trekking tourists in their native region of Nyishang. But although Nyishangte involvement in entrepreneurial ventures can be traced back at least two centuries, it has only been during the past four decades that a significant proportion of the group has been able to achieve levels of economic success remarkable in Nepal.

What has been different about the Manang community that enabled it to achieve economic success while many other similar communities in Nepal's

Himalayan highlands have not? As one would expect from the debate summarized above, many factors have contributed to the Manang community's economic success. To put it in the simplest terms possible, the community has been largely comprised of fortunate opportunists who have, over time, recognized and aggressively pursued the commercial opportunities that have become available to them. Fundamental to its members' ability to aggressively take advantage of commercial opportunities, the community has remained relatively free from outside economic expropriation and has benefited from certain cultural characteristics, social systems, and regulatory policies that have greatly supported its members' involvement in private enterprise. Thus, while commercial opportunities were the essential seeds of entrepreneurship in Manang, infrastructure advancements facilitating access to those opportunities, economic autonomy allowing entrepreneurs to reap and keep the rewards presented by those opportunities, an entrepreneurial culture embracing private ownership and widespread involvement in business enterprise, social systems of economic cooperation enabling access to capital to finance business ventures, and a liberal, business-friendly regulatory climate provided the fertilizing nutrients for entrepreneurship to emerge and again re-emerge in what had been an economically disadvantaged environment.

But while each of these factors has played an important role in the community's economic success, it has been the relatively unique combination of all of them together that has served to distinguish the Manang community from less economically successful communities in highland Nepal. Indeed, autonomy from external expropriation, a culture open to widespread involvement in business, and a private enterprise friendly, laissez faire regulatory approach are commonly found among Nepal's Himalayan highland communities in general. What has effectively differentiated the Manang community from less economically successful highland communities has been the availability of significant commercial opportunities to its members and their efficacious use of various social systems of economic cooperation to access capital to finance business ventures.

To explain the relative economic success of the Manang community and contribute to our understanding of the causes of disparate economic success among communities in highland Nepal, this article examines the manner in which commercial opportunities have historically become available to the Manang community and the social systems of economic cooperation the community has used to support its members' involvement in business

ventures. In so doing, the article provides some interesting insights into the historic and recent emergence of widespread entrepreneurial activity among members of the Manang community.⁶

Commercial Opportunities

When one steps back to consider the Manang community's history of entrepreneurial activity, several watershed developments stand out as having broadly shaped the evolution of commercial opportunities available to the community's members. While it would be wrong to imply that these developments alone determined the history of entrepreneurial activity in Manang, nonetheless each of them was critical enough to characterize an important era in Manang's economic history.

The first of these watershed developments can be traced back to the late 18th century, when the king of Nepal granted the residents of Nyishang the privilege to travel freely throughout the country and an exemption from paying customs taxes on trade goods. The recognition and continuation of these privileges by subsequent rulers of Nepal over the next two centuries enabled the Nyishangte to gradually expand the geographic scale of their trading forays throughout Nepal, northern India, and as far afield as Southeast Asia.

The next watershed development for Nyishangte entrepreneurs came in the 1960s, when the king of Nepal made passports readily available to the residents of Nyishang, years in advance of their availability to members of other ethnic groups in Nepal. Prior to this, the number of Nyishangte traders venturing beyond Nepal and India had been limited by the difficulty of obtaining foreign passports and the time and hardship involved with such distant travel. But with the grant of Nepali passports negating the former limitation, Nyishangte traders' international business prospects began to grow rapidly in the 1960s by taking advantage of the initiation of jet airline service between Kathmandu and Southeast Asia, Nepal government programs aimed at promoting international trade, low trade restrictions in Southeast Asian markets, and the emergence of Kathmandu as an important trade entrepot for the burgeoning South Asian black market.

The convenience of airline connections to Southeast Asian market centers such as Bangkok, Kuala Lumpur, Singapore, and Hong Kong greatly increased Kathmandu's importance as a base for Nyishangte trade activities. In the 1970s, a large number of Nyishangte traders began moving to

Kathmandu in order to devote their undivided attention to the pursuit of trade business. While trade had previously been of a small scale, seasonal nature, it became a highly capitalized, year-round pursuit for an increasing number of Nyishangte and resulted in the accumulation of unprecedented levels of wealth within the community. Successful traders brought their families to live in Kathmandu, and by the end of the 1980s, more than half of the Nyishangte ethnic group had migrated to the city. With at least one member of practically every household engaged in trade ventures, the Nyishangte emerged as one of the more entrepreneurial and economically successful groups in all of Nepal.

The Nepal government's opening of the Nyishang region to international tourists in the late 1970s opened the door for the rise of tourism enterprise in Manang, as entrepreneurial village residents began to capitalize on the growing number of foreigners visiting Manang by establishing businesses catering to tourists. But tourism businesses in Manang developed slowly during the 1980s, both because the growth in tourist numbers was gradual and because the community's capital resources were still primarily used to finance members' trade activities.

The Manang community's emergence as prominent tourism entrepreneurs can be attributed to the simultaneous decline of the community's international trade prospects and rise of tourism business opportunities in Manang during the 1990s. The concurrent growth of opportunities in tourism and deterioration of those in trade enticed some entrepreneurs who had earlier moved to Kathmandu to return to Manang and attracted the capital of others who remained in Kathmandu. With an explosion of local involvement and investment in tourism business ventures in the late 1990s, the Nyishangte residents of Manang once again emerged as one of the more entrepreneurial communities in Nepal.

In terms congruent with the debate outlined earlier, the commercial opportunities that have become available to the Manang community can be seen as the result of geographic location, ecological environment, geopolitically motivated government-sanctioned privileges, market dynamics, and infrastructure development. The roles these factors have played in the availability of commercial opportunities to the community are described below.

The Role of Geographic Location and Ecological Environment

The geographic location of the Nyishang valley played a seminal role in the historical origins of entrepreneurial activity among the Nyishangte people in two fundamental ways. First of all, the valley's location in the arid, high altitude Trans-Himalaya region provided the essential motivation for its inhabitants to turn their attention to commercial ventures. Secondly, the isolated location of the Nyishang valley away from natural travel corridors linking Nepal and Tibet was critical to the initiation of its population's involvement in both trade abroad and tourism at home.

The Nyishang valley is located along the northern slope of a particularly imposing section of the Himalaya mountain range called the Annapurna Himal. This awesome wall of rock and ice reaches over 8,000 meters (26,000 feet) high and remains continuously above 5,500 meters (18,000 feet) for a distance of over 60 kilometers (40 miles), forming a barrier not only to human travel but to the effects of Nepal's wet summer monsoon weather as well. As a result of its location in the rain shadow of the Himalaya, Nyishang receives only a small fraction of the moisture carried to areas on the opposite side of the range by the summer monsoon that arises from the Bay of Bengal to the south.⁷

Along with the dry climate, Nyishang's altitude is a major constraining factor on agricultural and pastoral production. At such a high elevation, winters are cold and long and only one crop per year is feasible, in contrast to lower lying areas of Nepal where two or three crops per year are the norm. In addition, domestic animals such as cattle, goats, and horses must be kept indoors during the winter and fed dried grass stored in the autumn. As a result, the number of livestock that can be kept is limited by the amount of grass suitable for cutting that can be grown in the vicinity of villages in Nyishang's arid, high altitude environment.

The blend of agriculture and pastoralism practiced in Nyishang has been highly adapted over hundreds of years to the local environmental conditions. Nevertheless, the ecological constraints imposed by the environment have limited local agricultural and pastoral production to barely subsistence levels. Thus, the Nyishangte are similar to other groups residing in Nepal's Himalayan highlands in that ecological constraints imposed by an extreme environment have forced the group's members to look for external commercial means to supplement their limited local subsistence economy.

Historically, the primary commercial opportunity available to the residents of Nepal's Himalayan highlands was trade. However, due to the geographic location of their home region, the type of trade pursued by the Nyishangte was very different than that of other highland groups in Nepal. As mentioned already, the location of some highland communities along natural travel corridors crossing the Himalaya mountain range played a critical role in the ability of those communities to participate in trans-Himalayan trade. Relative to other groups, the Nyishangte were poorly situated in this sense.

Due to the boxed-in location of the Nyishang valley, there was no direct travel route between Nyishang and Tibet. In order to reach Tibet, the Nyishangte had to pass through the neighboring regions of Mustang or Gyasumdo, where local residents had secured a monopoly on trans-Himalayan trade (Messerschmidt and N. Gurung 1974, von Furer-Haimendorf 1975). And, even if the Nyishangte had been able to inexpensively obtain large quantities of Tibetan trade goods, there was not an economically feasible route for pack animals to transport them between Nyishang and lowland Nepal. So, while other Himalayan highland groups in Nepal were able to profitably participate in trans-Himalayan trade, the Nyishangte were excluded from this business. Instead, the Nyishangte had to look elsewhere for commercial opportunities in trade.

Thus, it was Nyishang's unfavorable location for trans-Himalayan trade that led its inhabitants to focus instead on trade in the lowlands to the south, an orientation that was to prove enormously beneficial in the 1960s and thereafter as trans-Himalayan trade faltered and trade prospects in South and Southeast Asia grew. If the Nyishangte had resided in an area that provided easy access between Tibet and lowland Nepal, then they would likely have applied themselves to trans-Himalayan trade similar to the way that Nepal's other highland groups located along such travel corridors did. In such a case, they would have had no reason to turn their attention to the distant markets of India and Southeast Asia, and they would not have endeavored to secure and maintain special government privileges enabling their travel to and trade in such areas. They would have suffered the same devastating loss at the sudden curtailment of trans-Himalayan trade in the 1960s as other highland groups, and they would not have been in a position to take advantage of the Nepal government's trade promotion programs or the international market dynamics and regional transportation infrastructure advancements that turned trade between Southeast Asia and Kathmandu into a lucrative business in the

1960s and 1970s. In short, it is very unlikely that the Nyishangte would have emerged as prominent international traders.

Nyishang's geographic location also put its residents in a position to benefit from the geo-political and economic concerns of the Nepal government. Following the formation of the Nepal State in the late 18th century, government authorities in Kathmandu were anxious to establish control over and win the loyalty of groups inhabiting the country's frontier border region with Tibet. Such concerns, together with Nyishang's strategic location between two major trans-Himalayan trade routes of economic importance to Nepal's government, helped the Nyishangte to secure and maintain favorable travel and trade privileges from the government, as will be described later in the section on geo-politics and government-sanctioned privileges.

Going back to ecology for a moment, it should be pointed out that not only did Nyishang's ecological environment encourage involvement in external commercial activity by constraining agro-pastoralism, it also provided the Nyishangte with local products of high value to trade in lowland markets, as well as the free time to engage in that trade. Because of their limited supply and unique characteristics, various natural products found only in the Himalayan highlands were in relatively high demand in the market bazaars of Nepal and India. During the winter, a slack period of reduced labor requirements in Nyishang due to the unfeasibility of agriculture and pastoralism then, Nyishang residents brought down with them from the highlands such easily transported items as the scented glands of male musk deer, snow leopard pelts, yak tails, birch tree bark, and various roots, herbs, and medicinal plants. In exchange for these, rice could be obtained to make up for the shortage of grains in Nyishang.

The lack of a direct travel corridor between Nyishang and Tibet was not only important to the Nyishangte's eventual emergence as prominent international traders, it was also a seminal factor in the group's more recent involvement in tourism. Due to sensitivities over border security with communist China, the Nepal government would not have opened Nyishang to unrestricted trekking tourism if the region were within easy reach of Tibet. If that had been the case, Nyishang would not have developed into one of the more popular trekking destinations in highland Nepal, and Manang village would not have emerged as a community of prominent tourism entrepreneurs. As it turned out, however, Nyishang's location enabled it to become one of only a few areas in Nepal's highland Himalaya where unrestricted trekking

tourism has been allowed. But of course tourists do not visit Nyishang merely because they are allowed to. Most do so because of Nyishang's dramatic scenery, which is a function of the region's proximity to the impressive Annapurna Himal.

The primary reason that members of the Manang community have been so well-positioned to cash in on the commercial opportunities offered by tourism is a matter of control over land. Because of its control of a major portion of the land, including the most strategically located, along the trekking route through Nyishang, the Manang community has been far better situated to take economic advantage of tourism than any other village in the region.

For instance, the development of Manang village itself into the most lucrative tourist market in Nyishang has been aided by its location at an elevation where the first noticeable physiological effects of high altitude generally occur among trekking tourists heading up the Nyishang valley. As a result, nearly every trekking tourist stops to spend two nights or more in Manang to get acclimated to the altitude, eat well, and buy provisions before attempting to cross a high mountain pass beyond the village.

The Manang community also controls all the land on the route between Manang village and the pass, along which most trekkers spend the following two nights as well. Therefore, since most trekkers spend at least four nights in hotels owned by members of the Manang community, they have been able to capture at least four times as much hotel and food service business as the residents of any other Nyishang village, where trekkers might spend a single night, merely pass through, or not visit at all. In addition, the Manang community controls the area in which the region's only airstrip is located, thereby cashing in on the biggest concentration of tourist hotel development in Nyishang other than Manang village itself.

As I have tried to describe, the ecological constraints imposed by poor local economic factors of production encouraged members of the Manang community to look for external economic opportunities to supplement subsistence level agro-pastoralism in their home region. Likewise, the geographical constraints of a boxed-in location away from natural travel corridors between Tibet and lowland Nepal prevented community members from involvement in trans-Himalayan trade and turned their search for trade opportunities elsewhere. But although local ecological and geographical constraints may have played important roles in Manang residents' search for commercial opportunities, these factors alone cannot explain the economic

success ultimately achieved by the community. There are many communities throughout Nepal faced with poor local economic factors of production that are also remote from significant trade routes, but scant few of those communities have emerged as entrepreneurial. A crucial difference has been that the Manang community actually found external commercial opportunities, in the form of exploitable government-sanctioned privileges and market dynamics, and responded to them aggressively and effectively, taking full advantage of the infrastructure advancements of the day, as the following sections will elucidate.

The Role of Geo-Politics and Government-Sanctioned Privileges

The ability of the Nyishangte to conduct trade in lowland Nepal and beyond was helped considerably by changing political circumstances in Nepal during the latter part of the 18th century. Following the conquest and consolidation of some sixty feudal states by the kingdom of Gorkha, the territory that comprises modern Nepal became a country governed for the first time by a powerful central authority, a central authority capable of maintaining peace and making and enforcing regulations throughout the country. This new central authority was also capable of granting special privileges to certain groups, which the government did for reasons suiting its own purposes. From the capital in Kathmandu, the king of this new empire, and in turn his successors, was concerned primarily with three objectives: collecting taxes to amass personal wealth and fund his army, establishing sovereignty over and winning the loyalty and obeisance of the people in newly conquered areas, and maintaining security within the boundaries of the expanding kingdom as well as against foreign powers in neighboring Tibet and India.

The first of these objectives was accomplished through taxing the country's peasantry and the trade of goods from Tibet and India that passed through Nepal. Among Nepal's rural agrarian population, the only things available to tap were labor and agricultural produce, both of which the government and its agents extracted mercilessly throughout the country (Regmi 1972). To collect customs on trade goods, the government set up tax stations along routes of travel into and throughout the country. But with its military forces over-extended fighting battles on the country's far western and eastern frontiers during the latter 18th century, the government in Kathmandu was not in a position to actively enforce its policies in remote, difficult to access, Himalayan highland areas such as Nyishang. As a result,

in exchange for pledged loyalty and nominal tax payments, the Nepal government allowed local autonomy to prevail in its far-flung highland territories along the Tibetan border (Stiller 1973, Ramble 1997:396-397). Thus, while heavy taxes and compulsory unpaid labor obligations were extracted from peasants throughout most of Nepal, the Nyishangte paid only a nominal, symbolic annual tribute to the government in Kathmandu (Regmi 1972:35, 116).

The Kathmandu government's second objective, that of winning the loyalty of people in newly conquered areas, was accomplished by not plundering or persecuting them and by honoring their previously existing customs and traditions. As a result, local arrangements that had been in place under the prior rulers were allowed to continue as the territories that comprised the new kingdom of Nepal were consolidated under Gorkha rule (Stiller 1973, Regmi 1984:149-150). In the case of the Nyishangte, this meant that the local travel and trade privileges they had been able to obtain previously from the ruler of Lamjung were recognized and perpetuated by the government of Nepal following the defeat of Lamjung by the Gorkha army in 1784 (N. Gurung 1977:223, Cooke 1985a:308).⁸

The government's third objective of maintaining security throughout the country was accomplished by strictly controlling travel within Nepal as well as trade across the country's border with British India. For nearly two hundred years, a series of isolationist, security-obsessed rulers placed tight restrictions on travel and trade in Nepal, even by the country's own citizens (Stiller 1976; Regmi 1984:11-12, 118-120). Until these restrictions were lifted in the 1950s, official government papers were needed to travel throughout the country (Hagen 1961). But because the Nepal government recognized the previous travel and trade privileges bestowed upon the group by the ruler of Lamjung, the Nyishangte were able to move freely not just through the region of Lamjung, but throughout the whole of the territory comprising the newly consolidated kingdom of Nepal.

The special travel and trade privileges granted to the Nyishangte were documented in a royal decree issued by Nepal's king in 1789 (N. Gurung 1976:299). That this declaration of privileges coincided with Nepal's 1788-1792 war with Tibet suggests that the privileges may have been extended by Nepal's king in exchange for the group's allegiance and support in the war. During periods of conflict between Nepal and Tibet, the Nepal government badly needed the cooperation and loyalty of groups such as the Nyishangte along Nepal's northern frontier border with Tibet.⁹ From the government's

perspective, the privileges given to the Nyishangte were probably seen as a miniscule price to pay for the goodwill and loyalty of a frontier group whose regular winter migration and small scale barter trade hardly merited the bother of trying to control and tax. From the perspective of the Nyishangte, on the other hand, the group's travel privileges and exemption from paying customs taxes on trade goods were very significant. Unlike other groups in Nepal, the Nyishangte were able to travel freely throughout the country and did not have to forfeit their small, hard-earned trading gains at the government tax stations they encountered along the way.

Over the course of the following nearly two centuries, the Nyishangte were able to maintain their travel privileges and customs exemption via periodic petitions to the government in Kathmandu, which held little sway over the remote frontier region but wished to maintain its allegiance for security purposes. As justification for its requests, the Nyishangte community cited in its petitions to the government the food deficit in Nyishang due to poor local agricultural conditions and the historical precedent of travel and trade privileges previously granted to them by the government. Documented renewals of the Nyishangte's privileges include royal decrees issued in 1802, 1825, 1844, 1857, 1883, 1905, 1933, 1964, 1966, and 1972.¹⁰ Generally, these decrees recognized and perpetuated the rights that the Nyishangte had been granted previously, requested that they continue following traditional rules, and confirmed that they were allowed to travel and trade throughout Nepal without restriction and without paying any customs taxes as long as they paid a nominal annual tribute to the Nepal government.

Although unique in nature, the Nepal government's granting of special trade privileges to the Nyishangte was not an exceptional occurrence. As pointed out earlier in this article, the government granted trade monopolies to a number of groups. What was exceptional about the Nyishangte's receipt of special trade privileges was the group's success in maintaining those privileges even through periods of major change in Nepal's government. It is nothing less than remarkable that the Nyishangte were able to keep their privileges intact, and even expand them, during the 18th, 19th, and 20th centuries despite shifts in political power from Lamjung to Kathmandu and then from Nepal's royal family to the Rana regime and back to the royal family.

In 1846, Nepal's monarchy was reduced to figurehead status after a political coup in which a military general, Jung Bahadur Rana, seized power by means of a bloody massacre of more than thirty leading members of the

Explaining Disparate Economic Success in Highland Nepal 133

government. Under the Rana regime, government administration in Nepal was centralized and standardized through the compilation of Nepal's first comprehensive written legal code, the *Muluki Ain* ("Law of the Land" – Nepali), in 1854. The legal code documented as law the various rights of particular groups, generally affording special advantages to groups enjoying high status in the eyes of Nepal's ruling Hindu elite (Stiller 1993). Despite their low status as a Tibetan Buddhist culture group in Nepal's Hindu-centric caste hierarchy, the Nyishangte were successful in getting their travel and trade privileges included in the national legal code.

That the timing of this coincided with Nepal's 1854-1856 war with Tibet suggests that the inclusion of the Nyishangte's privileges in the legal code, similar to the royal decree of 1789, may have been done in exchange for Nyishangte allegiance and support in wartime, and as an incentive to keep the Nyishangte loyal to Kathmandu following the war. Among the Nepal government's objectives in waging the war of 1854-1856 with Tibet was to control, and thus be able to tax, the major trans-Himalayan trade route along the Kali Gandaki valley in the Mustang region adjacent to Nyishang. As pointed out by Manzardo and Sharma (1975:26), in the mind of the Nepal government, "the local Bhotias¹¹ were felt to be untrustworthy since they still had split loyalties [to both Nepal and Tibet]." Thus, the monopoly on collecting customs taxes along the Kali Gandaki trade route that the Nepal government granted to certain Thakali merchants "had a dual purpose: to regulate and control customs on northern trade, and to secure the allegiance of the northern border peoples" (ibid.). It is not unreasonable to surmise that the Nepal government's extension of the Nyishangte's own trade privileges during this period also was done in order to secure Nyishangte loyalties to Nepal. The importance of the Nyishangte's allegiance to the government in Kathmandu becomes obvious when one considers Nyishang's strategic location between and adjacent to two major trans-Himalayan trade routes through the Mustang and Gyasumdo regions.

The Nyishangte were no less successful in maintaining their special travel and trade privileges through periods of significant change in Nepal's government during the mid 20th century. The government of Nepal underwent drastic overhauls in 1950, when the royal family was restored to power and a new constitution created, and again in 1960, when a political coup by the king led to the dissolution of the country's parliament and vested sweeping powers in the monarchy. Again, as this was a time of considerable worry on the part of Nepal's government about securing its northern border

regions against communist China following the occupation of Tibet, it also seems reasonable to surmise that the government may have had ulterior strategic motives in extending the Nyishangte's privileges. That the Nepal government allowed those privileges to expire shortly after relations with communist China stabilized and the threat of Chinese aggression along the Nepal-Tibet border diminished in the mid 1970s adds even more credence to this idea.¹²

By the late 19th century, the Nyishangte had pushed beyond the Nepal border and were bartering goods in the market centers of northern India. The Nyishangte's ability to travel and trade beyond Nepal's border was facilitated by the Nepal government's expansion of the group's special privileges to include travel and trade outside of Nepal as well. This expansion of the Nyishangte's special privileges was critical to the initiation of their involvement in international trade during this time. According to Nepali historian Krishna Kant Adhikari (1975:189-190), during the latter half of the 19th century

Nepali subjects were prevented by the Nepalese government from crossing into Indian territory to sell [trade goods].

In order to bring the entire Naya Mulak [land along the Indian border¹³] under cultivation [and thereby increase the Nepal government's land tax revenues], the Nepalese government induced and encouraged Indian subjects to settle in the new territory. With a view to populating the [Naya Mulak], the Nepalese government forbade its subjects to visit India to sell their goods.

To compel Nepalese traders to sell their goods in the Nepalese markets, the government imposed a heavy duty on articles for export. A levy of [six percent] was imposed on all valuable articles, livestock, and other goods, besides a tax called chungli. In addition, an export or transit duty called Mahsuli Nikasi was levied on goods exported to India. The result of this policy created hardship for Nepalese traders who used to sell hill products in the Indian markets freely.

Thus, at a time when the Nepal government prohibited its subjects from crossing the border to trade in India and charged high taxes on exports, the

Nyishangte were allowed to travel and trade freely in India and were exempted from paying customs taxes on exported as well as imported items.

But arguably the greatest advantage for Nyishangte traders came with the Nepal government's exclusive grant of passports to the group. That the Nyishangte were granted passports in the 1960s, years ahead of other ethnic groups in the country, is widely known in Nepal, and many people have casually attributed the group's success in international trade to this particular development. However, the reasons behind the passport grant have not been well understood, a situation that has added significantly to the group's enigma. But as the following paragraphs reveal, the passport grant, similar to the previous grants of travel and trade privileges to the group, can be explained by the government's own geo-political concerns.

Following India's independence from Britain in 1947 and communist China's military invasion and occupation of Tibet in 1950, the tiny country of Nepal suddenly found itself in a vulnerable position sandwiched between two antagonistic regional super-powers. Following a political revolution supported by the Indian government, Nepal's King Tribhuvan Shah, whose family had been relegated to figurehead status by the ruling Rana regime since 1846, was able to regain political power in 1950. Under the isolationist Ranas, Nepal had been effectively sealed off from the rest of the world for more than a century. But King Tribhuvan realized that, given the changing geo-politics in South and Central Asia, Nepal's continued independence would require a more open policy toward the West and careful attention to relations with its two immediate neighbors (Rose 1971). Therefore, fearing the expansionist ambitions of communist China, Nepal's longstanding isolationist policy was relaxed, and the country cautiously embarked on a process of democratization and development under the assistance and influence of international donor aid. As part of this process, the central government in Kathmandu initiated a nationwide program to integrate its remote, Tibetan-frontier border areas with the rest of the country in the name of nation-building, socio-economic development, and national security.

Tribhuvan's son and successor, King Mahendra, was especially reliant upon political support from India following a controversial 1960 political coup in which he dissolved Nepal's democratically-elected parliament, banned political parties, jailed opposition leaders, and effectively took over sole control of the government (Rose 1963, Burghart 1994). The tense border war between China and India in 1962 intensified the king's concern with securing Nepal's northern frontier border areas. To forward the objectives of

national security and border containment, the king was especially concerned with winning the allegiance of and consolidating control over the Tibetan culture groups inhabiting Nepal's frontier border zone with Tibet. Thus, due to the critical importance of security along the frontier border together with his domestic political vulnerability and reliance upon India for political support, King Mahendra could not afford to overlook a conflict that had occurred in 1961 between Manang villagers and an Indian military expedition climbing a mountain near the village (for an account of the conflict see Kohli 1962).

In the early 1960s, the king embarked on a program of visiting remote areas of Nepal by helicopter as part of a public relations campaign primarily aimed at winning the loyalty and political support of the country's majority rural population in order to balance urban opposition to his autocratic rule. In addition to building grassroots public support, these so-called "Tour Commissions" were intended to appease international aid donors by providing information on local socio-economic conditions and needs and thereby facilitate the government's receipt of international funding for development projects in particularly impoverished areas of the country (Rose 1963).

Ostensibly as part of this program, but undoubtedly with the conflict that had occurred with the Indian military climbing expedition in mind and with an aim to bring a notorious frontier group into the fold of the government's influence, the king visited Nyishang. Following the king's visit, the group's international travel privileges and customs exemption were renewed, and the residents of Nyishang were issued Nepali passports. The Nyishangte thus became the only group in Nepal at the time with access to passports besides those available to government officials, students studying abroad, and Gurkha soldiers in foreign service (see N. Gurung 1976:300, Cooke 1985a:129).

Although the Nyishangte had long been involved in small scale, seasonal international trade, the exclusive passport grant was the watershed event that led to the group's emergence as prominent trade entrepreneurs. The availability of Nepali passports obviated the need to pay bribes to Indian customs officials to obtain Indian passports for traveling to foreign countries, a practice that by the 1950s had grown prohibitively expensive for many Nyishangte traders (Snellgrove 1961:209). With free Nepali passports, travel beyond India was an easier proposition. Furthermore, the exclusivity of the

passport grant meant the Nyishangte had limited competition from other Nepalis in the type of trade they pursued.

With passports facilitating their widespread travel abroad, Nyishangte traders were especially well positioned to take advantage of a number of international trade promotion programs instituted by the Nepal government in the 1960s. While the government's trade promotion programs were officially aimed at boosting the country's level of export trade, they were also used to circumvent government restrictions on imports (van Spengen 1987:209-211, H. Gurung 1980:227-228). For the Nyishangte, this was made even easier by the special concession the group was given to exceed normal government restrictions on imports (Cooke 1985a:79, 130; Zivetz 1992:122). The group's special concession on duty-free import limits gave them a big advantage over other traders since goods imported to Nepal were generally subject to heavy customs taxes. For example, during the heyday of Nyishangte trade in luxury consumer goods in the 1970s, customs duties on consumer electronics imported to Nepal from Southeast Asia were equal to 110 percent of the goods' value (Schrader 1988:348).

Thus, with easily obtained passports, liberal import limits, an exemption from customs taxes, and little competition, the entire group was motivated to avail itself of the commercial opportunities offered by international trade and to take full advantage of the market dynamics and infrastructure advancements (described below) that made trade between Nepal and Southeast Asia increasingly lucrative during this period.

As with trade, geo-politics and government-sanctioned privileges also played a vital role in the availability of the Nyishangte's commercial opportunities in tourism. Under pressure from international aid agencies to improve Nepal's balance of payments for international trade by increasing foreign exchange earnings, the Nepal government began efforts in the 1970s to develop and promote international tourism in the country (Satyal 1999, Banskota and Sharma 1995, Richter 1989). To accomplish this, the government provided investment incentives, tax breaks, and loans to the private sector to expand the country's nascent tourism infrastructure, and the number of hotels, restaurants, and travel agencies grew rapidly in Kathmandu. Under the Nepal government's 1975-1980 fiscal plan, emphasis was placed on expanding tourism to areas outside of Kathmandu by developing and promoting trekking tourism. The scenic and cultural uniqueness and opportunities for adventure offered by the Himalaya mountains provided a strong attraction for foreign visitors, but to promote

mountain tourism the Nepal government needed to open up areas in the Himalayan highlands that had long been restricted to foreigners due to border sensitivities with China.

Nyishang had been kept off limits to foreign visitors primarily due to the regional presence of armed Tibetan freedom fighters involved in resisting the Chinese occupation of Tibet. The *Khampa*, as these freedom fighters were popularly called, received clandestine support from the United States and operated from camps on the Nepal side of the border from where they conducted raids against Chinese forces in Tibet. Three of these camps were in areas immediately adjacent to Nyishang. With the improvement of political relations between the United States and China in the early 1970s, U.S. support of the *Khampa* rebels came to an end, and in 1975 the Nepal army was able to remove all the rebel camps from Nepal's highland areas, including those adjacent to Nyishang.¹⁴ As a result, not long after the Nepal government allowed the Nyishangte's special customs tax exemption to expire in 1976,¹⁵ the Nyishangte were provided with a new commercial opportunity. The very next year, 1977, the Nepal government opened the Nyishang region to trekking tourism.

The Role of Market Dynamics

During the early and mid 20th century, Nyishangte trade activities spread through India's northeast frontier region and from there overland to Burma and Southeast Asia. As Nyishangte trade expanded geographically, the nature of the goods exchanged also changed. No longer were their trade activities comprised merely of bartering products from the mountains for food grains from the Nepal hills. Instead, the goods they traded reflected the markets they encountered and the varying demand for items that could be obtained cheaply in one area and sold for a profit in another. For example, during the course of a mid 20th century itinerant trade venture abroad, a Nyishangte trader might purchase inexpensive jewelry in India, sell it in Burma and obtain semi-precious stones, sell those in Thailand and obtain silk cloth and ready-made clothes, return to Nepal and sell those, and then finally return to Nyishang with domestic goods and food grains acquired with accumulated trade earnings. If there was one thing that characterized successful Nyishangte traders, it was adaptability to market dynamics. As market conditions changed in the various regions they visited, so did the types of goods they traded and the itineraries they followed.

In the 1960s, armed conflicts in Vietnam, Laos, and northern Thailand resulted in situations of local scarcity that created profitable conditions for opportunistic businessmen in these regions, including some traders from Nyishang (van Spengen 1987:216-220). During the height of United States military involvement in Southeast Asia in the late 1960s and early 1970s, Nyishangte trade business thrived by selling Nepali and Thai curios as well as inexpensive gemstones from Malaysia to U.S. military personnel in Thailand, Hong Kong, and Saigon.¹⁶ Furthermore, as Thailand grew in popularity as an international tourism destination during the 1970s, Nyishangte traders also sold souvenirs to tourists on Thai beaches.

Low trade restrictions and economic growth in Thailand, Malaysia, Singapore, and Hong Kong provided the Nyishangte with a robust business environment for their trade ventures. Many Nyishangte traders set up mobile sidewalk displays and peddled Buddhist curios in night-time street markets of Bangkok, Penang, Kuala Lumpur, Singapore, Hong Kong, and other market centers of Southeast Asia. In Singapore and Hong Kong, Chinese pharmacies were willing to pay high prices for musk deer glands and medicinal plants peddled by the Nyishangte. The extraordinarily high returns realized on these items by Nyishangte traders, as much as a hundred times more than they had been able to earn from Chinese traders in Calcutta during the 1950s, dramatically raised the profitability of Nyishangte trade ventures (Cooke 1985a:76, 1985b:48, 1986:74).

The profitability of Nyishangte trade in Southeast Asia enabled traders to begin purchasing high-priced luxury consumer goods such as watches, cameras, stereos, and televisions in the duty-free markets of Singapore and Hong Kong for export to Nepal and India. With the benefit of the liberal import limits they were allowed and their exemption from paying customs taxes, Nyishangte traders were able to very profitably import such items into Nepal for sale in its restricted domestic market, which became all the more lucrative as Kathmandu emerged as an important transit point for the Indian black market.

The trade and transit treaties Nepal entered into with India in 1960 and 1963 allowed Nepali traders to transport foreign imports duty-free through India to Nepal. This provided an incentive to Nepali traders to import luxury consumer goods to India from free-trade ports in Southeast Asia. Because India's government had adopted strict import regulations and high protective import tariffs under international donor influenced import substitution industrialization policies, smuggling restricted goods onto the Indian market

became a highly profitable venture, and one that Nyishangte traders were quick to capitalize on.

The profitability of smuggling high-priced luxury consumer goods into India and the ease with which Kathmandu airport customs officials could be bribed (Cooke 1985a:96-97, Schrader 1988:210-213) led to the rise of Kathmandu as a major black market trade entrepot for transporting such goods from Southeast Asia to India. The black market for gold was especially lucrative, and following the legalization of the gold trade in Hong Kong in the mid 1970s and the initiation of direct air service between Kathmandu and Hong Kong in 1977, the fantastic profits that could be made by smuggling gold from Hong Kong to Kathmandu attracted some highly capitalized Nyishangte traders willing to take the risks associated with engaging in illicit business (Cooke 1985a:88-90, van Spengen 1987:220).

So far, this section has described how market dynamics in South and Southeast Asia in the 1960s, 1970s, and 1980s provided commercial opportunities to Nyishangte traders. But changing market circumstances have not always favored the Nyishangte. During the early and mid 1990s, commercial opportunities for many small and medium scale Nyishangte traders declined significantly for several reasons.

For Nepali passport holders, traveling to Southeast Asia became much more difficult during the 1990s, as governments throughout the region adopted stricter immigration policies aimed at curbing visa abuses that had been especially rampant among Nepalis due to the frequency with which they illegally overstayed visas in order to earn wages and send cash remittances to their families back home. For visiting most countries in Southeast Asia, instead of receiving an automatic visa upon arrival as they had been accustomed to previously, Nyishangte traders, along with other Nepalis, had to apply for visas at consulates in Kathmandu and go through a screening process. Typically, only well-established business people, who had foreign partners to vouch for them, who could document high levels of legitimate export business, or whose passports contained a large number of previous entry and exit stamps proving they had not overstayed visas in the past, were able to obtain visas.

Visa policies in Hong Kong, which since the 1980s had served as the primary market for many Nyishangte traders, became particularly strict after the territory was turned over to China in 1997. The Chinese implemented rigid immigration rules that precluded many Nyishangte traders from being able to travel to and do business in Hong Kong. Nyishangte traders had

previously been able to receive visas on arrival in Hong Kong, but under the new rules, Nepali citizens could not obtain a visa unless explicitly sponsored by a Hong Kong resident.

In addition to the increased difficulty of obtaining visas to travel to Southeast Asia, the length of visas became unpredictable and of too short a duration, typically just one or two weeks compared to one or two months previously, to be of use to small scale street vendors who needed time to hawk enough goods to recoup the cost of their airfare to and from Kathmandu. A one or two-week visa was only sufficient for large scale traders who could conduct their business quickly through established foreign business partners.

Even in cases where Nyishangte traders could obtain visas, increased police enforcement in the 1990s against unlicensed street vending in Southeast Asian cities severely hampered traditional Nyishangte trade practices. Since foreigners with tourist visas were not given licenses for street vending, only well-capitalized Nyishangte with established retail shops in Southeast Asia could continue their trade businesses at prior levels of profitability. Other traders were forced to sell their goods at wholesale prices to shops for considerably lower margins than they had been previously able to achieve themselves as low overhead retail vendors.

The crackdown on unlicensed street vendors by police in Kuala Lumpur, Singapore, Hong Kong, and other Southeast Asian cities not only made it very difficult for Nyishangte traders to profitably sell their wares, it also sometimes resulted in huge losses when a trader's entire stock was confiscated by the police. While pursuing street trade in Southeast Asia during the early and mid 1990s, many Nyishangte were arrested by the police, their trade goods confiscated, and, after serving time in jail, were deported and banned from re-entering the country.¹⁷

Southeast Asia was not the only place where increased law enforcement in the 1990s hampered Nyishangte trade. Due to pressure from foreign governments and domestic reforms following the creation of Nepal's new democratic constitution in 1991, Nepali government officials began cracking down on smuggling. The closer attention paid to enforcing import policies increased the hassle of going through customs at Kathmandu's international airport, particularly for Nyishangte traders due to their widespread reputation for being involved in illicit trade. Many Nyishangte traders found it necessary to pay higher and higher bribes to corrupt officials to prevent their goods from being held up in customs for lengthy periods. Thus, not only did the risk

associated with smuggling increase, the cost and anxiety of engaging in legitimate import businesses also rose.

Import businesses were also plagued with decreasing prices in Kathmandu for imported goods following the liberalization of India's formerly strict import policies. With the opening up of the Indian market for imported luxury consumer goods, demand dropped in Kathmandu for goods formerly smuggled into India from Nepal or sold to Indian tourists on shopping sprees in Kathmandu. The prices that could be attained in Kathmandu for luxury consumer goods were driven down by the fact that, after Indian trade liberalization, Indian businessmen could import goods from Southeast Asia directly to India at lower cost than they could be imported to India through Nepal. As prices plunged in Kathmandu, so did the profitability of Nyishangte trade businesses importing luxury consumer goods from Hong Kong and Singapore (Cooke 1985a:93-94). And Indian businessmen were not the only competition that Nyishangte traders had to deal with. According to Nyishangte informants, the number of Chinese, Thai, Malay, Burmese, and Pakistani traders doing business in Southeast Asian markets increased considerably in the 1990s.

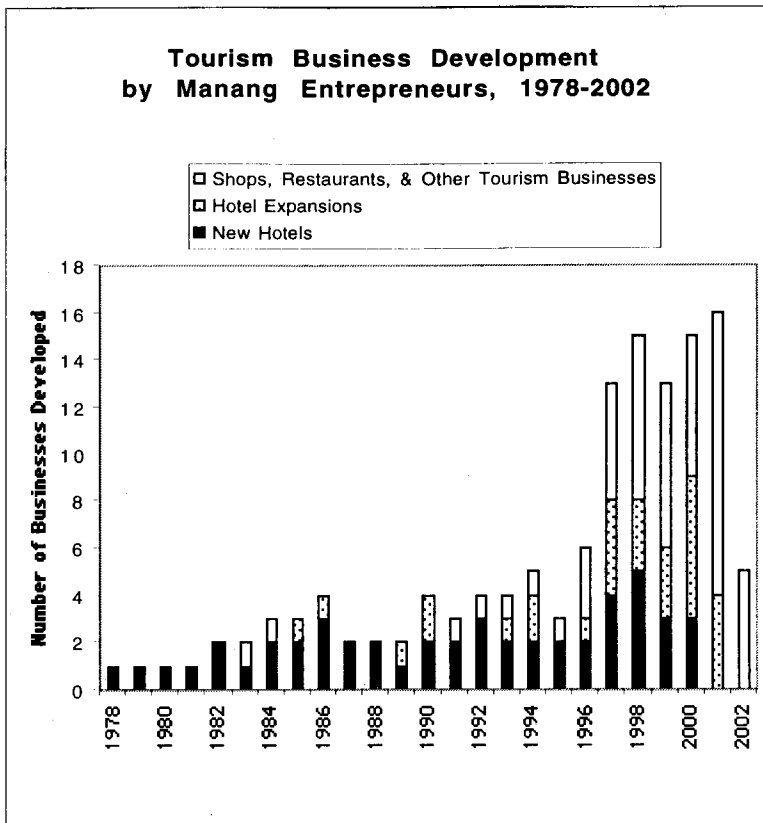
Nyishangte trade businesses were dealt yet another blow by the devaluation of Nepal's currency under International Monetary Fund stabilization and World Bank structural adjustment programs in the latter part of the 1980s. Although the programs succeeded to a certain degree in increasing Nepal's commercial agricultural and industrial output and reducing its trade deficit, the devaluation of Nepal's currency made it more expensive in foreign exchange terms for Nyishangte traders to purchase foreign trade goods and to pay for international air travel and living costs abroad. And if all the problems outlined above were not discouraging enough, the Asian financial crisis of 1997-1998, which wracked national economies and stifled business activity in Southeast Asia, added further to the woes of Nyishangte traders doing business there.

At the same time that their trade businesses in Southeast Asia were falling off, Nyishangte traders faced increased business competition in Kathmandu from highly capitalized and well educated Newar, Indian, Marwari, Tibetan, Thakali, and Sherpa entrepreneurs. Increased competition was particularly acute in the Thamel retail area of Kathmandu, where many Nyishangte business owners were renting shop space. The marked rise in competition during the 1990s drove Thamel shop rents to double between 1992 and 1997.

As the changing international trade and Kathmandu retail markets soured the business prospects of small and medium scale Nyishangte entrepreneurs in the 1990s, some of them turned their attention instead toward the tourism market in Nyishang, where annual tourist numbers had been growing steadily since the late 1980s.¹⁸ Because of the previously described locational advantages enjoyed by the Manang community, entrepreneurs from Manang village were much more aggressive than those from other Nyishang villages in starting up and investing capital in local tourism businesses. And the higher degree of business activity in Manang had a snowballing effect as entrepreneurial community members plowed their earnings back into additional tourism business development, which in turn attracted more tourists to Manang and enabled entrepreneurs to earn even higher returns. The dramatic increase in tourism business development by the Manang community in the latter 1990s is evident in the following chart.

With the simultaneous decline of trade opportunities abroad and in Kathmandu and the growth of tourism business opportunities in Manang, more than thirty Nyishangte families who had earlier migrated to Kathmandu moved back to Manang during the 1990s in order to start tourism businesses there. Even large scale Nyishangte entrepreneurs who remained in Kathmandu found opportunities to participate indirectly in the tourism boom by helping in some cases to finance the development of tourism businesses in Nyishang, a topic that receives more attention later in this article.

Of course, in this section on the role played by market dynamics in the availability of commercial opportunities, I would be remiss not to point out that Manang's tourism market is a part of, and to a large degree dependent upon, the larger Nepal tourism market, which in turn is a part of and dependent upon the overall international tourism market. As such, much of the credit for the steady growth rate of tourist numbers in Manang during the 1990s can be attributed to the similarly steady growth rate of tourist numbers in Nepal during the same time frame.¹⁹ Similarly, the recent decline in the number of tourists visiting Manang can be attributed to the dramatic decline of tourism in Nepal due to the increased violence of a Maoist insurgency in the country since November 2001 as well as to the overarching decline in international travel throughout the world in the aftermath of the terrorist attacks in the United States on September 11, 2001.



The Role of Infrastructure Development

The geographic expansion of Nyishangte trade ventures throughout South and Southeast Asia was made possible by the development of regional transportation networks and markets under British colonial rule of India, Burma, Malaysia, Singapore, and Hong Kong. Utilizing railroad networks within India and Burma and steamship routes linking Calcutta with ports in Southeast Asia, Nyishangte traders ventured farther and farther afield, learning about, becoming familiar with, and taking advantage of commercial opportunities in regions previously unknown to them.

Similarly, the upgrade and expansion of Kathmandu's airport under international development aid enabled large jets used for international flights to land in and take-off from Nepal's capital. The initiation of direct jet airline service linking Kathmandu with Bangkok in 1968 and Hong Kong in 1977

was critical to the vibrant growth of Nyishangte trade in Southeast Asia. Using these cities as transportation hubs, it was easy for Nyishangte traders to reach other market areas in Southeast Asia by plane, train, or bus. Direct flights also greatly facilitated Nyishangte traders' ability to import goods cheaply and easily from Southeast Asia to Kathmandu. The improvements to Kathmandu's airport and the air service agreements entered into between the Nepal government and a number of international air carriers also provided foreign tourists with quicker and easier access to Nepal, a factor that was instrumental to the country's increased popularity as an international travel destination.

Other transportation infrastructure advancements also played important roles in the growth of tourism business opportunities in Manang. Under the Nepal government's "Remote Areas Development Program," which was supported by international aid donors to counter the threat of communist Chinese influence in remote frontier areas near the Tibetan border (H. Gurung 1997:515), funds were dispersed in remote highland areas of Nepal such as Nyishang for infrastructure development. As part of this program, the difficult and hazardous trail leading up through the Marsyandi River gorge to Manang was improved in 1968 to facilitate the integration of the isolated Nyishang region with the rest of Nepal. The improved trail not only facilitated government officials' and development workers' access to Nyishang but also enabled the transport by pack mules of externally produced food items (e.g. rice, processed flour, sugar, and salt) to Nyishang, thereby greatly increasing local residents' economic ties to and dependence upon lowland Nepal. The trail was further improved in 1977 to enable safer passage for trekking tourists and for the pack animals that have been instrumental in transporting up to Manang the large quantities of food items required by the local tourism service economy.

The Nepal government also funded the clearing of a dirt airstrip near Manang in the early 1980s that made possible the transport of people and cargo via small airplanes. Although some tourists utilize this airstrip to reach Nyishang, the majority spend about a week walking up from a trailhead off of the road that has linked Kathmandu and Pokhara since 1968. The extension of a spur road to Besishahar in the 1990s has further increased the popularity of the trek to Manang by circumventing three days of walking through hot lowland jungle. In addition to expanding transportation infrastructure, it should also be mentioned that the Nepal government encouraged, through tax

breaks and loans, the development of hotels and restaurants in Kathmandu and Pokhara to boost the country's overall capacity for hosting tourists.

Nexus of Commercial Opportunity and Economic Cooperation

As the preceding sections have demonstrated, historical circumstances resulting from the geographic location and ecological environment of the Nyishang valley, the Nepal government's geo-politically and economically motivated granting of privileges to the Nyishangte, market dynamics, and infrastructure advancements have all played important roles in the opening up and expanding of commercial opportunities in international trade and tourism for the Manang community. In many ways, the Manang community has been fortunate in the sense of having had access to commercial opportunities that opened the door to entrepreneurship by providing sufficient economic incentives for community members to invest the capital, time, and energy and take the risks required to pursue business ventures.

But while the importance of commercial opportunities to the Manang community's economic success cannot be denied, it was the community's opportunistic exploitation of those opportunities that turned them into actual means for achieving financial gain. In other words, although the availability of commercial opportunity has been an important precursor to the emergence of entrepreneurial activity within the Manang community, it was the ways in which the community responded and adapted to those opportunities that actually drove the widespread development of entrepreneurship in Manang. In its efforts to make the most of its circumstances, the community adapted itself to the pursuit of the different commercial opportunities that became available to its members over time. Thus, although commercial opportunities became available to the people of Manang as a result of geographical attributes and external political and economic forces largely outside of their control, the local cultural characteristics, social systems, and regulatory policies critical to community members' widespread involvement in entrepreneurial ventures were internal manifestations of the community's response and adaptation to those opportunities.

It is important to point out that this article is not about entrepreneurial activity merely by certain individuals within a community; it is about entrepreneurial activity that is widespread among an entire community. For entrepreneurial activity to become widespread in a community, the factors necessary for entrepreneurial activity must be widely available to the

community's members. The entire community, or at least a large portion of it, must have access to commercial opportunities and capital and have the right to own business assets and the freedom to engage and compete in business ventures. In general, the commercial opportunities available to the Manang community in both trade and tourism were open to virtually all members of the community. And since a large portion of the community had ample time to devote to business – particularly men since they are typically free from most agricultural work in Manang – the primary limiting factors to participation in entrepreneurial ventures were an individual's propensity for engaging in business, willingness to take risk, access to capital, and, in the case of tourism, access to strategically located land. These limiting factors could have prevented many from engaging in entrepreneurial activity had it not been for the Manang community's entrepreneurial culture, social systems of economic cooperation, and free market oriented regulation of private enterprise that effectively served to diminish these limiting factors and thereby remove constraints on entrepreneurship. Therefore, it was really the *interplay* of commercial opportunities, cultural characteristics, social systems, and regulatory policies that drove the remarkable entrepreneurial expansions the Manang community experienced in the 1960s and 1990s.

While a combination of various factors has been responsible for the Manang community's overall economic success, none of these factors has played a more powerful role than local social systems of economic cooperation in facilitating the involvement of large numbers of the community's members in entrepreneurial ventures. The Manang community's social systems of economic cooperation have served to attract, pool, and make accessible throughout the community the capital needed to finance the start-up, execution, and expansion of business ventures. To be sure, these social systems of economic cooperation have played a critical role in enabling the community's members to take advantage of the community's favorable combination of commercial opportunities, entrepreneurial culture, and freedom from business-hindering regulatory restrictions and economic expropriation. If commercial opportunities, an entrepreneurial culture, and economic freedom have been the raw materials of entrepreneurial activity in Manang, the community's social systems of economic cooperation have been the all-important catalyst that provided its members the capital needed to engage and succeed in business ventures.

Its members' extensive use of multiple social systems of economic cooperation in financing business ventures has distinguished the Manang

community from many other communities in highland Nepal, and even in recent years from other village communities within Nyishang. So, while its entrepreneurial culture and regulation of private enterprise have also been important to the Manang community's economic success, the focus of the remainder of this article will be confined to the social systems of economic cooperation used to access capital to finance business ventures. But before embarking on a description of these cooperative systems, it first makes sense to ask why they have developed to a greater degree in Manang than in many other communities of highland Nepal. For this, we must again consider the historical effects of geographical location and ecological environment in Manang.

The Ecological Basis for Cooperation in Manang

Although the same cannot be said for those who gave up village life and migrated to Kathmandu, the relatively recent rise in scale and profitability of business ventures has done little to change the importance of agriculture for Manang residents. One should keep in mind that the Manang community's involvement in trade dates back hundreds of years, and during all that time Manang residents remained heavily dependent upon agriculture for their survival. Indeed, until the emergence of significant commercial opportunities in international trade in recent decades, trade served as merely a supplemental activity to Manang residents' primary occupation as agropastoralists. But despite cash income from business activities, the entire Manang community has continued to cultivate crops and keep livestock as sources of fertilizer for their fields. Even the wealthiest of business owners in Manang continue to grow the majority of their own food.

Manang village is located on the sun-exposed northern side of the Nyishang valley on a broad terrace created by glacial erosion, which provides a relatively large flat area for fields of potato, wheat, and buckwheat varieties suitable for high altitude cultivation. Stepped terraces have been cut into the gradually inclined slopes above and below the village to accommodate crop fields as well. Even before the massive out-migration of local residents to Kathmandu in the 1970s and 1980s, labor shortages during periods of peak demand for labor hampered agricultural production, and Manang villagers relied upon hired laborers from neighboring regions to help with the harvest (Ramble 1997:395). Due to Manang's arid climate, however, it is the

availability of adequate irrigation water rather than labor or suitable land that primarily limits the extent of cultivation possible.

As a result of its location in the rain shadow of the Annapurna Himal, Manang receives considerably less precipitation during the summer growing season than most other areas in Nepal's Himalayan highlands. Several small streams fed by snowmelt from mountain peaks high above the village provide a limited supply of irrigation water during the summer. To get water to each individual field near the village, an intricate system of irrigation canals has been constructed and carefully maintained. As irrigation technology in Manang stops at the level of the gravity-fed canal and hand-held hoe, the time-intensive manual watering of fields keeps local residents in their fields at all hours of the night during the summer in order to fully utilize the limited supply of irrigation water. Even though half the population now lives in Kathmandu and an additional source of irrigation water has been engineered with government development funds, irrigation water is still considered inadequate to meet local demand. The reliance on irrigation must have been even greater several decades ago before massive out-migration left some fields uncultivated, rising incomes enabled the purchase of imported foodstuffs, and a UN-sponsored Nepal government program began providing rice at a subsidized price to the residents of remote areas of the country such as Nyishang.

Historically, the absolute dependence on irrigation for survival in Manang would have served as a powerful motivator to develop systems of mutual cooperation in Manang society. Such large scale undertakings as the building and periodic maintenance of numerous irrigation canals required the cooperative effort of the entire community. And the entire population's need to use those irrigation canals required the community to develop and utilize cooperative systems of shared use among its members.

In Manang today, cooperation between all village households remains critical for the repair of communal irrigation canals and the allocation of irrigation water to private crop fields. Nine separate irrigation canals supply water to the crop fields of Manang and its nearby subsidiary settlement of Tenki, with the group of fields served by each canal forming a separate crop field area. The irrigation canals must be repaired each spring, and when repair work for a particular canal is being conducted every household owning a field in the area fed by that canal has to send one member to participate or else pay a fine to the village government of 500 rupees per day.²⁰

Prior to the start of the irrigation season each year, owners of crop fields in each irrigation area form themselves into groups, referred to as *chhopa* (Nyishangte), comprised of typically five or six households. The number of households owning crop fields in each of the nine irrigation areas ranges from fifty to eighty. If, for example, sixty households own crop fields in one irrigation area, then those households might organize themselves into ten *chhopa* groups of six members each. Each of the ten *chhopa* groups would take its turn day-by-day using the irrigation water, so that each household owning crop fields in the irrigation area would get to irrigate its crop fields once every ten days. At the time of *chhopa* group formation, representatives from the various groups draw numbers in a lottery to determine the order in which the groups will get to access the irrigation water in that area.

On the day of a given *chhopa* group's turn, the households that comprise the group decide among themselves the order of using the irrigation water that day. Using the irrigation water involves diverting water through a series of canals leading to the household's crop fields and then distributing the water over each field. When one household finishes irrigating its crop fields, typically after two to three hours depending on the number and size of the fields and the flow rate of the water, another household in the *chhopa* group diverts the water to its fields, and so on. When all of the households in that day's designated *chhopa* group are finished irrigating their fields, other households with fields in the area may divert the water to their own fields on an ad hoc basis. Since there are no guards charged with the duty of controlling the use of irrigation canals, the complexity and the self-regulatory nature of irrigation in Manang requires everyone's mutual cooperation. Despite occasional misunderstandings during periods when canals are open to ad hoc use, the system works quite well.

There are other examples as well of traditional systems of cooperation among members of the Manang community that continue to be effectively utilized in Manang today. One particularly powerful example is the *tosum* (Nyishangte) system. The responsibility for regulating livestock in Manang was traditionally delegated by the village council (*khamba* – Nyishangte), and today is still delegated by the village government (*gaabisa* – Nepali), to a committee of crop field guardians referred to as *tosum*. The purpose of the *tosum* system is to guard crop fields from damage by livestock during the summer agricultural season. A group of eight men, six from Manang village and two from Manang's nearby subsidiary settlement of Tenki, are selected each year to serve as *tosum* guardians for the crop fields in the Manang-Tenki

vicinity. The eight men, all married and all from different households, are selected in a rotating fashion from the pool of households owning crop fields in Manang and Tenki.

The eight *tosum* guardians divide themselves into two groups of four to patrol the crop fields of Manang and Tenki each day in the morning and afternoon in order to enforce village rules against the presence of livestock in the village during the agricultural season. When livestock are caught in village fields by the guardians, the owner of the livestock has to pay a fine, which the guardians collectively share as compensation for the time and effort involved in patrolling the fields. Although owners of transgressing animals are seldom happy to pay fines to the *tosum*, the system works because everyone realizes that it is for their own benefit. Everyone would prefer to pay a fine and to have their neighbor pay a fine rather than having their or their neighbor's crop fields irreplaceably damaged by livestock.

Another important example of a traditional system of cooperation still in use in Manang is the regulation of grass cutting. As pointed out earlier in this article, during Manang's long cold winter, the survival of livestock such as cattle, goats, and horses is completely reliant upon the livestock owner's private stock of grass cut and dried at the beginning of the autumn harvest season. As with irrigation, Manang's dry climate limits the amount of grass available for villagers to cut and store, and therefore cooperation among community members is essential to insure that everyone has fair access to this scarce resource.

In Manang, the same regulation of agricultural activities historically carried out by the traditional village council continues to be handled by the Manang village government today. One of the more important of these regulated activities is the starting date for the harvest, which the Manang village government determines for the entire Manang community, including Manang's subsidiary settlements of Tenki, Humde, and Julu. The first day of the harvest is referred to as *chi piba* ("releasing the grass [from cutting restrictions]" – Nyishangte). On this day, literally everyone in Manang arises in the darkness of midnight to fervently cut grass on the communal lands belonging to the village. By early afternoon, all the grass worth cutting has been cut, collected, and carried to villagers' houses to dry. On the second day of *chi piba*, villagers are permitted to cut grass on their own private land, and then on the third day the harvesting of crop fields may begin.²¹ After the last of the villagers' crop fields have been harvested, the village government announces that livestock may be brought back to the village from the summer

pastures and allowed to graze on the remaining stalks of the harvested fields. The regulation of grass-cutting by the village government and the frenzied rush to cut as much grass as possible on the first day of *chi piba* provide an illustrative example of the co-existence of communal cooperation and individual competition in Manang. By cooperatively restricting the cutting of grass on communal lands until a fixed date, fairness in competing for such grass is assured to all villagers.²²

Social Systems of Economic Cooperation in Manang

Historically, as individual members of the Manang community established their own crop fields and engaged in their own trade deals, the community came to embrace private ownership and private enterprise to such a degree that these became essential elements of the community's entrepreneurial culture. But equally important in Manang culture is a strong code of social norms that require all members to cooperate in community affairs, fulfill communal obligations, and maintain balanced reciprocity relations with other members of the community.

As exemplified by the shared building, upkeep, and use of a communal system of irrigation and everyone's adherence to village proscriptions against the presence of livestock in crop fields during the agricultural season and the premature cutting of grass, the efficient management and use of scarce resources that everyone was reliant upon for survival required the socially organized cooperation of the entire community. Community members' recognition of the significant benefits gained from such cooperation facilitated its application to other spheres of Manang society as well. This helps to explain the pervasiveness of cooperation and shared obligations in the management and use of communal forests and pastures, the performance of agricultural activities by reciprocal labor groups, the rotating organization and sponsorship of community events and religious rites, the building of private homes (Marechoux 1981), the generous helping of needy members of the community, and many other situations. As a result, cooperation has become a linchpin of Manang society.

That the balancing of reciprocity relations is taken very seriously in Manang society is illustrated by the rite of distribution conducted in memorial to a deceased person, referred to as *seemba keu* (Nyishangte). Some time after a person dies, everyone in the community gathers at the deceased person's home for an entire day, and the deceased person's family

offers everyone measures of uncooked rice and feeds them tea, homemade beer, and a full meal of cooked rice and lentils. The idea behind this custom is to gather the entire community together to remember and pray for the deceased and to repay everyone from whom the deceased may have taken food or drink during his or her lifetime. Attendees take as much rice as they wish and give as much or as little money for it as they feel is appropriate. Thus, the *seemba keu* memorial rite serves as a sort of final reckoning of the deceased person's reciprocity balance sheet with the community.

Due to the importance placed on both private enterprise and the cooperative fulfillment of communal obligations and reciprocity relations, community members express their identity and enhance their status within the community both through their individual entrepreneurial pursuits and through the cooperation and support they provide to other members of the community. In Manang, individual status comes from the perspective of the community, which places importance on community harmony, cooperation and reciprocity, and generosity toward others. Members of the community are expected to be generous according to their means, with wealthy people expected to be especially liberal in supporting community events and religious rites, commissioning civil and religious works, sponsoring rites of economic re-distribution, and assisting poorer members of the community. Thus, in addition to receiving religious merit according to Tibetan Buddhist precepts for supporting religious and community causes and helping out the needy, a generous benefactor also receives the approval of the community and added status within it. In this way, economic advancement is not attractive merely for the sake of satisfying material needs and desires, it also provides the opportunity to gain religious merit and social status through financial generosity.

This combination of individual competition to achieve material gains and communal cooperation to earn social status is a characteristic feature of Manang society. Rather than conflicting with each other, the seemingly contrasting characteristics of individual competition and communal cooperation have not only co-existed in Manang, they have complemented each other. The resulting balance between private enterprise and communal cooperation has been instrumental to the Manang community's economic success. The most potent example of this is the cooperative financing of private business ventures. Among the entrepreneurial Manang community, the strong tradition of cooperation has carried over to the financial sphere, as

illustrated by the widespread use of personal lending, business partnerships, and rotating credit associations.

In Manang as elsewhere, community members' ability to take advantage of commercial opportunities has largely depended upon the availability of capital to finance private business ventures. Among the Manang community, such capital has been made available through various forms of internal lending, all of which have been based on the communal norms of cooperation and reciprocity permeating Manang society. For reciprocity-based internal lending systems to work, a high degree of solidarity and mutual trust is required among community members, an element that is made more easy in Manang by the ethnic and cultural homogeneity and social cohesiveness of the community:

Differences in the Manang community's internal lending systems during its two periods of entrepreneurial expansion in the 1960s and the 1990s reflect differences in the community's response to the disparate commercial opportunities available in the respective periods. This suggests that the community adapted its venture financing system specifically to the commercial opportunity at hand in order to provide conditions favorable to business activity. Although personal lending has been and continues to be an important source of capital for business ventures, cooperative business partnerships were the principal means of accessing capital for international trade ventures during the entrepreneurial expansion that began in the 1960s. Business partnerships were later supplanted in importance when, during the re-emergence of widespread entrepreneurial activity among the Manang community in the latter 1990s, rotating credit associations became the primary means of pooling and distributing capital for financing tourism business ventures. Each of the three components of the Manang community's venture financing system – loans, business partnerships, and rotating credit associations – and the ways in which those components have changed over time are described below.

Loans

As long as trade ventures involved primarily the bartering of mountain products for lowland grains, cash resources were meager in Manang and the lending of money to finance business pursuits was not a common occurrence. As trade ventures became monetized and expanded in scale, however, cash needs grew and personal loans became an important means of venture

financing. Before trade developed into a year-round business, the seasonal demand for capital was reflected in the terms for personal loans made between members of the Manang community. When traders returned to Manang in the spring following a winter trading trip, they had little use for their accumulated cash earnings in the village, and so a short-term loan during the non-trading season could be obtained from a relative or friend without having to pay interest. In contrast, loans taken just prior to or during the winter trading season, when capital for financing trade ventures was in high demand, required the payment of interest (Messerschmidt 1978: 156-157).

When trade ventures ceased being merely seasonal pursuits, the continuous coming and going of traders at different times created a complementary supply and demand situation for capital. As some traders were returning from trading ventures with their accumulated earnings, other traders were readying to leave and were in need of capital. Thus, it became common for traders returning from abroad to make interest-bearing loans to traders preparing to leave. In this way, borrowers could access the capital needed to finance their trade ventures and lenders could earn returns on their trade earnings even while not abroad trading themselves. Then when it came time for a lender to leave on a trade trip, he would collect the loaned funds plus interest and borrow additional capital from those who had returned with trading profits. As a result of such economic cooperation among entrepreneurs, the level of capitalization of trade ventures expanded rapidly as trade became a year-round pursuit for more and more traders.

Similarly, traders from the Manang community would also lend each other money while abroad. Since trade ventures typically involved the buying and selling of goods in different regions, some traders found themselves short of capital when they were interested in buying goods and then awash in capital after they had sold goods. In such cases, they would borrow money from other traders they knew and then, after selling goods themselves, later lend money to those in need of capital for purchasing goods. Traders from Manang traveling back and forth between international destinations also loaned and borrowed money among each other in order to facilitate their collective ability to afford the monetary deposits associated with the issuance of entry visas for some countries. Monetary deposits, refundable upon timely departure from the country, were collected by immigration officials of some countries as a safeguard to keep foreign visitors from overstaying their visas. As one trader left such a country and his deposit was returned to him, he

would loan the money to another trader preparing to enter the country and in need of funds to pay the deposit. In this way, deposit funds circulated continuously among the Manang trading community. And money was not the only thing exchanged in this fashion. Prior to the grant of Nepali passports to the Nyishangte, traders would also lend and borrow Indian passports among themselves to allow the borrower to travel abroad while the lender returned home to Manang.

With the growth of tourism business opportunities in Manang, personal loans from relatives and friends became an important source of capital for financing business ventures at home as well. Many expensive hotel construction projects in Manang have been financed through long-term loans, often from wealthy relatives living in Kathmandu. Before the use of rotating credit associations for financing business ventures became popular in Manang in the late 1990s, short-term loans from relatives and friends were the primary means of obtaining working capital for the purchase of supplies for hotels, restaurants, and shops in anticipation of and during the tourist season. Unlike in the days of seasonal trade, since capital is now in demand year-round in Manang for purchasing supplies and constructing and expanding tourism businesses, loans now require the payment of interest regardless of when they are taken.

Personal loans between Nyishangte, whether living in Nyishang or Kathmandu, are based on social relations of reciprocity and trust between the lender and borrower. Manang villagers greatly prefer taking personal loans from relatives or friends rather than borrowing from moneylenders or banks because personal loans involve less risk, may be for a longer term, have a flexible repayment schedule, and avoid bureaucracy. Since moneylenders and banks require the assignment of fixed property as collateral to secure the loan, Manang villagers would be putting their most prized possessions – land, house, and business – at risk of forfeiture in case of defaulting on repayment. The forfeiture of local property due to loan default would also entail the social stigma of breaking local norms against selling or assigning land or businesses in Manang to outsiders.²³ In Manang village there are even norms against selling land to Nyishangte from other villages, as well as prohibitions against Nyishangte from other villages owning or operating a business in Manang.²⁴

In contrast to loans from moneylenders or banks, personal loans between Nyishangte do not typically require collateral. Instead, the security is the social relationship between lender and borrower and the borrower's

continued respectability and acceptance among his or her friends, relatives, and community, all of which would be sacrificed in the case of default. That informants were unable to identify a single case of outright default on a personal loan in Manang underscores the serious importance placed on the maintenance of social relations by the community's members.

In addition, while loans from moneylenders and banks are for a fixed term, the term of a personal loan is generally much less rigid and might be extended for an indefinite period, although typically with interest continuing to accrue. Similarly, payment of accrued interest in the case of a loan from a moneylender or bank is according to a fixed schedule, but payment of accrued interest on a personal loan might be determined more loosely according to the financial wherewithal of the borrower and the generosity and patience of the lender.

The difficulties involved with commercial borrowing also deter Manang residents from seeking bank loans. Though theoretically available, obtaining a bank loan in Nepal is a long, cumbersome, and unpredictable bureaucratic process, especially for uneducated, non-high caste, village residents without relatives, friends, or contacts in highly placed bank or government administration positions. To add to the difficulties, the nearest bank is a long eight-hour walk from Manang.

For all of the reasons presented, the advantages of taking a personal loan from a relative or friend are widely perceived by Manang residents to outweigh the higher interest rate typically charged on personal loans than on bank loans. In 2002, the going rate for personal loans in Manang was simple, non-compound interest of one and one-half percent per month, or eighteen percent annually. By comparison, commercial banks in the district headquarters of Chame were charging interest rates of ten to twelve percent annually depending on the repayment schedule, with the lower rate being for payment every three months and the higher rate for yearly payment. Although I found no cases of Manang residents utilizing private moneylenders from outside the Nyishang community, funds from such sources are generally not available at less than thirty percent annual interest in Nepal.

The rationale among Manang entrepreneurs for preferring personal loans over bank loans to finance large scale projects such as the construction of a new hotel is illustrated by the following example. In the late 1990s, a young Nyishangte businessman sold his half of a declining trade business in Kathmandu to his Nyishangte business partner and returned to his childhood

home of Manang to build a large new hotel catering to tourists. To have sufficient land on which to build the hotel, the young entrepreneur had to purchase a plot of land from a relative that was adjacent to the plot along the main trail through the village that the young entrepreneur had inherited from his father. The purchase of this additional plot of land cost about 400,000 rupees. The total cost of hotel construction came to about 7,000,000 rupees. In addition, the purchase of supplies for the hotel's restaurant and bakery and stock for its retail shop cost another 600,000 rupees, bringing the total start-up cost of the venture to about 8,000,000 rupees (about 100,000 U.S. dollars), an extremely large amount of money by Nepali standards.

To finance this huge outlay, the young entrepreneur obtained a loan from a wealthy relative in Kathmandu. As interest on the loan, the young entrepreneur makes a yearly payment of eighteen percent of the remaining principle amount, with the principle expected to be paid back gradually as the profitability of the hotel allows. The hotel is considered one of the nicer hotels in Manang and since opening for business has done reasonably well. With the profits from the first year of operation, the entrepreneur chose to expand his hotel's capacity, hoping to take advantage of the growing number of tourists visiting Manang. However, with the downturn in tourist numbers in 2002, he was barely able to pay the interest on the loan and cover his personal expenses, which primarily involve the education of his children. Like other relatively wealthy Nyishangte, the young entrepreneur has enrolled his two children in private boarding schools, the older in Darjeeling, India and the younger in Kathmandu. But even if tourist numbers in Manang remain depressed, hampering his ability to repay the loan, he is comforted by the fact that he does not face the risk of losing his land, house, and business as he might if he had taken a bank loan. In short, very few Manang residents have sought or taken loans from banks or non-Nyishangte moneylenders, and, as such, these should not be considered important components of Manang's venture financing system.

However, there is another source of loans in Manang beyond those available from relatives and friends that warrants description here, namely those available to Manang residents from the Manang village government. On loans from the Manang village government, simple interest of one percent per month is charged, for an effective annual interest rate of twelve percent. Although these loans do not require the posting of collateral, failure to pay would result in action against the defaulter by the village government, which is perceived as an even greater deterrent against default than in the case of a

personal loan. As such, lending risk for the village government is viewed as less than that for a personal lender, and the lower interest rate on village government loans reflects this.

The Manang village government began making loans to villagers in the late 1990s as a result of an increase in village government funds due to rising tax revenues from local tourism businesses. Although a large portion of the taxes collected from tourism businesses has been used by the Manang village government to pay for religious rites performed on behalf of the community, some of the village government's tax revenues have been made available to villagers in the form of loans. As of 2002, approximately one million rupees (about 13,000 U.S. dollars) were on loan by the village government, with these funds coming from a variety of village-based revenue sources. The village government's normal operating funds, which are allocated yearly to the village by the central government in Kathmandu through the district government in Chame, are not available for lending because these funds are earmarked specifically for village development works.

The funds available for lending by the village government were given a substantial boost in 2001, when several men were caught and fined for trapping musk deer in a forest area belonging to the Manang community.²⁵ With the money collected in fines, the village government established a fund to be used for guarding wildlife and rare plants in Manang against poachers. Money from the fund is loaned to villagers, with the interest earned used to pay villagers to periodically patrol the forest. The principle of the fund is intended for use only in cases of serious injury or death to a villager incurred during a forest patrol, as an insurance policy providing compensation to the victim's family (100,000 rupees for a serious but healable injury such as a broken leg and 300,000 rupees for a death or a life-crippling injury such as blindness).

Another source of village government funds available for lending includes commissions paid to the village government on gambling winnings by Manang residents. The village government has banned gambling outside of certain sanctioned occasions, both to stem problems related to rampant gambling among local residents and to facilitate the collection of gambling commissions by the village government. Yet another source of loans in Manang is a fund created by local hotel owners. Roughly thirty hotel owners from the Manang community paid 5,000 rupees each to create a fund of about 150,000 rupees. These funds are loaned out at the local going rate of eighteen percent annual interest, and the interest earned is used to pay the expenses of

the hotel owners' annual picnic at which the hotel owners gather to discuss and agree upon collective hotel policies for the coming year.

Business Partnerships

As trade ventures increased in scale, duration, and complexity during the Manang community's entrepreneurial expansion in the 1960s, traders increasingly joined together, often with kin or marriage-based relatives, to form cooperative trade partnerships referred to as *chhong ro* ("business friend" – Nyishangte). The formation of partnerships, particularly group partnerships, was especially suitable to the nature of the community's international trade ventures. Group partnerships provided support to individual members by sharing the costs and risks of trade ventures and reducing the difficulties and dangers of foreign travel. Through their membership in *chhong ro* groups, individual traders were able to conduct business at levels unavailable to independent traders. *Chhong ro* groups financed group members' business ventures by making loans to individual members at a low rate of interest and without requiring collateral. Through the pooling of group members' capital resources, the business ventures of the group as a whole were diversified and business risks spread among the partners. *Chhong ro* group partnerships also served to help individual members rebound from business losses, since these were effectively absorbed by the group. Along with expenses, risks, profits, and losses, members of *chhong ro* groups also shared among each other business contacts and trade networks, valuable knowledge of travel routes, markets, and profitable trade items, and information regarding different countries' immigration and customs policies. In addition, some *chhong ro* groups made periodic arrangements with or paid retainer fees to immigration and customs officials to facilitate the international travel and import-export activities of the group's members (Cooke 1985a:103).

In the cooperative, reciprocity-based culture of the Nyishangte, assistance to others, especially relatives, has been considered the obligation of those who have prospered in business. Members of successful *chhong ro* trade groups helped young Nyishangte get started in business by providing them with start-up working capital and with training regarding the vagaries of international trade. In return, young traders were expected to perform high-risk jobs for the group, such as physically transporting smuggled goods, while only receiving a small portion of the profits from such activities.

Young traders were able to become full members of a *chhong ro* group after paying back the capital loaned to them by the *chhong ro* and demonstrating to the group their trustworthiness and their ability to conduct profitable trade business (Cooke 1985a:101-102, 1986:76-77).

There has been a much lower rate of participation in business partnerships among hotel entrepreneurs in Manang than had been the case among those involved in international trade. The less frequent use of business partnerships among Manang hotel owners can be explained by the nature of local hotel business lending itself less to cooperative ventures and more to intra-group competition than had been the case with trade. A hotel requires a large, one-time, long-term investment in local fixed property, namely the construction of a hotel on land in Manang. Trade entailed smaller, more frequent, short-term purchases of mobile trade commodities such as curios, jewelry, clothing, or electronic equipment. International trade ventures took traders away from home to unfamiliar and potentially dangerous places where theft was a continuous concern. Much was to be gained by teaming up with other traders to travel abroad, sell in busy night-time street bazaars, and share the cost of food and lodging while away from home. The short-term risks of trade could be shared and thus diversified among groups of traders continuously turning over their wares much more easily than the long-term risk of building and operating a hotel can be shared or diversified among a group.

Another major reason for the low incidence of hotel business partnerships in Manang is the local cultural norm of individual ownership of fixed property such as land and houses. Land and houses were not involved in trade ventures and thus were never the subject of trading partnerships. With the importance placed on ownership of land and houses in Manang and the strong inhibitions against selling such fixed property even to other Nyishangte, it is culturally difficult for business partners to jointly own the fixed property on which a hotel business would be based. In addition, hotels in Manang typically serve as the house in which the hotel owner's family lives, and there is a strong preference in Manang village culture for a nuclear family to own and reside in its own house. Out of fifteen hotels in Manang village, there are only three cases of hotel partnerships, and these are all between two siblings. In these cases, it is not feasible to split up the fixed property on which the business is based, and so instead the business is operated jointly by the siblings and their nuclear families. It is also important

to point out that each of the hotels thus jointly operated is more than large enough to provide comfortable and private lodging for both nuclear families.

Although individual ownership remains the overwhelming norm for tourism businesses in Manang, recent increases in construction costs and competition have made business partnerships more attractive to entrepreneurs unable or unwilling to undertake the cost, risk, and management of a new business venture on their own. Except for a couple cases of siblings who had remained together in the same household after marriage in order to run the family's tourism business, there were no business partnerships in Manang between members of separate nuclear families prior to the late 1990s. Between 1998 and 2000, however, seven new tourism businesses in Manang were launched and operated through such types of partnerships. Although all of these partnerships were between members of separate nuclear families, in each case the partners were kin or marriage-based relatives. This illustrates the importance that family relations continue to have in economic activity, as in the days of the Manang community's entrepreneurial expansion in the 1960s, when *chhong ro* trading groups were frequently comprised of kin or marriage-based relatives.

In contrast to the sometimes large membership of *chhong ro* trading groups, the largest tourism business partnership formed thus far among members of the Manang community was forged by four households all related to each other through either kin or marriage-based ties. The four parties allied together in 2000 to share the otherwise prohibitive start-up costs, management duties, and competitive risks associated with building and operating a new hotel in a remote and high-altitude location where a well-established competing hotel had monopolized business for nearly two decades. The formation of a four-way partnership would likely have been constrained by cultural norms favoring single nuclear family ownership of land and occupation of house if the hotel had been located in Manang village. But the hotel's remote location two days walk away from the village made partnering easier since the land on which the hotel was built is communal land rented by the partnership from the Manang village government and since the hotel does not serve as the home of any of the partnering families.

The majority of cases of tourism business partnerships in Manang involve less highly capitalized businesses such as tea shops and restaurants and less traditional, therefore more risky, tourism ventures like movie halls, a boat rental operation, and a billiard hall. In many of these cases the business is located on rented land, and in none of the cases does the business serve as

someone's home. Unlike owners of hotels, owners of less highly capitalized businesses are generally less likely to be able to afford hiring staff to help operate their business, thus partnering has the added benefit of enabling partners to share the work of running the venture. That there are no cases of partnerships among small retail shops in Manang can be explained by the fact that small retail shops require less capital to start-up and are more easily run by a single person or household.

In Manang, partnerships have been very common among young women entrepreneurs running local tea shops (*bhatti* – Nepali). The long continuing tradition of two or three young women forming a reciprocal labor group to perform agricultural and domestic tasks is mirrored in the similar norm of two to three young women forming a partnership to start-up and operate a tea shop. Young women tea shop owners are often relatively poorly capitalized, and joining together helps them to afford the start-up investment or to recruit lenders and creditors from among the partners' relatives. In addition, the nature of running a tea shop that may be frequented at night by single men who include strangers from outside of Nyishang means that joint operation by two to three young women is deemed safer, more practical, and more socially acceptable than individual operation would be. Such tea shop businesses are a splendid example of a type of widespread, readily accepted entrepreneurial activity in Manang that occurs less frequently in Nepal's mainstream Hindu society where women, particularly young unmarried women, traditionally have had less freedom due to constraints imposed by strict socio-cultural norms.

Although some tourism entrepreneurs in Manang have used business partnerships as a way of pooling capital to start a new business, the importance of this means of accessing venture financing is considerably less in Manang today than it had been among traders a generation earlier and considerably less than it remains among the Nyishangte business community in Kathmandu. Instead, beginning in the late 1990s, tourism entrepreneurs in Manang have come to rely heavily on local rotating credit associations to access capital for business purposes.

Rotating Credit Associations

Rotating credit associations act to pool the financial resources of a group and make those resources available to individuals in the group turn by turn. Through such pooling, each member in the rotating credit association is able

to access at one time much greater financial resources than would be possible individually, thereby enabling each member to meet a pressing financial need, make an investment in a business venture, or perhaps earn a financial return on the funds invested in the rotating credit association.

Prior to the 1960s, the use of rotating credit associations in Nepal seems to have been limited to groups residing in the country's north-central highlands, an area that includes Nyishang, from where it has since spread to other parts of the country (Pignede 1966:146, Messerschmidt 1978:152-154). In the north-central highlands, rotating credit associations were previously referred to by the name *dhi-kur* or *dhu-kor* ("rotation of grain" – Thakali, Nyishangte),²⁶ but in recent years the name *dhukuti* ("treasury" – Nepali) has come into general use throughout Nepal (Messerschmidt 1978:155, Vinding 1984:101).

In Nepal's north-central highlands, a *dhukuti* is typically organized by a person in financial need who recruits relatives, friends, and acquaintances to participate as equal shareholder members. Normally, a *dhukuti* includes between ten to thirty members of a common ethnic community who know and trust each other well and who have both sufficient financial means to meet the obligations of participating in a rotating credit association and sufficient local fixed property to serve as collateral in case of default. If a member's financial resources are not perceived by the other members as sufficient, the member may be required to arrange for the backing of a wealthy guarantor to assume responsibility in the event of the member's default. The members of a *dhukuti* meet on a regularly scheduled basis, generally at least two times per year. The size of the fund and the rules of the *dhukuti* are agreed upon by the members at the first meeting. Since the size of the fund is typically determined by the amount needed by the organizer, it may vary greatly from one *dhukuti* to the next.

At every meeting, all of the members pay an equal installment into the fund, and one member takes the fund, which is equal to the sum total of the installments paid at that meeting minus an agreed upon amount to pay for expenses incurred at the meeting. In some types of *dhukuti*, the installment amount, and thus the size of the fund, remains the same at each meeting throughout the duration of the *dhukuti*. In other types, the installment amount increases over time by a simple rate of interest. In what is referred to in Manang as a "tender" *dhukuti*, the installment amount is determined by a system of competitive bidding among the members at each meeting. In all cases, the organizer of the *dhukuti* takes the fund at the first meeting. The

order in which the other members take the fund in subsequent meetings is determined in one of a variety of manners: by relative need (agreed upon by consensus of the members at each meeting), by chance (via lottery or casting dice at the first meeting), or, in the tender *dhukuti*, by competitive bidding (among the remaining fund takers at each meeting). A *dhukuti* is finished after each member has taken the fund once in turn. As a result, based upon the number of members and the frequency of meeting, a *dhukuti* may last for several years.

The tender *dhukuti* is worth explaining in greater detail, because it is this type of rotating credit association that helped facilitate the remarkable expansion of entrepreneurial activity among the Manang community in the late 1990s. In a tender *dhukuti*, as with other types of *dhukuti*, the organizer takes the entire fund in the first round. In each subsequent round (except for the last round when there is only one member remaining who has not yet taken the fund), the order of taking the fund, the amount of the installment paid by each member, and the amount of the fund taken are determined by competitive bidding among the remaining members who have not yet taken the fund. The highest bidder in a particular round takes the fund in that round, but only after the amount of the winning bid is subtracted and split up equally among all of the members. Thus, the higher the winning bid, the smaller the fund that the winning bidder gets to take, and the smaller the effective installment that the other members have to pay in that round. This system provides those members with greater demand for capital quicker access to the fund, but at a price that reflects the demand for capital among the membership.

As competitive bidding in the early rounds drives up the price of taking the fund, the financial cost of accessing capital rises for the early takers and the financial return obtained from investing in the *dhukuti* grows for those who are willing to wait until the later rounds to take the fund. The organizer also benefits from a situation of high demand for capital since high bidding among other members reduces the size of the installments that must be paid into the fund. The early takers of the fund are essentially borrowers who, except for the organizer, pay a premium for accessing the fund early, and the later takers are essentially lenders receiving compensation for keeping their capital tied up in the *dhukuti*.

Participating in a tender *dhukuti* suits an entire spectrum of business interests. For those with a need for funds, it provides an attractive instrument through which to access capital at a price and in a time frame that reflects

each person's relative demand. For those with surplus wealth, it provides an equally attractive instrument in which to invest capital and obtain a high return. For the organizer, it provides quick access to capital and an attractive financial benefit to counter the hassle of organizing the *dhukuti* and hosting its meetings for several years. It is the bringing together and serving of such varied yet complementary business interests that makes the tender *dhukuti* work so well. And since the financial return obtained from organizing and investing in a tender *dhukuti* increases as the local demand for capital rises, community members are motivated to organize and participate in as many tender *dhukuti* as the local demand for capital will support. Thus, the tender *dhukuti* serves as an efficient market-based credit pricing mechanism that effectively accommodates variable situations of demand for capital and attracts investment funds.

In the region of Mustang neighboring Nyishang to the west, the Thakali and Baaragaonle communities have a long history of using *dhukuti* (von Furer-Haimendorf 1975:197-201). Indeed, the idea of using *dhukuti* quite possibly came to Manang from the people of Mustang, with whom the Nyishangte had historical economic, political, and cultural contact. Several scholars have noted the Thakali's use of *dhukuti* for financing business ventures and pointed to it as a factor in their rise as one of the leading entrepreneurial communities in Nepal (Manzardo and Sharma 1975:36, Manzardo 1978:99, Messerschmidt 1978:154, Vinding 1984:89-91, Vinding 1998:131, Chhetri 1986:249-250, von der Heide 1988:42, Zivetz 1992:102). Not all of the entrepreneurial communities in highland Nepal, however, have used *dhukuti*. The Khumbu Sherpa, for example, rather than using rotating credit associations to access capital for business ventures, have relied instead on wages earned as trekking or climbing guides and on funding from or partnerships with foreign visitors (von Furer-Haimendorf 1975:86-88; Brower 1991:81; Zivetz 1992:107-112; Stevens 1993a:373-374, 499; Stevens 1993b:415-416; Adams 1996:9, 221).

In Manang, *dhukuti* seem to have been used only sparingly prior to the late 1990s and more often for the purpose of helping a fellow villager in personal financial crisis than for financing business ventures or earning a financial return on an investment. Traditionally in Manang, after the organizer took the fund in the initial round, the subsequent order of taking the fund by the other members was determined by chance, usually in the form of a lottery. In cases where the *dhukuti* was formed purely for altruistic purposes, no interest accrued and the amount of the fund remained the same

in each round. In cases where it was formed for business purposes, interest accrued and the amount of the fund increased over time to reflect the time value of money.

Among the Nyishangte entrepreneurial community that migrated to Kathmandu, *dhukuti* came to be used almost exclusively for financing commercial ventures. As their economic pursuits grew and their demand for capital increased, Kathmandu-resident Nyishangte entered into large *dhukuti* with members of other ethnic groups residing and doing business in Kathmandu. In this manner, it is likely that Nyishangte living in Kathmandu adopted the tender form of *dhukuti* from members of the Thakali business community who, similar to the Nyishangte, had moved to Kathmandu in pursuit of commercial opportunities.

Following the out-migration to Kathmandu of the wealthier and more entrepreneurial members of the community in the 1970s and 1980s, *dhukuti* seem to have fallen completely out of use in Manang. Few of the people who remained in Manang during this period had the financial wherewithal to participate in *dhukuti*. However, the involvement of an increasing number of Manang villagers in profitable tourism businesses in the 1990s raised local financial resources and enabled the community to revive the use of *dhukuti* when a situation calling for it arose.

In 1998, a dire personal financial crisis emerged for a member of the Manang community. Unable to pay the rent that had come due for the property on which he had built his modest hotel and residence, the villager was faced with the devastating prospect of losing both his business and home. Although *dhukuti* had not been used in Manang for many years, the concept was not new to the community, and the needy villager was able to organize a group of thirty people with sufficient financial resources to participate in a traditional, non-interest bearing, lottery style *dhukuti*. Based upon the amount needed by the organizer, the members agreed to pay installments in each round of 5000 rupees (about 64 U.S. dollars) each to comprise a fund of 150,000 rupees (about 1900 U.S. dollars). The needy organizer took the first turn at receiving the fund. Another villager in personal financial need asked and was permitted by the other members to take the second turn at receiving the fund. The order of subsequent turns was determined by lottery. The location of the meeting has rotated among the houses of the various members, with the designated taker of the fund in each round hosting the meeting at his expense. With thirty members meeting three times per year, the *dhukuti* was set to last for ten years. But because the

dhukuti paid no interest, the members expecting to receive the fund near the end wished to speed up the *dhukuti* in order to get earlier access to the capital they were tying up for no financial return. To accomplish that, the members agreed to pay double installments and dispense two funds at each meeting, effectively halving the time required for completing the *dhukuti*.

The rapid growth of tourism business development by Manang entrepreneurs in the late 1990s greatly increased the local demand for both investment and working capital. As explained in the previous section on business partnerships, the hotel business in Manang was not well suited to the *chhong ro* style of group partnerships that had been used to finance international trade ventures, and so an alternative means of cooperative financing was needed. In response to this need, members of the Manang community took an old social system of economic cooperation, the rotating credit association, and adopted a modified version of it to fit their changing business needs. The revival of the old lottery style *dhukuti* had inspired local entrepreneurs to think of using *dhukuti* for financing business ventures, but the lottery style *dhukuti* was not dynamic enough to meet the rapidly growing local demand for capital or to attract investment funds. But entrepreneurs who had returned to Manang from Kathmandu in the 1990s were familiar with another kind of *dhukuti*, the tender style, which they introduced to other Manang residents.

The Manang entrepreneurial community was quick to adopt the tender style *dhukuti* as a source of needed business capital. After the first tender *dhukuti* was started in Manang in 1999 with 23 members, two more were organized in 2000 with 26 and 30 members, followed by two more in 2001 with 30 and 31 members. The speed at which the size of membership reached the preferred number of thirty members reflects the rapid acceptance and popularity of the use of tender *dhukuti* among Manang's entrepreneurial community.

The overwhelming majority of *dhukuti* participants are hotel owners from Manang and Manang's subsidiary settlements of Humde and Tenki. There are very few participants from other villages due to much lower level of entrepreneurial activity and wealth and, therefore, lower demand for venture financing and lower supply of investment capital. Compared to forty-three *dhukuti* participants from Manang and its subsidiary settlements, there are only four from the village of Braga, two from Pisang, one from Khangsar, and none from the other Nyishang villages of Ngawal and Gyaru. Of these fifty participants, only five are women, but the strong male majority reflects

the local domination of business by men rather than any proscriptions against women's participation in *dhukuti*.

The following example illustrates how a typical tender *dhukuti* works in Manang. A person in need of capital invites relatives and friends to participate in a rotating credit association. When invited by a person organizing a new *dhukuti*, there is no obligation to join. Some people have a need for capital. Some have excess capital to invest. Some may participate more for social than for economic reasons. The members of a *dhukuti* gather for meetings held every two months, for a total of six meetings per year. Meetings are not held from December through February while many villagers are spending the winter outside of Manang. To make up for the skipped winter meeting, an extra meeting is held in the spring.

At every meeting, each member pays an installment of 10,000 rupees (about 130 U.S. dollars). Thus, in a thirty-member *dhukuti*, the fund at each meeting amounts to 300,000 rupees (about 3800 U.S. dollars). A set amount of 4000 rupees is subtracted from the fund taken in each round to pay for food and drinks consumed at the meeting. But this amount is not sufficient to cover the total cost of the food and drink consumed at each meeting, which for a *dhukuti* with thirty members typically comes to about 8000 rupees. The extra 4000 rupees expense for each meeting must be paid by the *dhukuti* organizer, at whose home all of the meetings are held. To help offset the organizer's expense, a portion, typically ten percent, of the winnings from the gambling that takes place among the members during each *dhukuti* meeting is given to the organizer. This gambling commission typically amounts to between 1000 and 2000 rupees, depending on how many members gamble, how long they gamble, and what type of games and stakes are involved.

At the first meeting, the organizer takes a fund of 286,000 rupees (the 300,000 rupee fund, minus the organizer's own 10,000 rupee installment, minus the 4000 rupee expense withholding), has a personal expense of 4000 rupees, and receives perhaps 1500 rupees as gambling commission for a net take of 283,500 rupees. In the second meeting, if the highest bid is, for example, 165,000 rupees, then the highest bidder takes a net fund of 126,500 rupees (the 300,000 rupee fund, minus the highest bidder's own 10,000 rupee installment, minus the 4000 rupee expense withholding, minus the 165,000 rupee bid, plus the 5500 rupees that each of the thirty members get back from the 165,000 rupee bid). A minimum bid of 35,000 rupees is required, although during the last three rounds the minimum bid amount decreases to 30,000 rupees, 20,000 rupees, and finally 10,000 rupees in the last round. If,

for example, there are only two members remaining who have not yet taken the fund and they both bid the minimum 20,000 rupees, then the taker of the fund is determined by a lottery between the two. In the last round, since only one member remains to take the fund and there is no one to bid against, the minimum bid of 10,000 must be paid and the net fund taken is 276,333 rupees (the 300,000 rupee fund, minus the fund taker's own 10,000 rupee installment, minus the 4000 rupee expense withholding, minus the 10,000 rupee minimum bid, plus 333 rupees that each of the thirty members get back from the 10,000 rupee minimum bid).

To demonstrate how a typical tender *dhukuti* in Manang might progress from start to finish, I have included below a chart of the tabulated results from a computer spreadsheet model representation of such a *dhukuti*. The chart shows for each round the highest bid amount, the net installment paid by each of the members, the net fund taken, and the cash flow of various members. The spreadsheet model rationally assumes that the highest bid over the course of the *dhukuti* occurs in the second round and that the highest bid in each subsequent round declines linearly down to the amount of the minimum bids required in the final four rounds. Based on the actual history of tender *dhukuti* bidding in Manang, the highest bid used in the spreadsheet model is 165,000 rupees.

In order to understand the relative economics of *dhukuti* participation in Manang, the spreadsheet model includes a net-present-value (NPV) financial calculation in which various *dhukuti* members' cash flows are discounted to reflect the time value of money using a discount rate obtained from the most common alternative to *dhukuti* financing or investing, that of taking or making personal loans at the local going rate of interest for such loans. Since the local going rate of interest on personal loans in Manang is 1.5 percent per month, a monthly discount rate of 1.015 is used in the NPV calculation. The formula employed in the NPV calculation is:

$$NPV_a = CF_{a_1} + CF_{a_2} / (1+(INT \times T_2)) + \dots + CF_{a_N} / (1+(INT \times T_N))$$

where:

NPV_a = net-present-value of cash flows for member A (at start of *dhukuti*)

CF_{a₁} = cash flow for member A in round 1 of the *dhukuti*

INT = going rate of simple monthly interest for a personal loan in Manang

T₂ = number of months between the start of the *dhukuti* and round 2

From the results of the NPV calculation shown in the chart, it can be seen that the *dhukuti* organizer has a large positive NPV, and thus a large financial benefit compared to taking a personal loan at the local going rate of interest. In fact, the financial benefit obtained from organizing the *dhukuti* is even preferable to being given an interest-free loan. This benefit is offset, although arguably only partially, by the hassle the organizer has to endure in setting up and hosting the *dhukuti* and the theoretical risk he faces of having to make good on the default of a member without a sponsor.²⁷ In contrast, it can be seen that high-bidding early takers of the *dhukuti* fund have a fairly large negative NPV. This is offset by the quick, low hassle access to capital needed for business ventures that is afforded by bidding high to take the fund early. Low-bidding late takers of the *dhukuti* fund have a slightly negative NPV, but this is offset by the benefit of low risk, low hassle investment of capital. The last two takers of the *dhukuti* fund have a slightly positive NPV as well as the benefit of low risk, low hassle investment of capital. The very last fund taker earns an effective annual interest rate of about twenty-one percent on the money invested in the *dhukuti*, which is preferable to the eighteen percent annual interest typically earned from making a personal loan.

Although not represented in the financial model, all members benefit from the social aspects of *dhukuti* participation – gathering for an entire afternoon with friends and relatives to relax, talk, drink and eat well, and play card or dice games. And there is another, perhaps more important, social aspect as well. Along with membership in a *dhukuti* comes an associated social status in the community as a successful businessperson considered responsible, trustworthy, and financially secure enough to be invited to participate.

Model of Tender *Dhukuuti* Rotating Credit Association in Manang (in rupees)

round	winning tender bid	each member's payment	winner's net take	1st taker's cash flow	2nd taker's cash flow	10th taker's cash flow	20th taker's cash flow	last taker's cash flow
1	0	10000	283500	283500	-10000	-10000	-10000	-10000
2	165000	4500	126500	-7000	126500	-4500	-4500	-4500
3	159800	4673	131527	-7173	-4673	-4673	-4673	-4673
4	154600	4847	136553	-7347	-4847	-4847	-4847	-4847
5	149400	5020	141580	-7520	-5020	-5020	-5020	-5020
6	144200	5193	146607	-7693	-5193	-5193	-5193	-5193
7	139000	5367	151633	-7867	-5367	-5367	-5367	-5367
8	133800	5540	156660	-8040	-5540	-5540	-5540	-5540
9	128600	5713	161687	-8213	-5713	-5713	-5713	-5713
10	123400	5887	166713	-8387	-5887	166713	-5887	-5887
11	118200	6060	171740	-8560	-6060	-6060	-6060	-6060
12	113000	6233	176767	-8733	-6233	-6233	-6233	-6233
13	107800	6407	181793	-8907	-6407	-6407	-6407	-6407
14	102600	6580	186820	-9080	-6580	-6580	-6580	-6580
15	97400	6753	191847	-9253	-6753	-6753	-6753	-6753
16	92200	6927	196873	-9427	-6927	-6927	-6927	-6927
17	87000	7100	201900	-9600	-7100	-7100	-7100	-7100
18	81800	7273	206927	-9773	-7273	-7273	-7273	-7273
19	76600	7447	211953	-9947	-7447	-7447	-7447	-7447

Manang's entrepreneurial community has come to prefer the tender *dhukuti* over the non-interest bearing, lottery *dhukuti* and over personal loans because the tender *dhukuti* enables quick access to capital for needy entrepreneurs and high returns for investors, with lower risk and less hassle than personal loans. In a non-interest bearing lottery *dhukuti*, the timing for receiving the fund is determined by chance, and the time value returns for the fund's investors, i.e. everyone except the organizer, are negative. In a tender *dhukuti*, however, an entrepreneur in need of capital can access the fund quickly by bidding aggressively, and an investor can earn an attractive financial return by waiting until the end to take the fund.

Joining a *dhukuti* is considered less risky and less trouble than making personal loans due to the group dynamic of *dhukuti* participation. With a group of some thirty people to potentially apply pressure against or pursue a defaulter, default in a *dhukuti* is considered less likely than in the case of a personal loan where applying pressure against or pursuing a defaulter would be up to the lender alone. Whether lending or borrowing, it is much easier to participate in one *dhukuti* than to lend or borrow the equivalent amount of money to or from many individuals. And in a *dhukuti*, unlike with a personal loan, lenders and borrowers do not have to face the awkward interpersonal situation of requesting or being requested to make payments on time or pay back the loan's principle. In addition, it is easier to decline participation in a *dhukuti* than to decline making a personal loan when asked by a friend or relative.

Another explanation for the popularity of the tender *dhukuti* in Manang is the perception, even among early high bidders (who do not have the benefit of computer spreadsheet models), that the cost of accessing *dhukuti* funds is less than the cost of taking a personal loan at the local going rate of interest. Although, with the exception of the *dhukuti* organizer, the above computer model refutes this, it is true that in an environment of potentially decreasing interest rates, which was the case in Manang in 2002 due to decreased demand for capital because of the decline of tourist numbers, the cost of accessing capital over the term of a *dhukuti* would potentially decrease with lower bidding competition, while the interest rate paid on a personal loan would remain fixed at the rate agreed to at the time the loan was made.

The penchant for competing and gambling among the men of Manang has also contributed to the popularity of *dhukuti* participation. In Manang, participating in a rotating credit association is referred to as "playing" *dhukuti* (*dhukuti khelne* – Nepali), and indeed it is perceived, approached, and

participated in as a game to be played and enjoyed, a form of friendly competition among one's peers that also serves as one of the limited occasions on which gambling is allowed by the village government.

Due to their popularity, many entrepreneurs in Manang have chosen to participate in several *dhukuti* at once. The adoption and proliferation of the tender *dhukuti* in Manang in the late 1990s effectively created a local market for capital where credit could be accessed at a market-based price directly reflecting the local demand. By lowering the risk and raising the returns associated with investing capital and by lowering the trouble and the perceived cost of accessing it, the use of *dhukuti* greatly facilitated the pooling of capital in Manang and made such capital available to a large portion of the community. In this way, the widespread use of tender *dhukuti* played an important role in the re-emergence of Manang as a prominent entrepreneurial community in the late 1990s.

Despite the very positive role the tender-style *dhukuti* has played in the recent expansion of entrepreneurial activity in Manang, rotating credit associations should not necessarily be seen as a panacea for all credit hungry communities. Successful rotating credit associations require a great deal of mutual trust and cooperation among the members. There have been significant problems with the use of rotating credit associations in areas of Nepal where membership is drawn from a relatively large population and is not homogenous or tightly bound. For example, rotating credit associations organized in Kathmandu have included participants from many different ethnic groups, including Newar, Marwari, Bahun-Chhetri, Thakali, Sherpa, Tibetan, Gurung, and Nyishangte. Among mixed ethnicity rotating credit associations in Kathmandu, problems have arisen due to the lack of effective social pressure to regulate behavior and the difficulty of punishing defaulters. In cases of mixed-ethnicity rotating credit associations, social stigma associated with default is ineffective in dissuading people from defaulting because members belong to different communities. And in many cases of default, members of mixed-ethnicity rotating credit associations have been unable to collect collateral from a defaulter due to a lack of personal knowledge about the defaulter's whereabouts, the defaulter's family or social network, or the defaulter's fixed property. I know of several Nyishangte and Newar businessmen who stopped participating in rotating credit associations in Kathmandu because of such problems, and some scholars have reported that the use of rotating credit associations has declined in Kathmandu in recent years (Zivetz 1992:103, Muhlich 1997:208).

But rotating credit associations in Manang have not suffered from these problems. In all the cooperative affairs of the Manang community from irrigation to rotating credit associations, there is a strong and justifiable belief that outsiders' behavior would not be held in check by the same obligations of cooperation as are members of the community. To participate in a Manang village *dhukuti*, one must be a well-known and trusted member of the community. In addition, one must have local fixed property serving as effective collateral worth much more than the *dhukuti* fund that could be made off with, or else have a sponsor with such collateral, or else wait until the last round of the *dhukuti* to take the fund. And if a change in circumstances were to preclude a *dhukuti* member from being able to meet his or her payment obligation, as a member of the community he or she could obtain support from a relative or friend to cover the debt until he or she is able to pay.

Essentially, because cheating in a Manang village *dhukuti* is readily detectable and easily punishable, peer pressure has been perfectly effective in preventing it from occurring. In Manang, *dhukuti* members are bound by very strong socio-cultural norms against cheating members of their own community, and the social stigma that would accompany default is so high as to dissuade its occurrence. As a result, *dhukuti* members perceive the likelihood of default by other members as nil, and indeed there has not been a single case of default in Manang. Under the conditions of mutual trust and reciprocal cooperation that prevail in Manang, rotating credit is considered virtually risk free, and, as a result, the price of rotating credit can be based solely on the local demand for capital. Thus, in a relatively small, homogenous, cooperative community such as Manang the tender *dhukuti* has worked remarkably well. In general, the perceived lack of default risk on economic arrangements between members of the Manang community has been important in creating and maintaining an environment that is conducive for widespread economic cooperation through lending, partnering, and participating in rotating credit associations.

But before one starts to think that the Manang community's cooperative ethic alone is enough to preclude any problems that might occur with social systems of economic cooperation, a final example is worth considering. The problem-free use of rotating credit associations in Manang contrasts starkly with the obstacles encountered recently with another form of socially organized economic cooperation in Manang. As competition grew in the 1990s among hotels in Manang, hotel owners banded together to cooperate in

setting fixed prices for hotel rooms in order to guard against the perils of price-based competition. But hotel owners have faced difficulties in detecting and punishing competitors who cheat by offering hotel rooms at prices below those fixed by Manang's cartel-like association of hotel owners. Since local hotel owners perceive cheating by other hotel owners as likely, there have been problems of non-compliance with the fixed pricing policies.

The situation reached crisis proportions in 2001, when a rift among owners of hotels along the trekking route beyond Manang village resulted in several hotel owners quitting the cartel and engaging in heated price wars with each other to attract business. Within a short time, all the hotels along the trekking route beyond Manang village had dropped their room prices to their marginal cost and were operating unprofitably, a scenario consistent with that predicted by the Bertrand model of competition.²⁸ Despite general recognition that re-establishing the fixed pricing policies would be in the best interest of all involved, the price war situation continued throughout 2002 to the hotel owners' collective detriment. And despite widespread agreement that an effective system of detecting and punishing cheaters, something perhaps akin to the community's *tosum* system for protecting crop fields from livestock depredation, is badly needed to stem the problem of mistrust among competing hotel owners, no such policing system had been implemented by the end of 2002.

It remains to be seen whether the cooperative ethic of the Manang community will be strong enough to overcome the problem of heightened competition brought on by an over-capacity of hotels relative to declining tourist numbers. But as the material presented in this article has demonstrated, the solution would likely involve the community's development of some sort of social system that proves effective in insuring the economic cooperation of all members. For that has been the key to the entrepreneurial Manang community's turning commercial opportunities into economic success.

Notes

1. Nepal's Himalayan highlands are home to at least eleven distinct indigenous groups, each with its own traditional geographic region: Dolpo, Lo, Baaragaon, Nyishang (Manang), Nar-Phu, Nubri, Tsum, Langtang, Rolwaling, Khumbu, and Kanchenjunga. In these regions, human settlements are located at altitudes over 3000 meters (10,000 feet). Between 1999 and 2002, I visited eight of these

- eleven regions to gain insight into the similarities and differences of these regions and the peoples who inhabit them.
2. These communities include the Thakali of Thak Khola, the Nyishangte of Manang, and the Sherpa of Khumbu.
 3. While conducting research and writing my Ph.D. dissertation manuscript and this article, I spent eighteen months in Nyishang and Kathmandu between 2000 and 2003. I would like to thank all the Nyishangte people who welcomed me into their community, into their homes, and around their hearths and shared information about their lives, their businesses, and their society. I would also like to acknowledge the financial support provided for my research by the United States Department of Education's Fulbright-Hays Doctoral Dissertation Research Abroad program, the University of California at Berkeley, Jon Krakauer's Everest '96 Memorial Fund, and the American Alpine Club.
 4. Notable examples of trade monopolies include those granted by the government to the Thakali of Thak Khola, the Gurung of Lamjung, the Newar of Kathmandu, the Sherpa of Khumbu, and the Walongchung of Kanchenjunga.
 5. Nyishang is actually the Tibetan name for the large valley in which the village of Manang is located. In their native language, the valley's inhabitants formerly referred to their home region as *Mano Chhasum*. But the Nyishang region and its indigenous people have come to be popularly referred to throughout Nepal as Manang and Manangi, respectively, after the name of the region's largest village. Following this popular convention, government authorities in Kathmandu gave the entire political district in which Manang village is located the name Manang when the district boundary was demarcated in the 1960s. In fact, such is the prevalence throughout Nepal of referring to the Nyishang region and the Nyishangte people and language as Manang and Manangi that the Nyishangte people themselves these days generally refer to their entire region as Manang and to themselves and their language as Manangi. To minimize confusion, however, in this article I have used the name Nyishang when referring to the region, Nyishangte when referring to the region's indigenous people and their native language, and Manang when referring specifically to the village of Manang. When referring to other villages and place names in Nyishang, I have used the names in current popular use rather than the more obscure names that often exist in the Nyishangte language. Nyishangte and Nepali words used in the text are indicated by italics and the source language is noted in parentheses.
 6. For more detail on historic and recent entrepreneurial activity by members of the Manang community as well as the various factors that have facilitated it, see my Ph.D. dissertation manuscript (Rogers 2004). In addition, Cooke (1985a, 1985b, 1986), van Spengen (1987, 1992), N. Gurung (1976, 1977), Schrader (1988), and Watkins (1993, 1996) provide some details of the Manang community's history of entrepreneurial activity, but only in regard to trade and only up to the 1980s.
 7. For example, Pohle (1986:119) listed an average annual precipitation amount of 3166 millimeters on the southern side of the Annapurna Himal at Khudi in 1972-1982, compared to less than one-seventh of that, 443 millimeters, at Manang in 1976-1982.

8. It has been suggested that the Nyishangte were given these privileges by the king of Lamjung in exchange for their help in building a fort for the king in the 16th century near what is now Gaunshahar village in Lamjung (H. Gurung 1980:226-227). Another possibility is that the privileges were bestowed upon the Nyishangte by the Lamjung king in return for their joining forces with Lamjung in the 17th century to repel troops from Jumla in western Nepal (Mathes 2001:170).
9. According to von Furer-Haimendorf (1983:92), the region of Nar-Phu to the northeast of Nyishang was politically part of Tibet until taken by Nepal in the mid 19th century. This means that Nyishang formed Nepal's northern frontier border with Tibet at the time the Nepal government granted privileges to the region's residents from the late 18th century to the mid 19th century.
10. The list of years in which Nyishangte trade privileges were renewed has been pieced together from a variety of sources. The renewal of 1802 was mentioned by Cooke (1985a:304), 1825 by N. Gurung (1976:308, 1977a:224), 1844 by H. Gurung (1980:227), 1857 by N. Gurung (1976:308), 1883 by Cooke (1985a:307-308), 1905 by van Spengen (1987:143), 1933 by van Spengen (1987:143), 1964 by Cooke (1985a:309), 1966 by Regmi (1983:67-68), and 1972 by N. Gurung (1976:301).
11. The term *Bhotia* has historically been used by lowland Hindus to refer to highland peoples living in the Tibetan Buddhist cultural sphere. The word derives from *Bhot*, an old Hindu term for Tibet.
12. There are other factors that may also have contributed to the Nepal government's decision to allow the Nyishangte's special trade privileges to expire. These include popular pressure to discontinue favorable treatment of particular ethnic groups as stipulated in Nepal's constitution and perhaps rising criticism of perceived Nyishangte involvement in illegal trade practices (van Spengen 1987:228).
13. The land referred to here as *Naya Mulak* ("new land" – Nepali) had been taken from Nepal by the British under the treaty that ended the war between Nepal and Britain in 1814-1816. The land was restored to Nepal by the British in 1860 in appreciation for Nepal's support of the British in quelling an uprising in 1857 against British rule in India.
14. The removal of the camps was facilitated by the circulation in *Khampa* areas of a tape-recorded appeal by Tibet's spiritual and political leader, the Dalai Lama, urging their peaceful cooperation.
15. The expiration of the Nyishangte customs tax exemption and the granting of passports to all Nepali citizens hurt smaller scale Nyishangte traders whose small profits from trade ventures were thus made even smaller by having to pay customs and having to compete with members of other Nepali ethnic groups. But there were many Nyishangte living in Kathmandu who were already well on their way to being highly capitalized businessmen with established trade networks and diverse business interests beyond trade who were hurt less by the expiration of the group's special trade privileges.

16. U.S. military forces in Southeast Asia grew rapidly following the outbreak of the Vietnam War in 1964. U.S. troops in Vietnam peaked at roughly 500,000 personnel from 1967 to 1969, before withdrawing in 1973.
17. In a single incident that occurred in 1994, which I was told was not uncommon at the time, twenty-five Nyishangte street vendors were arrested in Kuala Lumpur. After serving a three-month prison term, they were deported and banned from entering Malaysia for five years. A Nyishangte man involved in this incident told me that he has not gone abroad for trade since his arrest and has no intention of ever returning to Malaysia, even though his five-year ban against entry had ended.
18. Between 1980 and 2000, the annual number of foreign tourists visiting Nyishang grew from 1,813 to 12,777. The 1980 data was taken from Satyal (2000:194), and the 2000 data was provided by the Manang field office of the Annapurna Conservation Area Project.
19. According to Nepal's Ministry of Culture, Tourism, and Civil Aviation, the annual number of foreign tourists visiting Nepal nearly doubled during the 1990s, rising from 254,885 in 1990 to 463,646 in 2000.
20. At the time of my principal research in Manang in 2002, one U.S. dollar bought about 78 Nepali rupees.
21. Households grieving the death of a close relative are permitted to begin the harvesting of their crop fields a day earlier than other households, i.e. on the second day of *chi piba*.
22. For a description of a similar regulation of grass-cutting on communal lands by the residents of Ghunsa village in Nepal's Himalayan highland region of Kanchenjunga, see Brown (1999).
23. The only sale of land in Manang village to outsiders that I am aware of was the sale of a small plot of land to a Kathmandu-based non-governmental organization, the Himalayan Rescue Association, to build and operate a health post serving tourists, porters, and local residents, a transaction that stood to benefit, and thus was generally supported by, the entire community.
24. A similar aversion to selling land to outsiders was found by von Furer-Haimendorf (1975: 168) among highland communities in the Dolpo and Baaragaon regions of Nepal. Like in Manang, these regions have dry climates that force local residents to rely on cooperative systems of communal irrigation, a circumstance that discouraged the sale of land to outsiders who might not be as inclined to cooperate. I suspect that the prohibition against selling land in Manang to outsiders may have originated from similar concerns. Regardless of where it originated from, it has certainly served to preclude outsiders from being able to own or operate tourism businesses in Manang that would compete with those of local residents.
25. Killing wildlife has long been prohibited under Manang community rules. In this case, the offenders were apprehended by members of the Manang community, and an assembly consisting of one representative from each household of the community was gathered to determine their sentence.

Explaining Disparate Economic Success in Highland Nepal 181

26. Since the historic use of rotating credit associations by groups living in Nepal's north-central highlands predates the monetization of their economies, grain was the original means of exchange employed. Although the use of money in rotating credit associations had become predominant by the early 1970s, grain and livestock were still being used in some areas of the north-central highlands as late as the early 1980s (Messerschmidt 1978:155, Vinding 1984:88).
27. If a *dhukuti* member without a sponsoring guarantor does not pay the installment due within one week after the round occurs, then the organizer is theoretically responsible for paying the late installment.
28. In micro-economics, the concept of Bertrand competition comes from a 19th century model of oligopoly competition developed by the French economist Joseph Louis Francois Bertrand (1883) as an alternative to an earlier model by Augustin Cournot. The Bertrand model demonstrates that when competitors of undifferentiated products compete on price alone, have sufficient capacity to meet demand, and cannot collude (explicitly as a cartel or implicitly by exploiting repeated play), then competition will lead to pricing at marginal cost, which means zero profit margins. To avoid or escape from this trap of aggressive price cutting, the competing parties must differentiate their products from their competitors' products (either physically or perceptibly through advertising), form a cooperative pricing cartel (with effective enforcement against cheating), create a situation of under-capacity relative to demand, or have lower cost than their competitors (see, for example, Tirole 1988).

References

- Adams, Vincanne. 1996. *Tigers of the Snow and Other Virtual Sherpas: An Ethnography of Himalayan Encounters*. Princeton: Princeton University Press.
- Adhikari, Krishna Kant. 1975. "A Brief Survey of Nepal's Trade with British India During the Latter Half of the Nineteenth Century." *Contributions to Nepalese Studies*. 2(1): 187-196. Kathmandu.
- Banskota, Kamal and Bikash Sharma. 1995. *Mountain Tourism in Nepal: An Overview*. Kathmandu: ICIMOD.
- Bertrand, Joseph L.F. 1883. "Theorie des Richesses: Revue de Theories Mathematiques de la Richesse Sociale par Leon Walras et Recherches sur les Principes Mathematiques de la Theorie des Richesses par Augustin Cournot." *Journal des Savants*.
- Brower, Barbara. 1991. *Sherpa of Khumbu: People, Livestock, and Landscape*. New Delhi: Oxford University Press.
- Brown, Taylor. 1999. "The Persistence of the Commons in Northeast Nepal." In Martin Price (ed.), *Global Change in the Mountains*. New York, London: Parthenon.

- Burghart, Richard. 1994. "The Political Culture of Panchayat Democracy." *Nepal in the Nineties: Versions of the Past, Visions of the Future*. Michael Hutt (ed). Delhi: Oxford University Press.
- Chhetri, Ram Bahadur. 1986. "Migration, Adaptation and Socio-Cultural Change: The Case of Thakalis in Pokhara, Nepal." *Contributions to Nepalese Studies*. 13(3): 239-259. Kathmandu.
- Cooke, Merritt Todd. 1985a. "The People of Nyishang: Identity, Tradition, and Change in the Nepal-Tibet Borderland." Ph.D. dissertation. Department of Anthropology, University of California at Berkeley.
- Cooke, Merritt Todd. 1985b. "Social Change and Status Emulation among the Nyishangte of Manang." *Contributions to Nepalese Studies*. 13(1): 45-56. Kathmandu.
- Cooke, Merritt Todd. 1986. "Outposts of Trade: Migratory Patterns of the Nyishang Traders of Nepal." *Kroeber Anthropological Society Papers*. 65/66. University of California at Berkeley.
- Fisher, James F. 1990. *Sherpas: Reflections on Change in Himalayan Nepal*. Berkeley: University of California Press.
- Gurung, Harka. 1980. *Vignettes of Nepal*. Kathmandu: Sajha Prakashan.
- Gurung, Harka. 1997. "State and Society in Nepal." *Nationalism and Ethnicity in a Hindu Kingdom: the Politics of Culture in Contemporary Nepal*. In (eds.), David Gellner, Joanna Pfaff-Czarnecka and John Whelpton. Amsterdam: Harwood Academic Publishers, pp. 495 – 532.
- Gurung, Nareshwar Jang. 1976. "An Introduction to the Socio-Economic Structure of Manang District." *Kailash: A Journal of Himalayan Studies*. 4(3): 295-308. Kathmandu.
- Gurung, Nareshwar Jang. 1977. *Socio-Economic Structure of Manang Village*. Masters thesis. Tribhuvan University, Institute for Nepal and Asian Studies.
- Hagen, Toni. 1998 [1961]. *Nepal: The Kingdom in the Himalaya*. 1998 edition. Bern, Switzerland: Kummerly and Frey Geographical Publishers.
- Kohli, Mohan S. 1994 [1962]. *Last of the Annapurnas*. 1994 edition. New Delhi: The Offsetters.
- Manzardo, Andrew E. 1977. "Ecological Constraints on Trans-Himalayan Trade in Nepal." *Contributions to Nepalese Studies*. 4(2): 63-81. Kathmandu.
- Manzardo, Andrew E. 1978. *To Be Kings of the North: Community, Adaptation and Impression Management in the Thakalis of Western Nepal*. Ph.D. dissertation. University of Wisconsin at Madison.
- Manzardo, Andrew E. and Keshar Prasad Sharma. 1975. "Cost-cutting, Caste and Community: A Look at Thakali Social Reform in Pokhara." *Contributions to Nepalese Studies*. 2(2): 25-44. Kathmandu.

Explaining Disparate Economic Success in Highland Nepal 183

- Marechaux, Pascal. 1981. "Deux Maisons de Culture Tibétaine: a Pisang (Nyi-Shang) et a Stongde (Zanskar)." In Gerard Toffin (ed.), *L'Homme et la Maison en Himalaya: Ecologie du Nepal*. Paris: Centre National de la Recherche Scientifique. [Translated to English and republished in 1991 as "Two Houses in the Tibetan Cultural Tradition: in Pisang (Nyi-Shang) and in Stongde (Zanskar)" in *Man and His House in the Himalayas: Ecology of Nepal*. New Delhi: Sterling Publishers.]
- Mathes, Klaus-Dieter. 2001. "The High Mountain Valley of Nar (Manang) in the 17th Century according to Two Tibetan Autobiographies." *Journal of the Nepal Research Centre*. 12: 167-194. Kathmandu.
- Messerschmidt, Donald A. 1978. "Dhikurs: Rotating Credit Associations in Nepal." In James F. Fisher (ed.), *Himalayan Anthropology: The Indo-Tibetan Interface*. The Hague: Mouton
- Messerschmidt, Donald A. and Nareshwar Jang Gurung. 1974. "Parallel Trade and Innovation in Central Nepal: the Cases of the Gurung and Thakali Subbas Compared." In Christoph von Furer-Haimendorf (ed.), *Contributions to the Anthropology of Nepal*. Warminster, England: Aris and Phillips.
- Muhlich, Michael. 1997. "Credit Relations in Nepal: A Preliminary Report on the Khatsara and Manange Kidu Systems." *Contributions to Nepalese Studies*. 24(2): 201-215. Kathmandu.
- Ortner, Sherry. 1998. "The Making and Self-Making of 'The Sherpas' in Early Himalayan Mountaineering." *Studies in Nepali History and Society*. 3(1): 1-34. Kathmandu.
- Parker, Barbara. 1988. "Moral Economy, Political Economy, and the Culture of Entrepreneurship in Highland Nepal." *Ethnology*. 27(2): 181-194.
- Pignede, Bernard. 1966. *Les Gurungs: Une Population Himalayenne du Nepal* [The Gurungs: A Population of the Nepal Himalaya]. Paris: Mouton.
- Pohle, Perdita. 1986. "High Altitude Populations of the Remote Nepal Himalaya: Environmental Knowledge and Adaptive Mechanism (A Study of the Manang District)." *Recent Research on Nepal*. 3: 113-139. Munich: Schriftenreihe Internationales Asienforum.
- Ramble, Charles. 1997. "Tibetan Pride of Place; Or, Why Nepal's Bhotiyas are not an Ethnic Group." In David Gellner, Joanna Pfaff-Czarnecka and John Whelpton (eds), *Nationalism and Ethnicity in a Hindu Kingdom: the Politics of Culture in Contemporary Nepal*. Amsterdam: Harwood Academic Publishers, pp. 379 - 413.
- Regmi, Mahesh Chandra. 1999 [1972]. *A Study in Nepali Economic History: 1768-1846*. Delhi: Adroit Publishers
- Regmi, Mahesh Chandra. 1983. "Customs Exemption for Traders of Manang." *Regmi Research Series*. 15: 67-68. Kathmandu: Regmi Research Institute.

- Regmi, Mahesh Chandra. 1984. *The State and Economic Surplus: Production, Trade, and Resource-Mobilization in Early 19th Century Nepal*. Varanasi, India: Nath Publishing House.
- Richter, Linda. 1989. "Nepal and Bhutan: Two Approaches to Shangri-La." *The Politics of Tourism in Asia*. Honolulu: University of Hawaii Press.
- Rogers, Clinton B. 2004. "The Re-emergence of an Entrepreneurial Community in the Himalayan Highlands of Nepal: Commercial Opportunity, Cooperative Venture Financing, and Competitive Private Enterprise in Manang." Ph.D. dissertation. Department of Geography, University of California at Berkeley.
- Rose, Leo. 1963. "Nepal's Experiment with Traditional Democracy." *Pacific Affairs*. 36(1): 16-31.
- Rose, Leo. 1971. *Nepal: Strategy for Survival*. Berkeley: University of California Press.
- Satyaj, Yajna. 1999. *Tourism in Nepal: A Profile*. Second edition. Delhi: Adroit Publishers.
- Satyaj, Yajna. 2000. *Tourism Monograph of Nepal*. Delhi: Adroit Publishers.
- Schrader, Heiko. 1988. *Trading Patterns in the Nepal Himalayas*. Bielefeld Studies on the Sociology of Development #39. Fort Lauderdale, Florida: Verlag Breitenbach.
- Snellgrove, David L. 1961. *Himalayan Pilgrimage: a Study of Tibetan Religion by a Traveller through Western Nepal*. 1981 edition. Boulder, Colorado: Prajna.
- Stevens, Stan. 1993a. *Claiming the High Ground: Sherpas, Subsistence, and Environmental Change in the Highest Himalaya*. Berkeley: University of California Press.
- Stevens, Stan. 1993b. "Tourism, Change, and Continuity in the Mount Everest Region, Nepal." *The Geographical Review*. 83(4): 410-427. American Geographical Society of New York: New York.
- Stiller, Ludwig F. 1995 [1973]. *The Rise of the House of Gorkha: A Study in the Unification of Nepal, 1768-1816*. Kathmandu: Human Resources Development Research Center
- Stiller, Ludwig F. 1976. *The Silent Cry: the People of Nepal, 1816-1839*. Kathmandu: Sahayogi Prakashan.
- Stiller, Ludwig F. 1993. *Nepal: Growth of a Nation*. Kathmandu: Human Resources Development Research Center.
- Tirole, Jean M. 1988. *The Theory of Industrial Organization*. Cambridge, Massachusetts: MIT Press.
- van Spengen, Wim. 1987. "The Nyishangba of Manang: Geographical Perspectives on the Rise of a Nepalese Trading Community." *Kailash: A Journal of Himalayan Studies*. 13(3-4): 131-277. Kathmandu.

Explaining Disparate Economic Success in Highland Nepal 185

- van Spengen, Wim. 1992. *Tibetan Border Worlds: a Geo-Historical Analysis of Trade and Traders*. Academisch Proefschrift, Universiteit van Amsterdam: Amsterdam. New York: Published in the United States in 2000 by Kegan Paul International.
- Vinding, Michael. 1984. "Making a Living in the Nepal Himalayas: The Case of the Thakalis of Mustang District." *Contributions to Nepalese Studies*. 12(1): 51-106. Kathmandu.
- Vinding, Michael. 1998. *The Thakali: A Himalayan Ethnography*. London: Serindia Publications.
- von der Heide, Susanne. 1988. *The Thakalis of North Western Nepal*. Kathmandu: Ratna Pustak Bhandar.
- von Fürer-Haimendorf, Christoph. 1975. *Himalayan Traders: Life in Highland Nepal*. New Delhi: Time Books International.
- von Fürer-Haimendorf, Christoph. 1983. "Bhotia Highlanders of Nar and Phu." *Kailash: A Journal of Himalayan Studies*. 10(1-2): 63-117. Kathmandu.
- Watkins, Joanne C. 1993. "Spirited Women, Big-Hearted Men: a Study of Gender, Trade and Religion in the Nepal Himalaya." Ph.D. dissertation. University of Wisconsin at Madison.
- Watkins, Joanne C. 1996. *Spirited Women: Gender, Religion, and Cultural Identity in the Nepal Himalaya*. New York: Columbia University Press.
- Zivetz, Laurie. 1992. *Private Enterprise and the State in Modern Nepal*. Madras, India: Oxford University Press.