

Public Private Dialogue on Enhancing Export Competitiveness of Nepalese Silver Jewellery

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Presentation Outline

Section I: Export barriers

- ✓ Nepal's export performance
- ✓ Barriers to promote trade

Section II: Export competitiveness of Nepalese silver jewellery

- ✓ Background, objectives and methodology
- ✓ Rules, regulations and policies
- ✓ Export performance
- ✓ Standards on silver jewellery
- ✓ Major problems related to silver jewellery export
- ✓ Way forward

Section I: Export Barriers

Nepal's Trade Performance : Dismal export and widening trade deficits

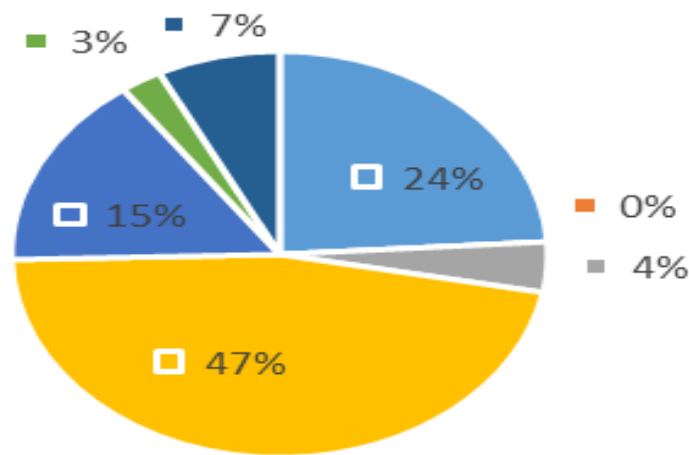
Nepal's Trade Performance

Fiscal year	08/09	09/10	10/11	11/12	12/13	13/14
Total Trade/GDP	35.6	36.5	33.6	34.4	37.4	41.6
Trade Deficit/GDP	-21.9	-26.3	-24.2	-24.9	-28.4	-32.1
Export /GDP	6.9	5.1	4.7	4.8	4.5	4.8
Import/GDP	28.8	31.4	28.9	29.6	32.9	36.8
Export (goods) (annual change)	14.2	-10.2	5.8	15.4	3.6	19.3
Import (goods) (annual change)	28.2	31.6	5.8	16.5	20.6	27.3

Source: Economic Survey 2013/14,

Export Composition : dominated by agriculture and labour intensive manufacturing

Export Composition



■ Food and agriculture

■ Mineral ores

■ Low skill and technology intensive

■ High skill and technology intensive

■ Fuels

■ Labour intensive manufactured goods

■ Medium skill and technology intensive

Major exportable : 10 products constitutes about half of the export value

S.N	Commodities	FY 2013/14	Growth Rate	Share of Exports
1	Woollen Carpet	7,384,950	30.5	8.08
2	Yarns (Polyester, Cotton and others)	6,434,341	10.3	7.04
3	Textiles	5,653,142	4.7	6.19
4	Readymade Garments	5,604,905	46.6	6.13
5	Juices	4,442,450	16.7	4.86
6	Cardamom	4,270,372	10.9	4.67
7	Tubes, pipes and hollow profiles of iron and steel	3,244,128	-9.2	3.55
8	Woolen and Pashmina shawls	2,821,451	29.4	3.09
9	Jute bags and sacks	2,420,062	-4.9	2.65
10	Flat rolled products of iron or non-alloy steel	2,157,059	-14.2	2.36
	Total	91,361,036	18.1	43.76

Export destinations: More than two-third of exports concentrated with India

Top 10 Exports destinations of Nepal

Countries	F.Y. 2013	Share
India	55,321,414,122	66.8
U.S.A.	6,531,238,704	7.9
Germany	3,162,703,464	3.8
China P. R.	2,042,253,520	2.5
U.K.	1,924,334,331	2.3
Bangladesh	1,783,674,209	2.2
France	1,225,217,965	1.5
Afghanistan	1,128,116,143	1.4
Turkey	1,088,616,516	1.3
Japan	1,034,734,464	1.2

Source: TEPC www.tepc.gov.np

Imports: ten major products (FY 2013-14)

S.No	Products	Value (Billion Rs.)	Percentage of imports
1.	Petroleum products	134.4	18.6
2.	Iron and steel products	65.4	9.0
3.	Machinery and parts	41.1	5.7
4.	Transport vehicle and parts	40.3	5.6
5.	Electronic and electrical equipments	28.9	4.0
6.	Cereals	28.6	4.0
7.	Gold	23.9	3.3
8.	Pharmaceutical products	16.6	2.3
9.	Polyethene granules	15.8	2.2
10.	Crude soybean oil	14.8	2.0

Imports: top 10 countries (FY 2013-14)

S.N.	Country	Import (Bill. Rs)	Percentage
1.	India	482.3	66.7
2.	China	78.6	10.9
3.	UAE	40.7	5.6
4.	Indonesia	15.4	2.1
5.	Thailand	9.5	1.3
6.	Argentina	7.8	1.1
7.	Brazil	6.9	1.0
8.	Malaysia	6.7	0.9
9.	USA	6.3	0.8
10.	Germany	6.2	0.8

Why Dismal Performance in Exports?: barriers in export promotion

- Market access barriers
 - Tariffs
 - Para-tariffs
 - Non-tariff barriers
- Fiscal and exchange rate policies
 - Effective rate of protection
 - Exchange rate regime
 - Policy incoherence

Barriers in export promotion

- Supply-side constraints
 - Geographical constraints
 - Lack of infrastructure and trade facilitation
 - Electricity
 - Transport
 - Standardization
 - Finance
 - Governance
 - Low investment and productivity
 - High export concentration

Barriers in export promotion

Special issues with India

- Quarantine certification
- Para tariffs
- Rules of origin
- Transport hassles
- Technical barriers
- Quantitative restrictions
- Transit permit

Special issues with SAARC countries

- Prevalence of NTBs
- Long Sensitive lists

Barriers in export promotion

- **Special issues with China**

- Trade logistics and transport connectivity.
- SPS and TBT barriers.
- Transparency in enforcement of rules and regulations.
- Infringement of IPR.
- Stringent rules of origin criteria for duty free access.

Section II: Export Competitiveness of Nepalese Silver Jewellery

Background

- ▶ Nepalese silver jewellery sector has a rich and old history
- ▶ Designs are unique and famous worldwide
- ▶ Production capacity of around 50 MT (current production 15-20 MT)
- ▶ Among 5 industrial goods chosen in NTIS
- ▶ Direct employment to 10,000 craftsmen

Objectives and Methodology

▶ Objectives

- Identify current production and market condition
- Identify barriers to trade (tariff and non-tariff)
- Prepare action plan for submission to Nepal Business Forum

▶ Methodology

- Literature review and desk research
- Interview with stakeholders
- Focus Group Discussion and PPD

Policy framework (1)

Policies	Description
Periodic Plan (Last two three year Plans)	<ul style="list-style-type: none">• Promotion of intellectual property rights in the industrial sector• Development of infrastructure, access to credit, simplification of procedures for export (MSMEs)• Strengthening of quality control and certification agencies• Construction of an exhibition center
Industrial Policy-2011	<ul style="list-style-type: none">• Provision of services• Financial incentives• Market promotion
Trade Policy	<ul style="list-style-type: none">• Establishment of a Product Development Fund• Silver Jewellery identified under “Special Focus Area”<ul style="list-style-type: none">• Simplification of raw materials import• Encourage mining and extraction of gem stones• Waive taxes and customs duty• Provide trainings

Policy framework (2)

Policies	Description
Nepal Trade Integration Strategy-2010	<ul style="list-style-type: none">• Chosen among 5 industrial products• Low export performance, medium socio-economic potential, medium export potential• Establish accredited laboratory• Reduce duties on import of equipment• Undertake market research• Train the craftsmen

Classification of silver jewellery (HS Code)

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 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

Most important importers

Rank	Importers	Value imported in 2013 (USD thousand)	Annual growth in value between 2009-2013 (%)	Share in world imports (%)
	World	7,084,156	12	100
1	United States of America	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

Major exporters of Silver jewellery

Rank	Exporters	Value exported in 2013 (USD thousand)	Annual growth in value 2009-2013 (%)	Share in world exports (%)
	World	6,809,075	13	100
1	Thailand	1,603,649	13	23.6
2	India	1,029,908	44	15.1
3	China	861,313	16	12.6
4	Italy	739,042	4	10.9
5	Germany	629,444	25	9.2
6	United States of America	486,773	23	7.1
7	Hong Kong, China	169,246	7	2.5
8	Turkey	103,993	12	1.5
9	Spain	101,916	19	1.5
10	France	80,641	5	1.2
66	Nepal	562	-40	0

Source: Trademap

Nepal's export of silver jewellery (Qty: pcs, Amt: USD)

Items	2010		2011		2012		2013		Annual change (%)
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	
7113	377,741	4,051,795	411,502	3,605,196	434,055	2,178,891	403,703	1,667,252	(24.69)
711311	281,495	3,946,382	389,114	3,563,666	428,081	2,095,684	356,257	1,570,245	(25.32)
711319	94,848	94,789	12,178	35,881	5,460	7,302	47,446	97,007	362.23
711320	1,398	10,624	10,210	5,649	514	75,905	-	-	365.62

Source: TEPC www.tepc.gov.np

Major markets for Nepal's silver jewellery

S.N	2010		2011		2012		2013	
	Country	Value	Country	Value	Country	Value	Country	Value
1	U.S.A.	2,486,970	U.S.A.	1,762,887	U.S.A.	925,528	U.S.A.	863,035
2	China	416,776	Japan	417,865	Canada	241,526	Japan	190,113
3	Japan	295,167	Canada	280,436	Germany	175,741	Germany	131,522
4	Canada	183,074	Netherlands	213,756	Japan	161,354	Canada	91,183
5	Germany	153,019	Germany	196,198	France	129,567	Italy	64,215
6	Netherlands	131,348	Italy	141,556	China	107,256	Australia	36,485
7	France	85,570	France	133,448	Netherlands	76,135	U.K.	36,368
8	U.K.	75,760	Hong Kong	88,916	U.K.	74,135	Netherlands	35,442
9	Italy	71,357	China	84,004	Hong Kong	55,534	France	34,731
10	Switzerland	15,739	U.K.	75,146	Italy	54,738	China	26,716
	Total	3,946,382	Total	3,563,666	Total	2,095,684	Total	1,570,245

Source: TEPC www.tepc.gov.np

Tariffs advantage for Nepalese exporters

Rank	Importers	Nepal	Thailand	India	China
1	United States of America	0	1.67	1.67	8.27
2	Hong Kong, China	0	0	0	0
3	Germany	0	2.5	0	2.5
4	United Kingdom	0	2.5	0	2.5
5	United Arab Emirates	5	5	5	5
6	Canada	0	2.5	2.5	2.5
7	Italy	0	2.5	0	2.5
8	France	0	2.5	0	2.5
9	Australia	0	0	5	5
10	Japan	0	0	1.3	5.2

Source: Trademap

Potentially attractive markets

Rank	Country	World Market share (%)	Growth rate (2008-2012) (%)	Tariff for Nepal (%)
1.	United Arab Emirates	2.09	13	5
2.	USA	33.40	30	0
3.	Hong Kong	8.40	15	2
4.	Canada	2.54	10	0
5.	Italy	1.93	57	0
6.	Germany	7.76	26	0
7.	United Kingdom	6.56	-1	0
8.	Australia	3.04	5	0
9.	France	3.97	27	0
10.	Japan	4.34	9	0

Source: Trademap

Standards on Silver Jewellery (1)

▶ Europe

- Chemicals REACH (EC Regulation 1907/2006) limits cadmium
- Regulation 1907/2006 limits nickel content
- CASE standard: regulations related to children's clothing including jewellery
- Country specific regulations on various chemicals including mercury, hexavalent chromium, lead

▶ USA, Canada

- National Gold and Silver Stamping Act
- Federal Trade Commission Guides for Jewellery, Precious Metals and Pewter Industries
- Voluntary Product Standard (VPS) 68-78

Standards on Silver Jewellery (2)

▶ Japan

- Protection of Intellectual Property (Act against Unjustifiable Premiums and Misleading Representation)
- Labeling and packaging requirements against misinformation
- Quality related requirements are voluntary in nature

▶ Hong Kong

- Purity has to be stamped (either in Nepal or Hong Kong)
- Use of cadmium has been limited

Major problems (1)

- ▶ High costs of products
 - Raw silver is costly since Nepal is an importer (transportation cost, devaluation of currency)
 - Persistence with traditional technology
 - Small scale production
 - High transportation cost of the finished products.
- ▶ Lack of product diversification
 - Traditional designs
 - Lack of market awareness on new designs
 - Lack of market survey related mechanisms

Major Problems (2)

- ▶ Quality issues
 - Lack of mechanism for controlling silver quality
 - Higher cost of purchase of silver from Nepal Rastra Bank
 - Existence of banned substances in raw silver as well as added items '*rasaan*' (cadmium, nickel)
- ▶ NBSM laboratory not accredited
- ▶ Items sent without certification by NBSM
- ▶ Rampant use of hallmarks without certifying mechanism
- ▶ Absence of grading system (based on purity)

Major Problems (3)

- ▶ Certificate of Origin not provided to traders
- ▶ GSP facility withdrawn by the United States (awaiting to be reintroduced)
- ▶ Compliance with TBT regulations including labeling, packaging
- ▶ Copy of Nepalese designs by international competitors
- ▶ Scarcity of trained labor
- ▶ Benefits provided to exporters not received

Way forward (1)

- ▶ Promotion of mechanization
 - Incentives for import of machinery
 - Trainings to be provided
- ▶ Awareness of changing consumer preference in international market
 - Regular participation in trade fairs
 - Regular study on market preference
- ▶ Establishment of a certified source of supply of raw silver as well as *rasaan (joints)*
- ▶ Strict enforcement of quality testing mechanisms
- ▶ Accreditation of NBSM

Way forward (2)

- ▶ Protection of intellectual property rights
 - Establishment of collective marks
 - Protection of traditional designs
- ▶ Revision of COO related procedures
- ▶ Persuading with US government on re-introduction of GSP facilities.

Thank You