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SILVER JEWELLERY

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AID FOR TRADE AND NEPAL

INTERVIEW
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EDITOR'S NOTE

Dear Reader,

After a successful 2011 for the GIZ WTO/EIF-SP, we are full of optimism and hope for 2012. I would like to wish you, the reader, a very Happy New Year 2012.

After 2011 saw the publication of the first issue of Nepal Trade magazine with a focus on Medicinal and Aromatic Plants and Essential Oils of Nepal, we are now happy to provide you with the second issue of the magazine. Yet again, we chose to provide a special focus on one of the 19 identified products and services within the NTIS 2010. This time: Silver Jewellery products from Nepal. We will showcase challenges and opportunities this sector faces in Nepal as well as provide you with additional background information on Aid for Trade, Intellectual Property Rights and other issues.

We hope you will find this issue as insightful and helpful as the last one. Kindly do provide us with your feedback and let us know, what else you would like to see covered in future issues.

Happy New Year 2012!

Philipp Kruschel

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AID FOR TRADE AND NEPAL

Aid for Trade is an initiative of the WTO designed to help the least developed countries to improve their trade related skills and infrastructure needed to implement and benefit from the WTO agreement and to consequently expand their trade.

Photos: WTO

What is Aid for Trade?

Aid for Trade (AfT) is the World Trade Organization's (WTO) initiative for supporting the Least Developed Countries (LDCs) to increase their capacity in trade. AfT helps LDCs to benefit from the WTO agreements to expand trade by supporting with trade related skills and infrastructure. Further, AfT emphasizes its support in the export of goods and services, in LDCs' integration into the multilateral trading system and in LDCs' benefitting from liberalized trade and increased market access.

The WTO during the Hong Kong Ministerial Conference in December 2005 initiated AfT by forming a task force. In July 2006, the task force recommended AfT to focus on the needs of the recipient countries. In addition, the task force also suggested AfT to act as a bridge between recipient countries and donors. Further, the task force also recommended establishing a monitoring body in the WTO for periodic review based on the information from stakeholders.

The Enhanced Integrated Framework (EIF) of the WTO is the mechanism for the LDCs to access AfT. The EIF was established at the WTO in 2005 after reviewing the Integrated Framework (IF) which was set up in 1997. The EIF, a multi-donor programme, supports the LDCs to improve their supply side capacity to make them more active in the global trading system. Currently, the EIF is supported by a multi-donor trust fund, the EIF Trust Fund, with contributions from 23 donors to benefit 47 LDCs.

The WTO plays a vital role in mobilizing AfT by encouraging additional flows of Aid for Trade from bilateral, regional and multilateral donors. The WTO also encourages the mainstreaming of trade into national development strategies of the LDCs.

Cooperating Partners

The AfT Task Force, in 2006, recommended the Director General of the WTO to form an Advisory Group. Next, the Directorate General established an Advisory Group comprising of development partners at the WTO to coordinate among the key players in the AfT initiative. The Advisory Group members are: the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the IMF, the Inter-American Development Bank, the Islamic Development Bank, the ITC, the OECD, the UNCTAD, the UNDP, the UNECA, the UNIDO and the World Bank.

Implementation of Aid for Trade

Based on the recommendation of the task force in 2006, the AfT initiative moved into its first stage of implementation in 2007. Further, the WTO established a system of monitoring AfT at the global, the donor and the individual recipient country level to track down the implementation. The AfT task force recommended reviewing AfT at the regional and the global level based on the information from stakeholders.

Regional reviews offer a better understanding of AfT as well as encourage the implementation plans. That reviews help to identify priorities and is a mechanism to best balance them with plans. The WTO conducted regional reviews on AfT together with the regional banks and the governments in Peru, the Philippines and Tanzania in 2007, and in Zambia, Jamaica and Cambodia in 2009.

The Monitoring Body conducts Global Review on AfT twice a year. The global review is a sharing of the profiled-up information of the previous regional reviews. The purpose of the Global Review is to strengthen the Monitoring and Evaluation of the AfT to provide a strong incentive for both the donors and the recipients in advancing the Aid-for-Trade agenda. In addition, the global AfT review takes stock of what is happening, identifies what should happen next, and improves the WTO monitoring and evaluation. The WTO has conducted AfT global reviews in 2007, 2009 and 2011 in Geneva.

How AfT can help LDC?

Economic growth is the most powerful tool to reduce poverty. In fact, trade is a major driving force to boost economic growth in any country. The importance of trade for development of LDCs was emphasized by the international community at the 2002 'UN Conference on Financing for Development' in Monterrey, Mexico. However, the discussion on AfT at the WTO started much earlier during the Uruguay round. Later, in 2005 the United Nations (UN) Millennium Project Task Force on Trade concluded that the AfT was an essential part of the package and that such a funding is additional to the current aid flow.

Nepal and many other low-income countries face obstacles in expanding and diversifying their trade. Policies pertaining to trade reforms and liberalization in these countries have not always delivered the expected benefits in terms of trade expansion, growth and poverty reduction. The international community has agreed to expand and improve aid for trade to help LDCs build supply-side capacity and trade-related infrastructure. Eventually, this will help LDCs to expand their trade and to benefit from their integration into the world economy.

Aid for Trade in Nepal

Nepal is a candidate for AfT because it is a LDC, a WTO member and has weak supply side capacity. Nepal joined the Integrated Framework of the WTO in 2002 and undertook the Diagnostic Trade Integration Study (DTIS) with the support of the global trade body. Nepal government approved the DTIS in August 2003. Poverty Reduction Strategy Paper (PRSP) incorporated a number of DTIS recommendations on trade issues in May 2003. EIF has AfT funding arrangements as Window I and Window II, also known as Tier 1 and Tier 2. The Window I is a financing arrangement that supports in-country capacity building including human resource of National Implementation Arrangements, providing operational support and updating DTIS. Whereas, Window II finances for priority activities identified in the DTIS, its update, and its Action Matrix.

The DTIS was updated as the Nepal Trade Integration Strategy (NTIS) with the support of the UNDP. Nepal government approved the NTIS in June 2010. NTIS 2010 is the effort of the Government of Nepal to strengthen its ability to coordinate and manage Trade-Related Technical Assistance and AfT by implementing the mechanism of the Enhanced Integrated Framework.

Under the EIF's support measure, the government launched two Window II projects; the Trade-Related Capacity Building Project and Enhanced Trade Related Capacity (ENTReC) project between 2005 and 2008.

The Nepal government established National Implementation Arrangements (NIAs) in 2008 and 2009. Government of Nepal established the following structures according to the EIF guidelines.

1. The National Steering Committee (NSC)
2. The National Implementation Unit (NIU): based in the MoCS, with associate members in key line Ministries ('extended' NIU);
3. Technical Committees of key line Ministries to support the NIU;
4. The EIF focal point to lead the NIU and liaise with DPs and Geneva/WTO/EIF and AfT Initiatives;
5. a donor facilitator

Major donors contributing AfT in Nepal are World Bank, Germany, Japan, Switzerland and Norway. Disbursed amount of AfT in Nepal has almost doubled to USD 173.55 million in 2011 from USD 89.1 million in 2009, according to Organization of Economic Cooperation and Development (OECD).

Aid for Trade Flow in Nepal (USD'000,2009)

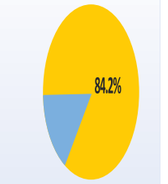
Aid for Trade	Commitments		Disbursements
	2002-05 avg.	2009	2009
Trade policy and regulations	84	2 366	494
Economic infrastructure	76 347	227173	118 959
Building productive capacity	93 930	62 963	54 100
Of which: Trade development market	-	32 540	11 008
Trade-related adjustment	-	-	-
Total AFT	170 361	292 501	173 553
AFT per capital (USD)	6	10	6

Source: OECD,2011

Aid for Trade has been committed to support in Trade policy and regulations, Economic infrastructure, Building productive capacity and Trade related adjustments. In addition, specific sectors covered by AfT commitments are transport, storage, energy generation/supply, agriculture, forestry, fishing, banking, financial services and industry.

Disbursement of AfT in Nepal (USD '000, 2009)

Disbursements	2008-09 avg.
World Bank	46 094
Germany	29 127
Japan	22 541
United Kingdom	20 490
Switzerland	10 875
Norway	9 055



Source: OECD,2011

In November 2010, the Government of Germany was selected as the new donor facilitator. At the political level, the German Embassy fulfills this role while at the technical level, the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, through WTO/EIF-Support Project, is responsible for undertaking the role of donor facilitator to facilitate Aid for Trade in Nepal. ■

For more information:

www.enhancedif.org/EN%20web%20pages/Where%20we%20work/Nepal.htm

www.oecd.org/dataoecd/5/12/48324820.pdf

Rup Kumar BK, GIZ

SILVER JEWELLERY TRADE AND INTELLECTUAL PROPERTY PROTECTION

Intellectual Property protection is important for any thriving industry to make a mark at the global level.

Photo: Philipp Kruschel

Any physical asset such as a house or a vehicle that one acquires through some legal means is ones physical property. Similarly, designs, compositions and processes that one creates and which did not exist before is ones intellectual property (IP). The World Intellectual Property Organization (WIPO) defines IP as "creations of the mind: inventions, literary and artistic works, and symbols, names, images, and designs used in commerce". People have rights over their property, either physical property or IP . However, there are differences in mechanisms of establishing rights over them.

IP is divided into two categories: (i) industrial property, which includes patents, trademarks, industrial designs and geographical indications and (ii) copyrights. These different forms of IP are used according to the types of creation. For example, while patents are used to protect inventions such as new medicines and its manufacturing process, trademarks are used to protect and differentiate between the identity of a company (or its products) from the others, such as the combination of special symbols and names used to distinguish between cell phones produced by different companies. Unique designs of a company's products, for example, the design of the VW Beetle car, are protected through industrial designs. Similarly, geographical indications are used to protect the identity of a product owing to its special characteristics based on its geographic origin, e.g., Darjeeling tea. Copyrights are used to protect creations such as literary works, art, music, and so on.

Absence of IP protection leads to imitation of original products, designs, logos, names and piracy of films, music and literary works, causing damage to the originators. Strong IP protection, on the other hand, helps companies increase their market share given that the company and its products have earned good reputation in the market already. Such an important link between trade and Intellectual Property protection led to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) becoming a part of the single undertaking of the World Trade Organization (WTO) when it was established in 1995.

Seeking IP protection, however, is not easy. It demands clear understanding of the legal procedures and huge amounts of resources. Moreover, IP should be registered in every country where protection is sought. In these contexts, there is an importance of IP protection for the Nepali silver jewellery sector.

Silver jewellery is one of the 19 products identified by the Nepal Trade Integration Strategy (NTIS) 2010 as having export potential. NTIS has suggested that IP should be used as a tool for most of the 19 products, including silver jewellery, to enhance their exports. The possible IP vehicle suggested by NTIS in the case of silver jewellery is "traditional knowledge or design" and the associated Action that the Government of Nepal should take is to legislate indigenous knowledge laws.

Innovations and creations of local and indigenous communities are also IP. They should be protected as traditional knowledge, but this is not the correct vehicle for IP protection of Nepali silver jewellery. The suggestion to use traditional knowledge or design as the IP vehicle for silver jewellery could be based on the fact that people engaged in manufacturing silver jewellery in Nepal are mostly ethnic minorities such as sunars. They possess unique skills in manufacturing fine jewelleries using hand tools, passed on to them through generations. There is no denying that such traditional skills should be preserved and protected. But there is not much fear regarding the imitation of their skills by others. They can be passed onto others only through rigorous trainings. Therefore, the concern is not regarding the imitation of traditional knowledge and skills, rather of designs, logos and names. Hence, IP vehicles that are more relevant for silver jewelleries are trademarks and copyrights.

Trademarks help protect brand names, logos and certification marks; copyrights help protect the artistic aspect of jewellery like designs. However, since each piece of jewellery will have a different design from the rest, to seek IP protection for every design, each has to be registered for copyright protection. In the present context, this is virtually an impossible task for Nepali entrepreneurs since the small volume of their trade does not enable them to seek such protection. Therefore, the most appropriate vehicle to seek IP protection for Nepali silver jewellery at present is trademark. Registering a trademark will be useful in restricting imitations and creating niche in a market given that quality of products is ensured (See Box).

Importance of trademark

Suman Ratna Dhakhwa from Lalitpur, is the owner of a small enterprise that manufactures and exports silver jewellery, including jewelleries 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.

Source: Sharma, Puspa and Niraj Shrestha. 2010. Silver Jewellery Exports from Nepal: Status and Way Forward. A study report prepared for SAWTEE and submitted to GIZ (unpublished).

Trademarks also carry additional benefits such as providing product quality assurance and traceability of the manufacturer to buyers, which provides trademark owners a competitive edge over the others. Therefore, Nepali entrepreneurs who export silver jewellery substantially in international markets should register trademarks in major export markets. However, they should note that ensuring quality of their products is the key to benefit from such IP protection. ■

Puspa Sharma

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AID FOR TRADE COULD BOOST NEPAL'S TRADE

Focus should be made in the prioritised sectors. Nepal Trade talks to the Secretary of MoCS on AfT and Nepal.

Photos: Himadri Pallikhe

"Funds from AfT should not be limited to studies and research. We have to rather focus on development of infrastructure. The direct beneficiaries should be the producers and the enterprises."

Increase in the Aid for Trade (AfT) resource allocation to Nepal might bring change in the trade sector in the next five years.

AfT provides immense opportunities

Mr. Purushottam Ojha, Secretary of the Ministry of Commerce and Supplies (MoCS) says that there has been an increase in the flow of AfT, though Nepal is not in the list of top ten recipients of Aid for Trade countries. However, he thinks that the AfT flow in Nepal is not in the priority sectors due to lack of national awareness and capacities in sensitising donors on the prioritised sector. "Efforts are being made to aware the donors on these issues," the Secretary adds. "But there is still a huge gap between Aid for Trade commitment and disbursement." Nepal received a total of USD 173.55 million under AfT in 2011, almost double from two years ago, when it received USD 89.1 million, according to the OECD global database. "We have resources under the Enhanced Integrated Framework (EIF) and donor agencies like USAID, ADB, World Bank and GIZ have been supporting Nepal, but being a recipient country, Nepal needs to utilise these funds and resources under the AfT programme."

Goals of AfT

The main goals of AfT are to achieve sustainability in trade and alleviate poverty. "Sustainability in trade entails that there has to be an increase in the level of export," the senior bureaucrat says. "For increasing exports, Nepal has to have sufficient quantity and value of goods and services." However, he opines that the short-term focus should be on quick win products and services which can harness benefits instantly. Long-term efforts should be made in developing trade related infrastructure, business environment and skilled human resources. According to him, it may take some four to five years for Nepal to develop this infrastructure. "The development in the trade sector will help reduce poverty."

On supply side constraints

Mr. Ojha elucidates that Nepal has comparative advantages but the lack of infrastructure and a non-conducive business environment makes Nepal uncompetitive in the global market. Mr. Ojha goes on to explain that the NTIS 2010 was enacted with the purpose to convert Nepal's comparative advantages into competitive advantages. In the NTIS 2010, 19 sectors and their potential markets were identified to enhance the supply side capacities. "It is not just the supply side constrains but the inability of the Country to take advantage of the increased market access," he thinks. The country needs huge investment and increased production as only market access does not lead to increased exports of LDCs like Nepal. "This is basically due to non-tariff barriers like standards and quality of goods . Even with a zero tariff preference, we cannot utilise the market due to stringent rules." International companies have set certain standards and when those standards are not met, they do not accept our goods, the secretary says. "To meet these standards, Nepal must have increased quality and service facilities and the necessary infrastructure." He informs us that steps are being taken to form an Accreditation Board, improve laboratory facilities and receive accreditation at the international level.

Working with Private Sector

The private sector and the Government are like two wheels of a vehicle and absence of any one of them makes the vehicle non-functional. According to Mr. Ojha "A strong partnership must exist between the two. We have always taken the private sector in confidence and they have always been on board". The Government has been working in coordination with FNCCI, CNI and the Nepal Chamber of Commerce. The government holds extensive consultations with all stakeholders prior to taking decisions. "The role of Public Private Partnership (PPP) is vital to develop sustainable practices," he says, adding that effective social and infrastructural development is delivered through the PPP approach. Partnerships allow the private sector to share costs and risks while maintaining a public interest, whereas the Government ensures

maintaining pre-determined levels of services without playing a direct management and operational role. PPP offers potential benefits like a well-structured partnership in risks of cost-overruns including the private sector bearing time over run costs instead of taxpayers. These partnerships also offer government greater flexibility to tailor projects to best meet local needs. Mr. Ojha opines that effective PPP helps the country to take advantage of the AfT resources.

Tier II project

Tier II projects address the priorities of the NTIS 2010. Its key purpose is to collaborate with all interested public, private and non-government agencies to develop bankable Tier 2 proposals for implementation of actions identified in the NTIS. "Tier II is one of the windows where we can get support from the EIF Trust Fund," says Mr. Ojha. The secretary maintains that very few countries have Tier II projects in place and Nepal is soon going to be one of them. He explains that the focus has shifted from software activities like research to hardware activities like road connectivity, warehouse facilities, big dry ports and market development, laboratory facilities for tests and certification and internal capacity development. "Funds from AfT should not be limited to studies and research. We have to rather focus on the development of infrastructure. The direct beneficiaries should be the producers and enterprises," he adds. The government has published an Expression of Interest inviting stakeholders to implement the 258 actions according to NTIS. The National Implementation Unit (NIU) will facilitate the process.

Way Forward

Mr Ojha opines that there is still much to be done in the field of enhancing the trade capacities of Nepal. Efforts are being made to get more AfT resources for product and services development and national capacity building. The Government has passed the Board of Investment Act and announced Nepal Investment Year 2012/13 to attract foreign direct investment in large infrastructural projects of over ten billion Nepali Rupees.

The Government has signed the Bilateral Investment Promotion and Protection Agreement (BIPPA) and revised the Double Taxation Avoidance Agreement (DTAA) with India to create a favourable business environment, he adds. Despite regular hours of power outage, frequent labour unrest and bureaucratic hassles, Mr. Ojha is optimistic that trade and export in Nepal will see a growth in the next five years due to more AfT resource mobilisation in the priority sectors. ■

For more information

www.mocs.gov.np

Jannu Chudal Sherpa, GIZ

PLANS AND POLICIES OF SILVER JEWELLERY

Silver Jewellery is a handicraft item produced largely by micro and the small-scale enterprises. As there are no particular laws and regulations governing the manufacturing and export of Silver Jewellery in the country, the plans and policies relating to the handicrafts sector apply to silver jewellery as well.

Trade Policy 2009

The key objective of the Trade Policy 2009 is to support economic development and poverty alleviation initiatives through enhanced contribution of the trade sector to the national economy. It is formulated in a way that addresses issues such as dynamism in international trade, the country's affiliation in regional and multilateral trading systems, sanitary and phytosanitary measures (SPS), technical barriers to trade (TBT) among others.

The Trade Policy 2009 has incorporated a number of working policies and strategies for handicrafts sector. The Policy has given special focus to handicrafts. Since there is no separate section for the silver jewellery sector:

- Assistance will be given to develop, pashmina, woollen products, silver products, metal products and handmade paper that are being exported in large quantities.
- Programmes will be conducted under the aegis of Federation of Handicraft Association of Nepal and with the support of Government of Nepal for research activities and trainings on product diversification, designing, quality development and market access of handicrafts. Moreover, a Handicraft Design and Development Centre will be developed as an institute in providing services on designing.
- The payment system in handicrafts export will be made simple by reviewing exports against the advance payment and letter of credit (L/C). Special provisions will be made to allow imports of samples, and purchases under buy back L/C and exports under buy-back arrangement.
- Exports of handicrafts other than those exported under the letter of credit will be allowed on the basis of the documents against payment.
- Provisions will be made to refund duty based on a flat rate specified in proportion to the export value for making the duty draw back practical and effective.
- All agencies issuing certification and recommendations required for exporting handicrafts will be brought at one place to simplify the procedures.
- All government agencies like customs house, Department of Archeology, security police and others will be pooled at one place to facilitate onetime customs inspection and sealing.
- Archeological examination of handicraft products will be made hassle free and simple in coordination with the concerned agencies.
- Comprehensive programmes will be launched in coordination with the Ministry of Forest and Soil Conservation and the Forest Product Development Committee in consideration of the economic activities stemming from the production and collection of Lokta used in the production of Nepali paper products in rural areas.

The Trade Policy 2009 also specifies the following strategies that apply to Precious/semi-precious gems and stones, and gold and silver ornaments:

- 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 semi-precious 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.

Periodic plans

None of the periodic plans prior to 1997 had specific plans for the development of the Nepali silver jewellery industry. 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 as well as products in modern/ contemporary designs. It emphasized implementing programmes to provide relevant 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) was to give special emphasis on the production and export of handicrafts based on traditional skills. It sought to study and complete preliminary efforts for the establishment of a separate promotion centre for the production, processing, and export of silver jewellery, among others. For this, it stated that a separate policy would be prepared with regards to import of raw materials, control of production or processes, local sales, export, custom processes and duty incentives. The policy emphasized training domestic human resources and establishing an integrated technical institute in collaboration with the private sector for quality improvement, product development and diversification.

The second Three Year Plan Approach Paper (2010-2013) does not contain any specific plan or programme relating to the handicraft or the silver jewellery sector. However, the Plan identifies the following priority sector:

- Priority will be accorded to employment creation and economic growth by providing priority to agriculture sector, tourism, industry, and export trade
- High priority will be accorded to nationally important priority projects and those that will contribute directly to the relief of the people. ■

Source: i) Silver Jewellery Exports from Nepal: Status and Way Forward. A study report prepared by SAWTEE and submitted to GIZ (unpublished). ii) Trade Policy, 2009: published by Government of Nepal, Ministry of Commerce and Supplies iii) Three Year Plan Approach Paper (2010/11-2012/13)

Vidha Pradhan, GIZ

THE SILVER JEWELLERY INDUSTRY

Opportunities and challenges.

It has been estimated that the Silver Jewellery Industry can contribute one fourth to the total handicraft export of Nepal. However, this potential has not yet been realized due to various constraints in the sector. According to The Nepal Trade Integration strategy (NTIS) 2010, the annual production of Silver Jewellery in Nepal is 15 - 20 Metric Tonnes (MT) while the annual production capacity is estimated at 50 MT. According to the Federation of Handicrafts Association of Nepal (FHAN), 527 firms and companies were directly involved in jewellery production and export in 2007. In the fiscal year (FY) 2009-10, the country exported about US$ 4.7 million worth silver jewellery which accounted for about 13 percent of the total Nepalese handicraft export.

Though not very substantial in terms of its contribution to the total merchandise export, the sector, nonetheless holds a special place in the Nepalese economy, as it creates employment opportunities, directly and indirectly. It also has substantial potential for increasing exports and empowers ethnic and indigenous communities economically.

According to the Nepal Gold and Silver Dealers Association, there are currently more than 2500 entrepreneurs working in the jewellery sector. In the NTIS 2010 it is estimated that it is currently providing employment to 10,000 craftsmen directly. The strategy reported that it is estimated, that Nepal adds around 40-50 percent value to silver while exporting it as jewellery, which also makes it eligible for the government's cash incentive of three percent of total exports revenue.

There is a possibility of further value addition in silver jewellery by adding gemstones. The government can provide proper facility for mining and refining of gems that could create additional employment in the country. Thus the Silver Jewellery industry could be an economic driver of Nepal.

International and Domestic Demand

The International Trade Center's 'Export Potential Assessment in Nepal' identified world market prospects for Silver jewellery as very favourable. The most attractive markets for Nepalese Gems and Jewellery are some EU countries, the US, Hong Kong, and India.

Nepal has a number of competitive advantages like low labour cost, unique traditional design and handmade quality in the sector which it could use to enhance its market share internationally.

A skilled craftsman earns around US$250 per month on average, which is less than in competing countries such as India and Thailand. Similarly, the Unique Selling Point for Nepalese silver jewellery is its traditional design which is completely handmade with traditional process.

Nepal has good export potential to the top four attractive markets as identified in the NTIS - Hongkong, USA, Germany and UK in terms of growth in demand for Silver Jewellery. Other major markets grant duty-free access under the Most Favored Nation (MFN) status to Nepalese silver jewellery. The EU offers 2.5 per cent, the US offers 5-13.5 percent, Japan offers 6.2 percent, Canada offers 5-8.5 percent, and India offers 10 percent duty free access to Nepal in Silver Jewellery.

According to a report by SAWTEE on Silver Jewellery Exports from Nepal, during 2006–2008, global exports of silver jewellery were in the range of about US$3 billion to about US$5 billion annually. The growth rate for silver jewellery even during the pre-recession era shows that there are good prospects for the international trade of silver jewellery. However, Nepal needs to reap benefit from this growing export potential.

Photo: Rup Kumar BK

"Silver Jewellery industry could be an economic driver of Nepal."

Photo: Philipp Kruschel

Apart from the International market, the domestic market looks equally promising for silver jewellery. Silver, as ornament or traditional artifacts, is high in demand. Gold is becoming expensive fueling the demand of silver ornaments, apart from its own popularity among the young generation and expats living in the country, since it is affordable and trendy.

According to tradition, some communities of Nepal like *Newars* have a tradition of giving silver artifacts as a gift during their daughter's marriage creating regular demand for silver during the wedding season.

Challenges

Silver Jewellery is not free from challenges. The major constraints are - access to raw materials, cadmium mixing, lack of skilled labour, meeting large volume demands, international competition, lack of export-friendly legislation and inadequate Intellectual Property Rights protection systems.

Nepal Rastra Bank sells silver only in bulk. The Central Bank requires that firms possess a Value Added Tax (VAT) registration to be eligible for purchase. The provisions of the Central Bank deter Small and Medium Enterprises (SMEs) to procure silver from banks. The buyers opt to purchase silver from local markets even if these markets do not guarantee the purity of silver. The domestic supply of required raw materials like raw silver, gems and precious stones, and the tools required for the production of Silver Jewellery is not enough for large volume export. The craftsmen are using traditional artistic design, skills and techniques only and not looking to expand their market commercially.

Cadmium mixing into silver jewellery has become yet another challenge in the recent years. Cadmium is a toxic metal that is difficult to separate from silver. It is known to cause allergic reactions to the skin and the inhalation of its fumes causes serious damage to the respiratory tracts and kidneys. The EU, which is Nepal's second largest buyer of silver products, has explicitly stated that it will ban the entry of silver goods from Nepal if they are found mixed with cadmium. In order to test for cadmium, the Government of Nepal in partnership with the FHAN and the Nepal Bureau of Standards and Metrology established a testing facility. However, the machines in this testing facility have its own limitations in terms of the depth of its penetration.

Similarly, the pool of Nepalese craftsmen has shrunk considerably due to the lack of awareness of the potential that their profession holds. Lack of enough skilled craftsmen has created problems for exporters to accept large orders. With the limited supply of qualified Nepalese craftsmen, jewellery producers have been heavily dependent on immigrant jewellery makers, leading to both limited employment opportunities for Nepalese as well as losing valuable knowledge of traditional designs to the migrant workforce.

Nepal is facing tough competition from other countries like India, Thailand, Sri Lanka, Mexico, and Indonesia. Unlike its competitors, Nepal has yet to conduct market research to identify new markets for the Nepalese silver jewellery.

According to the findings of the ITC's assessment, there is also an absence of export-friendly and transparent legislation and simplified procedures to facilitate mining, processing, manufacturing, exporting, importing, re-exporting of precious metals, gems, stones, and jewellery.

Due to the inadequate Intellectual Property Rights (IPR) protection system in the country, Silver Jewellery designers are unable to protect their designs (both old and newly developed) to secure their rights. Entrepreneurs complain that apart of domestic copying, competing countries are also copying Nepalese design and producing it in mass scale using specialized machinery.

Nepal's small-scale Silver Jewellery producers are limited in their capacity to manufacture and export in volume. It is believed that full automation of the manufacturing process and exporting in bulk from Nepal is not feasible mainly for two reasons: (i) Nepal's market for silver jewellery abroad is due to its handmade nature and good quality. (ii) Countries such as India, Thailand and Indonesia have already mechanized their manufacturing process and are able to export in large quantities. So, Nepal may not be able to compete with these established countries in terms of both cost and volume even if it got into machine manufacturing. Therefore, Nepal needs to come up with a sound promotion strategy that capitalizes on its core strengths and is able to benefit from the growing jewellery market.

In order to address the challenges, the government and the private sector are working together like establishing testing labs, and providing trainings to craftsmen. Similarly, the Ministry of Commerce and Supplies is developing and implementing an action plan for the overall development of the sector with support from GIZ WTO/EIF – SP.

A Project Advisory Group (PAG) consisting of the stakeholders in the sector has been formed to support the project in its interventions. The PAG has developed an action plan consisting of 19 activities that focuses on pre-requisites of the sector like the upgrading of labs for quality testing, capacity building of designers and craftsmen and developing market linkages. More details can be viewed/ downloaded from www.nepaltrade.org. ■

Himadri Palikhe, GIZ

STARTING A SILVER JEWELLERY BUSINESS-THE LEGAL ASPECTS

A step by step guide.

To get started in the silver jewellery business, as an independent legal entity, the chart below provides a step-by-step guide to the process involved. However, the order of the corresponding institutions may vary depending upon the nature and the type of business.

Step 1
- **Register with the Metropolitan Office/Sub-Metropolitan Office**

Step 2
- **Register with the concerned departments of the Government of Nepal (depending upon the nature of business)**
  - **i) The Department of Commerce for a trading company**
  - **ii) The Department of Cottage and small industries for a manufacturing company**
  - **iii)The Office of the Company Registrar for a private company**

Step 3
- **Register with the Inland Revenue Department for Permanent Account Number (PAN)**

Step 4
- **Register with other relevant institutions (Optional)**

Step 5
- **Calibrate measuring instruments as per the standards of Nepal Bureau of Standards and Metrology**

1. Register with the Metropolitan Office/ Sub-Metropolitan Office.

All businesses are required to register with the respective Metropolitan Office. The following documents need to be submitted for registration:

1. An application form for the proposed shop/company.
2. A copy of the proposed owner's citizenship certificate.
3. 2 passport size photos.
4. Registration fee: Rs. 1000 for a silver jewellery shop and Rs. 10000 for a manufacturing company.

Upon the submission of the documents, the Metropolitan/Sub-Metropolitan Office issues the business registration certificate to the applicant. This certificate needs to be renewed on an annual basis. The annual renewal fee is the same as the registration fee. A business enjoys a discount of 5 percent on the renewal amount if it is done within Shrawan (mid July to mid August). Failure to renew at the stipulated time leads to a fine.

For more information, visit:
www.kathmandu.gov.np

2. Next, depending on its nature and type, a business then has to be registered with the respective department/s of the Government of Nepal.

- **Department of Commerce**

Trading companies are registered with the Department of Commerce. Basically, these are businesses that trade in different kinds of products sold to consumers, businesses or the government agencies. These companies buy a range of products, maintain a stock or a shop, and deliver products to customers. For the registration of trading companies, the following documents must be submitted to the Department of Commerce, Babarmahal, Kathmandu:

- A Citizenship Certificate of the proposed shop owner.
- 2 copies of passport size photos of the proposed shop owner.
- Registration fee on the basis of the authorized capital of the shop as follows:

- Rs. 700 for up to Rs 1 lacs of authorized capital
- Rs. 2100 for up to Rs 3 lacs of authorized capital
- Rs. 4100 for up to Rs 5 lacs of authorized capital

For more information visit:
www.doc.gov.np

- **Department of Cottage and Small Industries**

Silver jewellery manufacturing company like most small scale businesses in manufacturing, tourism, energy, agricultural, service and construction need to be registered with the Department of Cottage and Small Industries (DCSI). To register with DCSI, one is required to submit the following documents:

- An application for the registration.
- A copy of the citizenship certificate.
- 2 copies of passport size photos.
- A copy of 'lalpurja' or land ownership certificate.
- A letter of recommendation from VDC/ metropolitan office.
- An agreement paper from all neighbouring land owners of the business site.
- An agreement paper from other relevant entities if required.
- Stamp of Rs. 5.

For more informtion visit:
www.dcsi.gov.np

3. Office of the Company Registrar

A private company has to be registered with the Office of the Company Registrar, Ministry of Industry, Tripureshwor. The following documents need to be submitted for the registration of a private company.

- An application in the format as prescribed by the Ministry of Commerce and Supplies 'ANUSUCHI 1', along with a 5 rupees stamp attached to it.
- Two copies of Article of Association in the format as per 'ANUSUCHI 2' in Nepali language.
- Two copies of Article of Memorandum in the format as per 'ANUSUCHI 3' in Nepali language.
- Attested copies of the citizenship certificates of the founder shareholders.
- In case of a private company a copy of the mutual agreement among the founding partners (if any).
- If the founder company is a Nepali registered company, then the following documents need to be submitted as well:

– A copy of the company registration certificate.
– A copy of the decision of the managing committee regarding details of the investment to be made upon the aspiring company.
– Name and a copy of the citizenship certificate of the person representing the founding company.

Additional documents required for Company Registration by a foreigner:

- A copy of the permit received from the concerned body to invest in Nepal according the existing rules.
- In case of the foreigner being a single person.
- An attested copy of the company registration certificate.

– A copy of the decision regarding details of the investment to be made upon the aspiring company by the founder
– An attested copy of the passport of the person representing the founder company

The concerned individual is normally notified about the status of the registration of the company by the office within few days of filing for registration. Upon this, s/he has to deposit the registration charge and collect the certificate. The registration fee corresponds to the company's authorized capital.

For more information visit:
www.cro.gov.np

4. Register with the Inland Revenue Department

It is important for a business to register with the Inland Revenue Department (IRD) within 35 days of its incorporation. The silver jewellery business is not subject to Value Added Tax (VAT) and therefore, a Permanent Account Number (PAN) number needs to be obtained from the Inland Revenue Department. The requirement with respect to the documents to be presented to the IRD is different in the case of a shop/store and a manufacturing company.

In order to open a jewellery shop/store, the proposed owner should visit the office with the following documents:

- An application form.
- 2 passport size photos.
- A copy of the proposed owner's citizenship certificate.
- Business registration certificate.
- An agreement paper with the landlord (if any).

In case of a manufacturing and/or a trading company, the registration process requires the following additional documents:

- An agreement between the proposed partners (if any).
- A copy of Memorandum of Association (MoA).
- A copy of Articles of Association (AoA).

For more information visit:
www.ird.gov.np

5. Registering with other relevant entities

Though optional, a business in silver jewellery can be registered with various relevant and representative organizations like the Federation of Handicraft Association Nepal (FHAN), Nepal Gold and Silver Dealers' Association (NEGOSIDA), Nepal Gold and Silver Art Association (NEGOSAA), Nepal Gems and Jewellery Association (NEGJA) and Nepal Chamber of Commerce (NCC). These are suitable platforms to help businesses increase their network, explore new and existing markets and protect their rights *(Refer to page 18 for the work of aforementioned institutions.)*

6. Nepal Bureau of Standards and Metrology

Nepal Bureau of Standards and Metrology (NBSM) is the government authority that oversees aspects pertaining to the calibration of the measuring instruments used in the industry. Companies are required to use instruments that conform to the standards with regards to magnitude and correctness set by the NBSM. Some of the measuring instruments used in the industry are weighing scale or taraju, weight box or dhak, pressure gauge and vermeil caliber.

For more information visit:
www.nbsm.gov.np

Vidha Pradhan, GIZ

Photo: Ujjwal Bajracharya

SILVER JEWELLERY IN THE MAKING

1. Silver granules.
2. Raw silver.
3. The silver is melted to bring it to form.
4. It is then sized and rolled according to the shape of the jewellery.
5. The silver is then carved into a design.
6. Once the carving is done, it is refined and brought into shape. The rough edges are removed.
7. It is then heated using liquid petroleum gas.
8. The process of oxidizing takes place by placing the jewellery in a chemical.
9. Buffing takes place in a buffing machine to give it shine.
10. The jewellery is then ready for sale.

Photos: Philipp Kruschel, Rup Kumar BK

Photos: Philipp Kruschel

SILVER JEWELLERY MAKING AS AN OCCUPATION – AN ARTISAN'S PERSPECTIVE

Silver Jewellery making is a cultural heritage, an established and promising business, and a portrayal of traditional Nepali craftsmanship that showcases the beauty and ingenuity of Nepalese handicrafts.

"There are enough silver jewellery artisans in Nepal, however, heavy influx of Indian artisans, mostly from West Bengal take away a considerable share of the Nepalese employment opportunities."

Silver Jewellery artisans have unique traditional skills and techniques of Nepali craftsmanship. The skill of silver jewellery making passes from generation to generation. The new artisans assist their seniors or family members, who are already in the business, to learn the skills of jewellery crafting. These artisans sharpen their craftsmanship skills by using silver. After mastering the skills of craftsmanship, they start working with gold items. However, some of them continue with silver jewellery but most of them craft gold as well as silver items depending upon the orders.

Shyam Bahadur Sunar, who has been running a jewellery shop in Chitwan, since last 30 years, opined that he learnt the skill from his father and have been playing with silver since early childhood. "Most of the artisans begin as volunteer in jewellery shops. In addition, there is no technical training institute as such for silver jewellery artisans", he said. Likewise, no automated or sophisticated machines are used in most of the steps of silver jewellery making process. The artisans use simple instruments for melting, casting, sizing, rolling, carving and cutting, heating, cleaning, soldering, refining and shining that are simple and easy to handle.

The artisans usually work at jewellery shop however; they also work at the workshop which is sometimes far from the shop. Therefore, those artisans working in isolated workshops get orders from more than one jewellery shops. They are paid on the basis of number of finished products they produce. The artisans can earn from Rs. 15,000 to 40,000 depending upon the orders and season. During marriage and festival seasons they receive more orders.

On difficulties facing the silver jewellery industry, another artisan, Rajendra B K said, "There are enough silver jewellery artisans in Nepal, however, heavy influx of Indian artisans, mostly from West Bengal, take away a considerable share of the Nepalese employment opportunities". There are cheap and machine finished products from India. Though they are relatively cheap, the jewellery crafted by hand is much more preferred by the importers. "Handmade Jewelleries are liked by many foreigners because every item is different from each other. They also love the traditional Nepali jewellery designs", he added. This is the unique selling point of the Nepali silver jewellery. Besides the competition from Indian artisans, the current rise in the silver price triggered a lower demand for silver jewellery. This in turn has led to a decrease in the volume of work for the artisans.

The demand of silver jewellery is increasing along with the new market that includes European Union, Russia, South Korea and South Africa and Japan. In addition, the silver jewellery contributes 13 percent to the total handicraft export from Nepal. Likewise, Government of Nepal has listed silver jewellery as one of the promising export items in the Nepal Trade Integration Strategy-2010, is another milestone attained by the sector. Therefore, if we can provide proper training to that silver jewellery artisans, the sector adds another ladder to employment creation for Nepali youths. ■

Rup Kumar BK, GIZ

THE PROJECT ADVISORY GROUP (PAG)

Get insights on the work of stakeholders involved in promoting the Silver Jewellery sector.

The Ministry of Commerce and Supplies (MoCS) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH are jointly implementing the project 'Supporting Nepal's WTO accession and Enhanced Integrated Framework (WTO/EIF-SP)'. As part of the project output an action plan for two priority sectors of Nepal should be developed and partially implemented. Silver Jewellery has been selected as one of the sectors.

To facilitate this process of developing an action plan and carrying out the activities under it, a Project Advisory Group (PAG) was formed. The PAG includes stakeholders from relevant public and the private sector. The members of the PAG include the Federation of Handicraft Association of Nepal (FHAN), Lalitpur Handicraft Association (LHA), Ministry of Commerce and supplies (MoCS), Ministry of Industry (MoI), Nepal Bureau of Standards and Metrology (NBSM), Nepal Gem and Jewellery Association (NEGJA), Nepal Gold & Silver Art Association (NEGOSAA), Nepal Gold & Silver Dealers' Association (NEGOSIDA), South Asia Watch on Trade, Economics and Environment (SAWTEE), Trade and Export Promotion Centre (TEPC) and GIZ. The Group was formed to ensure proper preparation of the sector wide action plan in the Silver Jewellery sector.

The Group conducted three PAG meetings in 2011. The first meeting, held on April 28, helped identify the stakeholders, their mandates and key challenges in the Silver Jewellery value chain. The stakeholders identified three challenges i) lack of conformity assessment in every activity of silver jewellery value chain ii) lack of assurance in the purity of silver and iii) lack of systematic and reliable mechanisms for skills transfer.

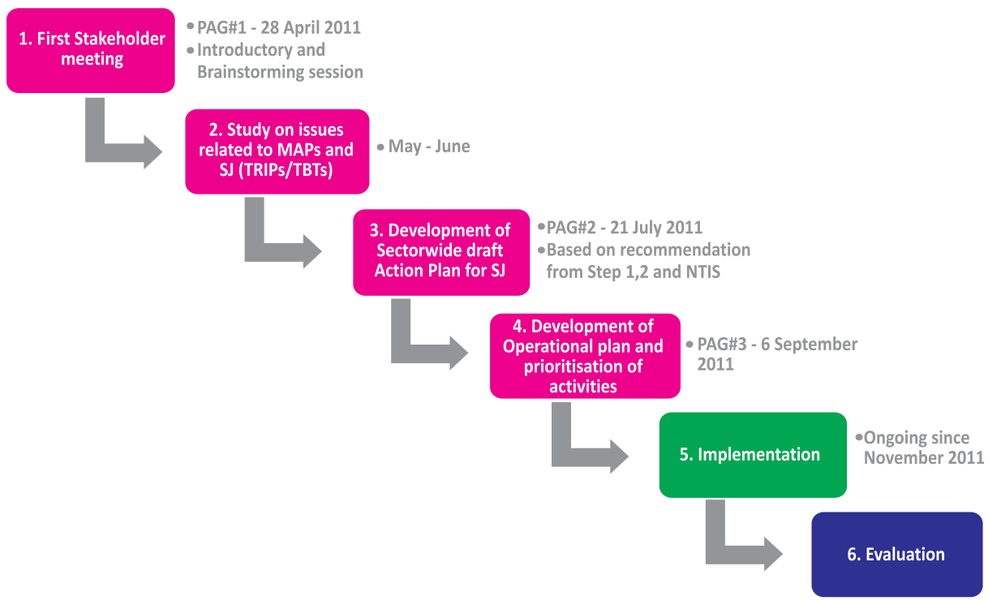
In the second PAG meeting held on July 21, SAWTEE presented a comprehensive sector study on "Silver Jewellery Exports from Nepal-status and way forward". Based on the Nepal Trade Integration Strategy (NTIS) 2010, the sector study report and discussions, a draft action plan was prepared by the PAG. For the purpose, the Group was divided into issue-based sub-groups and each sub-group identified different activities under two broad topics; i) Processing/Manufacturing and ii) Exports. The summary of problems and challenges identified are as follows:

1. Processing/Manufacturing : Supply and cost of raw materials, skilled manpower, motivation for manufacturers, high volume production, lack of tools and equipment and quality of jewellery products;
2. Exports : Adaptation to the taste of international Market, explore export potential in new markets (especially Denmark and Australia), facilities for exporters, one stop showroom for exportable items, unavailability of testing facility for precious metal and gems.

The third PAG meeting held on September 6 focused on preparing a final and an operational version of the Action Plan. The proposed activities under the Action Plan were further broken down into a series of sub-activities with detailed information on the timeline, implementing agencies, budget and financing agencies. The WTO/EIF-SP also presented some activities that could be supported by the project.

As a part of the Action Plan implementation, the PAG and the WTO/EIF-SP decided on a Public Private Partnership (PPP) model. Under the PPP model, ten qualified participants will be sent for a six month training course at the Indian Institute of Gems and Jewellery, Delhi. Federation of Handicraft Associations of Nepal (FHAN), Nepal Gold and Silver Dealers' Association (NEGOSIDA), Nepal Gold and Silver Art Association (NEGOSAA) and GIZ are involved in the PPP model. The training course will commence from the first quarter of 2012. ■

Vidha Pradhan, GIZ



NEPALTRADE

PAG members:

Federation of Handicraft Association of Nepal (FHAN)
Is a service-oriented non-profit organization of private sector businesses and members of the artisan community. It helps its members to improve their productivity, explore and get exposure to both the national and international arena. It also works as a liaison between its members and the Governmental and Non-Governmental Organizations.
More info: www.nepalhandicraft.org.np

The Lalitpur Handicraft Association (LHA)
Is a service oriented non-profit and non-governmental organization of art and artists and handicraft trade of Lalitpur. It has more than 200 members which include artists, manufacturers, wholesalers and exporters of Lalitpur. It works as a liaison between its members and the government and non-government organizations to promote and preserve handicraft business of Lalitpur. To encourage artists and entrepreneurs of Lalitpur, it provides various handicraft trainings, seminars, symposiums, conferences and organizes exhibitions. Further, it works to establish relationship with national and international organizations.

Ministry of Commerce and Supplies
Is an entity of the Government of Nepal. It is the regulatory body and the main responsible government body for trade related policy making. Decisions related to international trade policy and operation of international trade is made by the MoCS. It cooperates and coordinates with agencies related to national, regional, international trade and transit. Further, it carries out intergovernmental trade negotiations and evaluates activities related to trade and transit.
More info: www.mocs.gov.np

Nepal Bureau of Standards and Metrology (NBSM)
Is the national standards body of Nepal. It works as a secretariat to the Nepal Council for Standards (NCS). It inspects and supervises activities on industrial production and processes. It also grants licenses to use the Nepal Standards Mark on industrial products in compliance with relevant Nepal Standards as approved by the NCS. In addition, it provides testing facilities, calibration and laboratory accreditation services.
More info: www.nbsm.gov.np

Nepal Gem and Jewellery Association (NEGJA)
Is an authorized national level organization of Gem and Jewellery businesspersons. It works as a facilitator to various tasks related to the gems and Jewellery sector as well as handles emerging problems. It supports the regulation of the market, the enhancement of the quality of products and competition in international markets. In addition, quality control is one of its prime concerns.
More info: www.negja.org.np

The Nepal Gold & Silver Art Association (NEGOSAA)
Was registered in 2056 B.S. with the objective of advocating for the rights of gold and silver entrepreneurs. Further, it aims to promote and modernize these businesses to make them internationally competitive. Currently there are 300 members and 11 district offices.

Nepal Gold & Silver Dealer's Association (NEGOSIDA)
Is a non-governmental, non- political, non-profit making, autonomous and service-oriented organization. It safeguards and promotes the interests, rights and privileges of its members and the Jewellery community. It works to produce skilled manpower for Jewellery industries and helps promote local employment.
More info: www.negosida.com.np

South Asia Watch on Trade, Economics and Environment (SAWTEE)
Operates as a regional, non-profit NGO. It is also recognized as a think tank at local, national, regional and global levels. It envisions supporting fair, equitable, inclusive, and sustainable growth and development in South Asia.
More info: www.sawtee.org

Trade and Export Promotion Centre (TEPC)
Has the objective of promoting foreign trade in general and export trade in particular of the country. It advises the government of Nepal in formulating policies, acts as information pool by collecting, disseminating and publishing useful trade related information, organizing buyer/seller meetings, conducting training seminars and workshops and simplifying the procedures relating to export.
More Info: www.tepc.gov.np

Deutsche Gesellschaft fur Internationale Zusammenarbeit (GIZ) GmbH
Is a federal enterprise working on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). It supports the German government in achieving its objectives in the field of international cooperation for sustainable development. It further supports its partners at local, regional, national and international level in designing strategies and meeting their policy goals.
More Info: www.giz.de ■

Vidha Pradhan, GIZ

Photo: Himadri Palikhe

10 Facts on Silver

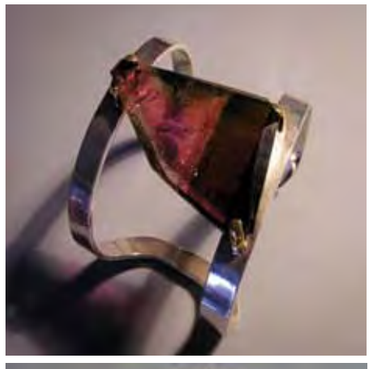
- The major producers of silver include the United States, Mexico, Canada, Peru, Russia and Australia.
- Silver is used in the photographic industry.
- Argentina is the only country to be named after a chemical element 'Argentum' (Latin), keeping the link with its mineral wealth.
- Sterling silver is an alloy of 92.5 % silver and 7.5 % other materials - usually copper. In recent times, germanium is often used as a replacement of the copper portion.
- Silver compounds were successfully used in World War I to prevent infection before the advent of antibiotics. Silver compounds are still used externally to accelerate healing in burns victims.
- Silver is the best conductor of heat of all elements. Its uses in solar panels and automobile rear window defoggers take advantage of this quality.
- More than 2/3 of the silver produced worldwide is a by-product of lead, copper and zinc mining.
- In 1477, silver was worth approximately 100 times more than it is today.
- Silver is more malleability than any element except gold. One grain of silver can be made into a sheet one hundred and fifty times thinner than a piece of paper.
- Silver can be eaten, although it is not advised.

Photo: Philipp Kruschel

INTERNATIONAL DEMAND FOR SILVER JEWELLERY

The EU market for Silver Jewellery demands a better understanding by the Nepalese exporters.

"Worldwide, Nepal ranks 50th in terms of silver jewellery export value. In 2010, its share in the world market was less than 0.1% . The total silver jewellery exports from Nepal reached 3.8 million Euros in 2010/2011, compared to 1.7 million Euros in the previous year."



Photos: Suman Dhakhwa

The ten most attractive markets for Nepalese silver jewellery as per the Nepal Trade Integration Strategy (NTIS) 2010 are Hong Kong, USA, Germany, UK, France, Denmark, Australia, Spain, Netherlands and Canada. Of the ten countries mentioned here, six belong to the European Union (EU). Also, global import statistics of silver jewellery place the EU second only to the US. This article is an effort to present the demand side of the EU market and covers market trends, consumer trends, and opportunities and threats facing the Nepalese exporters targeting the EU silver jewellery market.

Trade Data - Demand and Supply trend

The total market for jewellery has been growing throughout the EU. The world import of silver jewellery shows a rising trend with an average annual growth rate of around 12% in terms of value, for years spanning 2007 to 2010. The principal importing country is the US, followed by Germany, UK, Hong Kong/ China, Denmark, France and others. The value of imports by the 27 EU countries in 2010 at US$1.9 billion was as nearly as high as the import value of the USA at US$2.0 billion *(Source: ITC, Market Analysis Tools, Trade Map, 2010).*

Table 1: World import of silver jewellery (value in USD)

Importers	World
2006	3,426,841,000
2007	3,962,871,000
2008	4,466,953,000
2009	4,488,527,000
2010	5,511,295,000

Source: ITC calculations based on COMTRDE statistics, Product: HS code: 711311- Articles of jewellery & pts thereof of silver w/platdlclad w/o prec met.

The silver jewellery market in the EU in 2009 was worth 3.1 billion Euros or 13% of the total jewellery market of the EU. A large variance in demand exists among the EU countries: France (608 million Euros) and UK (396 million Euros) have the largest demand for silver jewellery, followed by Germany, Italy and Spain. In 2009, these top five countries accounted for as much as 66% of the entire EU silver jewellery market. Owing to its growing middle class, Eastern Europe too presents good business prospects in silver jewellery.

Most silver jewellery imports from outside of the EU come from Thailand. Looking again at world statistics, Thailand is the world's biggest exporter of silver jewellery (*Source: ITC Market Analysis Tools, Trade Map, 2010*). In 2009, Thailand's share in the total EU silver jewellery imports was 30% at 327 million Euros. Besides Thailand, countries like China, India and Turkey are important importers to the EU.

Although the demand trend is positive, the silver jewellery market in recent years has been affected by the global economic crisis and the high processing cost of precious metals.

Share of Nepalese silver jewellery in the global market

Worldwide, Nepal ranks 50th in terms of silver jewellery export value. In 2010, its share in the world market was less than 0.1% *(Source: ITC, Market Analysis Tools, Trade Map, 2010)*. The total silver jewellery exports from Nepal reached 3.8 million Euros in 2010/2011, compared to 1.7 million Euros in the previous year *(TEPC, Nepal Foreign Trade Statistics, 2010/2011)*. With regards to value imported, the USA at around 2.4 million Euros remains the most important market for Nepalese silver jewellery. Nepal's export value to the EU reached about 0.5 million Euros in the year 2010/2011; the EU countries, to which Nepal exported, were Germany (around 0.13 million Euros – also the country with the highest value), Netherlands, Italy, France, U.K., Belgium, Spain and Denmark.

Trends in production and consumption

The production market in the EU itself is declining which presents good opportunities for exporters outside the EU. However, a growing number of the EU silver jewellery production has already been outsourced to countries like Thailand and China, making it quite difficult for smaller suppliers from developing countries to expand their presence in the EU.

A global trend observed of the jewellery industry is that consumers are gradually moving away from gold and platinum towards silver. Terms like "individualization and spiritual jewellery", "statement jewellery" and "ethical jewellery" are used to describe the characteristics of silver jewellery. The developing countries, for not being in a position to compete in terms of mass production, need to differentiate their products in terms of quality and design, and capitalize on fashion trends. It may also be necessary to upgrade the quality of the raw materials, using "Argentum"- a purer form of silver than Sterling silver and creating interesting fusion pieces using silver with different materials like stainless steel or different stones. Increasingly, jewellery is being integrated into items like bags, apparels and footwears - an opportunity also for silver jewelleries for product line extension and wider markets.

Additionally, promotion, distribution and pricing are important elements for gaining and keeping a market. It goes without mention that the importance of aspects like timely delivery and customer service to product sales and customer satisfaction cannot be overestimated. Joint promotions with other exporters have proven more successful than individual promotional campaigns. The "Made in Italy" concept, set-up by the Italian jewellery industry to promote itself at trade fairs is one such example. This type of promotion may not be specific for silver jewellery alone and is a well-known and successful strategy for many other products.

European buyer requirements

Aside from design and aesthetics, there exist two important sets of requirements: legislative requirements and non-legislative requirements governing the silver jewellery imports to the EU. The two main legal requirements that exporters need to abide by are 1) avoiding the use of Cadmium and 2) observing the requirements with regards to Nickel content in products that come in contact with the skin.

Non-legal requirements such as technical, environmental and social standards are equally important. The ISO Standards (International Organization for Standardization, www.iso.org) for silver jewelleries outline a number of requirements relating to working conditions, quality standards, health and safety, and social accountability. A range of social labels exist in this area too, including the fair trade standards. Not all labels are recognized in all countries. Hence, it is important for the exporters to take into account these requirements while formulating their marketing and export strategies. ■

Sources:

- *Centre for the Promotion of Exports from Developing Countries (CBI) (www.cbi.eu): Promising EU export markets for silver jewellery, 2010; Trends and segments for silver jewellery, 2010; Compliances with EU buyer requirements for silver jewellery, 2010.*
- *International Trade Center (ITC), Market analysis tools, trade map (www.trademap.org)*
- *Trade and Export Promotion Centre (TEPC): Nepal Foreign Trade Statistics 2009/2010 and 2010/2011.*

Gabriele Schlaeger, TEPC

Photo: Philipp Kruschel

NEWS

Get informed on the current news and activities.

Silver Jewellery Training Programme
Date: February – July, 2012
Venue: Indian Institute of Gems & Jewellery (IIGJ), Delhi, India

A training programme in silver jewellery was one of the activities identified in the Action Plan developed by the Project Advisory Group (PAG). In alignment with the plan and under the Public Private Partnership (PPP), a total of ten qualified candidates will be sent to the Indian Institute of Gems and Jewellery (IIGJ) in Delhi for a training course in Jewellery Technology . The selection of the course was done by the private partners.

The training which follows the in-house module consists of techniques like electroplating, electroforming, casting and lathe operating, stone setting and traditional jewellery making. This is a six months training programme starting in February. The candidates to the course will be selected on the basis of criteria identified by the PAG and by the respective private partners.

The private partners involved are Nepal Gold and Silver Dealers' Association (NEGOSIDA), Nepal Gold and Silver Art Association (NEGOSAA), and Federation of Handicraft Associations of Nepal (FHAN). GIZ, along with the private partners and Trade and Export Promotion Centre (TEPC) is supporting the training programme. After completing the training, the trainees will return to Nepal and transfer the skill and knowledge learnt through further trainings to other artisans. Training such as this is expected to help develop skilled human resources for the manufacturing of quality silver jewellery in the country.

Nepal International Trade Fair 2012 (NITF)
Date: 5-9 April, 2012
Venue: Bhrikuti Mandap, Exhibition Road, Kathmandu

The Federation of Nepalese Chambers of Commerce and Industry (FNCCI) in cooperation with the Government of Nepal is organizing the Nepal International Trade Fair (NITF) 2012, a five days event in Kathmandu. The exhibition is the first of its kind in Nepal that is organized with the aim to promote Nepal's international trade and enhance the growth of Nepalese exportable products, especially those identified in the Nepal Trade Integration Strategy (NTIS) 2010. This event is expected to help in the internationalization of Nepalese Small and Medium Enterprises (SMEs) and create opportunities for them.

NITF's Offers:

- Opportunities for market linkage of over 26 million people.
- A platform for cost effective promotion of new concepts, ideas, products, services and technologies.
- A one stop sourcing platform for a wide range of products including consumer goods and services for SMEs.
- A platform for test marketing of new concepts, products and technologies.
- Opportunities for entrepreneurs to learn and benefit from technology transfer.
- Opportunities to explore the possibility of investment and joint-ventures.
- A platform for Business to Business(B2B) and Business to Consumers (B2C) connection.

More information available at: **www.fncci.org** and **www.fncci.org/events/nitf2012/tf_brochure.pdf**

Photo: Suman Dhakhwa

Calender of Events

If you are interested in what has been discussed in this issue, feel free to get informed about or participate in the following events.

Hong kong International Jewellery Show
16-20 February
www.hktdc.com

Gem and Jewellery India International Exhibition 2012 (GJIIE)
23-26 February
www.jewelleryfair.in

Elitexpo
1-4 March
www.galexpo.lviv.ua

Fashion & Jewellery Grand Sale 2012
24 March-1 April
www.unionpan.com/event-calendar

Gifts Exhibition Kuwait 2012
29 March- 7April
www.kif.net

Istanbul Jewellery Show
22-25 March
www.istanbuljewelryshow.com

The Giftionery Taipei 2012
19-22 April
www.giftionery.net

Hyderabad Jewellery , Pearl & Gem Fair
22-24 June
www.jewelleryfair.in

Malaysia International Jewellery Fair 2012
July
www.elite.com.my

The 13th Beijing International Jewellery Fair
13-16 July
www.newayfairs.com/EN/EventCalender.asp

India International Jewelry Show
August
www.iijs.org

Japan Jewellery Show
28-30 August
www.jewellerynetasia.com

September Hong Kong Jewellery & Gem Fair 2012
19-23 September
www.exhibitions.jewellerynetasia.com