



Export Potential of Nepal's Silver Jewellery

Challenges and Opportunities



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Trade Promotion Programme
National Trust for Nature Conservation (NTNC)
Complex
Khumaltar, Lalitpur
P O Box 1457
Kathmandu, Nepal
T: +977-1-5555289
F: +977-1-5554593
E: trade@giz.org.np
I: www.giz.de/nepal / www.nepaltrade.org

Commissioned by:



Submitted by:

SAWTEE

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Abbreviations

CEN	European Committee for Standardization
COO	Certificate of Origin
EC	European Council
FHAN	Federation of Handicraft Association of Nepal
FNCCI	Federation of Nepalese Chambers of Commerce and Industry
FTEE	Full Time Equivalent Employment
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
HS Code	Harmonized Commodity Description and Coding System
ITC	International Trade Centre
JETRO	Japan External Trade Organization
JVC	Jewellers Vigilance Committee
L/C	Letter of Credit
MAI	Market Attractiveness Index
MAPs	Medicinal and Aromatic Plants
MEDEP	Micro Enterprise Development Programme
MoCS	Ministry of Commerce and Supplies
MSMEs	Micro, Small and Medium Enterprises
MT	Metric Tonnes
NTIS	National Trade Integration Strategy
SPS	Sanitary and Phytosanitary
SWOT	Strength, Weakness, Opportunity and Threat
TEPC	Trade and Export Promotion Centre
UAE	United Arab Emirates
UN	United Nations
USD	US Dollar

Chapter 1

INTRODUCTION

Background

Nepalese silver jewellery is famous across the world for its quality and artistic designs. Silver ornaments from Nepal are exported to various countries around the world as high value articles of its trade basket, generating income to the producer and valuable foreign exchange to the government.

Nepal's silver handicraft designs are centuries old.¹ The Shakya and Sunar families, primarily in Kathmandu Valley, have been producing silver jewellery since ancient times. Current estimates suggest that Nepal produces around 15-20 metric tonnes (MT) of silver jewellery each year with an annual production capacity estimated to be around 50 MT (MoCS 2010). The latest data from Trade and Export Promotion Centre (TEPC) says that Nepal exported silver items (HS Code 7113) worth \$1.37 million in 2012-13 with 527 firms and companies directly involved in their production. Around 10,000 craftsmen took part in it with an estimated full time employment of 6,700 (MoCS 2010). Due to significant exports as well as its socio-economic importance, the Nepal Trade Integration Strategy (NTIS) 2010 included silver jewellery as one among 19 prioritized goods and services slated for export promotion. The NTIS has identified silver jewellery as a sector with medium overall export potential and medium socio-economic impact.

Although the world market for silver jewellery is continually growing, Nepal has not been able to exploit the growth in a commensurate manner. Several supply side constraints need tackling to observe any notable rise in its export data (MoCS 2010).

The national policies of Nepal identify trade as an important vehicle for driving economic growth.² Additionally, it has been recognised that inclusiveness and poverty reduction should be important elements of any trade/growth policies. Hence, trade policies and strategies, including the NTIS, have identified several key areas of intervention in sectors with high export potential and socio-economic impact.

Various development partners accept NTIS 2010 as the strategic document to guide their plans to support Nepalese trade development initiatives. The German International Cooperation (GIZ) is one such partner. After consultation with the Ministry of Commerce and Supplies (MoCS), it

¹ Unofficial reports claim that the Shakya and Sunar communities had mastered the craft of jewellery making in Sixth Century B.S. (<http://www.nepalhomepage.com/nepali-silver-jewellery.html>).

² Because trade (goods as well as remittances) forms more than 40 per cent of Nepal's total GDP, it points to the fact that future trade integration and expansion have to be one of the key drivers of 'inclusive growth' in Nepal (MoCS, National Trade Integration Strategy, 2010). The previous plan document too had identified trade as one of the strategic pillars (GoN, 12th Three Year Plan, 2010),

began supporting initiatives related with silver jewellery, along with Medicinal and Aromatic Plants and Essential Oils and Honey, to enhance their value chains and export potential.

Objectives of the Study

The objective of this study is to identify the current production and market conditions of silver jewellery, to detect problems and challenges afflicting the sector and to provide a set of recommendations to address those problems and challenges.

Methodology

The current study is an update on the situation of silver jewellery in Nepal that was conducted by SAWTEE in 2011.³ First, this study analyses existing laws, plans and policies, regulations and strategies relating to the handicraft and silver jewellery. Second, it carries out the sector's market analysis based on secondary, both international as well as national, data. Third, export related problems of the sector, with emphasis on non-tariff barriers, unearthed by in-depth interviews and a Focus Group Discussion (FGD), are presented. Finally, recommendations, based on a Public-Private Discussion (PPD), to improve the export performance of silver jewellery are forwarded.

Limitations

Paucity of time and limitations of resources required SAWTEE to concentrate its field-based investigations only in Kathmandu Valley. Problems of silver traders, artisans and other stakeholders outside the valley are not represented here. Although the study has tried to encompass stakeholders from a wide spectrum, it might have missed the concerns of some stakeholders that the study team did not meet and interact with. Regarding secondary data, their validity has not been tested and the study has assumed that data derived from these sources are authentic and accurate. Also, exports here do not include 'deemed exports' in the form of jewellery purchased by tourists and taken abroad.

³ The earlier study can be found [here](#).

Chapter 2

REVIEW OF LAWS, REGULATIONS, PLANS AND POLICIES

This chapter covers various legal frameworks, plans and policies being implemented in Nepal to improve the performance of silver jewellery exports. Nepal does not have specific legal provisions and regulations relating to production and trading of silver jewellery as such. They are found embedded in regulatory documents that encompass a wider sector like handicraft or small enterprises.

Periodic Plans

The periodic plans, also discussed in the last study, do not underline any specific policies relating to the silver jewellery sector. However, like already mentioned, there are various policies and strategies in the plan which are directly relevant to the industry.

The 12th Plan (2067/68-2069/70) focused mainly on the copyright mechanism to protect and promote the intellectual property of Nepal's workers/entrepreneurs including the establishment of a body responsible for that. The document included policies to promote the development of infrastructure and market access for MSMEs that includes silver jewellery. There were credit provisions and steps to simplify rules and procedures for exports related with small firms. Apart from prescribing the establishment of a quality control and certification agency, it also recommended the strengthening of existing agencies. Importantly, the plan also targeted the preservation of traditional skills, practices and products. It promised to increase their access to markets abroad through promotional activities (NPC 2010).

The latest edition of the plan, Three Year Plan (2070/71-2072/73), prescribes protection of intellectual property rights of Nepal's traditional craftsmen and expansion of credit to these enterprises. The plan also calls for the simplification of rules and procedures, improvements in institutions set up for export facilitation and better market access for products identified by the NTIS. It recommends the construction of an exhibition centre of international standard by involving the private sector so that Nepal's traditional industries, including silver jewellery, can be promoted better (NPC 2013).

Industrial Policy-2011

The provisions made by the Industrial Policy regarding silver jewellery can be classified into three categories.

1. **Provision of Services:** The policy encourages further extension of credit via agencies like Micro Enterprises, Cottage and Small Industries Development Fund, Rural Self-Employment Fund, Equity Fund, Credit Guarantee Fund etc. Further, it prescribes programmes to assist entrepreneurship, marketing and research, skills development and adoption of technology.

2. **Financial Incentives:** This industry qualifies for various financial incentives as it allows more than 30 per cent value addition. It is also entitled to
 - a. claim a rebate of five per cent on its total taxable income;
 - b. claim an additional one-third depreciation of fixed assets while calculating the taxable income;
 - c. claim exemption of excise and value added taxes, duty drawbacks and duty in machinery used for export production.

The industry can also deduct from its taxable income expenses incurred while registering its intellectual property rights. Similarly, according to the policy, 50 per cent of the expenses of registering intellectual property rights abroad by any silver jewellery exporter shall be borne by the Government. Furthermore, the silver industry can claim as much as 50 per cent income tax exemption as a Schedule-6 Cottage Industry and a total income tax exemption if it qualifies as a Micro Enterprise as defined by the policy.

3. **Market promotion:** As one of its major objectives, the policy recognizes the need for protection of Nepalese craftsmen's intellectual property rights. It recommends the establishment of a separate entity, or a Board for Protection of Intellectual Property Rights, as a measure to achieve that. Cases of infringement of Nepalese craft copyrights have been found calling for the strengthening of Nepal's IPR capacity regarding silver jewellery.

Trade Policy 2009

The major objective of Trade Policy 2009 is to support economic development and poverty alleviation initiatives by boosting the contribution of trade to the national economy. The policy identifies handicraft as one of the most important products to help achieve its objectives. It proposes various working policies as well as strategies to improve the productivity and export potential of the sector. The policy offers a strategy to establish a product development fund, in collaboration with the private sector and cooperatives, to provide support for transportation and storage of handicraft products. It envisages product development programmes, support for quality improvement, establishment of permanent exhibition-cum-sales counters at major tourist spots to enhance handicraft sales and export.

There are two sets of policies which are specifically relevant to the silver jewellery industry in Trade Policy 2009. First, the policy has placed handicrafts in the list of products under "**special focus area**" which makes it qualified to benefit from certain special programmes and policies.

Programmes identified by Trade Policy 2009 for "Special Focus Areas"

- Conducting programs in collaboration with FHAN, and with the support of Government of Nepal, for research activities and trainings on product diversification, designing, quality development and market assurances to handicrafts, and establishing the Handicrafts Design and Development Centre, as an institution to provide services on designing;

- Simplifying the payment system in handicrafts export via review of current procedures of exports against advance payment and letter of credit (L/C), and arrangement of special provisions to allow imports of samples, and purchases under buy back L/C and exports under buy-back arrangement;
- Making arrangement for exports of handicrafts on the basis of documents against payment;
- Provisions to be made to refund duty based on a flat-rate specified in proportion to the export value for making duty drawback practical and effective;
- Making a pool of all government agencies such as customs house, Department of Archaeology, security police and others at one place to facilitate one-time customs inspection and sealing;
- Making archaeological inspection of handicraft products hassle-free and simple in coordination with concerned agencies.

Second, there are specific policies for silver and gold jewellery.

Programmes for promotion of silver and gold jewellery by the Trade Policy

- Simplification of import of raw materials required to produce ornaments and making such imports duty-free by adopting a separate special policy for the production, development and export promotion of precious and semi-precious gems and stones, and gold and silver ornaments;
- Encouragement to mining and extraction of precious and semi-precious gems and stones required in the production of jewellery in the country itself;
- Waiver of taxes and customs duty on the import of machinery and tools necessary for industries producing and exporting precious and semi-precious stones and ornaments;
- Encouragement of production of ornaments by focusing on specific markets;
- Carrying out additional promotional activities for exports through provisions of capital necessary for producing and maintaining sufficient stock of various types of gems and stones, and gold and silver ornaments;
- Provision of trainings to craftspersons of gold and silver ornaments in order to enhance their skills.

Source: (MoCS 2009)

Nepal Trade Integration Strategy

Silver jewellery has been identified as one of the 19 products for export promotion by the National Trade Integration Strategy (NTIS). The strategy recognizes the poor business environment in the country and that it has encouraged informal trade of silver jewellery in substantial quantities. It, therefore, identifies the need for development of better market structures for silver jewellery.

For the short-run, the NTIS encourages the extension of support via introduction of modern equipment and tools for the promotion of silver jewellery exports. For the longer run, the strategy recognizes the sector's supply side constraints prompting it to express the intention to conduct programmes like training of craftsmen beyond Kathmandu Valley on the use of modern tools, equipment and production methods. The strategy also envisages establishment of

linkages between rural craftsmen and exporters in Kathmandu and strengthening the marketing capabilities of exporters.

The study identified the following strengths; weaknesses, opportunities and threats (SWOT) in the silver jewellery sector.

Based on the SWOT analysis carried out in the report, the study has suggested the following actions to be taken in the silver jewellery sector.

Action Plan identified by the NTIS for promotion of silver jewellery

Product and Technology

- Encourage the establishment of internationally accredited testing laboratories for precious metals and gemstones.
- Encourage the improvement of jewellery production through (a) creation of a jewellery school responsible for research and development (R&D) and training, (b) matching fund to support investment in modern tools, equipment, etc. to upgrade quality, (c) dissemination of information on technology, production process, raw materials, modern tools, equipment, market, designs, etc.
- Encourage private firms and companies to hold dialogue and cooperate with government for immediate improvement of product.
- Reduce duties and taxes on import of equipment and tools.
- Develop gold, platinum, white gold, and titanium jewellery.

Market Access

- Facilitate Nepal's participation in specialized international trade fairs and exhibitions.
- Undertake periodic market research and disseminate findings to manufacturers and exporters.
- Organize buyer-seller meetings in Kathmandu and major markets abroad.
- Promote export of jewellery to India by including a special provision under the bilateral trade treaty

(MoCS, National Trade Integration Strategy, 2010).

Chapter 3

INTERNATIONAL TRADE OF SILVER JEWELLERY

HS Classification

“Silver jewellery” has been classified under HS Code 71 describing the term as “Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin”. At the 4 digit level, silver jewellery is further classified as belonging to HS Code 7113. An even further classification, as per the 6 digit code, is tabled below⁴:

Table 3.1: Classification of jewellery items according to their HS Codes

7113	Articles of jewellery and parts thereof
711311	Articles of jewellery and parts thereof of silver whether or not plated/clad with other precious metal
711319	Articles of jewellery and parts thereof of other precious metal whether or not plated/clad with precious metal
711320 ⁵	Articles of jewellery and parts thereof of base metal clad with precious metal

International Trade of Silver Jewellery

In 2013, total world exports of jewellery items, classified as such by HS Code 7113, was around US\$ 100 billion. Barring a marginal fall in imports in 2013, growth of trade in this category has been impressive since 2010. The average annual growth rate in value of exports of jewellery between 2010 and 2013 remained 20.91 per cent. This rise in value is supplemented by a 67 per cent annual growth in the quantity of imports during the period. As can be seen from Table 3.2, all items under HS Code 7113 have shown a healthy growth in global exports.

Table 3.2: Trend of International Trade of Jewellery items (in USD 000)

Product code	2010	2011	2012	2013	Average growth 2010-2013
7113	59,064,523	82,329,419	105,819,065	100,325,103	20.91
711319	52,425,047	74,548,686	98,332,912	93,199,592	22.96
711311	6,029,901	7,362,111	7,208,103	6,809,075	4.82
711320	609,560	418,616	278,046	316,437	-17.03

Source: Trademap (www.trademap.org)

⁴ Review is done up to the 6 digit level. The 8 digit level is not included in the analysis.

⁵ While it is apparent from the table that only 711311 describes silver jewellery and the remaining two items, namely 711319 and 711320, do not explicitly mention the requirement of silver in jewellery and can cover other precious metals such as gold and platinum and base metals, it has to be emphasized that jewellery items plated/clad with silver also fall under these two HS Codes. Study of the two additional items is further justified by the NTIS' suggestion for a possible exploration of other items of jewellery.

Except in 2013, the export market of silver jewellery (711311) also grew over the same period. The item registered an average annual growth of over 4.82 per cent between 2010 and 2013. It is apparent that the overall trend of the sector has remained positive over the years. The largest growth was seen in articles of jewellery made from other precious metals, the export of which rose from an already substantial annual rate to 26.68 per cent in the years mentioned above.

Major Exporters/Importers of Jewellery

Thailand has remained the most important exporter of silver jewellery in the world. Over the years, its share of world exports has consistently hovered above 20 per cent. Since the last study, while the overall composition of the exporters has not changed drastically, a notable development has been witnessed with the rise of India as a global exporter of silver jewellery items. Since 2009, India has managed to increase its share of global exports from 5.8 per cent of total global exports to more than 15 per cent within a short span of five years⁶. The Indian success story can be an important case study for Nepal in its quest to improve its own export performance in this area. Nepal's share of exports has remained less than one per cent.

Table 3.3: Major exporters of articles of jewellery and parts thereof of silver (711311) (in USD 000)

Rank	Exporters	Exported value in 2010	Exported value in 2011	Exported value in 2012	Exported value in 2013
	World	6,029,901	7,362,111	7,208,103	6,809,075
1	Thailand	1,304,769	1,540,374	1,519,447	1,603,649
2	India	356,667	720,167	923,994	1,029,908
3	China	564,178	625,864	681,116	861,313
4	Italy	759,502	876,073	756,263	739,042
5	Germany	319,799	425,282	390,053	629,444
6	USA	274,966	394,539	434,246	486,773
7	Hong Kong	794,111	956,198	841,287	169,246
8	Turkey	84,327	103,106	111,343	103,993
9	Spain	62,208	114,017	110,236	101,916
10	France	75,175	74,336	71,623	80,641
66	Nepal	3,935	3,541		562

Source: *Trademap* (www.trademap.org)

China has emerged as the largest exporter of jewellery items, other than silver (711319). Its share in world exports has risen from a mere 4.68 per cent in 2009 to more than 30 per cent in 2013. This improvement is even more impressive, considering that the volume of 711319 trade was already significantly high to start with. Besides China, India, the US, Switzerland, Hong Kong, United Arab Emirates, Italy and United Kingdom are other large exporters of articles of jewellery other than silver.

⁶Based on author's calculation from the Table.

Table 3.4: Articles of jewellery and parts thereof other than silver (711319) (in USD 000)

Rank	Exporters	Exported value in 2010	Exported value in 2011	Exported value in 2012	Exported value in 2013
1	China	4,211,281	9,449,109	22,209,234	28,034,769
2	India	7,476,716	13,659,901	17,276,723	9,572,682
3	United States of America	5,207,198	6,611,336	7,709,930	9,204,975
4	Switzerland	4,766,318	6,850,969	7,851,916	8,981,537
5	Italy	4,523,496	5,143,258	5,433,764	6,188,317
6	United Kingdom	3,820,510	4,490,205	5,196,766	4,306,252
7	France	1,847,871	2,888,703	3,163,050	3,756,520
8	Singapore	2,464,303	2,448,848	3,163,790	3,370,850
9	Turkey	1,445,411	1,846,646	2,564,377	3,307,239
10	United Arab Emirates	1,075,653	1,445,779	5,645,999	2,565,041

Source: Trademap (www.trademap.org)

Rise in China's share has been accompanied by a fall in Italy's share of exports. Italy was consistently among the best three exporters of jewellery items till 2010, along with the US and India. While it has managed to sustain its level of exports over the years, it has failed to capture the rising demand of the jewellery market. As per the Comtrade database, after a dramatic fall in performance in 2010, Nepal's export of articles of jewellery, other than silver, has improved since. Yet, Nepal has not been able to capitalise on the growing world jewellery market which is highlighted by the fact that Nepal's share of exports was less than 0.0001 per cent in 2012⁷.

Table 3.5: Articles of jewellery and parts thereof of base metal clad with precious metal (711320) (USD 000)

Rank	Exporters	Exported value in 2010	Exported value in 2011	Exported value in 2012	Exported value in 2013
1	USA	331,000	110,745	35,149	57,988
2	Italy	70,843	48,645	34,755	53,666
3	Singapore	13,272	37,937	41,285	31,611
4	France	12,159	28,534	24,940	23,669
5	Hong Kong	867	1,443	3,059	21,219
6	Indonesia	52,433	45,851	9,746	18,325
7	Brazil	9,774	22,727	24,906	18,325
8	Spain	17,046	16,088	15,796	12,102
9	Thailand	18,405	12,551	14,736	11,781
10	Ireland	12,011	12,978	12,704	11,680

Source: Trademap (www.trademap.org)

⁷Based on author's calculations.

The export value of items under 711320 has declined 48 per cent between 2010 and 2013. A secular and consistent decline in demand since 2009 has impacted the US exports dramatically over the years. However, countries other than the US, i.e. Singapore, Italy, France, Brazil, Spain and Thailand, have managed to improve their export position. Nepal's exports have also declined. Considerable improvement is required if Nepal is to improve its performance in trade of jewellery articles clad with precious metals.

Table 3.6 Major importers of silver jewellery (711311)

Rank	Importers	Value of imports in 2013 (USD thousand)	Annual growth in value 2009-2013 (%)	Share in world imports (%)
1	USA	2,219,160	9	31.3
2	Hong Kong, China	794,267	34	11.2
3	Germany	617,130	16	8.7
4	United Kingdom	430,829	7	6.1
5	United Arab Emirates	311,763	61	4.4
6	Canada	263,548	22	3.7
7	Italy	219,005	27	3.1
8	France	218,424	4	3.1
9	Australia	191,195	8	2.7
10	Japan	180,372	-1	2.5

Source: *Trademap* (www.trademap.org)

The United States of America has remained the largest importer of silver jewellery in the world with a share of more than 30 per cent. Hong Kong, China has emerged as another important world market for silver jewellery. In the given period, its share of imports rose from less than nine per cent of global imports to more than 11 per cent in a span of just four years. The table shows that the largest importers' demand for silver jewellery is rising, some of them faster than others. Besides the US and Hong Kong, other markets like UAE, Canada and Italy are also growing in a rapid pace.

Nepal's Jewellery Trade Performance

As highlighted in the tables, the share of Nepalese exports of jewellery of various categories in global exports remains insignificant. With less than one per cent share in all the three categories, its performance on jewellery other than silver (711319) remains particularly poor. While the demand for jewellery, especially 711319, has been rising in the international market, Nepal's performance in this regard leaves much to be desired.

Table 3.7: Exports of jewellery products by Nepal (in USD 000)

Items	2010		2011		2012		2013		Annual change (%) ⁸
	QTY (in kg)	Value							
7113	377,741	4,051	411,502	3,60	434,055	2,178	403	1,667	-27.66
711311	281,495	3,946	389,114	3,563	428,081	2,095	356	1,570	-26.05
711319	94,848	94	12,178	35	5,460	7	47	97	253.59
711320	1,398	10	10,210	5	514	75	0	0	249.69

Source: *TEPC (www.tepc.gov.np)*

Table 3.7 shows that the 711311 type of silver jewellery remains the most important product for Nepal under the 7113 category. More than 94 per cent of Nepal's silver jewellery export falls under this category. Nepal's diversification of exports within this product category has also declined and it is increasingly becoming dependent on silver jewellery exports.

Most importantly though, there has been a gradual fall in both value as well as volume of Nepal's jewellery exports. Since 2010, value has been falling by 27.66 per cent per annum with the most important silver jewellery category, 71131, alone falling by 26.05 per cent. The volume too has fallen by 10.71 per cent and 6.11 per cent respectively. Keeping in mind that the world demand for silver jewellery is rising (see Table 3.2), there is an urgent need to put necessary corrective measures in this regard.

Table 3.8: Major export destination of Nepalese silver (711311) (in USD 000)

S. N	2010		2011		2012		2013	
	Country	Value	Country	Value	Country	Value	Country	Value
1	U.S.A.	2,486	U.S.A.	1,762	U.S.A.	925	U.S.A	863
2	China	416	Japan	417	Canada	241	Japan	190
3	Japan	295	Canada	280	Germany	175	Germany	131
4	Canada	183	Netherlands	213	Japan	161	Canada	91
5	Germany	153	Germany	196	France	129	Italy	64
6	Netherlands	131	Italy	141	China	107	Australia	36
7	France	85	France	133	Netherlands	76	U.K.	36
8	U.K.	75	Hong Kong	88	U.K.	74	Netherlands	35
9	Italy	71	China	84	Hong Kong	55	France	34
10	Switzerland	15	U.K.	75	Italy	54	China	26
	Total	3,946	Total	3,563	Total	2,095	Total	1,570

Source: *TEPC (www.tepc.gov.np)*

Table 3.8 shows that the U.S.A has remained the most important market of exports of silver jewellery for Nepal over the years with almost 55 per cent going there. Canada, Japan,

⁸ Change per year in terms of value.

Germany, Netherlands, Italy, and Hong Kong have been other important markets for Nepal. Many of these are also the largest importers of the world with some of the fastest growing markets.

Since Nepal already has a presence in some of the most important and fastest growing markets in the world, investments in searching for new markets are not necessary. But, corrective measures must be taken to increase the penetration of Nepalese products in these existing markets.

Potential export destinations for Nepal's silver jewellery

Nepal's poor performance in the international market cannot be attributed to tariff barriers by the importing countries. Nepal faces almost zero tariffs in its most important markets, according to **Table 3.9**. Except for United Arab Emirates, nine major markets for Nepalese exports face no tariffs. In fact, Nepal enjoys tariff advantages over countries like Thailand, India, and China while exporting silver jewellery to most of the countries. Based on tariff advantage alone, this author reckons that USA, Japan, Canada and Australia are the most attractive markets for Nepalese silver jewellery based articles. However, taking a holistic approach based on the Market Attractiveness Index (MAI) developed by the NTIS, which takes into account the global market share, growth rate of import as well as tariff advantages enjoyed by Nepal, United Arab Emirates is the most attractive and important market for Nepal closely followed by USA and Hong Kong. Canada and Italy constitute the other important markets for Nepal.

Table 3.9: Attractive markets for silver jewellery exported by Nepal⁹ (updated as per 2013 data)

Rank	Country	World Market share (%)	Growth rate (2008-2012) (%)	Tariff for Nepal (%)	Average Tariff applied (%)
1.	United Arab Emirates	4.4	61	5	4.6
2.	USA	31.3	9	0	3.6
3.	Hong Kong	11.2	34	2	0.00
4.	Canada	3.7	22	0	2.8
5.	Italy	3.1	27	0	0.60
6.	Germany	8.7	16	0	0.60
7.	United Kingdom	6.1	7	0	0.60
8.	Australia	3.04	5	0	3.3
9.	France	2.7	8	0	0.6
10.	Japan	2.5	-1	0	3.9

Source: Trademap

⁹ The rank has been derived on the basis of MAI developed by the NTIS. Here, share in world market, growth rate of the markets and tariff advantages enjoyed by the country have been given 30 per cent, 50 per cent and 20 per cent weights respectively. Tariff advantage has been calculated on the basis of difference in tariff between Nepal and its five most important competitors in the destination countries.

The European market is one of the most vibrant markets for Nepalese exporters. Hence, it is important to understand the changing economic dynamics in various European countries. Owing to a slowdown of production in the EU over the years, its demand for silver jewellery has been largely met by imports. In the EU, UK, Denmark and Greece have the highest silver consumption per capita, followed by Sweden, Finland, the Netherlands, France, Spain and other members of the Union. The consumers in these countries are more perceptive to new jewellery trends and ready to adopt new collections. This makes them good destinations for possible exports by Nepal (CBI 2011).

According to total market size, France, Germany and UK are the largest consumers of silver jewellery. For jewellery with stones, Italy and Spain are important. Recently, Eastern European markets have also shown a keen interest in purchasing more jewellery items. Countries like Poland, Romania, and the Czech Republic are fast growing markets (CBI 2011).

Table 3.10: Comparison of European demand, production and imports of silver jewellery from Developing Countries (€ million)

	Total demand		Total production **		Total imports		Imports from DCs		Share of DCs in total imports	AI
	Value 2010	CAGR* 2006-'10	Value 2010	CAGR* 2006-'10	Value 2010	CAGR* 2006-'10	Value 2010	CAGR* 2006-'10		
Germany	393	2.7%	204	-3.2%	291	15.5%	224	14.8%	77%	+++
Denmark	59	1.2%	107	-4.0%	202	8.1%	185	8.7%	92%	++
UK	389	0.8%	117	-2.7%	283	18.6%	121	8.4%	43%	++
France	644	5.3%	101	-4.0%	166	12.4%	70	10.9%	42%	+++
Italy	321	1.2%	709	1.6%	87	8.0%	41	0.9%	48%	++
Netherlands	118	2.2%	20	2.8%	50	3.7%	38	3.2%	75%	++
Spain	268	-0.1%	126	2.2%	109	2.0%	29	1.4%	27%	+/-
Poland	97	3.7%	79	-7.1%	41	16.9%	25	23.9%	60%	+++
Sweden	113	-2.3%	54	-1.9%	25	-4.8%	12	8.5%	49%	+
Greece	121	-3.0%	82	-3.8%	18	-1.4%	8	-6.9%	42%	-
Austria	90	5.1%	41	-2.1%	48	19.5%	7	2.6%	14%	+++
Belgium	67	2.5%	13	0.8%	29	15.7%	7	11.5%	23%	++
Portugal	60	-1.1%	24	-7.4%	32	1.9%	6	1.6%	18%	-
Czech Rep.	41	2.9%	20	5.8%	12	2.6%	5	3.3%	45%	++
Finland	62	3.1%	46	-1.5%	13	5.1%	5	6.4%	38%	++
Ireland	72	-2.3%	27	4.6%	25	1.1%	4	0.8%	18%	-
Cyprus	11	-2.1%	5	-3.6%	4	9.3%	2	8.1%	44%	-/+
Hungary	21	1.4%	7	-4.8%	4	6.2%	2	-1.6%	43%	+
Lithuania	12	2.8%	10	5.2%	4	-1.7%	2	-3.0%	45%	+
Slovakia	22	1.0%	11	1.7%	3	-8.3%	1	-1.7%	44%	-/+
Bulgaria	16	6.2%	10	8.2%	2	na	1	na	75%	++
Estonia	5	-1.9%	2	-4.4%	1	0.6%	1	2.5%	47%	-/+
Latvia	7	-2.8%	3	8.0%	2	-9.5%	1	-7.1%	29%	-/+
Slovenia	10	-4.6%	9	-6.3%	1	6.9%	0	2.0%	32%	-
Malta	5	-4.1%	2	-3.0%	1	-1.8%	0	6.6%	25%	-
Luxembourg	7	4.9%	1	0.0%	4	11.3%	0	-14.8%	1%	+
Romania	34	9.0%	29	9.8%	0	-	0	-	-	++
EU 27	3,065	1.9%	1,859	-1.0%	1,457	15.5%	797	14.8%	55%	

* Compound annual growth rate

** Production figures for 2010 are partly estimated.

Source: Table taken from (CBI 2011)

Chapter 4

REGULATORY POLICIES IN IMPORTING MARKETS

This section of the study is dedicated to analysing various standards and quality requirements set up by the importing countries/regions regarding the manufacture/sale/imports of silver jewellery.

Europe

Europe is one of the major destinations of Nepalese silver exports. It is therefore imperative for Nepalese exporters to comply with the quality requirements of various European legislations. In the past, Nepalese silver exports were under the threat of the SPS requirements in the EU. Very recently, the EU banned silver jewellery items from Nepal as they were found to have contained cadmium exceeding 0.01 per cent in total volume.

There has been acceptance among the exporters that prevalence of cadmium has damaged the reputation of Nepalese exports in the European markets as this has been one of the major reasons for falling exports of Nepalese silver products in Europe. **Table 4.1** highlights some of the major legislations in the EU regarding the safety and sanitary and phytosanitary requirements for the export silver jewellery in the region.¹⁰

Table 4.1:

Legislation	Source	Brief Description
Chemicals REACH	Regulation (EC) 1907/2006	The REACH regulation relates to chemicals and their safe use for existing and new substances. This new directive replaces 94/27/EEC or 76/769/EEC It restricts the use of cadmium. This legislation is especially relevant for silver jewellery that is combined with plastic or artificial material that uses cadmium as plastic pigments, stabilizers, or as a coating.
Product Safety	Directive 2001/95/EC	This directive prohibits the placing on the market of products that pose a risk to EU consumers' health and safety caused by dangerous substances or by their construction design.
Nickel in piercings, ornaments and clothing accessories REACH	Regulation (EC) 1907/2006	The EU has set limits for the nickel content in products coming in contact with the skin. This regulation limits the <i>nickel content</i> in silver that is in direct contact with the skin. This applies to all jewellery types – rings, earrings, bracelets, bangles

¹⁰ The table only mentions various legislations prevalent. Details on the requirements can be found in the respective links presented.

		and neckwear –particularly to piercings.
CASE: Safety of children’s clothing, including jewellery	Directive 2001/95/EC. European standard EN 16682:2007	Although there is no specific legislation on this, the European Committee (CEN) has developed a standard to consider chords and drawstrings on clothing and jewellery intended for children up to age of 14.
Cadmium in several products	Regulation (EC) 1907/2006	This legislation restricts the use of cadmium, which among other uses, are used in PVC coatings or prints for charms or beads to give colour.
Additional national legislations		
Austria	The Ordinance on Formaldehyde	The legislation is applicable to textile products containing formaldehyde, which can provoke a range of allergic reactions. This is relevant when using textile or ribbons in jewellery.
Denmark	Statutory Order no. 627 of 2003 Statutory Order no. 1082 of 2007	Denmark has set national legislation on mercury and mercury compounds in silver jewellery. Denmark has set national legislation on the restriction of metallic lead (max 100 ppm mg/kg) in imported silver jewellery.
Germany	LFBG	Germany has set national legislation on hexavalent chromium (Cr(VI)) in leather and textile products/jewellery
The Netherlands	Decree on products containing mercury of the Environmental Protection Act.	The Netherlands has additional legislation concerning the prohibition of mercury (compounds) in silver jewellery.
Sweden	Statutory Order no. 512 of 2005	Sweden has set national legislation on mercury and mercury compounds in silver jewellery.

Table taken from (CBI, 2011)

United States of America and Canada

A guide published by the Jewellers Vigilance Committee (JVC), details the standards to be followed by traders of silver jewellery in the United States (Mead, 2010 December). The guide is based on the requirements prescribed by three national regulations of the country applicable to jewellery manufacture and trading, namely:

1. The National Gold and Silver Stamping Act
2. The Federal Trade Commission Guides for the Jewellery, Precious Metals and Pewter Industries
3. Voluntary Product Standard (VPS) PS 68-78

According to these regulations, the manufacturers/traders are required to identify the fineness of the quality of the silver jewellery¹¹. While it is not mandatory to stamp the quality on the item

¹¹Sellers of silver objects can use the terms “solid silver” or “sterling silver” when they contain at least 925 PPT (parts per thousand) pure silver. Manufacturers are permitted a 4/1000’s PPT tolerance for the silver content in

itself, it should be stated either on the invoice, on a hangtag, or on other descriptive material accompanying the piece. If the manufacturer/trader chooses to quality stamp the jewellery item made of gold or silver, the law requires that a federally registered trademark be placed in close proximity to the quality stamp (JVC).

With regards to the safety regulations, the USA Children's Jewellery Regulations ([Ref. CPSC Section 101](#)) has restricted lead content in children's jewellery declaring that they must not contain more than 0.03 per cent (300 ppm¹²) of the substance. Several US states, like California, have placed additional restrictions on the prevalence of lead in jewellery. Similarly, the Canadian regulations, too, restrict both the content and migration rate for lead. The limits are 600 mg/kg (equivalent to 0.06 per cent, or 600 ppm) total lead and 90 mg/kg (0.009 per cent, 90 ppm) leachable lead (Canada Consumer Protection Safety Act, Children's Jewellery Regulations).

While there is no national legislation prohibiting the use of cadmium in the US; various states have introduced their own legislations on the use of cadmium, lead and other harmful substances. California, Connecticut, Minnesota and Illinois restrict the limit of cadmium to 0.03 per cent or 300ppm (Mead, 2010 December). Canada has also proposed a guideline for cadmium content in children's jewellery which would limit total cadmium to 130 mg/kg (Canada Consumer Protection Safety Act, Children's Jewellery Regulations).

Japan

Although Japan does not impose any restriction on the import of jewellery and accessories, products that use certain species of wild fauna and flora can be restricted or prohibited provided it has been established that the fauna and flora have been listed as endangered in their country of origin, preferably by CITES. Similarly, in order to protect intellectual property rights, and also to protect the consumers from possible cases of fraud, the sale of precious metal and jewellery is subject to provisions of the Act against Unjustifiable Premiums and Misleading Representation.

Japan's Customs Tariff Act also protects intellectual property rights and, therefore, infringement of these acts may lead to confiscation or destruction of the product at the customs and subject the violator to criminal penalties, including fines and imprisonment. Similarly, the Act against Unjustifiable Premiums and Misleading Representations prohibits improper, exaggerated, or false labelling. The act covers labelling with regards to quality, brands, or the actual country of origin. Similarly, under the Act on Promotion of Effective Utilization of Resources, if and when paper or plastic bags are used as a packaging material for the wrapping of individual product items, or for labels, an identifier of the product and the company name must be displayed at least on one spot on the side of container.

Other provisions relate to the quality of the silver jewellery and are voluntary in nature. For instance, upon the request from the importer, the Japan Mint conducts quality tests for grading

jewellery as described in the above silver chart. If the jewellery you are assaying contains solder, the tolerance for silver product is 10/1000th PPT.

¹²Parts Per Million.

the jewellery, and put on “Hallmark” stamps, provided the metal meets the quality established by the Japan Mint. Although the system is voluntary, it is an established practice and therefore, importers, as well as local producers tend to get their products certified this way. Similarly, the Japan Jewellery Association also has its own quality marking system, which again is voluntary but is widely accepted as true representation of quality of the jewellery. In addition to this, if the product in question, including silver jewellery, causes any damages to human life, the importer is responsible for compensating those damages. Therefore, potential risks, like skin allergy should be highlighted in instruction manuals and warning indications.

Examples Related to the Required Health Warnings
<ul style="list-style-type: none">• Depending on your health conditions, you may experience itchiness or rashes. If you find any abnormality with your skin, please stop using the product and contact a medical specialist.• Please take off your jewellery when engaging in physical labour, active sports, or when sleeping, taking care of infants, since it may cause harm to the human body.• Please do not wear jewellery at places of high temperature such as sauna, or of extremely low temperature such as ski resort, since it may cause a burn injury or frostbite.

Source: (JETRO, 2011)

Japan does not have specific regulations in controlling cadmium mixed jewellery substances, although related regulation be found for cadmium in food substances and fertilizers (Ministers, 2003).

A Case Study of India

Keeping in mind the need for harmonization of quality standards to promote international trade, as well as to protect consumer rights, the Bureau of Indian Standards (BIS) has introduced a system of hallmarking, that is compatible with the requirements prescribed under the Convention on the Control and Marking of Articles of Precious Metals, since 2005. In accordance with Indian Standard (IS) 2112 and IS 2113, the BIS regulates the quality of silver jewellery and various authorized testing facilities. A hallmark has been established to certify the quality of the materials.

Under IS 2112, the BIS ensures that silver jewellery, including solders, are cadmium free. BIS also ensures that any item hallmarked qualifies the definition as per IS 2112:2003 and passes through rigorous methods of assaying as per IS 2113:2002. For that reason, IS 2112 mandates that a sample of each batch/consignment of the jewellery is tested at a BIS recognized Assaying and Hallmarking Centre. Complaints on quality, if found true, must be entertained by exchange of jewellery. Any violation of standards can lead to termination of the certification granted to the jewellery establishment. Tests of consignment costs the producers IRS 150 per consignment.

As per IS 2112, the Hallmark shall bear: a) the BIS logo; b) purity grade/fineness; c) assaying and hallmarking centre's identification mark; d) jeweller's identification mark; and e) the year of marking. These ensure the quality, as well as traceability, of the items.

The BIS Hallmarking system is voluntary and it depends on traders/manufacturers to get their items hallmarked. Nevertheless, the establishment of a national standard compatible with international standards assures the consumers of the products' quality, both in national and international markets. Considering India's rising exports of silver jewellery, it can be said that hallmarking has been successfully implemented in the country.

As shall be seen, misuse of quality marks and non-existence of a national quality/hallmark standard remains a major barrier for Nepalese exporters. Nepal can take lessons from its neighbour in this regard.

Chapter 5

PROBLEMS AND CHALLENGES

The section above has identified various Non-Tariff Measures (NTMs) relating to silver jewellery in the most important export destinations of Nepal. Most of the manufacturers and exporters are already aware of the prevalence of these NTMs in their export market. Yet, in the last few years, the export of silver jewellery is still going down. In this section, the study examines various domestic issues that must be tackled in facing the challenges to increase Nepalese exports of silver jewellery. A special emphasis is provided on non-tariff measures, but other problems currently faced by exporters/artisans shall also be discussed.

Nepal's primary selling point over the years has been the uniqueness of its jewellery. The rapid growth of exports during 1985-86 was due to the sudden recognition by foreign markets of the salience of Nepalese designs. This was assisted by a surge in demand for international jewellery in the markets due to low silver prices during the same period. The recent rise in silver price has not been helpful and is considered as one of the main reasons for Nepal's loss of silver jewellery exports. The loss is higher than what official rupee figures show mainly due to devaluation of the Nepalese currency against the dollar.

Thailand and India, two of the largest exporters, produce and export silver jewellery at prices significantly lower than Nepal's. Therefore, cost-cutting is important for Nepal to be more competitive. The challenge is not just of promotion of exports but also of increase in production. The primary issue here is that most of the workers and craftsmen still use traditional methods of production which has led to higher costs. Most of the producers are reluctant to use new technology as the craftsmen (kaligadh) do not possess the knowledge on additional benefits of doing that, or simply do not have any interest in doing so. Besides, private companies engaged in the sector do not see the value of providing training and orientation to their workers. In such a scenario, there is an urgent need for the government to step in to address the issues of increasing production efficiency.

High transportation cost is another major problem for Nepalese exporters in maintaining their competitiveness. The freight costs from Kathmandu to Kolkata, from where the products are sent to their respective destinations, increases the cost of jewellery by USD 1 per kg. This further erodes Nepal's competitiveness in silver jewellery export. In order to remain price competitive, promotion of exports by granting various export incentives is vital.¹³

Most exporters mentioned that the existing one per cent cash subsidy to exporters was grossly insufficient. However, one of the respondents was of the view that higher costs do not necessarily impact on the volume of exports adversely, as there is a high demand for handmade jewellery in the international market.

¹³ One exporter mentioned the need for having to purchase self-earned foreign exchange at market prices which raised his cost of production. He emphasized on the need to provide considerable export incentives to promote the industry.

Another important problem is the lack of diversification efforts regarding the product and design to meet the market demands. Most of the producers and artisans still depend on crafts which are now very old. While this may provide unique features for those looking for them, general consumers in most markets do not have any interest in unique designs. What is more, the demand for silver jewellery is dynamic and constantly changing. For instance, newer generations of buyers including young women and children form a major segment of the market. Catering to this population can be a major source of export for Nepal. This also means that the designs should appeal to their taste. Similarly, an ageing global population, especially in countries like Japan, will require products to suit a different taste. This implies that the jewellery market for particular age groups in society will also increase substantially in the coming years. Due to high commodity prices and slow economic growth in the European market, many consumers are also switching to metallic jewellery which, coincidentally, also uses the same manufacturing process as silver jewellery. If artisans can easily switch to metallic jewellery, that demand too can be met by Nepalese products. However, there is very little knowledge about the need for product diversification and adaptation to changing market demands among Nepalese jewellery manufacturers. Hence, there is also a need for developing a reliable mechanism to provide regular information about changing patterns of the silver jewellery market.

Market study and export

Mr. Hari Sinchuri is a silver jewellery exporter based in Lalitpur. He started the business in 2008 A.D. with an ever expanding business. His products are sold all over Europe and the USA. The USA, Spain and Germany are his major importers.

Mr. Sinchuri is one of the few in Nepal whose exports have been rising. He says, he has a strong relationship with his importers and one of his greatest strengths is to deliver the products on time. Although his principle designs remained true to Tibetan roots, the craftsmen were constantly changing the shapes, forms and motifs of the jewellery, keeping up with the changing demands for the products. For this, the importing contractor regularly investigates the market and provides Mr. Sinchuri with new designs to pursue.

The portfolio of Mr. Sinchuri's jewellery varies every six months- sometimes, even every dispatch. Since most craftsmen working for him are still dependent on traditional tools and machinery, it is plausible that the price of his jewellery would be as high, if not higher, than that of other manufacturers due to rapidly changing designs. Mr. Sinchuri's success shows that price is not the deciding factor in the silver jewellery market. Product innovation can result in expanding sales and higher profits, despite higher prices.

Source: Based on Mr. Sinchuri's interview.

With regards to non-tariff measures, the most challenging barrier for Nepal is the prevalence of cadmium in its silver jewellery. This has led European markets to raise questions on Nepalese products. Although there has been improvement in this regard since then. Manufacturers have recognized that jewellery containing cadmium is strictly prohibited in Europe and that there is a tolerance limit put in place in the US and Canada too. Yet, this alone has not sufficed to bring a turnaround. The reasons for the export downslide are:

1. Most small manufacturers are still forced to buy silver from the local market. The purity of the metal can only be guaranteed if purchased from the central bank or commercial banks. These banks sell silver products only in bulk, something most of the small producers are unable to afford. Similarly, the price of silver purchased from the central bank tends to be higher than the market price- a further disincentive for producers. This makes the local suppliers remain the most important source of silver, or raw materials. Since the quality of the input cannot be guaranteed, unskilled craftsmen and manufacturers can be unknowingly crafting jewellery containing cadmium. The problem of traceability arises in this situation where silver jewellery quality cannot be guaranteed. More importantly, according to the exporters, the purity of items added as *rashaan*¹⁴ should also be a matter of investigation. The prevalence of cadmium in most frequently used alloys, like recycled copper and brass, has necessitated the examination of purity of the metals used in jewellery production.
2. Quality tests of silver jewellery are done by the Nepal Bureau of Standards and Metrology. The upgraded technology of the testing facility does not demand testing by the destruction methodology. Exporters have to pay NRS. 500 for each consignment tested in the facility. Yet, there are several problems relating to this. First, the location of the testing facility is in Balaju while most of the manufacturers are located either in Chhetrapati or Patan. Relocation of the testing facility in proximity to either of these locations would be helpful. More recently, private laboratories have opened up, with authorization from the NBSM, to check on the purity of metals. However, these laboratories too are confined to Kathmandu Valley. Producers of jewellery elsewhere have to come to Kathmandu to get their products tested.

Most importantly, the testing laboratory has not been accredited by any other major countries' laboratories. Therefore, most nations do not recognize the NBSM certificates. To top that, a number of cases have also been found where exporters were producing quality certificates without properly undergoing the NBSM tests. This has further degraded the reputation of the agency among the importers. According to the authorities at NBSM and FHAN, because the national laboratory is not a separate legal entity and is still co-owned by Government of Nepal and FHAN, accreditation of the laboratory has become procedurally difficult.

3. Another problem experienced over the years has been the rampant use of the term "hallmark" or "certified" by Nepalese exporters without actually testing the product for purity. Achieving the "hallmark" status in the importing country is an expensive process, and there is no such process of certification in Nepal. Credible suppliers have not certified their products because of these difficulties while less credible exporters have been found to be misusing the term. This has led to the deterioration in the reputation of Nepalese exporters in the market. Moreover, most exported silver jewellery items

¹⁴ As per international standards, jewellery containing 92.5 per cent silver is considered as sterling silver. The rest, 7.5 per cent, are alloys of other metals and are called *rashaan*. Nepalese exporters, however, claim that silver content in their jewellery goes as high as 95-96 percent.

contain silver content higher than 95 per cent which would qualify as Britannia in the UK. However, without a hallmarking system exporters are bound to mark it as sterling, thus fetching a lower price for their products. Therefore, there is an urgent need to regulate this market in order to protect the reputation of the genuine and quality exporters of the country.

4. The next issue which must be highlighted is the problem related with Certificate of Origin (COO) issued by FNCCI to specific markets i.e. India and China. There are some firms that purchase goods from small manufacturers and craftspersons for export. The FNCCI currently does not provide COO to these firms in the pretext that they are not the real manufacturers of the said items. This has led to a massive loss of opportunity for large Nepalese silver jewellery exporters to these two countries. China is emerging as one of the largest markets for silver jewellery and yet Nepal has not been able to utilize the market potential due to problems in obtaining the certificate of origin.

Problems of Market Access
<p>Mr. Bijaya Ratna Tuladhar, Chief Executive Officer of Yak & Yeti Enterprise, one of the major exporters of silver jewellery, said that the current provision of not providing COO to trading houses has hurt his export potential. He mentioned that the market for silver jewellery has been expanding in China and that the denial of COO has prohibited him from exporting to such a large market. According to him, this small change in the current regulation can increase our exports substantially.</p> <p>Source- <i>Based on conversation with Mr. Tuladhar</i></p>

5. Compliance with certification and similar rules of import is a big problem in silver jewellery export. Exporters are normally unaware of the changes in the regulatory regimes of the importing countries. As a result, the exported consignment faces problems in market entry. For example, the requirement of labelling and certification are different for different importing countries.
6. Customs officials at the airport are not trained to handle handicraft. Most packages are opened up and analysed at the airport. They have to be repackaged which increases the time taken as well as costs of packaging. Poor handling at the customs also damages delicate products increasing the damage costs further.

Other problems relating to the declining exports is concerned with the country's own supply capacity. Scarcity of skilled labour is another major problem. The interviewees said that most of the skilled labourers working in this area have left the country in search of better opportunities abroad. The workers have been known to have travelled to countries like India, China and Indonesia where they are paid much better for the same designs that they create here. Moreover, the new generation is less interested in learning the design skills making the future look even bleaker. Hence, long-term sustainability of this sector is in danger. Therefore, adequate attention must be given by the employers and the government to motivate skilled

workers to stay in the country. Exporters, artisans and designers need incentives to stay in their profession. Motivating factors are necessary for the new generation to be attracted by this industry.

Exporters also complained that they have not been able to receive any of the benefits announced for them as exporting entities. The current Nepalese export policy exhorts that exporters satisfying the conditions of value addition of 30-50 per cent are eligible for a cash incentive of one to two per cent cash transfer, which rises to three per cent should the value addition exceed 50 per cent. However, most silver jewellery exporters, as they are small in nature, are helpless in overcoming bureaucratic hassles making them unable to utilize the benefit that is legally accrued. The export promotion incentives should be made friendlier to SMEs so that they too can enjoy the benefits that is due to them.

Chapter 6

CONCLUSION AND RECOMMENDATIONS

Silver jewellery is a traditional handicraft industry in Nepal that has provided employment to thousands of people since ages. Nepal's jewellery is not only unique but also carry a huge cultural and social value. In addition, export of these jewellery items has provided income opportunities for workers and craftsmen in the sector as well as valuable foreign exchange for the government. Yet, in recent years, the sector has shrunk considerably. This slide will continue further unless immediate measures are taken.

The prospects for developing the silver jewellery sector are bright in view of the increasing demand for these items in the international market. Based on the above analysis, the study recommends the following to enhance silver jewellery export from Nepal:

- Mechanisation or semi-mechanisation of the industry must be immediately pursued in order to increase the competitiveness of the sector. The government should provide incentives in importing machinery and training workers to use such machinery;
- Awareness among producers on the changing market patterns is vital. They should be encouraged to participate in trade fairs organized on foreign countries. A permanent mechanism to study the changes in the tastes and preferences of consumers in this sector is therefore essential;
- Proper incentives should be provided by the industries and the government to attract the younger generation to the handicraft and silver jewellery business. This will also help retain the traditional craftsmanship in jewellery making;
- A certified source of supply of silver is essential. If the central bank is unable to provide silver in small quantities needed by smaller traders, the silver market should be regulated in order to ensure that quality raw materials are supplied and that the country's reputation in the international market is not compromised;
- Rampant use of quality marks without proper authorization should be strictly discouraged with suitable disincentives. Assistance in acquiring quality certification should be pursued by the government;
- Testing facility at the NBSM should be strengthened and the accreditation of the laboratory sought from other international and globally recognized facilities;
- Nepalese silver jewellery should be branded with a collective identity and steps taken to convince the international market about the non-prevalence of cadmium in Nepalese products;
- Access to Chinese and Indian markets should be provided to traders as well as manufacturers and the current system of obtaining COO should be revised.

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List of Participants of PPD

S.N.	Name	Designation and Organization
1	Kamala Subedi	Ghrelu Sangh Kathmandu
2	Deepak Gyawali	Nepal Bureau of Standards & Metrology
3	Purushottam Ghimire	Jems Jewellery Industry Forum
4	Rajendra Bajracharya	Gurjus Silver Smith
5	Jyotsna Shrestha	Marigold Jewellers Proprietor, FNCCI EC Member
6	Ratneshwor Shrestha	WEAN-M-Cop Treasure
7	Shankar Pd Poude	MOCS
8	Tej Thapa	CNI
9	Swayambhu Ratna Tuladhar	Yak & Yeti
10	Sharma Meera Shivilal	Nepal art shop
11	Dilip Khanal	FHAN
12	Damodar Regmi	Department of Custom
13	Purushottam Ojha	SAWTEE Nepal
14	Hem Kumar Rai	FNCSI, Executive Director
15	Lekha Mani Dhakal	GIZ
16	Ayush Siddhi	CNI
17	Hari Sharma	Senior Vice President, CNI
18	Raman Nepali	Creator PRF
19	Chhabindra Parajuli	Under Secretary
20	Surrendra Shrestha	MD TWoundercraft.com
21	Neelu Thapa	SAWTEE
22	Shaleen Khanal	SAWTEE
23	Anita Paudel	Section Officer
24	Peter Richter	GIZ
25	Toya Narayan Gyawali	MoCS
26	Vivek Shakya	Art of wisdom craft
27	Sajan Shahi	Open Entry Nepal
28	Navraj Dahal	SAWTEE
29	Sujan Dhunjana	Business Correspondent
30	Shova Singh	Senior Divisional Geologist, DMG
31	Dev Raj Bajracharya	Assistant Director, FHAN
32	Urmila Joshi	Board member, SAWTEE
33	Bikash Ratna Dhakwa	FHAN
34	Juni Bajra	Lalitpur Handicraft Association
35	Minu Bajrachar	Nepalese de collection
36	Gopal Tiwari	NBF
37	Kishor Maharjan	SAWTEE

38	Asish Subedi	SAWTEE
39	Lila Dhar Adhikari	Senior Officer,
40	Shyam Tandukar	Lalitpur Handicraft Association Vice President
41	Pushpa Raj	CNI
42	Babu Ratna Maharjan	BR Silver Jewellery
43	Mana Mohan S Malla	MD ECON
44	Prabina Maharjan	SAWTEE
45	Aashna Koirala	SAWTEE
46	Lekhak Chetteri	SAWTEE
47	Krishna Tamang	SAWTEE
48	Himdri Palikhe	GIZ

Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH

Trade Promotion Programme
National Trust for Nature Conservation (NTNC) Complex
Khumaltar, Lalitpur
P O Box 1457
Kathmandu, Nepal
T: +977-1-5555289
F: +977-1-5554593
E: trade@giz.org.np
I: www.giz.de/nepal / www.nepaltrade.org

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