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## SILVER JEWELLERY EXPORTS FROM NEPAL STATUS AND WAY FORWARD



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## **Acronyms and Abbreviations**

EDXRFS	Energy Dispersive X-ray Fluorescence Spectrometer
EU	European Union
FHAN	Federation of Handicraft Association of Nepal
FTEE	Full Time Employment Equivalent
FY	Fiscal Year
GIZ	German International Cooperation
HS	Harmonized Commodity Description System
IF	Integrated Framework
IPR	Intellectual Property Rights
ITC	International Trade Centre
LDC	Least-developed Country
L/C	Letter of credit
MAI	Market Attractiveness Index
MoCS	Ministry of Commerce and supplies
MT	Metric Tons
NEGJA	Nepal Gem and Jewellery Association
NEGOSAA	Nepal Gold & Silver Art Association
NEGOSIDA	Nepal Gold & Silver Dealers' Association
NTB	Non-tariff Barrier
NTIS	Nepal Trade Integration Strategy
RoHS	Restriction of Hazardous Substances Directive
SME	Small and Medium Enterprise
SPS	Sanitary and Phyto-sanitary
TBT	Technical Barriers to Trade
TEPC	Trade and Export Promotion Centre
UN	United Nations
USA	United States of America
WTO	World Trade Organization

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# Chapter 1

## INTRODUCTION

### 1.1 Background

Silver jewellery is one of the major handicraft items exported from Nepal. According to the Federation of Handicraft Associations of Nepal (FHAN), in fiscal year (FY) 2009/10, the country exported about US\$4.7 million worth of silver jewellery, which is about 13 percent of the total handicraft exports from the country. Although this export figure is a little less than one percent of total merchandise exports from Nepal in 2009/10, the silver jewellery sector is very important for Nepal since a large number of people are dependent on it directly and indirectly for their livelihood.

Since ancient times, Nepali craftsmen have been producing exquisite pieces of gold and silver jewellery. Mostly people belonging to *Shakya* and *Sunar* families are engaged in the production of such jewellery, and the arts and skills of production have been passed over from generation-to-generation. Lately, people of other castes such as *Pariyaars* have also been engaged in silver jewellery production.

The uniqueness of jewellery manufactured in Nepal is that they are handmade, which makes jewellery manufacturing labour-intensive. Therefore, increase in production and exports of such jewellery will have a positive backward effect in terms of increase in employment and income-earning opportunities. Currently, in terms of full time employment equivalent (FTEE) indicator, the socio-economic impact of the sector is low (ITC 2007). When the participation of women in the sector, impact on poor regions and impact on skills development are also taken along with FTEE to measure the socio-economic impact, then the silver jewellery sector has a medium socio-economic impact (MoCS 2010b).

The *Nepal Trade Integration Strategy (NTIS) 2010*, put in place by the Government of Nepal, Ministry of Commerce and Supplies (MoCS), has prioritized 19 goods and services (7 agro-food products, 5 craft and industrial goods and 7 services) for export promotion in the next three to five years. Silver jewellery is one of the 5 craft and industrial goods thus prioritized.

### 1.2 Objective of the study

*NTIS 2010* is taken as a guide by the government as well as Nepal's development partners willing to help Nepal overcome its development challenges through international trade as one of the means. German International Cooperation (GIZ) is one of those development partners which has been supporting the Government of Nepal in implementing *NTIS 2010*. In consultation with MoCS, it has chosen two of the 19 products and services prioritized by *NTIS 2010*, namely medicinal and aromatic plants (MAPS)/essential oils and silver jewellery, to help enhance their exports. The objective of this study is to identify problems and challenges in the silver jewellery sector and provide a set of recommendations which would form the basis to prepare action plans to address those problems and challenges.

### **1.3 Methodology**

Firstly, prevailing laws, regulations, plans and policies related to the handicraft sector in general and silver jewellery sector in particular were reviewed to analyze the government's efforts for the development of the silver jewellery sector. Then, international trade of silver jewellery and Nepal's participation in such trade was analyzed based on data from different sources.

On the basis of the reviews and analyses, questions were prepared to interact with stakeholders to get on-the-ground information about the problems that they have been facing in the sector. Based on the questionnaire, in-depth interviews were conducted with some stakeholders (Annex). Information obtained from the interviews were then analyzed in detail, and based on the analysis, recommendations have been provided to promote exports of silver jewellery from Nepal.

### **1.4 Limitations**

Due to time and resource constraints, the study has been conducted based on interactions with stakeholders in Kathmandu only. Even in Kathmandu, it has not covered a wide range of stakeholders. Although it is assumed that the opinions of stakeholders interviewed and interacted with are representative, the study might have missed concerns related to one or just a few stakeholders altogether. Also, there are discrepancies in data obtained from different sources. The study has not been able to verify the accuracy of the data and establish that data from one source is more valid and reliable than from the others.

## Chapter 2

### REVIEW OF LAWS, REGULATIONS, PLANS AND POLICIES

There are no laws and regulations governing manufacture and exports of silver jewellery in particular. Related laws and regulations cover different categories of industries such as micro enterprises and small-scale industries. Silver jewellery industry falls mainly under these two categories of industries and therefore, provisions related to these industries are applicable, in general, in case of silver jewellery also. Similarly, some of the periodic plans have covered handicrafts as a whole. Since silver jewellery is categorized as handicraft item in Nepal, plans and policies related to handicrafts are applicable to silver jewellery also.

Trade Policy 2009 has put in place policies related to handicrafts as a whole and also few policies related to gold and silver jewellery. Two studies, namely *Export Potential Assessment in Nepal 2007* and *NTIS 2010*, conducted by different international agencies in collaboration with the Government of Nepal, have focused specifically on silver jewellery. This chapter reviews some of the periodic plans, Trade Policy 2009 and the two studies in relation to handicrafts/silver jewellery.

#### 2.1 Periodic plans

None of the periodic plans prior to 1997 had specific plans for the development of the Nepali silver jewellery sector. The Ninth Plan (1997–2002) laid emphasis on the production of handicrafts in line with international demand and preferences. The Plan envisaged conducting training programmes to develop traditional Nepali-featured products and modern designed products. It also laid emphasis in implementing programmes to provide related information to manufacturers and traders so that good quality products based on international preferences could be produced and exported. Similarly, the Tenth Plan (2002–2007) sought to emphasize quality promotion of traditionally developed exportable items including handicrafts.

One of the strategies of the Three Year Interim Plan (2007–2010) in the area of commerce was to give special emphasis on production and export of handicraft goods based on traditional skills. It also sought to study and complete preliminary works for the establishment of a separate promotion centre for production, processing, and export of silver jewellery, among others. For this, it stated that a separate policy and procedures would be prepared as regards to import of raw materials, control of production or process, local sale, export, custom process and duty incentives. It also emphasized on training of domestic human resources and establishment of an integrated technical institute in collaboration with the private sector for quality improvement, product development and diversification.

The latest Three Year Plan Approach Paper (2010-2013) does not contain any specific plan or programme related to handicraft or silver jewellery.

#### 2.2 Trade Policy 2009

Trade Policy 1992 was replaced by Trade Policy 2009 since the former was not formulated in a way so as to address issues such as dynamism in international trade, Nepal's affiliation in regional and multilateral trading systems, sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) measures and so on. The major objective of Trade Policy 2009 is to support the economic development and poverty alleviation initiatives through enhanced contribution of the trade sector to the national economy.

Identifying handicrafts as one of the major products having the potential to contribute to realizing its objective, Trade Policy 2009 has spelled a number of working policies and strategies in relation to the handicrafts sector. For example, it has mentioned that a product development fund would be established in collaboration with the private sector and cooperatives in order to provide support for transportation and storage of handicrafts. It has also envisaged launching product development programmes, providing support for quality improvement, establishing permanent exhibition cum sales counters through Tourism Development Board in major tourist destinations to enhance sales and exports of handicrafts. It has placed handicrafts in the list of products under “special focus area” and has outlined the following policies which also relate to silver jewellery:

- Providing assistance to silver products, among other handicraft products, that are being exported in large quantities.
- Conducting programmes under the aegis of FHAN, and with the support of Government of Nepal, for research activities and trainings on product diversification, designing, quality development and market access of handicrafts, and developing the Handicrafts Design and Development Centre as an institute to provide services on designing.
- Simplifying the payment system in handicrafts export by reviewing exports against advance payment and letter of credit (L/C). Making special provisions to allow imports of samples, and purchases under buy back L/C and exports under buy-back arrangement.
- Allowing exports of handicrafts other than those exported under L/C on the basis of documents against payment.
- Making provisions to refund duty based on a flat rate specified in proportion to the export value for making duty draw back practical and effective.
- Simplifying procedures for exporting handicrafts by bringing all agencies issuing certification and recommendations at one place.
- Pooling all government agencies such as customs house, Department of Archeology, security police and others at one place to facilitate one-time customs inspection and sealing.
- Making archeological examination of handicraft products hassle free and simple in coordination with concerned agencies.

Regarding silver jewellery, together with gold jewellery, in particular, Trade Policy 2009 has specified the following policies:

- Imports of raw materials required for producing ornaments will be made simple and 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.
- The production, import/export and re-export of ornaments made of precious metal, gems and stones will be facilitated by encouraging mining extractions of precious and semiprecious gems and stones.
- Tax and customs duty will be waived on the import of machinery and tools necessary for industries producing and exporting precious and semi precious stones and ornaments.
- Production of ornaments will be encouraged by targeting particular markets.
- Additional promotional activities will be carried out for availing export opportunities through provisions of capital necessary for producing and maintaining sufficient stock of various types of gems and stones, and gold and silver ornaments.
- Trainings will be given to craftsmen of gold and silver ornaments to enhance their skill.

## 2.3 Export Potential Assessment in Nepal

*Export Potential Assessment in Nepal 2007* was prepared as part of the Technical Cooperation Project “Advisory services on export development of priority sectors of Nepal” implemented by the International Trade Centre (ITC) and the Trade and Export Promotion Centre (TEPC), Government of Nepal. The project was carried out to identify products that show good export potential and to formulate practical recommendations for the development of Nepal’s most promising exportable products. Silver jewellery was identified as one of such promising exportable items.

The study highlighted that in the 15 years prior to 2006, exports of gems and jewellery grew at an average annual rate of 13 percent, although a decreasing trend was noticed thereafter. An estimated 50,000 craftsmen in the country were involved in the sector with about 40 percent based in Kathmandu. Of them, about 10,000 craftsmen were involved in the silver jewellery sector alone. Craftsmen used traditional artistic designs, skills and techniques.

Global market conditions for silver jewellery looked favourable, and Nepal could benefit from favourable market access conditions especially in the European Union (EU), United States of America (USA), Japan and India. The most important selling point for Nepali silver jewellery is the traditional, handmade production process.

However, there are problems such as lack of testing and certifying institutions, dependence on imports of raw materials, imitations of Nepali designs by other countries, lack of adequate technical and financial support to the private sector, inadequate participation in trade fairs, etc. Addressing these problems is necessary to realize the benefits that could accrue through exports of silver jewellery from Nepal.

## 2.4 Nepal Trade Integration Strategy

According to *NTIS 2010*, Nepal’s world market share of silver jewellery exports is about 0.2 percent. In the past few years, exports have been fairly stable and prospect for future export is generally seen as very good. Production costs are competitive and workers are readily available. Most major markets grant duty-free access to Nepali silver jewellery. There are also no any non-tariff barriers (NTBs) hindering exports of silver jewellery from Nepal, except that use of cadmium has resulted in ban of some items entering European markets.

Firms and companies involved in jewellery production and export are owned by private entrepreneurs and operate as small-scale/cottage producers. Firms normally outsource jewellery production to individual craftsmen who have in-house workshops. Annual production of silver jewellery in Nepal is 15 to 20 metric tons (MT) while the annual production capacity is estimated at 50 MT. Silver jewellery is fully handmade in Nepal. Productivity and quality can be improved if production were further mechanized.

Monthly salaries of skilled workers in the silver jewellery sector are around US\$100, which is less than that in competing countries such as India and Thailand. Almost all silver and 95 percent of gemstones and semiprecious stones required for jewellery are imported from India, Brazil, Thailand, Pakistan and Sri Lanka, and distributed by local importers.

Almost half of the total production of silver jewellery produced in Nepal is supplied to the domestic market and the rest is exported. However, even those supplied to the domestic market are usually exported later either through resale to tourists or through informal exports. Poor business environment in the country has encouraged informal trade in substantial quantity.



In the short run, export of jewellery can be encouraged by extending support to introduce modern equipment and tools. In the long run, jewellery production for export can be outsourced from districts outside Kathmandu valley, provided special action programmes are implemented. Some of such programmes include training of craftsmen in modern equipment and tools, establishment of linkages between rural craftsmen and exporters in Kathmandu and strengthening of exporters' marketing capabilities.

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

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Good access to imported quality of sterling silver, gems, and semi-precious stones</li> <li>• Skilled and efficient artists and craftspersons</li> <li>• Unique arts, design, and product development expertise</li> <li>• High value added (40 to 50 per cent of export value)</li> <li>• Registered trademarks in markets</li> <li>• Extensive exposure to international markets</li> <li>• Joint efforts to develop designs with buyers</li> <li>• Well-established markets, e.g. in Japan</li> <li>• Product specialization and regular design development</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of sophisticated new technology such as (a) laser machine for soldering, (b) casting equipment set, (c) modern software for design, (d) other innovative technical support for product development</li> <li>• Lack of support for design and product development</li> <li>• High costs of imported raw materials and packaging materials</li> <li>• High cost in developing market linkages</li> <li>• Difficulty in identifying matching partners</li> <li>• Risks of single buyer to some exporters</li> <li>• Lack of policy and institutional support to strengthen competitiveness</li> <li>• No institution to certify genuine products</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Industry sources see the EU as the most promising market for newly created designs</li> <li>• Many new and potential markets such as Russia, South Korea, and South Africa</li> <li>• Japanese market is promising with new customers and demand for new items</li> <li>• Niche products for Japanese market such as wedding rings</li> <li>• Availability of trainable labour all over the country</li> </ul>	<ul style="list-style-type: none"> <li>• Difficulty in competing on price as overall economic environment has increased the costs of various components</li> <li>• Threat from competitors in India, Thailand, Indonesia, and Mexico.</li> <li>• Foreign competitors have imitated original Nepali designs</li> <li>• Trade volumes do not support high costs of market penetration</li> <li>• Mixing of cadmium has affected Nepal's reputation in market</li> </ul>

Based on this SWOT Analysis, the study has suggested the following actions to be taken in the silver jewellery sector.

#### *Product and Technology*

- Encourage establishment of internationally accredited testing laboratories for precious metal and gem stones.
- Encourage 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 technology, production process, raw materials, modern tools, equipment, market, designs, etc.

- Private firms and companies should dialogue and cooperate with government on urgent need to improve 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 market research periodically 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.

## Chapter 3

### INTERNATIONAL TRADE OF SILVER JEWELLERY

#### 3.1 HS classification and coverage of the study

Silver jewellery is covered in Chapter 71 of the Harmonized Commodity Description and Coding System (HS). HS classification at the 4-digit level and subsequent 6-digit levels that cover silver jewellery are as follows:

<b>7113 -- Articles of jewellery and parts thereof</b>
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 -- Articles of jewellery and parts thereof of base metal clad with precious metal

The above classification suggests that HS 711311 covers jewellery made of mainly silver. HS 711319 covers jewellery made of other precious metals such as gold and platinum, and HS 711320 covers jewellery made of base metals. In the latter two categories, silver could be used to plate/clad the jewellery. Hence, study of silver jewellery in particular should focus on HS 711311. However, to get a bigger picture of international trade in jewellery of metals (precious or otherwise), and also because *NTIS 2010* has suggested exploring options of developing and exporting jewellery of other precious metals such as gold and platinum too from Nepal, it is worthwhile to look at the status of international trade of jewellery under all three HS 6-digit classifications.

#### 3.2 World exports

World exports of jewellery (HS 7113) in 2010 was about US\$50 billion of which jewellery of precious metals other than silver (HS 711319), as in previous years, constituted the largest export share (Table 3.1). Given the high prices of precious metal such as gold, this is obvious.

Exports of jewellery as a whole (HS 7113) grew quite impressively between 2006 and 2008, but fell modestly thereafter. The same trend was seen in the case of jewellery of precious metals other than silver (HS 711319). In the case of silver jewellery, there was decline in export growth rate between 2008 and 2009, but exports did not fall. World exports of silver jewellery grew at an average rate of 13 percent between 2006 and 2010.

<b>Table 3.1: World exports of jewellery and export growth rates</b>										
	<b>Export values (in US\$1,000)</b>					<b>Growth rates (%)</b>				
<b>HS code</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>Avg</b>
<b>7113</b>	<b>38,658,436</b>	<b>45,599,508</b>	<b>52,553,692</b>	<b>50,277,963</b>	<b>49,665,334</b>	<b>18</b>	<b>15.3</b>	<b>-4.3</b>	<b>-1.2</b>	<b>7</b>
711319	35,094,455	41,214,320	47,603,084	44,893,794	43,612,934	17.4	15.5	-5.7	-2.9	6.1
711311	3,353,167	4,013,947	4,474,516	4,570,085	5,418,520	19.7	11.5	2.1	18.6	13
711320	210,814	371,241	476,092	814,084	633,880	76.1	28.2	71	-22.1	38.3

Source: UN Comtrade, accessed through Trade Map.

During 2006–2008, global exports of silver jewellery were in the range of about US\$3 billion to about US\$5 billion annually. Impressive growth rates of silver jewellery export during these periods without any decline in exports even when exports of other categories of jewellery fell suggests that there are further prospects in international trade of silver jewellery.

### 3.3 Major exporters and importers in the world

Average of the export values between 2006 and 2010 shows that India is the largest exporter of jewellery of precious metal other than silver (HS 711319) followed by Italy (Table 3.2). However, it should be noted that the average figure for India has been inflated due to surge in its exports in 2009, which again declined substantially in 2010. Direct data on Nepal's exports for 2006–2008 are not available. In 2009 and 2010, according to Trade Map, Nepal's exports were US\$270,000 and US\$116,000 respectively.

<b>Table 3.2: Top exporters of jewellery of precious metal other than silver (HS 711319) and export value (in US\$1,000)</b>							
<b>Rank</b>	<b>Exporters</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>Average</b>
1	India	4,504,650	4,965,803	4,475,485	10,336,692	2,152,028	5,286,932
2	Italy	4,660,413	5,472,835	5,437,997	3,762,231	4,523,249	4,771,345
3	United States of America	4,196,672	4,106,956	5,064,660	4,441,564	5,207,198	4,603,410
4	Switzerland	3,221,441	3,878,816	4,521,206	3,891,574	4,766,123	4,055,832
5	United Kingdom	3,109,567	3,648,165	3,929,667	3,336,430	3,820,292	3,568,824
6	Hong Kong, China	3,009,196	3,564,293	3,859,782	2,894,435	2,077,899	3,081,121
7	China	1,770,276	2,144,988	2,267,130	2,106,004	4,211,276	2,499,935
8	France	1,207,931	1,542,365	1,762,487	1,412,427	1,847,871	1,554,616
	Thailand	1,155,062	1,318,544	1,964,035	1,525,741	1,798,972	1,552,471
	United Arab Emirates	NA	1,908,913	3,699,081	1,030,646	745,824	-

Source: UN Comtrade, accessed through Trade Map.

Regarding exports of silver jewellery (HS 711311), Thailand is the largest exporter in the world when average export value during 2006–2010 is taken (Table 3.3). With an average export value of about US\$200 million, India is ranked the seventh largest exporter.

<b>Table 3.3: Top 10 exporters of silver jewellery (HS 711311) and export value (in US\$1,000)</b>							
<b>Rank</b>	<b>Exporters</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>Average</b>
1	Thailand	570,978	786,629	852,981	956,271	1,304,769	894,326
2	Italy	636,515	650,551	681,682	620,222	757,727	669,339
3	Hong Kong, China	600,017	635,660	727,122	613,161	135,452	542,282
4	China	330,224	361,410	373,438	447,601	564,451	415,425
5	Germany	149,414	157,794	220,665	224,022	319,799	214,339
6	United States of America	190,472	173,019	201,557	213,855	274,966	210,774
7	India	82,031	94,197	132,522	267,211	401,769	195,546
8	Denmark	20,497	61,385	123,900	173,164	407,273	157,244
9	Malaysia	36,799	159,430	144,352	172,269	236,712	149,912
10	Mexico	102,135	90,882	88,160	76,095	107,976	93,050

Source: UN Comtrade, accessed through Trade Map.

On the import front, largest importers of jewellery of precious metal other than silver (HS 711319) and silver jewellery (HS 711311) are given in tables 3.4 and 3.5 respectively. The USA is the only country that imports both categories of jewellery substantially. While it imported about US\$6 billion worth of jewellery of the first category on average between 2006 and 2010, it imported about US\$1.5 billion worth of jewellery of the second category on average during the same period. At the same time, it is also one of the tenth largest exporters of both categories of jewellery. The same holds true for Hong Kong. It is featured in the list of top ten exporters as well as top ten importers in both categories of jewellery.

<b>Table 3.4: Top 10 importers of jewellery of precious metal other than silver (HS 711319) and import value (in US\$1,000)</b>							
<b>Rank</b>	<b>Importers</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>Average</b>
1	United Arab Emirates	NA	4,723,138	6,128,404	11,528,693	5,209,930	6,897,541*
2	United States of America	7,919,135	7,722,867	5,484,790	4,025,377	4,449,019	5,920,238
3	Switzerland	2,784,232	3,344,265	4,439,695	3,924,783	6,564,944	4,211,584
4	Hong Kong, China	2,233,333	3,125,947	4,207,328	3,613,510	7,692,083	4,174,440
5	United Kingdom	3,778,658	4,080,459	3,228,119	2,536,660	2,713,202	3,267,420
6	Singapore	965,240	1,397,726	1,881,337	1,715,403	2,600,065	1,711,954
7	France	1,044,756	1,307,483	1,390,254	1,187,357	1,543,623	1,294,695
8	Japan	1,281,117	1,220,169	1,296,669	930,411	1,104,075	1,166,488
9	Italy	582,810	842,841	823,119	589,936	924,378	752,617
10	Canada	479,338	594,448	654,984	519,998	646,586	579,071

\* Average of 4 years (2007 to 2010)

Source: UN Comtrade, accessed through Trade Map.

<b>Table 3.5: Top 10 importers of silver jewellery (HS 711311) and import value (in US\$1,000)</b>							
<b>Rank</b>	<b>Importers</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>Average</b>
1	United States of America	1,196,138	1,336,074	1,406,866	1,500,825	2,021,679	1,492,316
2	Hong Kong, China	366,257	382,722	411,730	377,612	285,921	364,848
3	Germany	267,437	313,733	358,865	348,617	385,844	334,899
4	United Kingdom	179,956	207,810	268,097	294,742	383,112	266,743
5	Japan	304,952	273,287	234,460	194,884	197,701	241,057
6	France	128,376	173,107	186,122	178,351	217,036	176,598
7	Denmark	48,160	82,937	115,171	149,392	266,952	132,522
8	Australia	45,603	72,331	126,126	136,743	156,317	107,424
9	Canada	68,829	81,748	99,203	114,049	162,685	105,303
10	Spain	56,561	77,980	113,287	95,206	144,071	97,421

Source: UN Comtrade, accessed through Trade Map.

### 3.4 Nepal's exports and imports

Nepal's exports and imports of jewellery in the international market are miniscule. Moreover, exports and imports of jewellery of precious metals other than silver (HS 711319) are almost insignificant when compared to silver jewellery (Table 3.6). This study henceforth covers silver jewellery classified under HS 711311 and discusses Nepal's participation in international trade of this category of jewellery.

<b>Table 3.6: Nepal's total export and import of jewellerys (HS 711311 and HS 711319), in US\$</b>				
	<b>2009</b>		<b>2010</b>	
	<b>711311</b>	<b>711319</b>	<b>711311</b>	<b>711319</b>
<b>Export</b>	4,393,014	271,529	2,385,995	113,301
<b>Import</b>	268,411	133	2,212	-

Source: TEPC, 2010.

As shown in the above table, exports of silver jewellery from Nepal fell dramatically by almost half in 2010. Imports fell even substantially. However, data available from FHAN shows that Nepal exported about US\$4.7 million<sup>1</sup> worth of silver jewellery in 2009, which increased to about US\$4.9 million in 2010. According to FHAN officials, the data that they maintain is based on the data that exporters provide them while seeking permission for export. Since it is possible that not all products for which permission is sought is exported, FHAN officials state that their data could be a little inflated and that data available from TEPC should be more accurate. However, export decreasing by almost half in 2010 is a gross underestimation according to the officials.

According to TEPC, in the first ten months of FY 2010/11, exports of silver jewellery fell by 64.4 percent compared to exports in the first ten months of FY 2009/10. One of the reasons for official export figures to be low is that a substantial quantity of silver jewellery is exported by means of personal carrying. As informed by some traders, often times, traders who export limited quantity of jewellery at a time, visit different export destinations carrying jewellery by themselves, and hence such exports do not get recorded and reflected in official statistics.

<sup>1</sup> Data available from TEPC and FHAN are in Nepali Rupees, which are converted into US\$ using the average annual exchange rate of US\$1=NRs. 76.88 for 2009 and US\$1=74.54 for 2010.

Mirror data on exports could be useful, though not fully, in cross verifying the accuracy of direct data on exports. Mirror data available from *Trade Map* shows that exports of silver jewellery from Nepal has been on a decreasing trend since 2007. However, export figures for 2009 and 2010, which are respectively about US\$5.9 million and US\$5.6 million, are greater than the direct data maintained by both TEPC and FHAN.

Regarding Nepal's market share in world exports of silver jewellery, based on mirror data for 2008, which was about US\$6.4 million, *NTIS 2010* has put the figure at about 0.2 percent. However, direct data on Nepal's exports compared to world exports of silver jewellery under HS 711311 category presented above in tables 3.6 and 3.1 respectively reveal that Nepal's world market share is even less. It is somewhere in the tune of about 0.1 percent. Nepal's export destinations of silver jewellery and the value of exports in each destination are provided in table 3.7 below.

<b>Table 3.7: Nepal's export destinations of silver jewellery (HS 711311)</b>			
<b>2009</b>		<b>2010</b>	
<b>Importer</b>	<b>Export value (US\$)</b>	<b>Importer</b>	<b>Export value (US\$)</b>
U.S.A.	1,904,697	U.S.A.	1,194,320
Canada	964,185	Japan	252,680
Japan	353,864	Canada	235,716
Germany	258,367	Netherlands	157,456
Italy	225,874	Germany	141,626
Hong Kong	112,534	Italy	122,723
Netherlands	103,080	France	95,072
France	90,168	U.K.	59,348
China P. R.	70,215	China P. R.	28,831
Senegal	59,944	Hong Kong	21,297
U.K.	58,224	Ukraine	19,124
Denmark	52,835	Switzerland	17,382
Australia	27,284	Denmark	14,507
Czech Republic	25,818	Austria	7,595
India	19,860	Czech Republic	6,826
Swaziland	16,178	Australia	5,273
Ukraine	15,197	Sweden	3,938
Russia	14,217	Belgium	1,213
Netherlands Antilles	7,741	Thailand	500
Ireland	4,969	Bhutan	287
New Zealand	4,628	India	241
Malaysia	2,147	Iceland	40
Spain	838		
Thailand	148		
<b>Total</b>	<b>4,393,014</b>	<b>Total</b>	<b>2,385,995</b>

Source: TEPC, 2010.

The above table shows that the USA, Canada, Japan, Germany, Netherlands, Italy and France have consistently remained as the top importers of silver jewellery exported from Nepal. Although in the database maintained by TEPC and FHAN, there is huge discrepancy in values of exports made to each country, and hence differences in the total export figure for 2010, the list of top importers in both years are almost similar in both databases, and also as shown by the mirror data.

### 3.5 Potential export destinations for Nepal's silver jewellery

*NTIS 2010* has used the Market Attractiveness Index (MAI) (see Box 3.1 for discussion of the MAI) to identify Nepal's top 10 potential export markets of silver jewellery.

#### Box 3.1: Market Attractiveness Index (MAI)

The MAI is based on 3 indicators:

- the size of the import market, measured by imports for the particular goods or services
- the dynamism of the market, measured by growth rates, specifically the difference between growth rate for a particular market and world average
- the market access conditions (openness), measured by the *ad valorem* equivalent tariff applied to imports from Nepal and the difference between the tariffs applied to Nepal and to its five largest competitors in the particular market.

For goods exports, *NTIS 2010* has ranked attractive markets based on individual indicators as well as by giving weights to the indicators as follows:

- 30 percent weight for size of the import market
- 50 percent weight for dynamism of the market
- 20 percent weight for openness

Source: MoCS, 2010a.

The attractive markets for Nepal's silver jewellery identified on the basis of weighted indicators used to construct the MAI, as well as Nepal's main competitors in the identified markets, are provided in table 3.8 below.

Rank	Country	World market share	Growth rate (2004-2008)	Tariff for Nepal	Tariff advantage	Main competitors
1	Hong Kong (SARC)	9.3%	20.7%	0%	0%	China, USA, Italy
2	USA	31.7%	11.8%	0%	4%	China, Thailand, India
3	Germany	8.1%	12.8%	0%	2%	Thailand, China, Denmark
4	UK	6.0%	11.2%	0%	2%	Thailand, Italy, China
5	France	4.2%	17.5%	0%	1%	Italy, Thailand, Germany
6	Denmark	2.6%	47.2%	0%	2%	Thailand, Germany, Italy
7	Australia	2.8%	30.2%	0%	1%	Thailand, USA, Italy
8	Spain	3.0%	22.5%	0%	1%	Italy, Denmark, Hong Kong SARC
9	Netherlands	2.2%	39.5%	0%	2%	Thailand, Denmark, Hong Kong S.
10	Canada	2.2%	19.7%	0%	2%	Thailand, USA, China

Source: MoCS, 2010a.



While some of the identified potential export destinations are already the major markets to which Nepal has been exporting silver jewellery, there are others such as Denmark and Australia whose imports are growing rapidly. Also, other than in Hong Kong, Nepal enjoys tariff advantage in the range of 1 percent to 4 percent compared to its major competitors. This gives Nepal an opportunity to tap these growing markets and hence diversify its exports.

## Chapter 4

### PROBLEMS AND CHALLENGES: EMPIRICAL FINDINGS

In order to enhance exports of silver jewellery from Nepal, it is necessary to identify problems and challenges in the sector and take measures to rectify them. This chapter discusses some of the problems and challenges, mainly identified through discussions with stakeholders, at different levels of the manufacturing process and in exports.

#### 4.1 Inputs

The major input required to manufacture silver jewellery is silver, which is obtained through imports. According to stakeholders, silver is imported in Nepal through both formal and informal channels. Figures on imports from informal channel are unavailable. Regarding imports from formal channel, according to TEPC, Nepal did not import any unwrought silver (HS 710691) in 2009<sup>2</sup>, but imported US\$228,662 worth of semi-manufactured silver plated with gold (HS 710692) the same year. In 2010, the country imported US\$43,717,945 worth of unwrought silver (HS 710691) and US\$5,103,286 worth of semi-manufactured silver plated with gold (HS 710692).

Due to surge in imports of gold and silver in 2009/10, which was one of the reasons for the worsening of Nepal's balance of payment (BoP) situation, MoCS, on request from the Central Bank, imposed a ban on the import of gold and silver in September 2010. It was later lifted in December 2010 with new rules on their import. The ban led to scarcity of the precious metals in the domestic market, and therefore, it hurt the silver jewellery sector also. However, according to stakeholders, silver was available through imports from informal channels, albeit at higher prices, because of which import ban of silver did not have a significant adverse impact on silver jewellery manufacturing.

Silver imports from informal channel mainly take place by means of importers or their aides carrying small quantities of silver in order to avoid freight and insurance charges. It is also imported from India taking advantage of the unregulated border. According to stakeholders, these are the major means of their source of silver. Although purity of silver is guaranteed if bought from the Central Bank or commercial banks, selling price of silver of the banks is higher than that of the local market by about NRs. 400–NRs. 1700 per kilogram of silver. Moreover, according to one stakeholder, for a firm to buy silver from the Central Bank, it has to have Value Added Tax (VAT) registration. Buyers also need to buy silver in bulk from banks; they cannot purchase in smaller quantities. These types of provisions do not make it feasible for silver jewellery manufacturers, most of which are small and medium enterprises (SMEs), to procure silver from banks. Procedures to buy silver from banks is also cumbersome. Hence, silver jewellery manufacturers choose to buy silver from the local market than from banks.

Another major input required for silver jewellery is gems and stones. According to Department of Mines and Geology, Government of Nepal, few semi-precious stones such as garnet, kyanite, tourmaline, aquamarine/beryl, and precious stones such as ruby and sapphire are found in different parts of Nepal. But mining has been carried out to a limited scale and therefore gems and stones are not available for use in adequate quantity. The major source of gems and stones for Nepal is Jaipur, India. They are also imported in small

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<sup>2</sup> But data available from Nepal Rastra Bank, Central Bank of Nepal, shows that Nepal imported about NRs. 1.2 billion (US\$15 million) worth of silver in 2009. In 2010, import figures of unwrought silver (HS 710691) of TEPC, however, matches with import figures of silver of the Central Bank.

quantities from Tibet, Hong Kong, Sri Lanka, Bangkok, etc. There are no gems cutting and polishing technologies in Nepal. Therefore, gems and stones unavailable in Nepal are imported in cut and polished forms from abroad. Those which are available in Nepal are sent to India to cut and polish and then re-imported to use in jewellery. Like silver, gems and stones are also imported in Nepal through informal channels to avoid customs duties and taxes.

There are very limited facilities in Nepal that manufacture silver findings such as silver chains, but none that manufacture chain locks, key-chain locks, etc. Therefore, these findings, which are manufactured through a mechanized process, are imported. Since they are small in size and are imported in small quantities which make them easily portable, they are imported mainly through personal carrying.

Therefore, access to inputs for silver jewellery manufacturing in Nepal is not systematic. Due to the small size of most silver jewellery manufacturers, and hence low demand for inputs, the current way of accessing inputs has not been problematic. However, if productions were to increase and demand for inputs were also to rise commensurately, it will be difficult to have access to inputs in the same way as present.

## **4.2 Manufacturing**

Silver jewellery manufactured in Nepal is handmade. They are made using hand tools. In fact, Nepal's comparative advantage in silver jewellery exports is that jewellery are handmade and unique. Some traders claim that although other countries, mainly India, also manufactures handmade silver jewellery to some extent, they are different than the ones manufactured in Nepal by Nepali artisans. Moreover, Nepali silver jewellery has earned trust in the international market and many foreigners prefer Nepali handmade silver jewellery to those made in other countries.

Traditional process of manufacturing silver jewellery through the maximum use of human resources in all steps of the manufacturing process in Nepal makes the silver jewellery sector labour-intensive (Box 4.1).

#### Box 4.1: General process of manufacturing silver jewellery

##### Input

Silver  
Copper  
Borax  
LPG  
Human resource

Wax/Oil  
Human resource

Electricity  
Human resource

Electricity  
Human resource

Human resource

Human resource

Human resource

LPG  
Human resource

Sulfuric Acid  
Water  
Human resource

Silver soldering wire  
Water  
Human resource

Luster  
Electricity  
Human resource

LPG  
Human resource

Sulfuric Acid  
Water  
Human resource

Sodium Sulfide  
Human resource

Luster

##### Process

Melting

Casting

Sizing

Rolling

Shape making

Carving

Cutting

Heating

Cleaning

Assembling

Primary Polishing

Heating

Final Cleaning

Oxidizing

Buffing

Source: Yak & Yeti Enterprises.

Due to small sizes of enterprises engaged in the silver jewellery sector, Nepal's domestic supply capacity of silver jewellery is modest. The sector is not able to manufacture and export silver jewellery in huge quantities even if there is greater demand from abroad. According to stakeholders, fully mechanizing the silver jewellery manufacturing process and exporting in high volumes from Nepal is also not feasible mainly for two reasons: (i) Nepal's silver jewellery has a good market abroad, although modestly, because of its handmade nature and good quality. If mechanized, it is not certain whether it will continue to be liked and demanded. (ii) Countries such as India, Thailand and Indonesia already have mechanized processes of manufacturing silver jewellery and exporting them in huge quantities. Nepal will not be able to compete with these countries in terms of both cost and volume.

Therefore, some stakeholders suggest that in order to increase export volume, while at the same time keeping the international demand for Nepali silver jewellery intact, Nepal could adopt semi-mechanized process by way of which many tasks to be performed in the initial stages of the manufacturing process such as casting, sizing, rolling, etc. could be mechanized and hand tools could be used in the final stages. Currently, where machines have been installed by a few manufacturers, they have not been able to use them fully due to the small size of markets and lack of human resources.

As stated already, Nepal's major advantage in silver jewellery in the international market is its unique design. Most Nepali artisans have acquired designing skills from their ancestors, and some through on-the-job trainings. Therefore, their designs are normally based on religious, cultural and social values and motifs. But they are also based on buyers' demands, which normally are traditional types or a mix of modern and traditional types. Sometimes there are problems in exactly understanding the designs demanded by buyers, and artisans create something different. Nepali artisans/designers do not use modern sophisticated softwares to design silver jewellery, but lately, some have started using basic graphic design softwares such as CorelDRAW.

The Handicraft Design and Development Centre (HANDECEN), established under the aegis of FHAN as envisaged by Trade Policy 2009, has been conducting training programmes for skill upgradation and providing design development services and consultancy services through national and international experts. Some manufacturers/designers have participated in such trainings and also in trainings conducted by other national and international organizations, but there is lack of adequate training for a large of manufacturers/designers/artisans overall. According to the Nepal Gold and Silver Art Association (NEGOSAA), its annual plans and programmes include providing trainings to artisans on designs and other aspects of silver jewellery manufacturing, but due to several factors, mainly the lack of coordination among the related associations, namely Nepal Gold and Silver Dealers' Association (NEGOSIDA), Nepal Gems and Jewellery Association (NEGJA), NEGOSAA and FHAN, it has not been able to implement it so far.

One of the problems regarding design and manufacture of silver jewellery in Nepal is that very few entrepreneurs are engaged in innovating and producing something unique. Designs are normally imitated and inspired from designs that already exist. While designs created by Nepali artisans are imitated by others in countries such as India to some extent, Nepali artisans also imitate others' designs, mainly Tibetan designs. According to one stakeholder, however, even if Nepali designs are imitated by others, they are not as good as Nepali handmade jewellery since the essence of the jewellery get lost when they are manufactured through a mechanized process. But they are good enough to cheat ordinary customers.

Designs can be protected through copyrights. However, it is not feasible to get copyright for each and every Nepali design because of the small volume of trade against the huge costs

of acquiring copyright. Therefore, Nepali artisans/designers have not taken this issue seriously, also because it has not created grave problems so far. Many manufacturers/traders do not even have a trademark of their own. Having at least a trademark can help restrict imitations and create niche in a market given that quality of products is assured (Box 4.1). According to one exporter, European customers are ready to buy silver jewellery protected by trademarks by paying a little extra since there are additional benefits of having a trademark, such as product quality assurance, traceability of the manufacturer, etc.

**Box 4.2: Importance of trademark**

Mr. Suman Ratna Dhakhwa, based in Lalitpur, is the owner of a small enterprise that manufactures and exports silver jewellery, including jewellery mixed with other metals. His major export market is Japan. He used to export his products under the brand name “Valhalla”, which had earned good reputation in Japan. When he tried to register his brand name sometime ago in Japan, he found that it was already registered by someone else, and he was restricted in selling his products under the same name. He then got another brand name “Suman Dhakhwa”, including a logo he had created and was using as trademark, registered in Japan and also in Nepal. Since then, he has been selling his products under the registered name and logo and has not faced any hassle in the Japanese market. Because of the unique designs and good quality of his products, he has earned good reputation among traders and users of silver jewellery, mainly wedding rings, in Japan. He has found that buyers look specifically for his brand name now and even place special orders occasionally.

*Source: As told by Mr. Suman Ratna Dhakhwa during the interview.*

A major problem in the silver jewellery sector in Nepal is that of mixing silver with cadmium. Silver jewellery exported from Nepal to some European countries have been returned quite a few times due to high cadmium content in them. It has been noted that up to 60 percent cadmium is mixed in silver jewellery, and mixing takes place mainly during the manufacturing process. Sometimes silver bought from the local market is also found to have been mixed with cadmium already. Since silver and cadmium have similar density, gravity and chemical elements, without proper scientific testing it becomes difficult to categorically state that mixing has been done.

Despite being aware of the serious health hazards that cadmium poses when exposed to it directly during jewellery production, manufacturers/artisans are engaged in mixing the two metals since cadmium is much cheaper than silver. Some stakeholders point to low wages of artisans as one of the reasons for mixing cadmium with silver. Obviously, the desire to earn more easily and quickly is a major reason for such practice.

Restriction of Hazardous Substances Directive (RoHS) of the EU allows a maximum of 0.01 percent use of cadmium, whereas silver jewellery manufactured in Nepal are noted to have contained up to 60 percent cadmium. A December 2009 study commissioned by the European Commission Directorate-General Enterprise and Industry calculated that 273 tons of cadmium might be entering the EU annually in the form of jewellery articles, with concentrations of up to 95 percent. Therefore, the study has suggested completely restricting the use of cadmium in jewellery. If implemented, it is going to severely impact Nepal’s silver jewellery exports unless the issue of cadmium is addressed properly.

Nepali exporters do not mandatorily get metal content and purity level of silver in their products tested since the technology available in the country is “destructive technology” in which a product has to be destroyed to know its purity. They have been making limited use of this technology as and when required. However, this problem is expected to be solved in the near future since the process to install Energy Dispersive X-ray Fluorescence

Spectrometer (EDXRFS), which conducts non-destructive type test, has already been initiated and a Memorandum of Understanding to that effect has been signed between MoCS and FHAN. This machine, however, can penetrate metals in the range of 100 microns to 150 microns only. Also, without accreditation, it might be difficult to get the certificates issued by the laboratory where the EDXRFS will be installed recognized abroad.

### **4.3 Exports**

There are quite a few countries which export jewellery to countries which are also Nepal's major export destinations. However, they do not directly compete with Nepali silver jewellery since Nepal's jewelleries are handmade whereas those of others are mostly mechanized. As stated already, Nepal cannot compete with its competitors by adopting fully mechanized process of production. It has to continue focusing on creating unique pieces designed on the basis of cultural and religious motifs and are handmade, but adopting semi-mechanized processes, to increase exports from Nepal.

As informed by stakeholders, there are not many hassles in exporting silver jewellery. They export jewellery mainly through courier services by air. However, problems such as opening packages for inspection and valuation, destroying jewelleries to ascertain metal contents, misplacing jewelleries, etc. occur sometimes at Nepal's customs.

So far, exporters have not had to face many troubles at importing countries' custom points if all required documents are in order. However, exporters sometimes face difficulties due to ignorance or lack of information about the formalities that need to be fulfilled for exports, and also due to lack of understanding of related rules, regulations and other technicalities of importing countries. There are also problems in some export destinations such as China. According to one exporter, because of the hassles in exporting to China from formal channels, most exporters prefer to export through informal channels, despite China providing zero tariff facility to silver jewellery exported by least-developed countries such as Nepal.

As shown in table 3.8 in Chapter 3, tariff applied on Nepali silver jewellery is zero percent in all potential export markets. Hence, it has tariff advantage over its major competitors. NTBs are almost absent in all export destinations.

One of the major problems faced by some exporters is regarding the issue of product quality and certification. There are a few private laboratories in Kathmandu where exporters can get samples of their products tested through destruction and some exporters are dependent on these laboratories for testing. But some importers abroad do not recognize the certificates issued by these laboratories and require products to be tested in laboratories that they recommend mainly because laboratories in Nepal are not accredited. Therefore, some exporters get their products tested in Indian laboratories. Although the cost of testing in Indian laboratories is almost the same as in Nepal, it creates hassles and delays.

Government of Nepal, through the budget speech of FY 2010/11, had announced that it would provide export incentives to "industries" that export their products and present evidence that convertible foreign currency so earned is deposited in banks. The government has announced, through the recent budget speech of FY 2011/12, that it will continue with the incentive programme in the current fiscal year also. Silver jewellery exporters have serious complaints about this incentive programme because manufacturers and exporters are mostly separate entities in the silver jewellery sector. Exporters bring orders from abroad and outsource manufacturing to others. Therefore, exporters do not fall under the category of any industry to be eligible to receive the incentives. They have voiced their concerns with the government a number of times, but have not yet received assurance that they would be entitled to the incentives if they fulfill the requirements.

Also, silver jewellery is a precious good. But it is not treated accordingly while exporting. There is no separate safety-vault or such facility to store jewellery before exports. They are kept in the same warehouse with other goods. Silver jewellery also has to go through the same procedure together with other goods for inspection at customs. Therefore, exporters are primarily concerned about the security of their consignments.

#### **4.4 Others**

There is not enough market research conducted in the silver jewellery sector. Whatever export markets Nepali exporters are catering to now are the ones identified long ago and to which they have continued to export. There have been no concrete efforts in identifying new markets. Many traders in the sector also lack enough information about foreign markets and export procedures due to which they are engaged in catering only to domestic markets despite their potential to export silver jewellery.

Many manufacturers are not aware of the latest technologies available in the world and hence, they are dependent on traditional methods of manufacturing that they have acquired through their older generations. Very few stakeholders have participated in international trade fairs and have a wider world view of the silver jewellery sector, but a large number of stakeholders have not been able to participate in trade fairs, which would otherwise help widen their knowledge of the sector and adapt according to changing circumstances.

Lack of human resource is another problem seen in the sector in recent years. Many youths have gone abroad for foreign employment and have taken away their skills along with them. This has held back exporters/manufacturers from taking large orders. But according to NEGOSAA, there is still abundant labour force to work in the silver jewellery sector; the problem is that not everyone has the required skills to manufacture good quality jewellery. Regarding access to finance, there is not a common view of exporters/manufacturers. While some state that there is no problem in accessing finance from commercial banks, a few argue that due to the cumbersome procedure that one has to follow, such as making business plans, it is difficult to get loans from banks.



## Chapter 5

### CONCLUSION AND RECOMMENDATIONS

For the past few years, silver jewellery exports from Nepal have been on a decreasing trend. But if exports taking place through informal channels are taken into consideration, the picture is not so grim. Silver jewellery manufacturing in Nepal is mainly based on traditional skills, knowledge and use of hand tools. This has been the advantage to Nepali silver jewellery to compete in the international market. However, Nepal's share in global exports of silver jewellery is extremely small.

As discussed in the previous chapter, there are a few problems, challenges and untapped opportunities in the silver jewellery sector in Nepal. Different plans and policies of the government of Nepal have tried to put in place special and focused programmes for the handicraft sector, which covers silver jewellery, and some have specific programmes related to silver jewellery. Trade Policy 2009, in particular, has a number of policies and specific programmes targeted at the silver jewellery sector. Similarly, *NTIS 2010* has put forward some useful recommendations for the development of the silver jewellery sector in order to expand exports of silver jewellery from Nepal. Taking those policies, programmes and recommendations into consideration, and based on the problems and challenges identified, the study puts forward the following recommendations for the expansion of silver jewellery exports from Nepal:

- Making imports of raw materials required for producing silver jewellery duty free. For example, silver imported in the country is used to manufacture silver jewellery and various other artifacts most of which are exported and some are sold in the domestic market. Provisions can be made to refund duty charged on imported silver in proportion to export value.
- Expanding mining and extraction of gems and stones, along with facilitating the importation of gems cutting and polishing technologies.
- Adopting semi-mechanized process of manufacturing, which is not very difficult according to some stakeholders since easy-to-use table-top machines are available and are affordable even for SMEs. Also, facilitating the importation of machines and tools necessary to produce silver jewellery by waiving taxes and customs duty.
- Increasing participation of manufacturers, artisans, exporters in trade fairs to not only showcase their products, but to have a wider view of the sector overall, including technology, production processes, network with international buyers, etc.
- Strengthening HANDECEN and coordinating among different associations related to silver jewellery to provide regular trainings on designs, skills enhancement, technology, quality, importance of intellectual property right (IPR) protection, etc. Also, conducting awareness programmes on the health hazards of cadmium.
- Engaging in innovation to produce unique designs by understanding buyers' tastes in different international markets.
- Creating awareness on the benefits of IPR protection and encouraging registering trademarks.

- Undertaking periodic market research and disseminating findings to manufacturers and exporters.
- Starting the process of getting international accreditation to the laboratory with EDXRFS soon after its establishment.
- Establishing a product development fund in collaboration with the private sector and cooperatives in order to provide support for transportation and storage of handicrafts, including silver jewellery.
- Providing one-window facility for exports, including one-time customs inspection and sealing by bringing all related government agencies such as customs house, Department of Archeology, security police and others at one place.

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## Annex: List of people interviewed

S.N.	Name	Designation/ Organization	Address/ Phone/Email
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