

Silver Jewellery Policies

Examples of few Asian countries



giz Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH

Published by:
Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH

Trade Promotion Programme (TPP)
National Trust for Nature Conservation (NTNC) Complex
Khumaltar, Lalitpur
P.O.Box 1457
Kathmandu, Nepal
E: trade@giz.org.np
I: www.nepaltrade.org

Commissioned by:



Authors:
Klaus Linkenheil
Consultant for Trade Promotion and Environment Conservation

Editor:
Anil Shrestha

Photographs:
TPP, Lex Van Boeckel, Klaus Linkenheil, Open Sources

Designed by:
Kazi Studios

November 2014

This publication may be reproduced in whole or in part and in any form without permission from the copyright holder, provided acknowledgement of the source is made and a copy is provided to TPP. The content of this report is the sole responsibility of the authors and can in no way be taken to represent the views of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, and/or the German Federal Ministry for Economic Cooperation and Development (BMZ).

Silver Jewellery Policies

Examples of few Asian countries

Preface

The Nepal-German Trade Promotion Programme is implemented under the guidance of the Nepalese Ministry of Commerce and Supplies and supported by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, acting on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). The Programme aims to support the capacity development and market competitiveness of Nepal's silver jewellery sector in line with the Nepal Trade Integration Strategy (NTIS) 2010, which aims to improve the trade capacity and performance of, among other sectors, the jewellery sector in Nepal.

Nepal has been manufacturing and exporting silver jewellery as handicraft items to the USA, Canada, France and Germany for the past few decades. In Nepal, handmade silver jewellery is largely manufactured by micro and small-scale enterprises. According to the Federation of Handicraft Associations of Nepal (FHAN), during 2009–2010, silver jewellery accounted for about 13 per cent of total handicraft exports (worth about US\$4.7 million). In 2012, however, although the global silver jewellery sector marked a growth, Nepal's silver jewellery export declined over 30 per cent. In 2013, a market research study was conducted by Searce Insights Research for GIZ to identify the competitiveness of Nepal's silver jewellery in the global market. The study shows that other Asian countries such as China, India and Thailand have overshadowed Nepal and little support is given by the Government of Nepal to this sector.

In order to offer recommendations for further improvement of the business environment and to increase the trade capacity of this sector, a case study, Comparative Study on Silver Jewellery Policies of Different Countries in Asia, was carried out. Six countries were chosen for the case study, namely China, India, Thailand (major silver jewellery producers), Vietnam, Malaysia and Indonesia (emerging producer countries in the jewellery sector). Extensive field research was carried out in India, Thailand and Vietnam, while desk-based research and telephone interviews were conducted in the other three countries between June 2014 and July 2014.

The study covered the following key questions that aimed to fill the information gaps in these countries:

- Policy regulations, duties and taxation on the export and import of raw materials;
- Role of governmental institutions, ministries, export promotion and investment boards;
- Business environment: efficiency and reliability of the customs/clearance system, financial transaction and export logistics (one-window system);
- Status and acceptance of governmental business advisory services;
- Status of business development services/service providers;
- Government's technical, financial and (public) promotional support measures;
- Support to communication, trade networks, e-trade, media, public relations, branding, etc;
- Status and role of sector associations;
- Support to promotional activities: fairs, pavilions, seminars, conferences, etc; and
- Support to human resource development, market development, research and development, training for design trends.

Contents

Preface

Executive Summary	1
-------------------------	---

1. INDIA 9

1.1 Country Information	9
-------------------------------	---

1.2 History	10
-------------------	----

1.3 Development of Jewellery Industry.....	11
--	----

1.4 Production and Export.....	12
--------------------------------	----

1.5 Silver Jewellery.....	13
---------------------------	----

1.6 Role of Governmental Institutions.....	15
--	----

1.7 Framework Regulations and Policies	17
--	----

1.8 Major Non-governmental Market Players.....	17
--	----

1.9 Private and Public Support for Jewellery Industry.....	19
--	----

2. VIETNAM 21

2.1 Country Information	21
-------------------------------	----

2.2 History	22
-------------------	----

2.3 Development of Jewellery Industry.....	23
--	----

2.4 Production and Export.....	23
--------------------------------	----

2.5 Role of Governmental Institutions.....	24
--	----

2.6 Framework Regulations and Policies	24
--	----

2.7 Major Non-governmental Market Players.....	25
--	----

2.8 Private and Public Support for Jewellery Industry.....	25
--	----

3. THAILAND..... 29

3.1 Country Information	29
-------------------------------	----

3.2 History	30
-------------------	----

3.3 Development of Jewellery Industry.....	30
--	----

3.4 Production and Export.....	31
--------------------------------	----

3.5 Silver Jewellery.....	32
---------------------------	----

3.6 Role of Governmental Institutions.....	33
--	----

3.7 Framework Regulations and Policies	34
--	----

3.8 Major Non-governmental Market Players.....	34
--	----

3.9 Private and Public Support for Jewellery Industry.....	36
--	----

4. INDONESIA 39

4.1 Country information	39
-------------------------------	----

4.2 History	40
-------------------	----

4.3 Development of Jewellery Industry.....	40
--	----

4.4 Production and Export.....	41
4.5 Silver Jewellery.....	42
4.6 Roles of Governmental Institutions.....	43
4.7 Framework Regulations and Polici	44
4.8 Major Non-governmental Market Players.....	45
4.9 Private and Public Support for Jewellery Industry.....	46
5. MALAYSIA.....	49
5.1 Country Information	49
5.2 History	50
5.3 Development of Jewellery Industry.....	50
5.4 Production and Export.....	51
5.5 Silver Jewellery.....	51
5.6 Roles of Governmental Institutions.....	52
5.7 Framework Regulations and Policies.....	53
5.8 Major Non-Governmental Market Players.....	53
5.9 Private and Public Support for Jewellery Industry.....	53
6. CHINA AND HONG KONG SAR.....	57
6.a. China.....	57
6.a.1 Country information.....	57
6.a.2 History.....	58
6.a.3 Development of Jewellery Industry.....	58
6.a.4 Production and Export.....	59
6.a.5 Silver Jewellery in China	60
6.a.6 Policies related to Jewellery Industry.....	60
6.a.7 Private and Public Support for the Jewellery Industry	61
6.b. Hongkong.....	63
6.b.1 Country information.....	63
6.b.2 History	64
6.b.3 Development of Jewellery Industry.....	64
6.b.4 Production and Export.....	64
6.b.5 Silver Jewellery.....	66
6.b.6 Roles of Governmental Institutions.....	66
6.b.7 Framework Regulations and Policies	68
6.b.8 Major Non-Governmental Market Players.....	69
6.b.9 Private and Public Support to Jewellery Industry.....	70
7. CONCLUSION AND RECOMMENDATIONS.....	73
8. ANNEX.....	79



Photo: TPP

Executive Summary

This section presents the highlights of the economic situation, policies and promotional measures for the jewellery sector in each of the six investigated countries.

Export and Production

- Thailand, with an export value of US\$1.6 billion, was the world's largest silver jewellery exporter in 2013, followed by India (US\$1 billion) and China (US\$0.86 billion) in that order.
- Silver jewellery exports of Indonesia and Thailand constitute more than 40 per cent of the country's total jewellery export.
- Export of silver jewellery is increasing in most of the countries, in particular China and India.

Table: Export figures

	India	Thailand	Vietnam	Malaysia	Indonesia	Hong Kong	China
Total Jewellery Export	10 billion USD	3.7 billion USD	0.58 billion USD	2.2 billion USD	0.18 billion USD	7.3 billion USD	28.9 billion USD
Silver Jewellery Export	1.0 billion USD	1.6 billion USD	26 million USD*	59 million USD	75 million USD	841 million USD **	861 million USD
Share of Silver Export	9.7%	43%	4%	2.6%	42.3%	17.7%	2.9%

* Estimated value

** The value is based on 2012 silver jewellery export

Table: Market focus and technologies

	India	Thailand	Vietnam	Malaysia	Indonesia	Hong Kong	China
Industry Focus	Gold with diamond set	Gold and silver	Gold and gemstone	Gold	Gold and silver	Gold with diamond and gemstone	Gold with gemstone and pearls
Main Technologies used	Machine and handmade	Machine and handmade	Semi-machine and handmade	Machine and semi-machine	Semi-machine and handmade	Machine-mass production	Machine-mass production

Sector Support in India

Ranks 134th for the most business-friendly regulations

Government Support for Training and Education	<i>National Skill Development Corporation:</i> Courses in Gem & Jewellery for disadvantaged youth	<i>Gem and Jewellery Skill Council of India:</i> Support for the education sector, academies, accreditation	<i>STAR Scheme:</i> Monetary reward for successful youths	<i>Indian Institute of Foreign Trade:</i> Training in foreign trade data
Regulation and Certification Bodies	<i>The Bureau of Indian Standards:</i> Hallmarking gold jewellery	<i>Gems & Jewellery Export Promotion Council:</i> Kimberly Process for Diamonds		

Government Policies and Interventions	Foreign Trade Policy 2009-14: Lowering gold, platinum, silver, machines import barriers & taxes	Reduction of Central Excise Duty from 2% to nil for brands	<i>Fiscal Stimulus Measures Program</i> 2008/09	Export facilitation measures	100% Foreign Direct Investment Policy	Special Economic Zones in Mumbai and Surat

Non-Government Sector Promotion	Mainly through associations: <i>Gems & Jewellery Export Promotion Council, Gem & Jewellery Trade Council</i>	Tasks of the associations: Trade & export facilitation, interaction between trade and Government, organisation of fairs, e.g. the <i>India International Jewellery Show</i> , conduct trade delegation tours, advice on Exim policies.			Training & Research Institutes, e.g. the <i>Indian Diamond Institute</i> Media support: PR, publishing print media, magazines, trade directories among others	

Sector Support in Vietnam

Ranks 99th for the most business friendly regulations

Other Public & Private Support	The Vietnam International Trade Fair organized annually by Saigon Jewellery Company Ltd.	Jewellery Craft Festival held in the Old Quarter of Hano	Skill Training: Jewellery School in Hochi-Minh City	Media: Publications about news and events in Fashion and Lifestyle Magazines	

Government Policies and Interventions	Amendment of tax regulations for gold for several times, incl. re-introduction of 10% export tax for gold items in 2011 and the exemption in 2014	Agreement on Preferential <i>Import Tariffs in ASEAN countries 2013</i> : 0% export tax for cut stones, 10% VAT for local jewellery	Gradually relaxing <i>Foreign Investment Limits</i> to 49%	Creating Economy Zones, Export Processing Zones with tax exemptions for 2 years	<i>Vietnam Trade Promotion Agency (VIETRADE)</i> promotes jewellery abroad, organizing <i>Vietnam Trade Fairs</i>
Sector Promotion	State-owned companies: <i>Vietnam National Gold and Gemstone Corporation</i>	<i>Vietnam National Gem and Gold Corporation</i>	<i>The Central Associations for Handicraft, Gemstone & Jewellery organizes the Vietnam International Jewellery Fair</i> Promotional events: <i>Vietnam Jewellery Queen, National Artists Award</i> , media and skill development		

Sector Support in Thailand

Ranks 18th for the most business-friendly regulations

Government Institutions	<i>Thai Ministry of Commerce</i> : Legal framework, business environment, macro-economic policies, ASEAN +6 negotiations, international Free-Trade negotiations and agreements	<i>Department of International Trade Promotion</i> : Provides a wide range of promotional tools, e.g. <i>Business Advisory Service</i> , support to associations, regional/international fairs, subsidize fair participations, B2B e-market place, trade-fair web-portal, training and educational institutes, science and accreditation agencies, diverse (trust) labels and awards, <i>Jewel Fest Club</i> , linking with other departments like the <i>Board of Investment BVOI</i> , Customs Debt., the latter implemented the <i>One-window Export Facilitation Service</i>

Government Policies	In general business friendly and open trade policy with large investments in improving the business climate, 100% <i>Foreign Direct Investment</i>	<i>The Bangkok Gems and Jewelry Fair</i> is the major promotion platform, with 0% tax on imported gems, jewellery products and machinery and a <i>Zero VAT Pavillion</i> for imported raw materials	<i>Special Economic Zones</i> available in the entire country with corporate tax exemptions up to 8 yrs. E.g. the <i>Chantaburi Jewellery Center</i> or the <i>GEMOPOLIS Free Zone</i>
Regulation and Certification Bodies	Governmental trading rules supervised by accreditation and certification bodies, e.g. the <i>Asian Institute of Gemological Science</i> , the <i>International Gemological Institute</i> , the <i>Gems and Jewelry Institute of Thailand</i>		

Government Institutions	<i>Thai Ministry of Commerce:</i> Legal framework, business environment, macro-economic policies, ASEAN+6 negotiations, international Free-Trade negotiations and agreements	<i>Department of International Trade Promotion:</i> Provides a wide range of promotional tools, e.g. <i>Business Advisory Service</i> , support to associations, regional/international fairs, subsidize fair participations, B2B e-market place, trade-fair web-portal, training and educational institutes, science and accreditation agencies, diverse (trust) labels and awards, <i>Jewel Fest Club</i> , linking with other departments like the <i>Board of Investment</i> BVOI, CustomsDept., the latter implemented the <i>One-window Export Facilitation Service</i>	

Non-Government Support	<p><i>Thai Gem and Jewelry Traders Association (TGJTA)</i> is the main promoter of the sector. Organizes Asia's 2nd largest bi-annual trade show, the <i>Bangkok Gems Fair</i></p> <p>Strong influence on government & policies, negotiator at the ASEAN Economic Conference (AEC) and ASEAN +6 large support programme: skills development, academic seminars, design institutes, e-market place, <i>B2B Match Forum</i>, media support, PPP with the private sector, <i>On-line Sourcing Service</i></p>	<p>Others:</p> <p>Country Brand <i>Ploi Thai</i></p> <p>The <i>Jewelry Trade Center</i> is the largest hub for selling, sourcing, distributing jewellery in Thailand.</p> <p><i>Chantaburi Gem and Jewellery Traders Association</i></p> <p><i>Gemopolis Free Zone</i></p>	
Media Support	A wide range of PR, online, TV, radio and public events, conferences often organized by the <i>TGITA</i> .	Major print media: <i>Bangkok Gems & Jewellery Magazine</i> , <i>Solitaire</i> , <i>Thailand ELLE</i>	

Sector Support in Indonesia

Ranks 120th for the most business-friendly regulations

Governmental Support and Policy	<p>Ministry of Trade: <i>Creative Industry Sector Support Initiative 2007</i> (Jewellery is a part of the Creative Industry)</p> <p><i>Trade Research & Development Agency:</i> Sector data analysis & publication</p>	<p><i>Small Credit Loan Program</i> for SMEs,</p> <p>Godfather Program between small and big entrepreneurs</p> <p>Skill Training Programs on district level managed by local governments and the National Craft Council</p>	<i>National Agency for Export Development</i> organises the <i>Trade Expo Jakarta</i> and supports the <i>Jakarta International Jewellery Fair (JIJF)</i> and the <i>Surabaya International Jewellery Fair (SUF)</i>

Sector Support in Malaysia

Ranks 6th for the most business-friendly regulations

Government Support	Malaysia External Trade Development Corporation (MATRADE) plays a major role in export marketing at international jewellery trade fairs i.e. the jewellery Arabia, Hong Kong Jewellery and Gem Fair, International Jewellery Fair in London and others	Penang State Government promotes the sector as part of the heritage and tourism. Jewellery production & training hubs are: Penang Goal and Jewellery Exchange Centre and Penang Skill Development Centre	The Government of Kelantan State showcases silver crafts and jewellery at the National Handicraft Day
Policy and Taxes	Exemption of gold from import duties. Gold and ornamental jewellery pioneer producers enjoyed a five years tax exemption	The Government relaxed its regulations on gold control and gold regained free trade status on 1987	The Government scrapped all taxes related to jewellery products to boost the jewellery industry on 2011
Non-Government Support	<i>Federation of Goldsmith and Jewellers Association (FGJAM)</i> Major task are: Lobby with Government on tariff and taxes, co-organize the annual Malaysia International Jewellery Fair (MIJF), establishes the <i>Fedmas Assay Office Sdn</i>	<i>Penang Goldsmith Association (PGA)</i> Tasks are: Develop the sector in penang and North Malaysia, develop penang as a jewellery wholesale and export hub in the ASEAN region	Trade Shows: <i>Malaysia International Jewellery Festival (spring and Autumn Editions)</i> <i>Gold and Silver Assay and Hallmarking</i> offices in penang, Kuala Lumpur and Johar
Skill And Media Support	Education courses are offered by Universities: <i>University Teknologi Mara (UiTM), Iskandar, Lim Kok Weng University, Raffles University</i>		Media Support: <i>SPH Magazine, Heart Media</i>

Sector Support in Hong Kong

Ranks 2nd for the most business-friendly regulations

Government Support	The Hong Kong Trade Development Council serves as a platform for jewellery business with China. Major tasks are: Research, data publication, online platform. Organizes the annual Hong Kong International Jewellery Show. Publishes the Hong Kong Jewellery Magazine and the Hong Kong Economic Research	Hong Kong Trade and Industry Department (TID) Takes care about: International jewellery trade relations, implements bilateral agreements and trade policies. The TID launched the SME Loan Guarantee Scheme, the jewellery Integrity Campaign for the sale of genuine goods and the world's first Global Jewellery Identity Management Label Scheme (2009)	Training and Education: The Vocational Training Council includes a range of leading training institutes like the Technological and Higher Education Institute of Hong Kong, the Hong Kong Institute of Vocational Education or the Hong Kong Design Institute, among others.
Technology Support	The Hong Kong Jewellery Industry Technology Centre provides support services and technology transfer to the local jewellery industry		

Policies	Hong Kong follows the economic policies of free enterprise and free trade. There are no import tariffs on jewellerys and related articles	The Mainland China and Hong Kong Closer Economic Partnership Arrangement (CEPA) regulates the trade policy with the Mainland China
Non-Government Support	Hong Kong Jewellery Manufacture Association provides services such as business matching, organizing the Hong Kong Pavilion in Mainland and overseas jewellery exhibition, promotions to mainland chain stores as well as organizes the Hong Kong International Jewellery Manufacturer's Show, Miss Jewellery Hong Kong, The world Jewellery Industry Development Summit	Hong Kong Jewellers & Goldsmith Association (HKJGA) collaborates with the Intellectual Property Department on issuing the No Fakes Pledge, organize the Chuk Kam Jewellery Design Competition, launched the Quality Gold Mark Scheme and organizes jewellery Design Competitions among others.

Sector Support in China

Ranks 96th for the most business-friendly regulations

Import and Trade Regulations	<p>The Chinese jewellery industry experienced a dramatic upswing in the last decade mainly due to a relaxation of trade policies.</p> <p>The main steps were:</p> <p>On 2003, the Mainland had abolished the licensing system for running businesses in gold and silver products. As a result, the production, processing, wholesale and retail of jewellery came under total market management.</p> <p>On 2002 the <i>Shanghai Gold Exchange</i> began operation.</p> <p>On 2010 the <i>National Development and Reform Commission</i> published 3 new sets of industry standards for the jewellery sector.</p> <p>On 2010 a National Standard for <i>Classification and Codes for Product of Gems and Precious Metals</i> was introduced.</p>		

Training Education and Media	<p><i>China University of Geosciences Wuhan</i> and <i>Gemmological Association of Great Britain</i> offer courses in gemology, manufacturing, design, sales and management and <i>Gemology as well as Certificates and Degree programmes</i></p>	<p>Media:</p> <p><i>China Jewellery Website</i></p> <p>Jewellery Magazine:</p> <p>(China's Gems)</p> <p>(China's jewellery)</p> <p>(The Phoenix Jewellery Magazine)</p> <p>(Harper's Bazaar Jewellery Magazine)</p>

Private and Public Sector	<p><i>Gem and Jewellery Trade Association of China</i> promotes policies adjustment on import, export and consumption duties and to build up a normative policy environment.</p> <p>Other important association: <i>Chinese National Fashion Jewellery Association</i></p>	<p>Trade Shows:</p> <p><i>China International Jewellery Fair, Shenzhen International Jewellery Fair, China International Gold, Jewellery and Gem Fair, Beijing International Luxury Exhibition, Hong Zhou International Jewellery and Gem Fair, Cheng Du International Jewellery Fair</i></p>	<p>China International Silver Conference(CISC)</p> <p>CISC is an event jointly hosted by the <i>silver institute</i> and four key organizations of the Chinese silver industry</p>



Photo: TPP

1. India

1.1 Country Information

Population:

1.25 billion (2013)

The national census of India does not recognize racial or ethnic groups within India.

Economy:

Lower middle income

GDP US\$1.877 trillion (2013)

GDP growth 5.0% (2013)

GDP per capita US\$1,499 (2013)

Inflation 10.9% (2013)

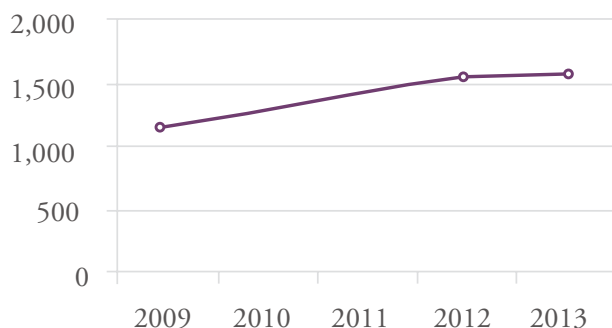
Unemployment rate 3.4% (2013)

Ranks 134th for the most business-friendly regulations (Q1, 2014)

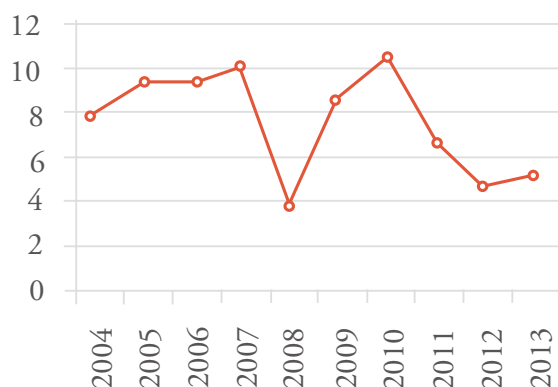


Figure: Gross national income per capita (in US dollars) during 2009–2013 and the percentage growth of gross domestic product of India during 2004–2013

GNI per capita (US\$)



GDP Growth (%)



Source: World Bank, 2014

1.2 History

Indians have been using jewellery for adornment for the past 5,000 years or so. The range of jewellery varies from religious to purely aesthetic type. Jewellery is crafted not only for humans, but also for gods, ceremonial elephants and horses.

- Regional differences can be observed in the making of jewellery, depending on the differences in geography, people, culture and lifestyle.
- For example, the designs in solid gold jewellery of Tamil Nadu and Kerala are inspired by the nature, and the Meenakari and Kundan styles of jewellery-making have been influenced by the Mughal dynasty, while Assamese jewellery is influenced by local flora

and fauna. Manipuri jewellery-makers use items like shells, animal claws, teeth, and precious and semi-precious stones.

- A wide range of silver beads are found all over India, especially in Rajasthan, Gujarat, Madhya Pradesh and Himachal Pradesh. Their availability has led to the development of bead jewellery, which is popular till date.



Photo: https://en.wikipedia.org/wiki/Jewellery#/media/File:Antique_Indian_Nose_Ring_Jewellery.jpg



Photo: https://en.wikipedia.org/wiki/File:Andhra_Pradesh_Royal_earrings_1st_Century_BCE.jpg

- Indian jewellery items range from earrings and necklaces to items for adorning hair, hips and feet. Jewellery is made of gold or silver or copper mounted with emeralds, diamonds, pearls, ruby, sapphire and other precious or semi-precious stones.
- Traditionally, Indian jewellery has been made of heavy and voluminous gold pieces, but recently jewellery made of silver, platinum and other metals have become quite popular.
- Gold jewellery is highly popular among South Indian women. In the southern part of India, gold is considered auspicious and a status symbol.
- Indian jewellery can generally be categorized into twenty types: bridal jewellery, antique

jewellery, bead jewellery, custom jewellery, tribal jewellery, copper jewellery, filigree jewellery, fashion jewellery, gold jewellery, ivory jewellery, handmade jewellery, silver jewellery, jade jewellery, kundan jewellery, lacquer jewellery, meenakari jewellery, navratna jewellery, pachcikam jewellery, stone jewellery and temple jewellery.

1.3 Development of Jewellery Industry

The gem and jewellery industry plays an important role in the Indian economy, particularly in large-scale employment generation, foreign exchange earnings through export and value addition.

- According to a study made by the Federation of Indian Chambers of Commerce and Industry (FICCI) in 2013, the domestic gem and jewellery industry had a market size of INR 251,000 Cr (US\$42 billion) in 2013, with a potential to grow to INR 500,000–530,000 Cr by 2018.
- The industry provides direct employment to about 2.5 million people and has the potential to generate employment of 0.7–1.5 million over the next five years.
- The degree of the sector's industrial organization is still low, although the past decade has witnessed emergence of more advanced businesses, particularly after the government liberalized gold imports.
- The trusted local family jeweller, with whom customers have relationships over generations, is still the largest channel for jewellery sales. In rural areas, many local jewellers also play the role of financiers or moneylenders, lending money against gold.
- According to FICCI, the Indian gem and jewellery industry is fragmented, with local players constituting about 80 per cent of the overall market.
- Three types of jewellery-making technology predominate: handmade, casted and machine-made.
- Large manufacturers are equipped with modern manufacturing technologies and have separate units for design, quality control standardization, as well as resource efficiency.
- Around 70 per cent of jewellery processing in India is carried out manually, mainly by small manufacturers.
- Mumbai is the hub of India's jewellery industry, with a considerable number of modern semi-automatic factories and laser-cutting units. Diamond processing is mainly undertaken in the state of Gujarat with centres in Surat, Ahmadabad and Bhul.

Challenges of the Indian Jewellery Sector

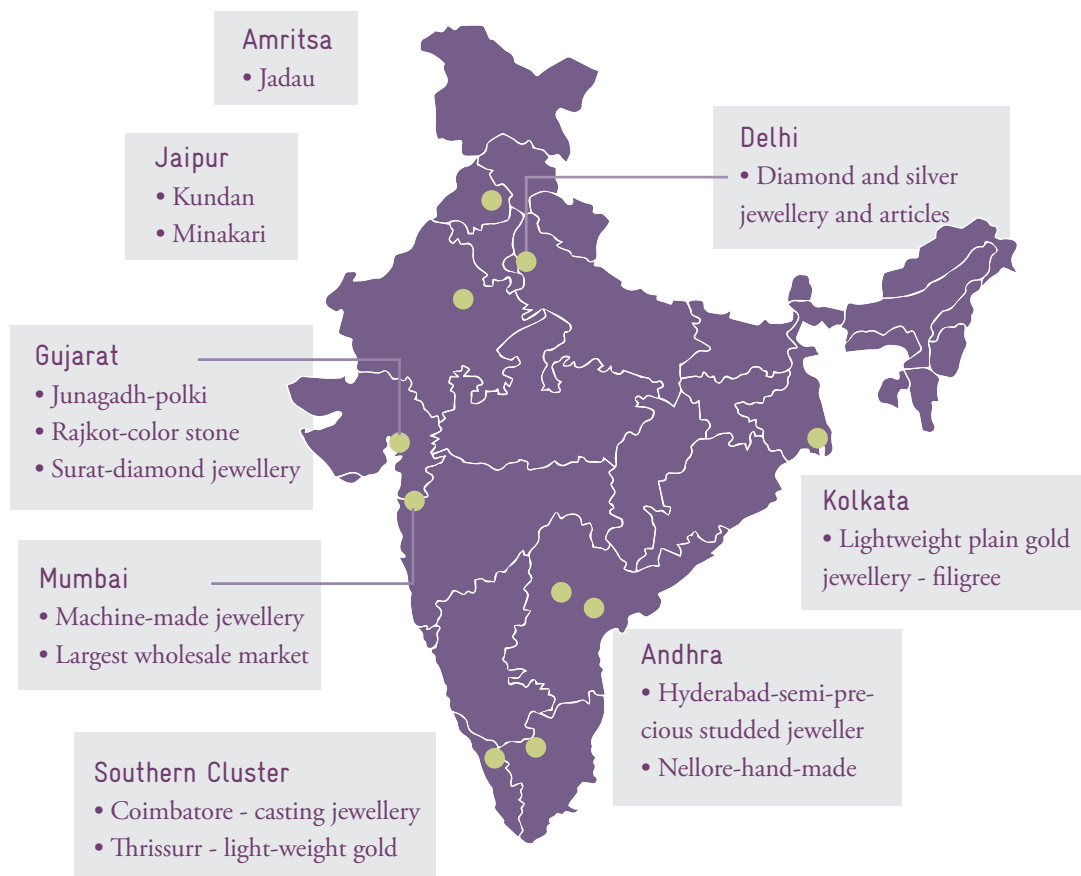
The industry faces several challenges:

- Ever increasing competition from China and other emerging countries.
- Lack of talent and skill development, quality research and technology adoption, as well as limited financing options.
- Due to huge cultural and historical differences among the Indian populations, local enterprises face challenges in supplying products that suit different consumer preferences in terms of designs, materials used and quality.



Photo: TPP

Figure: Jewellery manufacturer hubs across India



Source: FICCI, 2013

- Changing regulatory restrictions on gold imports and the price difference between the official and unofficial supplies of gold in the market.

1.4 Production and Export

India is a major global hub for diamond and jewellery manufacturing:

- According to the Ministry of Commerce and Industry (MoCI), the domestic gem and jewellery retail sales (HS 71) accounted for about INR 251,000 Cr (about US\$42 billion), while the jewellery export market was valued at INR 73,000 Cr (US\$12.2 billion).
- The domestic gems and jewellery market is the largest segment of the Indian industry, accounting for 56 per cent of the gems and jewellery output or INR 451,000 Cr in FY2012/2013. It comprises gold, silver and platinum jewellery, either plain or

studded with diamonds or other gemstones, and is driven by gold and diamond jewellery, which account for 94 per cent of the total market value.

- After China, India is the second largest jewellery exporter in the world. It contributed about 10.6 per cent of the global total jewellery exports in 2013.
- In 2013, India exported jewellery worth US\$10.6 billion, and a drop of 42 per cent was recorded in the 2012 exports. According to the MoCI, this was mainly due to the imposition of stricter regulated gold import tariff in 2012 to curb the current account deficit (CAD).
- The export market for cut and polished diamonds and other gemstones (non-jewellery) accounted for INR 126,000 Cr (US\$21.1 billion) in FY2012/13.
- In the jewellery sector, gold with set diamonds accounted for more than two-thirds of the export share. Silver jewellery accounted for almost 10 per cent of the exports.

Figure: Significance of domestic consumption

		Occasion classification		
		60 -65 %	25-30%	8-10%
		Ceremonial and bridal wear	Regular or daily wear	Fashion wear
80-85%	Gold jewellery	<ul style="list-style-type: none"> Predominantly 22 carat gold Above 50 grams per piece Sets, necklace, bangles, waistbands 	<ul style="list-style-type: none"> Mostly 22 carat, 18 carat growing 1-50 grams per piece Chains, necklace, bangles, pendants, earrings 	<ul style="list-style-type: none"> Predominantly 18 carat or exquisite designs in 22 carat 1-20 grams per piece Chains, pendants, earrings, bracelets
		-104	-52	-17
10-15%	Diamond-studded jewellery	<ul style="list-style-type: none"> Fully studded or solitaires Above Rs. 1 lakh per piece Bangles, pendants, necklace sets 	<ul style="list-style-type: none"> Average price: Rs. 30,000 Smaller-size diamonds Rings, pendants, earrings, nose pins 	<ul style="list-style-type: none"> 18 carat gold, platinum, and other alloys Exquisite or unique designs
		-32	-16	-5
4-7%	Other categories	<ul style="list-style-type: none"> Pearls and silver jewellery Platinum jewellery 	<ul style="list-style-type: none"> Gems and gems jewellery (for example, rings) 	<ul style="list-style-type: none"> Platinum, synthetic diamond, or silver with design being a value add
		-8	-4	-1

Source: FICCI, 2013

x% Indicates share of total retail market

-x% Market size in INR '000 crores

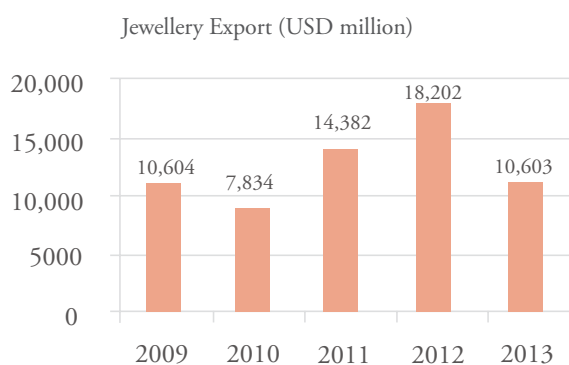
- The United Arab Emirates (UAE) is the main importer, with more than half of the total jewellery exports. The USA and Hong Kong were also major buyers, with shares of 15.9 per cent and 14.7 per cent respectively.
- ASEAN countries are emerging markets for India. In 2013, India's jewellery exports to Singapore/ Malaysia and Thailand increased by 6 per cent and 72 per cent respectively.

1.5 Silver Jewellery

Silver jewellery manufacturing in India has a 5,000 year old tradition, and even today it plays a vital role in the Indian society:

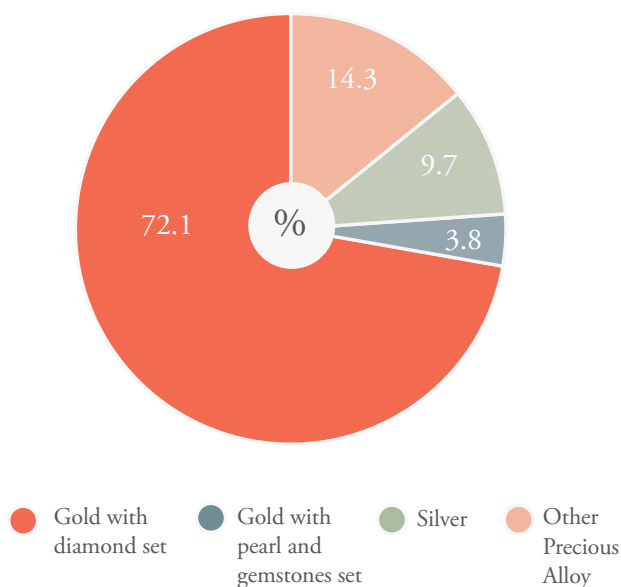
- Silver jewellery is an integral part of the adornment and dress of tribal people. Women in tribal areas often wear rather bulky silver jewellery. Silver is meant for financial security during contingency, apart from being a source of adornment.

Figure: Trade Value of Indian Jewellery Export 2009-2013



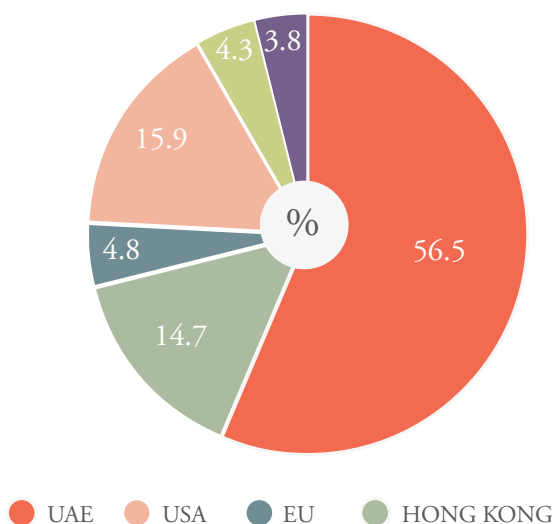
Source: MoCI and ITC Trade Map

Figure: Export Share in % of Precious Jewellery by Category in 2013



Source: MoCI and ITC Trade Map

Figure: Jewellery Export Market Share in 2013

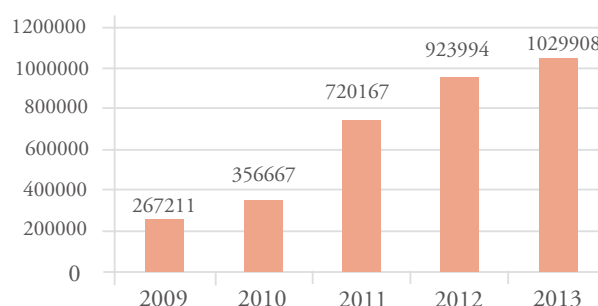


Source: MoCI and ITC Trade Map

- Old silver jewellery is having a renaissance, mainly among young urban population. Oxidized silver jewellery, with traditional designs that give an old and rough look, is quite popular these days.
- Silver jewellery studded with gold, precious and semi-precious stones are popular, particularly in the southern parts of India.
- Versatility is reflected in silver jewellery as different states have indigenous influence over design.
- Silver jewellery fabrication can be found at Kolhapur (Maharashtra), Hathras (Uttar Pradesh), Salem (Tamil Nadu) and Rajkot (Gujarat).
- Young people in cities also adorn themselves with silver jewellery, mainly owing to its wide variety and affordability, as compared to gold and diamond jewellery.
- Domestic consumption of silver jewellery has risen dramatically as styles moved beyond the bulky traditional designs for weddings and birth celebrations.
- The export of silver jewellery steadily increased between 2009 and 2013. The export growth during this five-year period was recorded as 44 per cent. In 2013, the export of silver jewellery reached US\$1 billion.
- Hong Kong SAR holds the biggest export market share, followed by the USA and the UAE. These three countries accounted for more than 90 per cent of the total Indian silver jewellery export.

The following figure shows the value of silver jewellery export between 2009 and 2013

Figure: Silver Jewellery Export in USD '000



Source: MoCS and ITC Trade Map

1.6 Role of Governmental Institutions

Governmental Interventions

Due to the high importance of the jewellery industry in India's foreign trade, the Indian government has taken various initiatives to boost the sector.

In the pre-liberalization period (prior to 1991), severe restrictions were imposed on the export and import of gold from and into the country. The State Bank of India (SBI) and the Metals Trading Corporation of India (MMTC) were authorized to import gold.

- In 1991, the Indian government abolished the Gold Control Act, which allowed large export houses to import gold freely. Exporters in the export processing zones were allowed to sell 10 per cent of their products in the domestic market.
- In 1993, gold and diamond mining ventures were opened to private investors and foreign investors were allowed to own half of the equity in mining ventures.
- In 1997, overseas banks and bullion suppliers were allowed to import gold into India. These measures led to the entry of foreign players such as De Beers, Tiffany and Cartier into the Indian market.
- In 2004–05, the government lowered the import duty on platinum from US\$13.82 per 10 gram to US\$5.03 and exempted rough coloured precious and semi-precious gemstones from customs.
- Import of gold of 8 carat and above was allowed under the replenishment scheme when being accompanied by an assay certificate specifying the purity, weight and alloy content.
- Setting up of Special Economic Zones (SEZ) and gems and jewellery parks to promote investment in the sector. For instance, the Indian government has set up gems and jewellery parks in SEZs in Mumbai and Surat to promote the diamond industry. SEEPZ SEZ in Mumbai has a gems and jewellery complex that houses more than 150 gems and jewellery units. Similarly, Surat has a SEZ that houses a diamond park.
- In May 2007, the government abolished import duty on polished diamonds.

Central Excise Duty

- Excise duty on branded jewellery articles to be reduced from 2 per cent to 0 per cent.
- All categories within HS code 71, except diamonds

(HS code 7102) and certain sub-categories within HS code 7104 and 7106, currently have an excise duty rate of 16 per cent.

- The category 'diamonds whether or not worked but not mounted or set' (HS code 7102) currently does not attract any excise duty.
- Sub-category 'piezo-electric quartz' (HS code 71041000), silver, including silver plated with gold or platinum, in powdered form (HS code 71061000), unwrought (HS code 71069100) and others (HS code 71069290) do not attract any excise duty.

Fiscal Stimulus Measures from December 2008

In December 2008, the Reserve Bank of India announced certain fiscal stimulus measures to revive the Indian economy during the onset of the global financial crisis. The following measures were announced for the Indian gems and jewellery sector:

- Increasing the post-shipment rupee export credit period from 90 days to 180 days from November 28, 2008;
- Increasing the pre-shipment rupee export credit period from 180 days to 270 days from November 15, 2008;
- Providing an interest subvention of 2 per cent up to March 31, 2009, subject to minimum interest of 7 per cent per annum, to make pre- and post-shipment export credit for gems and jewellery more attractive;
- Allowing exporters to avail of refund of service tax on foreign agent commissions of up to 10 per cent of free-on-board (FOB) value of exports. They will also be allowed refund of service tax on output services while availing of benefits under the Duty Drawback Scheme.
- Banks will charge interest rate not exceeding the Benchmark Prime Lending Rate (BPLR) minus 4.5 per cent on pre-shipment credit up to 270 days and post-shipment credit up to 180 days on the outstanding amount for the period December 1, 2008–September 30, 2009.

Export Facilitation Measures by the Ministry of Commerce and Industry

In February 2009, in cooperation with the 'Export Promotion Council for Gems and Jewellery' and Star Trading House, the Ministry of Commerce and Industry (MoCI) took measures to boost the gems and jewellery industry, which are as follows:

- Diamond India Ltd, MSTC Ltd and STCL Ltd were included in the list of nominated agencies notified under Paragraph 4 A.4 of the foreign trade policy on import of precious metals.
- Surat, Gujarat is recognized as a town of export excellence because it is home to thousands of diamond units that employ a large number of diamond workers.
- Authorised persons of export-oriented gems and jewellery units are allowed to carry personal carriage of gold in primary form up to 10 kg in a financial year.
- Import restrictions on worked corals have been removed to address grievances of gem and jewellery exporters.

Controversial Interventions of the Government

Union Budget of 2009/10

- The customs duty on serially numbered gold bars (other than tola bars) and gold coins was increased from Rs 100 per 10 gram to Rs 200 per 10 gram. Customs duty on other forms of gold was increased from Rs 250 per 10 gram to Rs 500 per 10 gram.
- Customs duty on silver was increased from Rs 500 per kg to Rs 1,000 per kg.

2013 Duty Intervention for Gold

In 2013, the Indian government raised the import duty on gold jewellery to 15 per cent to curb the increasing current account deficit.

As a consequence of the two interventions of 2009 and 2013, the export figures for Indian jewellery decreased drastically.

Government Support in Human Resource Development, Training and Education

The **National Skill Development Corporation (NSDC)** was set up by the Government of India in 2008 under the public-private partnership (PPP)

approach to help economically disadvantaged youth raise their income level by acquiring market-oriented job skills. Gems and jewellery was identified by the NSDC as a high growth sector to initiate skill-training programmes.

The **Gem and Jewellery Skill Council of India (GJSCI)** was established in June 2012. The roles and responsibilities of GJSCI are:

- Identification of skill development needs in the gems and jewellery sector of India;
- Preparing a catalogue of types of skills needed in the jewellery industry;
- Preparing a skill development plan for the gems and jewellery sector;
- Determining skills and competency standards and qualifications;
- Affiliation and accreditation of institutes and service providers in the gems and jewellery industry;
- Participation in examination and certification of individuals undergoing training;
- Planning and execution of training of trainers (ToT) programmes;
- Establishing academies of excellence; and
- Establishing a sector-specific Labour Market Information System (LMIS).

The Gemological Institute of America (GIA) India has become an affiliated training partner of the GJSCI in selected areas of training and up-skilling of workforce for the gems and jewellery industry.

The **STAR SCHEME** (an Indian Government Initiative)

This National Skill Certification and Monetary Reward Scheme aims to encourage skill development among the youth by providing monetary rewards for successful completion of approved training programmes. The scheme provides specific programmes for the jewellery sector.

The **Indian Institute of Foreign Trade (IIFT)** was established in 1964 by the Indian government. The Institute has been imparting training in foreign trade data to support both government bodies and private sector companies. The Institute conducts a number of courses for the gems and jewellery sector.

1.7 Framework Regulations and Policies

Foreign Direct Investment Policy

- At present, the Indian government allows 100 per cent foreign direct investment (FDI) in gems and jewellery through the automatic route.
- For exploration and mining of diamonds and precious stones, FDI is allowed up to 74 per cent under the automatic route.
- For exploration and mining of gold and silver and minerals other than diamonds and precious stones, metallurgy and processing, FDI is allowed up to 100 per cent under the automatic route.

Kimberley Process (KP) for Diamonds

The Kimberley Process was set up to discuss ways to stop the trade in 'conflict diamonds' and to ensure that diamond purchases did not fund violence. The Kimberley Process Certification Scheme (KPCS) was implemented in India on January 1, 2003 to verify the legitimacy of the import and export of rough diamonds as per the UN resolution and to curb the entry of conflict diamonds into the global trade flow. The system of verification and issuance of KPC is administered from the Mumbai and Surat offices of Gems and Jewellery Export Promotion Council (GJEPC). India's Foreign Trade Policy 2009–14 has adopted the following measures related to the Kimberley Process Certification Scheme (KPCS):

- No import or export of rough diamonds shall be permitted unless accompanied by the KP certificate as specified by the GJEPC.
- The export and import of rough diamonds to and from Venezuela has been prohibited by the Indian government owing to the voluntary separation of Venezuela from the KPCS.

Foreign Trade Policy 2009–2014

The highlights of the policy related to the jewellery sector are presented below (see also section 1.4. of this report):

- Import of gold of 8 carat and above was allowed under the replenishment scheme if it was accompanied by an assay certificate specifying purity, weight and alloy content.
- Duty-Free Import Entitlement (DFIE) of consumables and tools for:

1. Jewellery made of:
 - i. precious metals (other than gold and platinum): 2%
 - ii. gold and platinum: 1%
 - iii. rhodium-finished silver: 3%
2. Cut and polished diamonds: 1%
3. Metals other than gold, platinum will be 2% of FOB value of exports during the previous financial year

- DFIE of commercial samples shall be Rs 300,000.
- Duty-free re-import entitlement for rejected jewellery shall be 2% of FOB value of exports.
- Import of diamonds on consignment basis for certification/grading and re-export by the authorized offices/agencies of Gemological Institute of America (GIA) in India or other approved agencies will be permitted.
- To promote export of gems and jewellery products, the value limits of personal carriage of gems and jewellery products in case of holding/participating in overseas exhibitions increased to US\$5 million and to US\$1 million in case of export promotion tours. Furthermore, the limit in case of personal carriage, as samples, for export promotion tours has been increased from US\$0.1 million to US\$1 million.
- Extension in number of days for re-import of unsold items in case of participation in an exhibition in the USA increased to 90 days.
- In an endeavour to make India an international trading hub for diamonds, diamond bourses will be planned.
- Gems and jewellery units may sell up to 10 per cent of FOB value of exports of the preceding year in Domestic Tariff Area (DTA), subject to fulfilment of positive Net Foreign Exchange (NFE). In respect of sale of plain jewellery, the recipient shall pay concessional rate of duty as applicable to sale from nominated agencies.

1.8 Major Non-governmental Market Players

Major Regulating Bodies and Associations

The **Gems and Jewellery Export Promotion Council (GJEPC)** was established in 1966. The GJEPC is the apex body of the Indian gems and jewellery industry, which promotes export of Indian

gems and jewellery to the international market. It has around 6,500 members across India. The Council provides market information to its members regarding foreign trade inquiries, trade and tariff regulations, rates of import duties, and information about jewellery fairs and exhibitions. The role played by the GJEPC is broadly highlighted as follows:

- *Trade Facilitator*

The Council organizes international jewellery shows, hosts trade delegations, and undertakes image-building exercises through advertisements, publications and audio-visual media.

- *Advisory*

The Council aids better interaction and understanding between traders and government. It also submits documents for consideration and inclusion in the *Exim Policy*.

- The Council is the nodal agency for the Kimberley Process Certification Scheme

- *Training and Research*

The GJEPC runs several institutes that provide training in all aspects of manufacturing and design in Mumbai, Delhi, Surat and Jaipur.

- *Varied Interests*

The Council publishes brochures, statistical booklets, trade directories and a bimonthly magazine *Solitaire International*, which is distributed internationally as well as to its members.

Gem & Jewellery Trade Council of India (GJTCI)

The GJTCI was founded in 2000 and is responsible for resolving any issue arising from trade in gems and jewellery. It plays an important role in showcasing Indian gems and jewellery to the international as well as the domestic market. Like the GJEPC, GJTCI disseminates information to its members through a monthly newsletter, various educational and trade-motivational events such as seminars, workshops, exhibitions, festivals, etc.

Bureau of Indian Standards

The Bureau of Indian Standards (BIS), the national standards body of India, is a statutory body set up under the Bureau of Indian Standards Act 1986, and is responsible for hallmarking gold jewellery in India.

Indian Diamond Institute (IDI)

The Indian Diamond Institute (IDI), established in Surat as a society in 1978, is a leading institute for imparting technical skills for the gems and jewellery industry. This institute is sponsored by the MoCI and patronized by the GJEPC. The Institute conducts several courses for the gems and jewellery sector. These include:

Regular courses:

- Diploma in Diamond Grading (DDG) and Diploma in Diamond Sorting (DDS)
- Graduate Diploma in Jewellery Designing, Manufacturing and Appraising (GJDMA)
- Higher Diploma in Diamond, Gems, Jewellery Designing and Manufacture (HDJDM)
- Diploma in Model Making (DMM) for the jewellery sector and
- Diploma in Gemmology (DG) in the field of gemmology.

Correspondence courses:

- Graduate Diploma in Gems and Jewellery
- Diploma in Gem Diamond Identification
- Fellow member (Diploma in Gemmology) of the Gemmological Association, Great Britain (FGA) in association with Gem-A, London, UK.

The institute has been recognized as a diamond certification and grading laboratory. The laboratory services provided by IDI are ISO-9001:2000 quality compliant. IDI has Assaying and Hallmarking Centre (AHMC), approved by the BIS.

Other Important Jewellery Associations:

- Indian Bullion and Jewellers Association (<http://www.ibja.in/#page-1>)
- All India Gems & Jewellery Trade Federation (<http://www.gif.in/>)
- Gem and Jewellery Skill Council (<http://www.gjsai.org/>)
- Seepz Gems and Jewellery Manufacturers' Association (<http://sgjma.org/sgjma>)
- All India Union of Jewellers Association (<https://www.facebook.com/AllIndiaUnionOfJewellersAssociationaiuja>)

Major Private Sector Players and Businesses

- Rajesh Exports Limited (REL), owns India's leading branded jewellery retailer Ozyterbay.
- Gitanjali Group, one of the diamond and jewellery pioneers in India. Operations of the Gitanjali Group can be found in the USA, UK, Belgium, Italy, the Middle East, Thailand, South East Asia China, and Japan.
- Su-Raj Diamonds & Jewellery Ltd.
- Suashish Diamonds Ltd.
- Shrenuj & Co. Ltd.
- Tanishq, one of India's leading jewellery brands, is the jewellery business of Titan Industries Ltd, promoted by the TATA group.
- Hindustan Diamond Co. Pvt. Ltd. (HDC) is a 50:50 joint venture between the Indian government and De Beers, the world's leading diamond company with expertise in exploration, mining and marketing of diamonds. HDC has offices in Mumbai and Surat.
- Vaibhav Gems Ltd (VGL) is the largest exporter of coloured gemstones from India and also one of the largest exporters of studded jewellery.
- Asian Star Co Ltd. is one of the world's leading diamond trading companies.

1.9 Private and Public Support for Jewellery Industry

Trade Fairs and Exhibitions

The main fairs in India are:

- India International Jewellery Show (IIJS) (<http://www.iijs.org/>)
- Delhi Jewellery and Gem Fair (<http://www.ubmindia.in/jewelleryfair/delhi/home>)
- Jaipur Jewellery Show (<http://www.jaipurjewelleryshow.org/>)
- Indian Gems and Jewellery Fair (<http://www.igjf.org/>)

In association with the Ministry of Tourism, the GJPC promotes Indian jewellery at international platforms.

The first Consumer Jewellery Fair in New Delhi was organized on April 12–15, 2013. Two associations supported by the India Trade Promotion Organization have agreed to host the fair for three years with plans to extend the same to other regions in India as well as internationally in the future.

Media Support

- India Jeweller Magazine (IJ) is a mirror of the Indian jewellery industry, and provides up-to-date information on India's jewellery events, jewellery news and latest jewellery trends. (<http://www.indianjeweller.in/>)
- The Art of Jewellery Magazine (<http://www.artofjewellery.com/>)
- Adorn Magazine (<https://www.facebook.com/adornmagazine/info>)
- The Retail Jeweller (<http://retailjewellerindia.com/index/2931/>)

2. VIETNAM

2.1 Country Information

Population:

89.7 million (2013)

Vietnamese/Kinh (85.7%), minor ethnic groups consist of Tay, Thai, Muong, Khmer, Nung and others

Economy:

Lower middle income

GDP US\$171.4 billion (2013)

GDP growth 5.4% (2013)

GDP per capita USD 1,911 (2013)

Inflation 6.6% (2013)

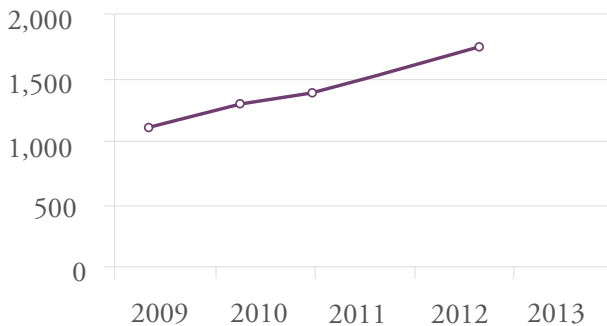
Unemployment rate 2.0% (2013)

Ranks 99th for the most business friendly regulations (Q1, 2014)

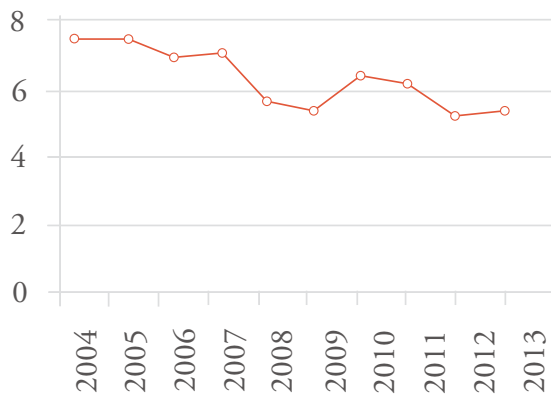


The following figures show the gross national income per capita (GNI in US\$) during 2009–2013, and the percentage growth of gross domestic product of Vietnam during 2004–2013.

GNI per capita USD



GDP growth (%)



Source: World Bank, 2014

2.2 History

Jewellery craft in Vietnam dates back to the prehistoric cultures of Dong Son, Sa Huynh and Oc Eo 3,000 years ago.

- The materials for designs range from crystal, stone and gems to metal.
- During the Nguyen Dynasty, jewellery was made of gold, silver, jade, ivory and tortoiseshell. The workmanship of these pieces represents the peak of the jeweller's craft
- Jewellery was not only a decorative item, but also a symbol of power and status in society.
- The Hang Bac or Silver Street in Hanoi has been famous for gold and silver trading and jewellery-making over the past ten centuries.

- After the reunification of the country in 1975, concerted efforts were made to nationalize industrial operations and set up joint state–private enterprises. Precious metals like gold and silver remained important in jewellery-making
- In 1986, the economic reforms in Vietnam forced a number of foreign investors to withdraw from the country. Jewellery exporters such as Phu Nhuan Jewellery Trading Store (PNJ) and Saigon Jewellery Company Limited (SJC) were established.

2.3 Development of Jewellery Industry

Vietnam is a country rich in gemstones and mining resources. Amethyst, aquamarine, corundum, jade, peridot, ruby, spinel, sapphire and topaz can be found in the country. Most of the gemstones and mining resources are found in the northern region of the country.

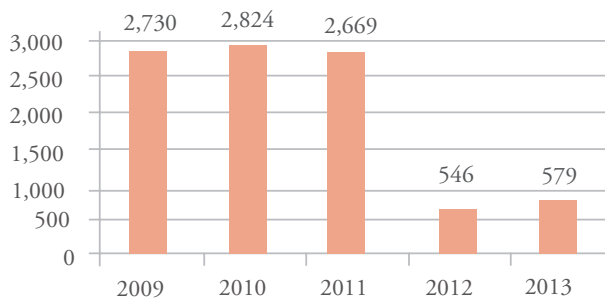
- Vietnam's jewellery industry is dominated by the precious metal jewellery, namely gold jewellery, followed by gemstones and diamonds.
- The Vietnamese government plays a leading role in the jewellery and gems production and marketing. Its development has been facilitated by the expansion of the local market, including sales to tourists.
- Vietnamese suppliers have rich experience in coordinating with clients for customization and even accept small orders without additional cost to attract new customers. Buyers who opt for small orders often choose Vietnam as the sourcing hub.
- Vietnam also has a pool of artisans who are skilled in weaving, embroidery and crocheting
- According to a study presented at the International Gemmological Conference, held in Hanoi in 2013, Vietnamese spend US\$3.5 billion on jewellery annually, showing a large domestic market potential.
- Vietnam is home to about 12,000 companies that specialize in jewellery manufacturing, but only a few have industrial production structures.

2.4 Production and Export

Vietnam jewellery exports decreased during 2009–2013. The following figure shows the jewellery and gemstones export development of Vietnam during the period.

- Export of jewellery, including precious stones, was estimated at US\$579 million in 2013—a slight increase of 5 per cent from 2012. However, the export growth recorded annual growth of -12 per cent during this five-year period.

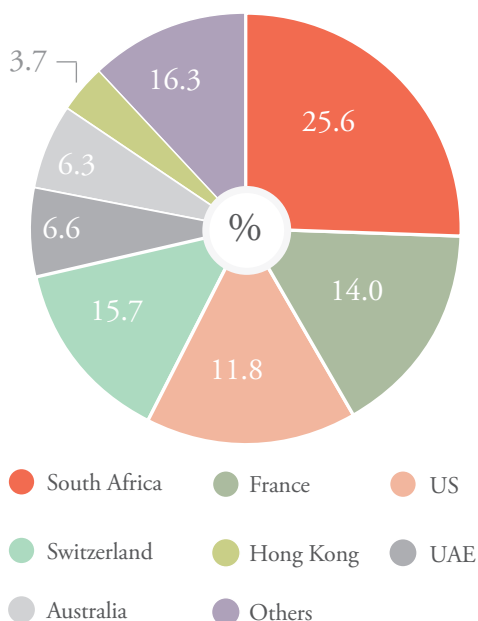
Export of Precious Stones and Precious Metal Jewellery (USD million)



Source: Construction and Capital Investment Statistic Department, 2014

- Earnings from jewellery made of precious metal, mainly gold and silver jewellery, plunged from US\$2.5 billion in 2011 to about US\$317 million in 2012. This was due to the re-introduction of a 10 per cent export tariff imposed by the National Government on all items made of gold.

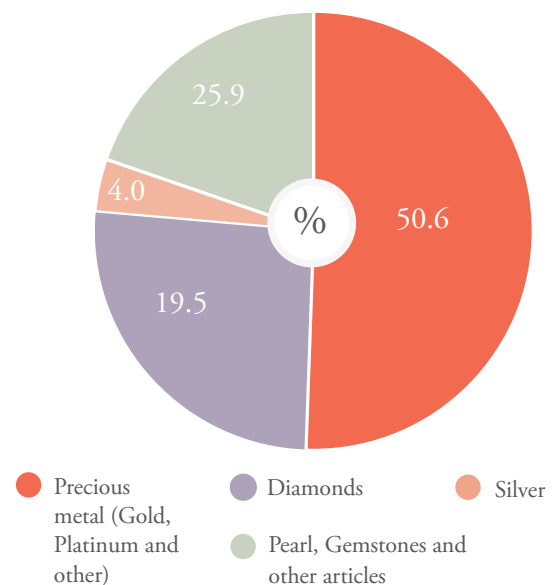
Figure: Vietnam's Precious Jewellery Export Market Share (excl. Diamond) in 2012



Source: Vietnam's Construction and Capital Investment Statistic Department, 2014

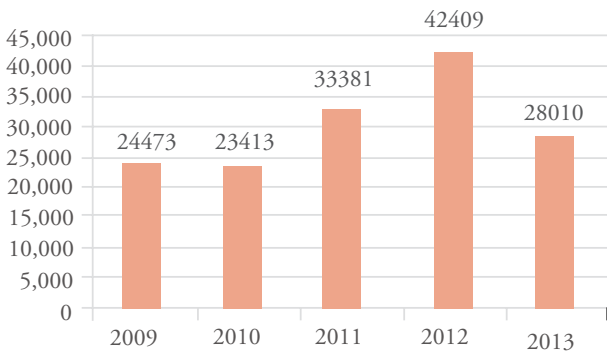
- Due to export tariff restrictions, domestic gold is often priced higher compared to the world market prices, which has direct impact on jewellery exports.
- The current 2 per cent tax for gold items will be levied only when the State Bank of Vietnam allows companies to import or export gold products.
- Switzerland, South Africa, the EU and the USA are the major importers of Vietnam's jewellery. Asian countries like Japan, South Korea, Taiwan and Hong Kong SAR are emerging markets for Vietnam's jewellery sector.
- Gold jewellery has the lion's share of the total jewellery export (about 50%), followed by gemstones and diamonds accounting for about 26 per cent and 20 per cent respectively.
- According to the ITC Trade Map, silver jewellery export was valued at US\$26.0 million and US\$28.0 million in 2013 and 2012 respectively, of which the majority of the export items went to France (35.7%) and the USA (15%).

Figure: Export Share in % of Precious Jewellery by Category in 2012



Source: ITC Trade Map, 2014

Silver Jewellery Export in USD '000



Silver jewellery export of Vietnam from 2008 to 2012
Source: ITC Trade Map, 2014

2.5 Role of Governmental Institutions

The National Government plays a leading role in Vietnam's jewellery market. There are two state-run corporations:

- **The Vietnam National Gold and Gemstones Corporation** (Tong Cong Ty Vang Bac Da Qui Vietnam), a subsidiary of the National Bank, specializes in gold and jewellery marketing.
- **The Vietnam National Gem and Gold Corporation, VIGEGO** (Tong Cong Ty Da Qui va Vang Vietnam) is part of the Ministry of Industry and Trade. It specializes in trade in gemstones, minerals and gems.
- The State Bank controls the gold market and the Ministry of Industry and Trade manages trade and market issues of 'other precious metals and gems'.
- The Vietnamese government has recently taken steps to support the development of a local jewellery industry to create employment opportunities for Vietnamese.
- The government has amended tax regulations several times to suit the sector development.

Governmental Initiatives

- Gradually loosening **Foreign Investment Limits**, for example, by lifting the foreign ownership limit in listed companies to 49 per cent and in unlisted companies to 40 per cent.
- Creating **Industrial Zones**, ie Industrial Zone, Economic Zone and Export Processing Zone. Investors can enjoy preferential tax (eg tax exemption for two years) and tariff rates for

different zones for establishment of companies besides enjoying modern infrastructure.

- **Viet Nam Trade Promotion Agency (VIETRADE)** plays a major role in promoting Vietnamese jewellery abroad. VIETRADE has organized Vietnam Trade Fairs in Myanmar, Cambodia and Laos. For example, the Trade Fair in Yangon City and the 8th Import, Export and One Province One Product Fair in Phnom Penh, Cambodia.

2.6 Framework Regulations and Policies

The government has amended the tax regulations on gold several times, and the **re-introduction of 10 per cent export tax for gold items in 2011 has caused a drastic fall in the overall jewellery export.**

- On March 15, 2014, the Prime Minister signed a decision on exemption of export tax, import duties on raw gold exports and imports. This was done under the provisions of Decree No. 24/2012/ND-CP, the State monopoly in the production of gold bars, exports and imports of gold raw materials.
- Under the draft decree, the Central Bank is responsible for import and export consignments. The exporter must obtain special licence from the Vietnam State Bank for such purpose. Duty-free export and import applies to a specific amount of gold only.
- The determination for the import duty for other precious metals is based on:
 - 49/2010/TT-BTC Circular dated 12/04/2010 of the Ministry of Finance guiding the implementation of the classification, the tax rate for exports and imports
 - The list of goods for export, import Vietnam promulgated together with Decision dated 25/12/2007 107/2007/QD-BTC of the Minister of Finance.
- Article 2, Decision dated 12/06/2008 36/2008/QD-BTC days of the Ministry of Finance on the issuance of preferential import tariff of Vietnam in particular to implement the Agreement on Preferential Tariffs general effect (CEPT) of ASEAN countries for the 2008–2013 period, shall be entitled to preferential tax rates.

- The government also set 0 per cent export tax for cut stones and waived the export tax on local jewellery. Uncut (rough) stones, however, have an export tax of 5 per cent.
- Under a circular dated 26/12/2008 129/TT-BTC detailed instructions on value added tax (VAT) and tariffs, value-added goods list of preferential import tariffs enacted 131/TT-BTC accompanying circular dated 26/12/2008 of the Ministry of Finance, a 10% tax is applied.
- According to Circular No. 172/2010/TT-BTC dated 02/11/2010 of the Ministry of Finance shall prescribe the rates, collection, remittance, management and use of fees and charges in customs fees.

2.7 Major Non-governmental Market Players

The **Central Association for Handicraft, Gemstone and Jewellery Vietnam** was established on December 20, 1989. Its major tasks are:

- Organizing of trade fairs, exhibitions and promotional events like The Fine Art, Jewellery and Precious Stones Fair or the Vietnam Jewellery Queen and the National Artist Award.
- Offering skill development seminars, training and workshops to members.

Other Sector Associations of Importance are:

- Viet Nam Gold Trading Association
- Viet Nam Handicraft Exporters Association

Joint Ventures

Increasingly foreign jewellery firms are investing in Vietnam, eg the local company PRANDA has established cooperation with a Thai firm or the establishment of joint ventures with the French jewellery firm Design International and a Japanese joint venture with VIJAGEM.

The jewellery articles manufactured by these joint ventures are mainly for export. The products of the joint ventures are not to be sold in Vietnam.

2.8 Private and Public Support for Jewellery Industry

A range of promotional events are organized by local and national organizations, institutions, private companies or individuals. For example, on August 30, 2013, the National History Museum of Vietnam organized a jewellery exhibition called 'Ancient Jewellery of Vietnam'.



Exhibit in the Vietnamese Women's Museum, Hanoi, Vietnam.

Photo: https://commons.wikimedia.org/wiki/File:Bracelets,_Hre,_Quang_Ngai,_1946,_silver_-_Vietnamese_Women%27s_Museum_-_Hanoi,_Vietnam_-_DSC04058.JPG

Vietnam International Jewellery Fair

- The trade show is organized annually by the Saigon Jewellery Company Limited, SJC, a state-owned company.
- In 2013, it attracted over 150 exhibitors from 14 countries.

Jewellery Craft Festival

The festival was held in the Old Quarter of Hanoi. The Hoan Kiem District People's Committee held the festival to honour the founders of the Hundred Craft Quarter of Hanoi.

A collection of ancient coins and several collections of elaborate jewellery were displayed. Skilled goldsmiths and silversmiths demonstrated their talents on the street. Phan Tuan Hiep, a member of the Jewellery Association of Hoan Kiem District, says:

‘Participating in this festival will help us hand down the craft to the younger generation, who will preserve and promote it.’

Jewellery School

As a local initiative, the Jewellery School has been established in the Ho Chi Minh City. The school trains young Vietnamese interested in the jewellery industry.

Media Support

Print media publish news and events about the industry, which has increased the visibility of the jewellery industry to the public and the buyers as well. The following are the links of print and internet media related to the jewellery industry of Vietnam:

- <http://vietnamnews.vn/life-style/244270/ha-noi-jewellery-show-rings-true.html>
- <http://vietnamnews.vn/economy/248988/gold-jewellery-exports-to-be-tax-free.html>

Private Companies

- The most successful company in the southern region is Phu Nhuan Jewellery Trading Store, PNJ: (<http://pnj.com.vn/en/QuaTrinhPhatTrien.php>)
- The second is Saigon Jewellery Company Limited: <http://www.sjc.com.vn/?n=1>
- In the northern region, Kim Quy is the most well known.



Photo: TPP

3. THAILAND

3.1 Country Information

Population:

67.0 million (2013)

Thai (75.0%), Thai Chinese (14%), Malay (3%) and other minorities, ie Burmese, Khmer and Mon

Economy:

Upper middle income

GDP US\$387.3 billion (2013)

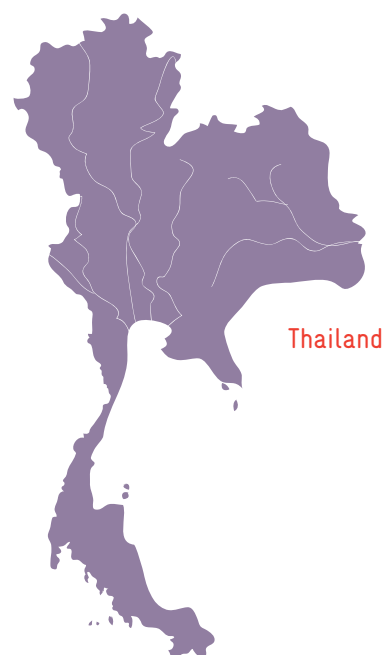
GDP growth 1.83% (2013)

GDP per capita US\$5,779 (2013)

Inflation 2.2% (2013)

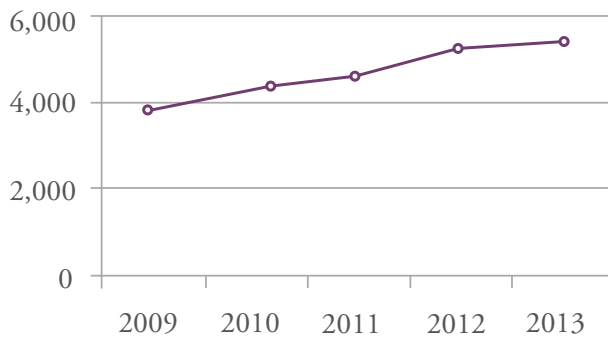
Unemployment rate 0.7% (2013)

Ranks 18th for the most business-friendly regulations (Q1, 2014)

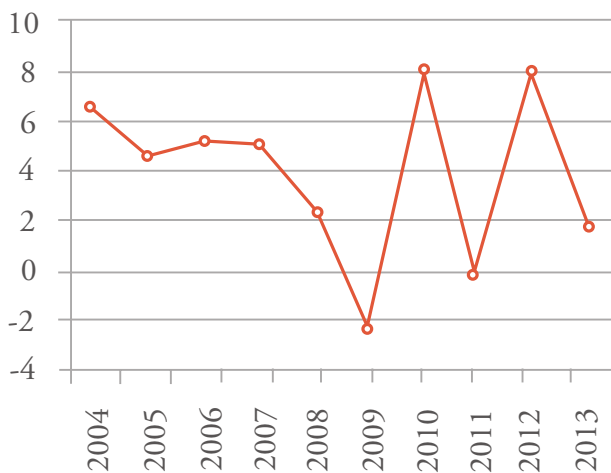


The following figures show the gross national income per capita (GNI in US\$) during 2009–2013, and the percentage growth of gross domestic product of Thailand during 2004–2013.

GNI per capita PPP, (current International US\$)



GDP growth (annual %)



Source: World Bank, 2014

3.2 History

Thailand's interest in the gems and jewellery craft is said to date back to at least several hundred years. Rich deposits of red ruby and blue sapphire had been found in Chanthaburi, Sukhothai, Si Saket and Ubon Ratchathani.

- The combination of emerald, sapphire and ruby with gold, which included crowns, swords and apparels, was favoured by the Thai royalty of the Ayutthaya period.
- Earlier, Thailand was known as the 'Land of Smiles'; later, their gemstones gave Thailand the name of the 'Land of Jewels'.

- Thai silver jewellery has been influenced by minority nomadic groups like the Karen, Lahu, Lisu and Meo, who live in the north of Thailand near the Burmese and Lao borders. They have maintained their traditional knowledge of arts and crafts, including the use of silver, until today.
- In particular, members of the Karen tribe wear silver rings, necklaces and bracelets, which were, and still are, distinct displays of their identity and wealth. Thus, the skills and jewellery designs once practised in the northern Thai villages are now mass produced in places such as Chiang Mai and Bangkok.
- Thailand's gold craft dates back to the 1st Century AD. In Chao Phraya, Thai artisans were inspired by Hindus from India, bringing with them gold pieces and knowledge of gold artistry dating back by approximately two thousand years.
- Today, the Thailand jewellery industry has evolved from a small-scale artisan-level to a large-scale industry.

Today, Thai jewellery has earned reputation for providing quality and reasonably-priced gold and silver pieces and for being the world's largest trader of coloured gemstones. This reputation is further bolstered as Thailand is considered to be one of the world's five best jewellery polishing centres, along with the SUA, India, Israel and Belgium. They are known for their unique 'Bangkok-cut' style.

Acceptance Crisis

Prior to 2004 Thailand had come under criticism for producing poor quality copies of more popular designs because their fine jewellery was said to be designed by business people rather than by Thailand's artists.

Richard W. Hughes, author of *Thailand's Jewelry: A Black Paper on the State of the Trade*

3.3 Development of Jewellery Industry

Thailand's gems and jewellery industry has systematically developed from cottage level to a large-scale export-oriented scale and the sector has become one of the country's top-ten foreign exchange earners, generating tens of billions of Baht to the economy and creating jobs for millions of people.

- Thailand has become a leading producer of gems and sapphires and world's largest cutter of coloured stones. Thai artisans are skilled in crafting jewellery that met international tastes.
- Jewellery in the Thai market is mostly sold unbranded and the market remains very fragmented, with a miniscule of sales accounted for by international and domestic players.
- Thai people have become more appearance-conscious, caring more about their image and personality. Players will attempt to drive the category by launching new products, together with pushing competitive pricing promotions and marketing activities.
- Thailand's jewellery export value accounted for 3,725 million US\$ in 2013 (HS 71).
- Quality, attention to details and reasonable pricing are the major elements of continued success of the Thai jewellery industry.
- According to EUROMONITOR International, the jewellery sector in Thailand turned even more competitive in 2013 due to a higher demand for real and costume jewellery
- EUROMONITOR also forecasts a constant value CAGR (Compound Annual Growth Rate) of 2 per cent, achieving Bt 76.6 billion in 2018.

The major drivers for this development are seen as:

- A skilled artisans and craftsmanship base, which has developed from traditional jewellery production;
- Availability of resources for precious stones, gems, etc within the country;
- A large number of tourists buying jewellery as souvenirs and initiating export business all over the globe;
- The country's economic, cultural and social openness and hospitality;
- Relatively stable political conditions for decades;
- Jewellery being considered as a priority income, job generating and image sector by the government, as well as by the Thai society;
- Relatively well-developed business environment compared to other countries in the region;
- Governmental support since the sixties;
- Well-managed synergy effects with the tourism sector;
- Thailand seen as a reputable driver and mediator in the ASEAN, AEC and global trade integration processes.

Economic Challenges

The current political crisis is also affecting the jewellery sector. Negative growth of the economy is forecasted in 2014. National demand and sales are slowing down, and the political situation might damage the international reputation of Thailand as the 'Land of Peace and Smile'. Therefore, although at a lesser pace, exports will be affected by the crisis. Indirect impacts are the slowdown on international political developments and integration processes like the Free Trade Agreements (FTAs), particularly within the ASEAN, USA, China and SAARC trade corridors. Thailand might lag behind in the recent dynamics of international trade negotiations, which could have an impact on all exports sectors, including jewellery.

Another challenge is the tariff dispute with India as one of the major competitors in the jewellery sector in the region.

3.4 Production and Export

Exports of gems and jewellery grew in June by 38.2 per cent after a contraction in 2013 (Source: Thai Export Promotion Department) and the first quarter of 2014.

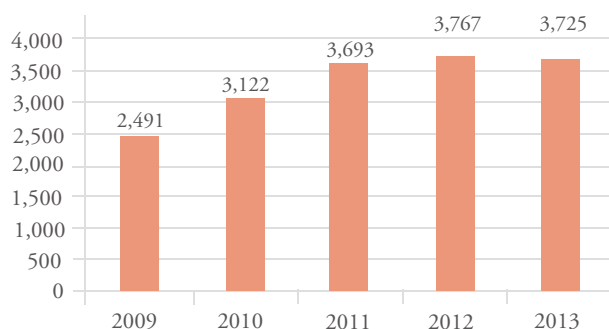
- In the first half of 2014, Thailand's main export markets for jewellery continue to be the USA, the EU and Hong Kong, with jewellery following machinery and plastic products.
- The University of the Thai Chamber of Commerce (UTCC) forecasts a shrink of Thailand's total economic growth Quarter 1, 2014 from 2.5 per cent to 2.2 per cent, citing uncertain prospects for exports, tourism and the global economy.
- Chirakitti Tang, president of the Thai Gems and Jewellery Manufacturers Association, predicted that jewellery exports should grow by 5 per cent in 2015, down from 6 per cent this year.
- Positive factors include strong demand in emerging markets, despite the slowdown in traditional markets. However, the lack of raw materials and low financial support for operators could hold back exports of the industry, he said.

Thailand keen to resume gold trade with India

KOLKATA: The Thai government is in talks with its Indian counterpart to resume the free trade agreement (FTA) in gold jewellery. The Southeast Asian nation is keen to export coloured gemstone studded jewellery to India. India raised the import duty on gold jewellery from Thailand to 15 per cent from 1 per cent in October 2013 to protect the domestic industry which employs nearly 35 lakh artisans. "Thailand is keen to resume gold trade with India. But as of now the Indian government has not taken any decision on the issue," said a commerce ministry official.

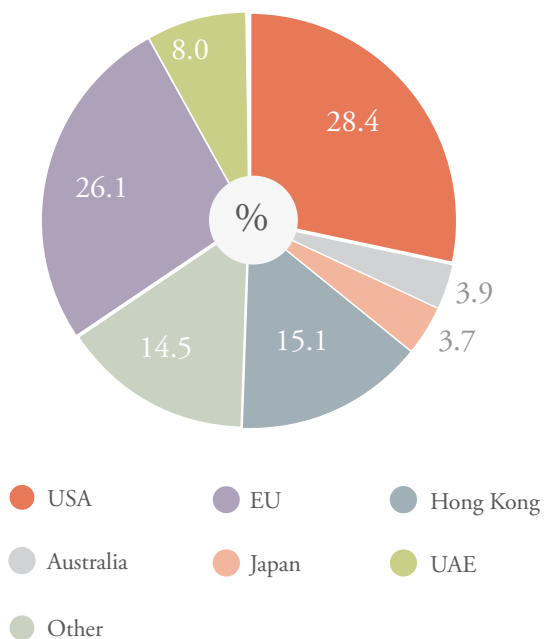
The Economic Times, January 7, 2014

Jewellery Exports from Thailand (USD million)



Source: Thai Export Promotion Department

Figure: Thailand's Precious Jewellery Export Market Share (%) in 2013

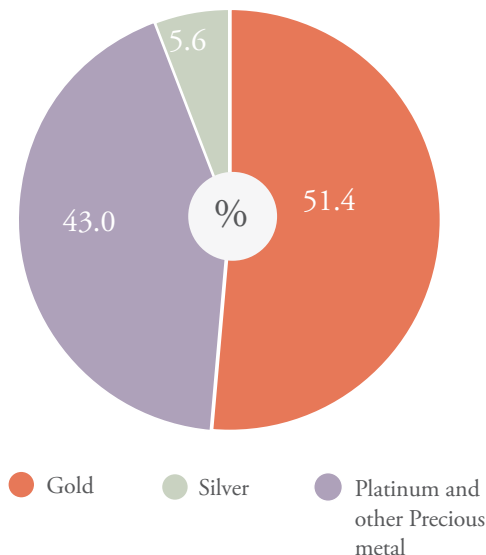


Source: ICT Trade Map 2014

3.5 Silver Jewellery

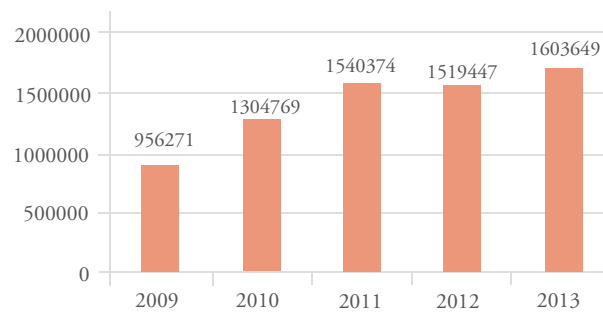
- Thailand has become the world leader in silver jewellery export in both plain silver jewellery and gem-set silver jewellery.
- Thai silver jewellery export accounts for almost one-fourth of the world value and is the leader in both the US and EU markets.
- Silver, or white metal, jewellery market has gained greater interest around the world due to the continuously increasing price of gold.
- Thailand's main competitors in the lower end segment are China and India, which have advantages like availability of advanced mass production technologies and cheap labour.
- Competitors in the middle and high-end markets are Turkey, Mexico and Italy.
- Thai silver jewellery, which has a value of over US\$18 per dozen (HS 7113.11.50), is likely to reach the limits set by the Generalized System of Preferences (GSP) due to the high export value to the USA almost reaching the maximum value of US\$180 million (2013).
- Thai silver jewellery is often modelled after the traditional designs of the hill tribes of northern Thailand.
- Modern styles of bracelets, as well as pendants, necklaces, beads and rings, can also be found. Most silver sold is labelled '925', silver bowls, boxes, cigarette cases and vases are widely available.

Figure: Export Share in % of Thai Precious Jewellery by Category



Source: ICT Trade Map 2014

Figure: Silver Jewellery Export in USD ‘000



Source: Thai Export Promotion Department

3.6 Role of Governmental Institutions

The jewellery industry in Thailand is said to be governed by government trading rules with the quality of gems and jewellery being examined and guaranteed by internationally accredited agencies, including the Asian Institute of Gemmological Science, the International Gemmological Institute and the Gems and Jewellery Institute of Thailand.

- A certificate of assurance, which in essence is a written guarantee of the authenticity and quality of the jewellery, is issued.
- To enhance the sector's competitiveness, the Thai Government has exempted tariffs on imported raw materials.

Major governmental players supporting the jewellery sector are:

The Ministry of Commerce, Department of International Trade Promotion (DITP), Department of Trade Negotiation, Department of Foreign Trade, Ministry of Industry, Department of Industrial Promotion, the Board of Investment and the Tourism Authority of Thailand.

Ministry of Commerce (TMC)

The TMC is responsible for providing national and international legal frameworks, business environment and macro-economic policies supporting the sector. A few examples of how they support the sector are the lift of the 20 per cent tax on imported gems and jewellery products to be sold at the 54th Bangkok Gems and Jewellery Fair (BGJF54) in September 2014 and the VAT-free Pavilion at this show. The TMC also plays a key role in the AEC+6 and FTA negotiations.

Department of International Trade Promotion (DITP)

As part of the TMC, DIPT plays a crucial role in the promotion of the jewellery sector in Thailand. Apart from offering business development and advisory services, they provide technical as well as financial support to:

- National associations, eg in the form of office space, project funding, media and PR support
- National and regional fairs, exhibitions and promotional events
- Participation in international fairs for businesses (up to 40 per cent of the cost of the booth)
- The Thailand B2B E-Marketplace www.thaitrade.com
- DIPT Worldwide Network: more than sixty Thailand Trade Promotion Offices worldwide, five Regional Trade Promotion Centres
- The Thailand Trustmark (TTM), a quality label 'Made in Thailand' (www.thailandtrustmark.com)
- The Prime Minister's Award Business Support Programme: www.pmenterprisecaward.com
- Demark: the Country's Design Excellence Award
- OTOP-Mark: 'One Tambon One Product'. Thai Cottage Business Promotion Programme
- SME Pro-Active Promotion Programme, including an SME support programme for jewellery businesses
- Trade-Fair Web Portal: www.thaitradefair.com
- Personnel and trading data systems (in cooperation with the Department of Statistics)
- Training and educational institutes
- Science and accreditation agencies
- Publication of print and online media, DVDs and PR events

They are also involved in linking various governmental departments, and are currently establishing an online one-step express facilitation service for export issues in cooperation with the Department of Customs.



Ancient Thai Costume

Photo: https://upload.wikimedia.org/wikipedia/commons/0/0e/Dancing_art_Thai_ancient_show_in_the_Wat_Phra_Thaen_Sila_At_fair_06.jpg

Thailand Trustmark (TTM)

TTM, often in association with ISO 14001, certifies companies which meet the latest international quality product and business management standards. The TTM 'Made in Thailand' label aims to assure good value and quality products. Businesses approved to use the TTM symbol benefit from the worldwide network of importers and exporters built by the TTM.

Board of Investment (BOI)

Investments in the jewellery sector are promoted by the BOI according to zones or special industrial estates around Thailand

- Projects located inside a promoted gem and jewellery industrial estate or zone are exempt from import duty on machinery.
- If located in Zone 1, corporate income tax exemption (ITC) is for five years.
- If located in Zone 2, ITC is for seven years.

- If located in Zone 3, ITC is for eight years.
- Other privileges are granted according to the BOI.

Jewel FEST Club

Visitors to Thailand occasionally complain of jewellers selling them jewellery at unreasonable prices. To combat this problem, the Thai Gem and Jewellery Traders Association and the Tourism Authority of Thailand (TAT) have formed the 'Jewel Fest Club'. The club aims to offer quality products at reasonable prices with a money-back guarantee if buyers are not completely satisfied.

3.7 Framework Regulations and Policies

The Thai Government lifted the 20 per cent tax on imported gems and jewellery products sold at the 54th Bangkok Gems and Jewellery Fair (BGJF54) in September 2014.

The concession is considered as a temporary grace period (15 days before or after the BGJF54) for everyone attending and participating in the BGJF54. Products to be covered by the measure are pearls, precious stones and metals, imitation jewellery and coins, all categories that fall under HS 71.

Another tax-free initiative the BGJF is offering is the **Zero VAT Pavilion**, where buyers are exempted from paying the 7 per cent value-added tax imposed on rough gems and raw materials imported into Thailand for manufacturing.

In addition, Chantaburi Province will be promoted as the centre for gems associated with a SEZ.

3.8 Major Non-governmental Market Players

Thai Gem and Jewelry Traders Association (TGJTA)

The TGJTA was established over three decades ago to serve local gems and jewellery traders and manufacturers. TGJTA is the leading association for jewellery in Thailand and organizer of the world's fifth and Asia's second largest trade show in the gems and jewellery market, Bangkok Gems Fair. The fair is seen as the major international marketing platform and showcase for Thailand's jewellery industry.

Major tasks of the TGJTA are:

- Facilitating and implementing policies and strategies in close cooperation with the Thai government.
- Promoting the ASEAN Economic Conference (AEC) and establishing an international pavilion for ASEAN+6 and other countries.
- Establishing the **Gems Jewelry and Precious Metal Confederation of Thailand**.
- Creating design trends for the industry by cooperating with internationally-renowned companies such as Swarovski and Pandora.
- Fostering human resource and skill development by setting up training facilities.
- Cooperating with government agencies to develop skills of the workforce and support international labour skills competitions.
- Joining hands with overseas organizations to provide knowledge of gems and sales skills, along with human resources, in important trade partner countries.
- Cooperating with both private and government sectors to establish a knowledge network and hold academic seminars to develop the gems and jewellery industry.
- Suggesting VAT for upstream raw material to 0 percent.
- Exemption of the duty-fee (from 20% to 0%) on exhibited goods in Bangkok.
- Increasing PR activities at lower cost to attract international buyers.
- Expanding into new markets, developing existing markets and cooperating with overseas organizations to set up Thai pavilions and booths in exhibition fairs in overseas countries.
- Information Technology Collaboration with the government to establish an e-marketplace and develop TGJTA's website to contain up-to-date information and act as a Business Matching Forum where domestic and international buyers can meet.
- Promoting Ploi Thai as the country brand of Thailand.
- Cooperation with both government and private sectors such as Swarovski, Beauty Gems, Pranda, Blue River, Pandora, etc and institutes, namely GIT, Srinakharinwirot University, Burapha University
- Establishing an online sourcing business matching service: http://bangkokgemsfair.com/about_fair/OSP.php

'The strength of the industry is built on such solid foundations as excellent designs, reputed quality, premier craftsmanship and state-of-the-art technology. These qualities, along with best possible support services, have seamlessly propelled our industry, all despite rocky economic conditions worldwide since 2007.'

Mr. Phornchindarak, President of GJPCT

The Jewelry Trade Center (JTC)

The JTC is a 59-storey mixed-use skyscraper located in the Silom Road gemstone district of Bangkok. The Center is the home of the TGJTA and largest hub for selling, sourcing and distributing jewellery in Bangkok and one of the largest centres in Asia. **The Jewel World** includes over 300 booths marketing all kinds of jewellery products.



Photo: Klaus Linkenheil

The Center also contains a fully-equipped gem testing laboratory operated by the Asian Institute of Gemmological Sciences (AIGS). The Silom Galleria located in the building's lower plaza is a large retail space for arts, antiques and jewellery.

Chanthaburi Gem and Jewelry Traders Association

Chanthaburi, a small town 230 km. east of Bangkok, is the center of quality gemstone and jewelry with a large supply.

Chanthaburi Gem and Jewelry Traders Association was founded by over 300 members from the gem and jewelry industry in Chanthaburi. Its main objective is to establish the connection between Thai and international operators and the manufacturers in Chanthaburi, contributing to efficient and fair trade.

International Trade Fairs and Exhibitions

The **Bangkok Jewellery Gems Fair BJGF54** is scheduled on September 9 to 13, 2014, at Bangkok's IMPACT Exhibition and Convention Center. The bi-annual event is regarded as the world's fifth and Asia's second largest trade show in the gems and jewellery market. The fair generates gross export revenues exceeding Bt 400,000 million or US\$12.8 billion.

The fair is organized by the TGJTA and supported by DIPT.

As a framework programme for the fairs in 2014, TGJTA will initiate a variety of new features that will enhance trade activities like seminars, contests, trend updates and special offers.

Thai Chamber of Commerce and Board of Trade (TCCBT)

The TCCBT is the organizer of the **ASEAN+6 Gems & Jewelry Presidents' Summit**, which is an industrial cooperation of the gems and jewellery production, trade and consumption countries, including the 10 ASEAN countries and six important partner countries. Delegates in the meeting from ASEAN were Cambodia, Indonesia, Laos, Malaysia, Myanmar, Singapore, Vietnam and host country Thailand. The six partner countries were Australia, China (with delegates from Hong Kong and Shanghai), India, Japan, Korea and New Zealand.

Several measures were agreed upon, such as the

creation of an ASEAN+6 Gems and Jewelry Presidents' Summit Trademark, establishing an ASEAN Gems and Jewelry Cooperation Booth in every member country's gem and jewellery trade fair, and how to create standardization within the regional trade.

3.9 Private and Public Support for Jewellery Industry

Public and private institutions which offer jewellery courses are:

- Private sector companies such as Swarovski, Beauty Gems, Pranda, Blue River, Pandora.
- Institutes, namely GIT, Srinakharinwirot University, Burapha University.

Quality Control and Certification

Retailing of gems and jewellery in Thailand is governed by trading rules, which are supervised by government and industry organizations. The quality of gems and jewellery is examined and guaranteed by internationally accepted local bodies such as the Asian Institute of Gemological Science (AIGS), the International Gemological Institute (IGI), the Gems and Jewelry Institute of Thailand, etc.

List of Gemological Institutes:



Photo: Lex Van Boeckel

Department of Mineral Resources
 The Gems and Jewelry Institute of Thailand
 Asian Institute of Gemological Science (AIGS)
 International Gemological Institute (IGI)
 Tokyo Gem Laboratory (Thailand) Co., Ltd.

Media Support and Magazines

There is a wide range of PR, media, TV, radio, online and public events like conferences, fashion shows, etc covering the jewellery topic. Often they are initiated and organized in close collaboration with the TJCTA.

The major print media of the jewellery sector in Thailand is the Bangkok Gems & Jewellery magazine. <http://www.gemgateway.com>

Other magazines are: Solitaire and Thailand ELLE

A famous expert book is The World Brand Jewelry.

Gemopolis-free Zone

Gemopolis Industrial Estate was established in 1990 by Mr Boonyong Assarasakorn, founder and current CEO, to cater to the gems and jewellery business. The project includes 145 companies employing over 20,000 staff.

In 2008, Gemopolis was granted free-zone status by the Industrial Estate Authority of Thailand (IEAT). Gemopolis Free Zone (GFZ) is the first and unique free zone in Bangkok metropolitan area. The advantages of setting up business units in the Gemopolis Free Zone Complex are summarized as follows:

- Low-rise factory condominium with one horizontal floor utilization concept.
- Office and factory space available from 60 to 2,000 sq m.
- Investment cost starts from as low as US\$100,000;
- Comprehensive benefits and privileges granted by BOI and IEAT
 - Exemption of corporate income and dividend income tax for five-eight years for manufacturing activities
 - Exemption of import duty and VAT for raw materials, semi-products, essential materials, machinery, equipment and

finished products

- 0 per cent VAT on purchasing from domestic suppliers
- Open-ended period for storage
- Production formula list not required;
- 100 per cent share ownership for foreign investors.
- Foreign investors entitled to own land and property in Gemopolis.
- Foreign investors entitled to own land and property for residence for executives, experts and workers outside Gemopolis.
- Expedited permission to bring in experts and family;
- Permission to remit foreign currency out of the country.

Private Jewellery Industry

Most of the bigger Thai jewellery businesses are members of the GJPCT and can be contacted through the association. Some of the businesses contacted during this study are:

- JNB, Mfg. & Exporting Co. Ltd, Bangkok
- Bakhtar Co. Ltd, Bangkok
- I.O. Jewellery Co. Ltd, Bangkok
- Genuine Gems & Jewellery Co. Ltd. Bangkok (with a shop in Thamel, Kathmandu)

The world's biggest jewellery store, known as the Gems Gallery, which was opened in 1998 and occupies over 12,000 sq m of floor space and employs around 500 staff, is located in Phuket.

4. Indonesia

4.1 Country information

Population:

249.9 million (2013)

Javanese (42%), Sundanese (15.4%), Malay (6.9%), Madurese (6.8%), Batak (6.1%), Minangkabau (5.5%), Betawi (5.0%), Bugis (5.0%) and other minorities, ie Balinese, Sasak, Minahasan, etc.

Economy:

Lower middle income

GDP US\$863.3 billion (2013)

GDP growth 5.8% (2013)

GDP per capita USD 9,559 (2013)



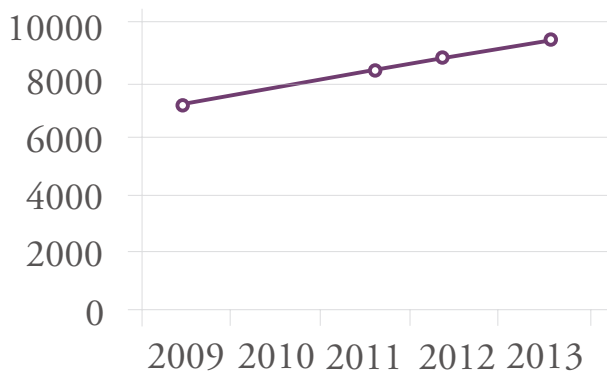
Inflation 6.4% (2013)

Unemployment rate 5.9% (2013)

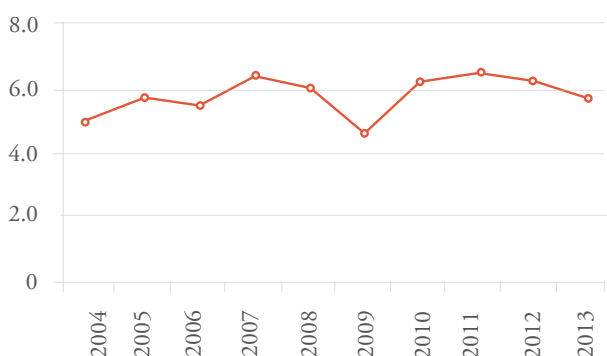
Ranks 120 for the most business-friendly regulations (Q1, 2014)

The following figures show the gross national income per capita (GNI in US\$) from 2009 to 2013, and the percentage growth of gross domestic product of Indonesia from 2004 to 2013.

GNI per Capita (USD)



GDP growth (%)



Source: World Bank

4.2 History

Jewellery-making in Indonesia dates back to the Mesolithic age. Skills of jewellery manufacturing have improved during the Neolithic age. Finger rings, necklaces and bracelets of clay, semi-precious stones, iron and gold from these periods have been found in the country.

The earliest metal jewellery was primarily copper with some gold, silver and 'suwasa', which contains one part gold and two parts copper. Metal age graves reveal gold necklaces, hairpins, beads and rings.

The patterns and styles of traditional Indonesian jewellery were heavily influenced by culture, religion and trade. In minority societies, fertility and

reproduction were very important and can be seen in the *Mamuli* pendants from Sumba and the Batak *duri-duri* and *padung-padung* ear ornaments.

The figures below show examples of jewellery found from ancient times. Images of human figures, animals, boats, natural and mythological animals and beasts, sea creatures, crocodiles, turtles, trees and plants are integrated in jewellery designs.

Silver jewellery made its way into Indonesia during the periods of colonization. Silver was greatly appreciated because it could easily be melted down and refashioned into fabulous pieces. The island of Timor was the first to bring silver into circulation from Portuguese traders and colonizers. Today, traditional jewellery remains an integral part of traditional wedding attire. It can also be seen combined with other forms of ethnic dresses.

4.3 Development of Jewellery Industry

According to Mr Fauzi Aziz, Director General of the Small and Medium Enterprises of the Ministry of Industry, the Indonesian jewellery industry is part of the Creative Industry, a sector which contributed about 10 per cent of the national export value in 2011.

- The jewellery industry can be divided into two main categories: precious metal jewellery and imitation jewellery, of which precious metal jewellery accounts for the lion's share in terms of production and export volume.
- Jewellery manufacturers in Indonesia are mainly small and medium enterprises (SMEs), spread across different regencies of Indonesia.
- The jewellery items are bracelets, earrings, rings, necklaces and brooches made of gold, silver or a mixture of both. Pearl and silver jewellery are the emerging export items in the sector.
- The jewellery items in Indonesia are mainly handmade and usage of technology is still minimal.
- Jakarta, the capital of Indonesia, is the main gate for many buyers for Indonesian jewellery products. Many modern and advanced gold and silver workshops can be found in the city.
- Bali is a popular destination for both foreign jewellery entrepreneurs and buyers to source for unique and traditional gold and silver jewellery. Bali is home to some of the most creative jewellery designers in the country.



The pictures above show the traditional jewellery that is commonly worn by some ethnic groups.

Photo: https://en.wikipedia.org/wiki/Indonesia_Museum#/media/File:Indonesia_Museum_Traditional_Dress_01.jpg

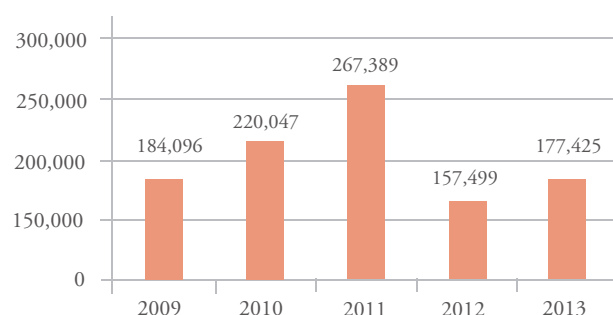
4.4 Production and Export

According to the Director General of the National Export Department of the Ministry of Commerce (PEN), Mr Nus Nuzulia Ishak, the Indonesian jewellery exports, including semi- and non-finished articles, increased by 109 per cent from US\$781.16 million in January–April 2013 to US\$1.63 billion in the first quarter of 2014.

ITC data shows that the total fine/precious jewellery export, excluding pearl and unwrought gold articles, was valued at US\$177 million, a decrease of about 34 per cent from 2011. This is due to a drastic drop in exports to Singapore.

- In 2013, according to ITC, gold jewellery has the lion's share of precious jewellery export (about 45–50%), followed by silver jewellery (42%) and other precious alloy.
- Since 2012, the USA has become Indonesia's dominant market for precious jewellery, which accounted for nearly 40 per cent of jewellery exports in 2013. Singapore, which was once a major export market share, showed a drastic drop.

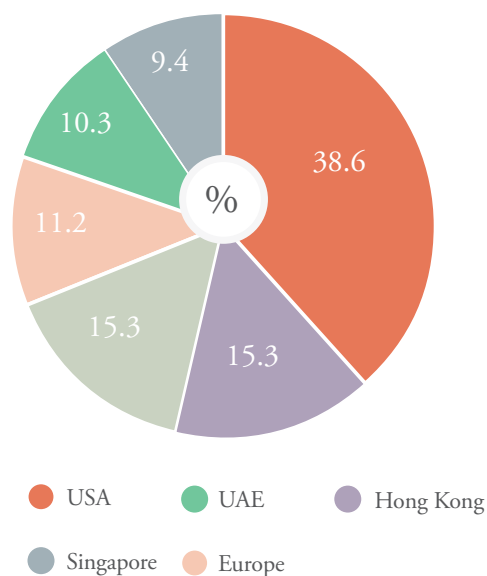
Figure: Indonesian Jewellery Export to the World (USD '000)



Source: ITC Trade Map, 2014

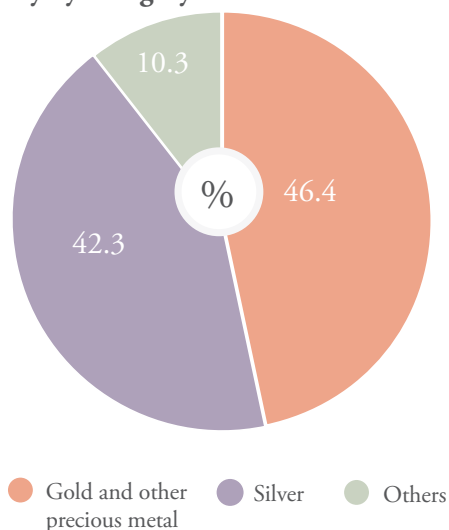
The following figures show the market share of Indonesian jewellery export and the shares of jewellery items exported to international market in 2013.

Figure: Market Share of Indonesian's Jewellery Export 2013



Source: ITC, Trade Map, 2014

Figure: Export Share in % of Thai Precious Jewellery by Category

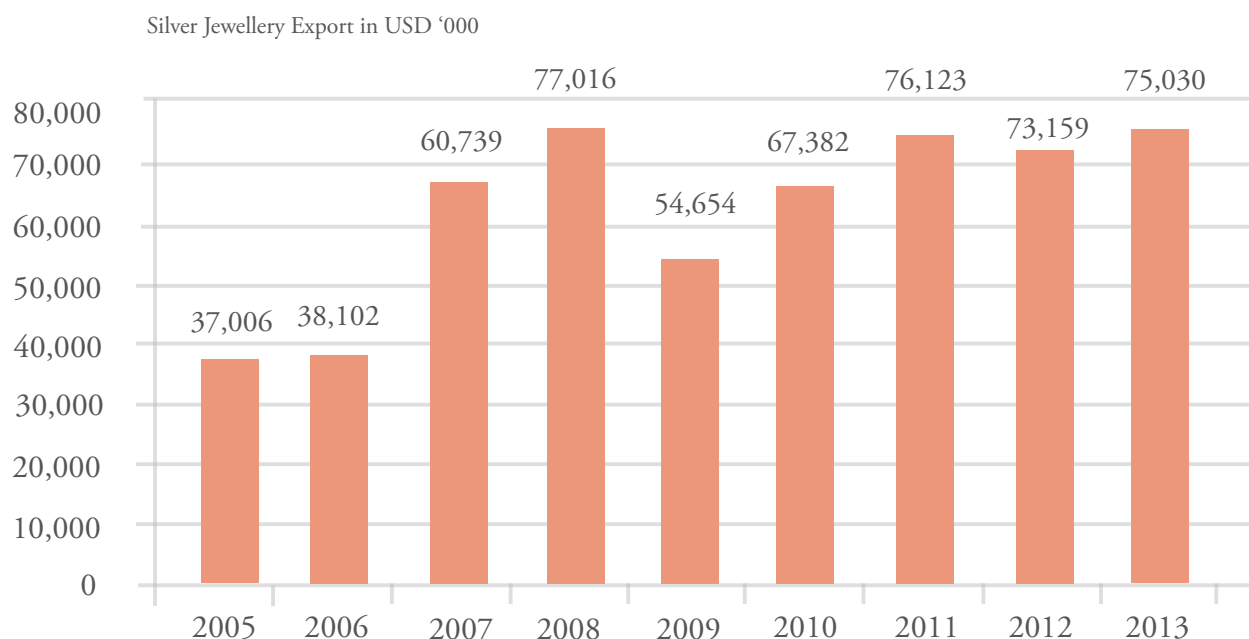


Source: ITC, Trade Map, 2014

4.5 Silver Jewellery

- The Indonesian silver jewellery made its way to the world market in the 16th century when the East India Company (Verenigde Oost-Indische Compagnie [VOC]) placed the first order in Yogyakarta.
- During the colonial period of the Dutch, the Dutch Government built an institution 'Stichting Beverdering van het Yogyakarta Kent Ambacht' to keep and to enhance the quality of silver crafts.
- Today, Indonesia is one of the major silver producers and is ranked 18th among the world's top silver exporters in 2013 by the Silver Institute.
- Silver jewellery export and production in Indonesia contributes more than 40 per cent of the total jewellery export. The figure below shows Indonesian silver jewellery export from 2009 to 2013.

Figure: Indonesian Silver Jewellery export from 2009 to 2013.



Source: ITC Trade Map, 2014

- According to the ITC Trade Map, in 2013, the USA was the major importer of Indonesian jewellery, followed by Singapore, Hong Kong SAR and Europe.
- The silver jewellery production is scattered throughout the regencies from Sabang to Merouke. The main production centres are in Koto Gadang-West Sumatra, Kotagede in Yogyakarta, Bangil in Jawa Timur and Celuk in Bali.
- According to Biro Pusat Statistik (BPS), in 2011, 78 per cent of the silver jewellery exports came from Bali, followed by Jakarta, East Java and Yogyakarta, which recorded 19.42 per cent, 2.64 per cent and 0.02 per cent respectively.
- The tradition of jewellery craftsmanship has catapulted Indonesia to the position of the world's ten biggest jewellery exporters.
- The Javanese and Balinese are famous for their silver crafts. Javanese silversmiths have specialized in fine filigree work, a style of shiny flat surfaces and clean streamlined joints. In contrast, Balinese silversmiths have specialized in granulation, in which spheres of silver are arranged in geometric patterns.
- One of the unique brands born out of this creative process is Batik Silver, which is produced and designed in Jakarta. Almost unknown to the domestic market, Batik Silver productions are exported to markets in Europe and North America.
- As noted by Nyoman Rupadana, Head of Gianyar Silver Association in Bali, 'Celuk has absorbed many young people from diverse backgrounds to train and work side by side with well-known silversmiths.'
- Silver craft also experienced significant growth in the island of Lombok. There are 410 registered silver cottage industries employing about 1,000 workers

Challenges faced by the Industry

- Lack of international certification procedures.
- Lack of awareness of importance of registering patent designs; as a result, the design might be patented by artisans from other countries.
- Uncertain supply of raw material, ie basic silver.
- Lack of capital and business funding opportunities for SMEs.
- The Bali bombing incident has affected the production and sale of silver jewellery.
- Local silver businesses are increasingly taken over by foreign entrepreneurs.

4.6 Roles of Governmental Institutions

The **Ministry of Trade** plays a vital role in promoting Indonesia's international jewellery trade relations, implementing bilateral agreements and trade policies with jewellery trading partners.

- In 2007, the Indonesian government, through the Ministry of Trade, started to give more support to creative industries that rely on human skills. The jewellery industry falls under this category.
- The Ministry of Trade published a booklet about the jewellery sector (WARTA EKSPOR, Edition April 2012) entitled Exploring the Potential of Silver Industry in Indonesia. The publication is available in Bahasa Indonesia.

The **Trade Research and Development Agency** (TREDA) collects, analyses and presents information on various products manufactured in Indonesia through the print media. Examples of the publications are:

- *Indonesian Silver: Dazzling the imagination*
- *Indonesian Gemstones: Exclusively captivating*

Government Support to SMEs

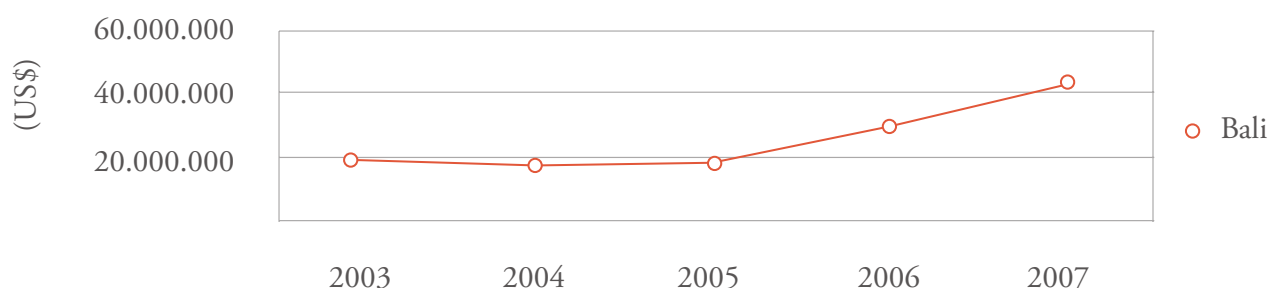
This is important as 95 per cent of the Indonesian jewellery operators are SMEs. Some of the support programmes are mentioned below:

- *Small Credit Loan Programme*, KMKP. In 1991 the programme changed into Small Business Credit. With this programme, banks have to provide 20 per cent of their credit volume to SMEs, while state-owned companies have to provide 1—5 per cent of their profits to small enterprises.
- Since 1980, the government has applied a partnering concept between big entrepreneurs that act as guardians and SMEs as their wards.
- Establishing venture capital institutions. So far twenty-four venture capital institutions (Lembaga Modal Venture) have been established by the government.

Government Support in Human Resource, Training and Education

- The provincial government of West Nusa Tenggara and also the local district government supported local artisans in Bumi Gora with training in the production processes of silver crafting.

Bali Export HS 711311 Jewellery and Parts thereof, of Silver



Source: Ministry of Trade / ITC

Silver Centers in Indonesia

Silver Center	Regency	Province	SME
Center of Silver Craft	Gianyar	BALI	20
Center of Silver & Brass Craft	Kulungkung	BALI	31
Center of Silver & Brass Craft	Karangasem	BALI	45
Center of Silver Craft	Yogyakarta	YOGYAKARTA	30
Center of Silver Craftmen	Yogyakarta	YOGYAKARTA	253
Center of Gold & Silver Craft	Ponorogo	EAST JAVA	30
Center of Gold & Silver Craft	Lumajang	EAST JAVA	30
Center of Gold & Silver Craft	Hulu Sungai Selatan	SOUTH KALIMANTAN	49
Center of Gold & Silver Craft	Mataram	WESTERN NUSA TENGGARA	115
Center of Metal/	Silver Craftmen Pangkajene Kepulauan	SOUTH SULAWESI	24
Center of Gold & Silver Craft	Manado	NORTH SULAWESI	31

- With the support of the National Craft Council, training centres (Balai Latihan Kerja) for silver businesses and silversmiths have been established in Jambi.

The **Indonesia Central Bureau of Statistic (Biro Pusat Statistik)** collaborates with other relevant government institutions (ie Ministry of Trade/Customs) to compile and update export and import data.

Promotional Assistance by the Government

- Supporting local jewellery entrepreneurs to participate in national fairs and trade shows, ie the JIJF and SIJF;
- Financial support to jewellery SMEs which participate in Jakarta and Surabaya International Jewellery Fairs;
- National Agency for Export Development (NAFED), a unit of the Ministry of Trade, organizes the Trade Expo Indonesia in Jakarta, the largest export-oriented exhibition in Indonesia. The online exhibition of Indonesian producers is also available at NAFED's virtual exhibition. Website: www.nafedve.com

4.7 Framework Regulations and Policies

There is no particular policy on the jewellery sector in Indonesia. As the jewellery sector is categorized under Creative Industry, the following policies are applied for jewellery sector development.

Regulation of the President of the Republic of Indonesia regarding Policy of National Industry

This regulation contains six groups of industries: manufacturing, agro industries, transportation equipment, electronics, creative industries, and specific small and medium industries (kemenperin.go.id, 2008), which are the priorities to be developed in the period 2010—2014 (indonesiakreatif.net, 2010). This regulation includes the development of the jewellery industry

This regulation also requires preparation of a roadmap for development of creative industries. The roadmap is a guide to develop three main points: design, technology and quality, as well as access to financial resources and management and export markets.

Action plans were developed as follows:

- Development of technology, standards, product quality schemes;
- Design training, equipment modernization and improvement of product quality;
- Facilitation and implementation of standards (ISO 9000, CE Mark, etc);
- Enhancing access to raw materials. Facilitating partnerships with relevant agencies in order to guarantee the availability of raw materials;
- Increasing competence of human resources, training in production, management, marketing, etc;
- Development of institutional and business climates;
- Developing 'One Village One Product' clusters;
- Facilitating implementation of Intellectual Property Rights;
- Development of technologies and designs in cooperation with universities;
- Facilitating access to finance;
- Development of promotion and marketing;
- Facilitating exhibitions in Indonesia and abroad;
- Facilitating positioning and branding for products of creative industries.

Instruction of the President of the Republic of Indonesia, No. 6 of 2009, regarding the Development of the Creative Economy

This instruction is the basis for the development of a creative economy, which regulates action plans to be implemented by twenty-seven ministries and local governments. Some important details are described as follows:

- The President declared 2009 as the Year of Creative Indonesia (Tahun Indonesia Kreatif)
- Development of Indonesia Creative Economy Portal;
- Development of a database of exporters, importers, companies, associations and other creative industries players;
- Development of formal and informal educational institutions;

- Blueprint of 'National Creative Industry Development Plan 2025', which contains a development plan of fourteen creative industry subsectors from 2009 to 2015;
- Encouraging creative ideas and activities such as displaying creative figures (ie fashion designers), developing a blog 'Indonesia unite', and releasing a 'Love Indonesia song' to promote love and pride for Indonesian products.

The Ministry of Trade issued the Ministerial Decree number 385, year 2004 to ban the export of gemstone materials. The regulation is meant to support the gemstone product development by encouraging miners and traders to process raw materials within the country.

4.8 Major Non-governmental Market Players

Indonesian Goldsmith and Jewellers Association (APEPI)

Major tasks of the APEPI are:

- to unite the jewellery operators of Indonesia;
- to lobby with the government for policies that help to create a good business environment for its members and jewellery entrepreneurs in Indonesia;
- to support and co-organize the annual Jakarta International Jewellery Fair (JIJF) and the Surabaya International Jewellery Fair (SIJIF).

Mutumanikam Nusantara Organisation, a non-profit association which supports the access of Indonesia's jewellery industry to domestic and international markets and the development of enterprises. Its major tasks are:

- The organization has established a network of jewellery lovers and artisans all over Indonesia.
- It also serves as a forum to share and exchange information about the ins and outs in the world of jewellery, such as jewellery maintenance, jewellery materials and their origins.
- In 2013, the Organisation held the Mutumanikam Nusantara Indonesia Jewellery Exhibition 2013 to promote Indonesian jewellery at international level and to boost the reputation of Indonesian artisans worldwide.

Other Jewellery Associations of Importance in Indonesia

- Gianyar Silver Association (Asosiasi Perak Bali)
- Martapura Diamond Traders Association (Persatuan Pedagang Intan Martapura)
- Gemstones Society (Masyarakat Batu Mulia)
- Gemstones Foundation (Yayasan Mutu Manikam)

4.9 Private and Public Support for Jewellery Industry

Trade fairs such as **Jakarta International Jewellery Fair** (in July), **Surabaya International Jewellery Fair** (in October) and **Jakarta International Handicraft Trade Fair** (INACRAFT) help to increase the jewellery product exposure at national and international markets.

Media Support

- *Warta Ekspor* publishes articles and reports about the silver and gemstones industry, and disseminates information on the sector development to local jewellery operators.
- Local newsprint and digital print (eg femaledaily.com) publishes news and events about the industry, which has increased the visibility of the jewellery industry to the public and buyers from Indonesia and the neighbouring countries.

5. MALAYSIA

5.1 Country Information

Population:

29.72 million (2013)

Malay (50.4%), Chinese (23.7%), Indigenous (11%), Indian (7.1%), Others (7.8%)

Economy:

Upper-middle income, highly open economy

GDP USD 314 billion (2013)

GDP growth 4.3% (2013)

GDP per capita USD 10,500 (2013)

Inflation 2.1% (2013)

Unemployment rate 3.0% (2013)

Ranks sixth for the most business-friendly regulations (2014)



The following figures show the gross national income per capita (GNI in US\$) from 2009 to 2013, and the percentage growth of the gross domestic product of Malaysia from 2004 to 2013.

GNI per Capita (USD)



GDP Growth(%)



Source: World Bank

5.2 History

- The gold and jewellery industry started in the state of Penang 200 years ago.
- Penang Goldsmith Association was established in 1832. It was the earliest and biggest association in the sector then.
- The main jewellery producers and traders were Chinese immigrants (mainly gold jewellery and gem setting), while Indians and Indian Muslim immigrants were active in wholesale and trading.
- The sector was at its peak in early 1900 and mid 1900 when tin and rubber trading was booming.
- The design of jewellery during this time was influenced by the Chinese, Malay, Indian and European cultures.

- Figures below show jewellery worn by the Peranakans, families of Chinese–Malay descent. The necklace with a tulip design is an example of the melange of cultures borne from their history under the Malay sultanate and Portuguese, Dutch and British rule.
- In 1978, Federation of Goldsmith and Jewellers Associations was established to unite private stakeholders and to further develop the sector.

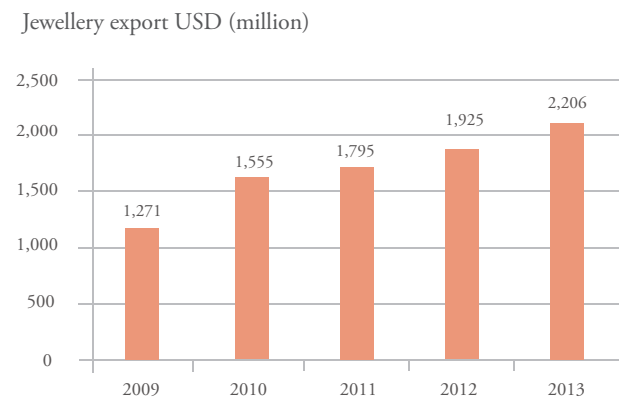
5.3 Development of Jewellery Industry

- The Malaysian Chinese have been the major players of the gold and jewellery industry. Their experience encompasses manufacturing and trading in gold articles (bangles, necklace, bracelet, earrings, etc) and gem setting (diamond and precious stones).
- Other ethnic groups, ie Malay, Indian Muslim and Indian jewellers, are mainly involved in gem-setting and mainly focus on retail, wholesale and a small portion of import and export.
- Most of them provide designs and specifications based on customer requirements to Chinese goldsmiths and manufacturers for production.
- In 2013, there are 1,780 registered jewellery companies in Malaysia. Ninety per cent of these companies are SMEs and family-owned businesses.
- The gold and jewellery industry is a labour-intensive industry. According to various industry associations, this industry employs approximately 15,000 to 20,000 people in Malaysia, which include jewellery designers, craftsmanship, retailers and traders.
- The sector is ranked as the 13th largest contributor to export of manufactured goods in the country. (MATRADE)
- Local manufacturers and retailers aspire to make Malaysia the gold centre in the Asian region where Thailand is known for its gemstone market, Myanmar for its rubies and Hong Kong for its vibrant jewellery trade.
- Malaysia's jewellery designs are a reflection of diverse cultural backgrounds of Malay, Chinese and Indian. The designs comprise floral, geometrical and handiwork on the product.
- Local reputable players like Tomei Group, Niche Capital Emas Holdings Bhd (formerly known as Yikon Corp Bhd), DeGem Bhd and Habib Jewels Sdn Bhd have gone global with their quality products and their own brands in the global market.

5.4 Production and Export

- Malaysia's jewellery exports rose by 8.7 per cent in 2013, boosted by an active trade in Asia. According to the Commerce Department, the value of Malaysian exports amounted to 694.55 billion Malaysian ringgit (approximately US\$2.3 billion).
- Export of jewellery in 2010 increased by 12.8 per cent to RM 5.55 billion compared with RM 4.92 billion in 2008.
- The industry is estimated to be worth US\$3.0 billion in 2016, according to the Malaysia External Trade Development Corporation (MATRADE).

The figure below shows increasing jewellery export value in million US\$ from 2009 to 2013.



Source: The Statistic Department of Malaysia

- Gold and jewellery exports from Malaysia comprise jewellery of gold, silver and platinum, other articles of precious metals and imitation jewellery.
- Gold, silver and platinum account for more than 98 per cent of the total jewellery exports of the country. Another 2 per cent of the exports are from other articles of precious stones and diamonds.
- According to the chairperson of the Penang Goldsmith Association, Joeson Khor, gold jewellery exports accounted for RM 5.2 billion out of the total export of RM 6.9 billion in 2013.
- In 2013, more than 70 per cent of Malaysia's jewellery was exported to the UAE. Singapore, Hong Kong and the USA are the important export markets after the UAE.
- According to MATRADE, Japan is an emerging new market for Malaysian jewellers, which accounted for 10 per cent of Malaysia's gold and jewellery exports in 2010.

- Malaysia also exports precious metal and gemstone jewellery, as well as costume jewellery, to markets in the Middle East and the USA.
- Currently, about 70 per cent of Malaysia's total exports of gold and jewellery generate from Penang.

5.5 Silver Jewellery

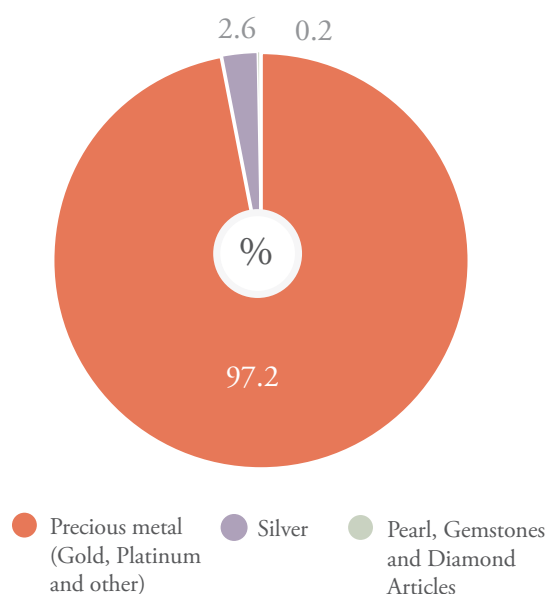
- According to the chairperson of the Penang Goldsmith Association, Joeson Khor, silver jewellery is enjoying growing popularity due to high gold prices.

'It is now fashionable to produce nine-carat gold jewellery with silver and other precious alloy materials rather than the conventional 18-carat gold. Both the prices of platinum and silver are expected to increase this year due to their growing popularity as ingredients for gold jewellery products.'

Joeson Khor, Chairperson of Penang Goldsmith Association, July 2014

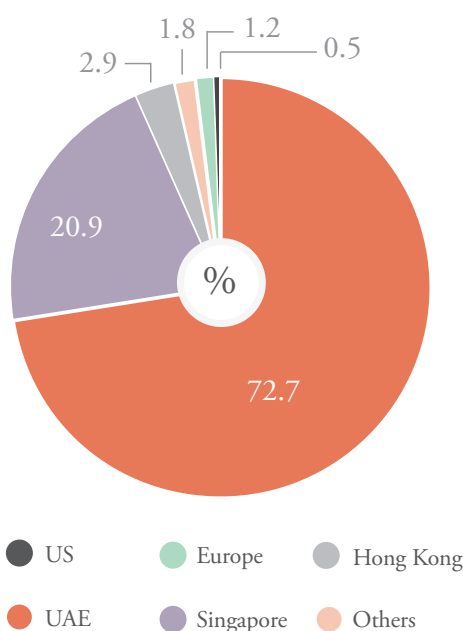
- Khor also noted the increasing use of silver and other precious metals such as platinum in gold jewellery products.
- According to ITC Trade Map, Malaysia's silver jewellery export was worth US\$59 million in 2013.
- Singapore is the biggest silver jewellery importer from Malaysia since 2009, which accounts for more than 90 per cent of silver jewellery exports.

Figure: Export Share in % of Thai Precious Jewellery by Category



Source: The Statistic Department of Malaysia

Figure: Malaysia's Precious Jewellery Export Market Share (excluding Gemstones and Diamond)



Source: The Statistic Department of Malaysia

5.6 Roles of Governmental Institutions

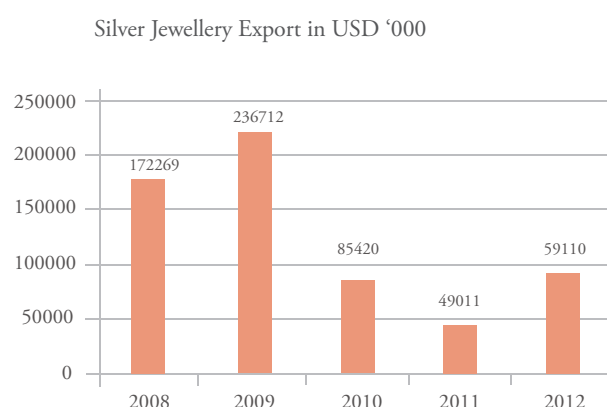
Malaysia External Trade Development Corporation (MATRADE) plays a major role in promoting the Malaysian jewellery industry to the global market by participating in and promoting jewellery products in international jewellery trade fairs, viz at the Jewellery Arabia, Hong Kong Jewellery and Gem Fair, International Jewellery Fair in London and others.

- MATRADE acts as a platform connecting local jewellery producers and traders to international importers and traders.
- MATRADE also publishes latest news related to the sector to inform local producers about global developments (eg <http://www.matrade.gov.my/en/market-alerts-section/187-market-alerts-2012/2016-china-glittering-appeal-of-jewellery-market-23-march-2012>)

The **Penang State Government** is promoting the sector as part of heritage and tourism.

- Penang is famous for its gold and jewellery trade, manufacturing and craftsmanship, which dates back by 200 years.
- In 2013, Penang State Government allocated a 12 ha plot of land to set up a jewellery manufacturing and wholesaling hub.
- Penang has two main gold production buildings: the Penang Gold and Jewellery Exchange Centre in Sungai Pinang and Wisma Perdana.
- Penang Skill Development Centre launched a Jewellery Design Programme in 2009 to further develop the skill and craftsmanship in this sector.
- The course is aimed at equipping SMEs with basic knowledge and principles of jewellery designing.

Figure: Export of silver jewellery from 2008 to 2012.



Source: ITC Trade Map, 2014

- The course is endorsed and supported by the Small and Medium Industries Development Corporation (SMIDEC), and qualified SMEs are given 80 per cent funding from SMIDEC for participating.
- On the other hand, **Kelantan State Government** promotes silver jewellery production as part of state government support for local handicraft production.
- The project entitled Projek Orientasi Pengeluaran (OP) Barang Kemas Perak showcased the silver crafts and jewellery of Kelantan silversmith on the National Handicraft Day.

The trade data of jewellery exports and imports can be obtained from the Department of Statistic: <http://trade.stats.gov.my/tradeEN/search.php>.

5.7 Framework Regulations and Policies

- On October 21, 1983, the government announced exemption of gold (import tax on non-monetary gold bullion) from import duties. Gold and ornamental jewellery pioneer producers enjoyed a five-year tax exemption.
- On January 1, 1987, the government relaxed its regulation on gold control and gold regained the free trade status.
- On April 1, 1987 the licence for gold was abolished.
- In January 2011, the government scrapped all taxes related to jewellery products to boost the jewellery industry.

5.8 Major Non-Governmental Market Players

Federation of Goldsmith and Jewellers Associations (FGJAM)

The major tasks of the FGJAM are:

- To lobby and support the government on the development of the jewellery sector (ie bilateral negotiation with MITI on tariff and taxes);
- To collaborate with the Elite Expo Sdn Bhd to organize the annual Malaysia International Jewellery Fair (MIJF);
- To establish Fedmas Assay Office Sdn. Bhd. to assay and certify gold and silver products.

Penang Goldsmith Association (PGA)

The major tasks are:

- Supporting the jewellery development in Penang and northern region of Malaysia
- Collaborating with the Province Wellesley Gold and Silver Ornament Merchant Association, Penang Development Corporation (PDC) and Invest Penang to develop a jewellery wholesale and export hub in the ASEAN region.

Private Businesses and Stakeholders

- Tomei Group Bhd
 - Further invest in jewellery manufacturing in Vietnam and the Republic of China
 - Created own global brand, Hearts and Arrow Diamond
 - Own renown brand 'Le Lumiere'
- Niche Capital Emas Holdings Bhd
- DeGem Bhd
 - Own two fine jewellery manufacturing factories
 - Created own brand, DeGem
 - Has own distribution centres in Jakarta, Singapore and Hong Kong
- Renowned retailers: Habib Jewels Sdn Bhd, Poh Kong Group

5.9 Private and Public Support for Jewellery Industry

Gold and Silver Assay and Hallmarking

- Fedmas Assay Office Sdn. Bhd. was set up in 1987 to support gold manufacturers belonging to the Federation of Goldsmiths and Jewellers Associations of Malaysia, which are scattered throughout the country.
- Assay operations are located in Penang, Kuala Lumpur and Johor

International Trade Shows and Fairs

- Malaysia International Jewellery Festival (Spring and Autumn Editions)

Further information can be obtained from www.mij.com.my

- Malaysia International Jewellery Fair:
http://elite.com.my/mijf_spring/

Training and Education offered by Public and Private Institutions

- Universiti Teknologi Mara (UiTM), Malaysia
Bachelor of Contemporary Metal Design (Honours)

<http://www.hotcoursesabroad.com/study/course/malaysia/bachelor-of-contemporary-metal-design-hons/2465889/program.html#>

Diploma in Art and Design (Fine Metal Design)

<http://www.uniguru.co.in/studyabroad/malaysia-courses/diploma-art-design-fine-metal-design-course-details/cseid/2465782/cid/142529/programs.html>

- Raffles University Iskandar, Malaysia
Bachelor of Jewellery Design (Honours)
<http://www.uniguru.co.in/studyabroad/malaysia-courses/bachelor-jewellery-design-honours-course-details/cseid/54394732/cid/336874/programs.html>

- Raffles College of Higher Education, Malaysia
Advanced Diploma in Jewellery Design
<http://www.uniguru.co.in/studyabroad/malaysia-courses/advanced-diploma-jewellery-design-course-details/cseid/51771116/cid/142678/programs.html>

<http://www.uniguru.co.in/studyabroad/malaysia-courses/advanced-diploma-jewellery-design-course-details/cseid/51771116/cid/142678/programs.html>

- Lim Kok Weng University
Jewellery Design 1 and 2 courses
http://www.limkokwing.net/malaysia/academic/courses_details/silver_jewelry_design_1

Media Support

Print media such as SPH and Heart Media publish news and events related to jewellery in Malaysia and Singapore. There is no particular Internet platform that is solely created for the jewellery industry. However, jewellery manufacturers and retailers have set up their own websites to cater to online buyers.

The following are examples of links of print media related to the jewellery industry:

- SPH Magazine (<http://www.sphmagazines.com.sg/magazines/icon-moments>)

Heart Media (<http://www.heart-media.com/magazines>)

- Articles related jewellery in local print media, ie *The Star*

<http://www.thestar.com.my/Story/?file=%2F2008%2F6%2F18%2F-north%2F21577957&sec=north>

6. CHINA AND HONG KONG SAR

6.a. China

6.a.1 Country information

Population:

1.36 billion (2013)

Economy:

Upper middle income

GDP US\$9.40 trillion (2013)

GDP growth 7.7% (2013)

GDP per capita US\$6,800 (2013)

Inflation 2.6% (2013)

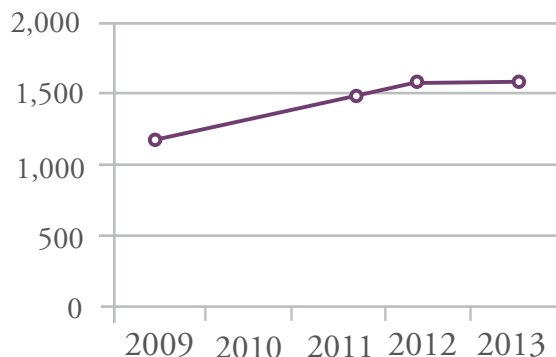
Unemployment rate 4.5% (2012)

Ranks 96th for the most business-friendly regulations (Q1, 2014)

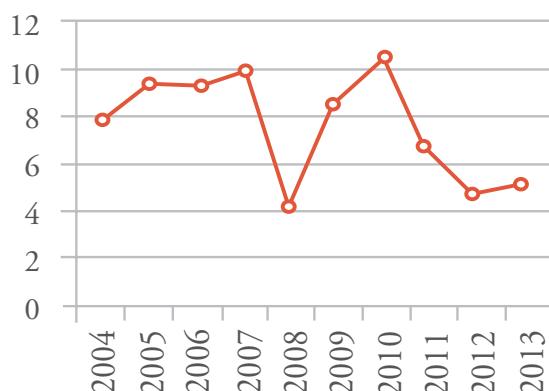


The following figures show the gross national income per capita (GNI in US\$) from 2009 to 2013 and the percentage growth of gross domestic product of China from 2004 to 2013.

GNI per Capita (USD)



GDP Growth(%)



Source: World Bank

6.a.2 History

- Jewellery has a well-established history in China, where gold and silver have been used for decorative purposes for at least 3,000 years.
- The use of precious metal as decoration can be dated back to the Shang dynasty (circa 1700–1100 BC). In the Han and Tang dynasties (265–907), delicate jewelleries embedded with local and western elements can be found.
- Precious metal art reached its peak during the Ming and Qing dynasties (1368–1912), with luxury gold and silver practical wares and jewelleries made for the royal families.

- Before the first ‘Opium War’ (1840–1842), the jewellery sector was dominated by small-scale manufacturers, along with royal studios and workshops.
- The modern Chinese jewellery industry began with the rise of Yinlou, private businesses that acted as precious metal manufacturers and dealers, from the end of the Qing Dynasty until the formation of the People’s Republic of China in 1949.
- The Yinlou were backed by private investors and operated on a large scale. Professional guilds representing businesses in their dealings with other industries and the government also existed.
- In 1896, nine respected Yinlou formed a jewellery industry association in Shanghai. Since then, precious metal trading in Shanghai has been self-regulated. (Sun and Nie, 2008)

6.a.3 Development of Jewellery Industry

The Chinese jewellery industry experienced a dramatic upswing in the last decade of the twentieth century. In the early 1990s, many state-owned jewellery companies were formed.

- By the end of the 1990s, about 20,000 jewellery businesses were recorded and about three million workers were involved in the industry. (Gemmological Association of China, 2013)
- In 1990, gross jewellery sales were about 2 billion yuan (US\$300 million). By the year 2000, this number climbed to 89 billion yuan (US\$15 billion) and in 2010 it reached 250 billion yuan. (China Economic Net, 2012)
- According to trade officials, with the rise in discretionary income in the early 2000s, jewellery became the third largest investment purchase, after real estate and automobiles.
- During 2003–2008, the average annual increase in retail sales of wholesale and retail enterprises above a designated scale was as high as 30.4 per cent. (National Bureau of Statistics)
- In 2012, growth in retail sales of jewellery was 16.0 per cent. In April 2013, the fall in gold prices boosted the sales tremendously, in which retail sales of jewellery for that month reached 30.3 billion yuan, representing a year-to-year growth of 72.2 per cent.

- Jewellery in the Chinese market can be divided into three categories: metal (ie gold, silver, platinum and other precious alloy), precious stones (ie diamond, ruby, sapphire, crystal, jade, pearl, amber and topaz) and others.
- The jewellery processing enterprises in China are mainly located in Guangdong, Shandong, Shanghai, Fujian and Zhejiang. Guangdong tops jewellery production in the whole country with Shenzhen and Panyu as the main bases for jewellery processing. Shenzhen is dubbed the 'City of Jewellery' as its jewellery enterprises take the largest share of the domestic market through sales counters and specialty stores set up across the country.

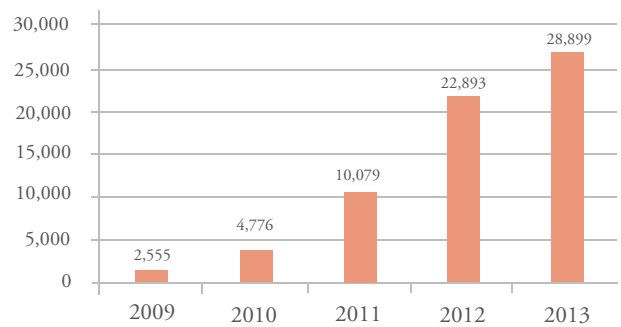
6.a.4 Production and Export of Jewellery

- According to the ITC Trade Map, China exported jewellery worth US\$29 billion—an increase of more than 25 per cent compared to 2012 and more than double the export value of jewellery in 2011.
- The increase in production and export was mainly due to increased establishment of Hong Kong jewellery manufacturers in Mainland China.

The figure below shows the growing significance of jewellery export to China's economy from 2009 to 2013. There was an over 100 per cent hike in jewellery export between 2011 and 2012.

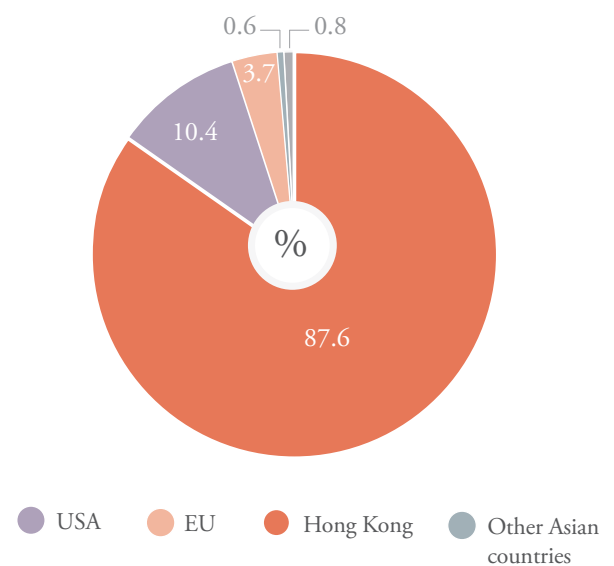
- Hong Kong is the biggest importer of Chinese jewellery, which accounted for 87.6 per cent of China's jewellery export in 2013.
- The USA is the second largest jewellery importer (10.4%), followed by Europe.
- Gold jewellery dominated the total export, which accounted for about 95 per cent of the total jewellery export, followed by silver (2.9%) and platinum (2.1%).
- In 2013, China exported US\$831 million worth of silver jewellery—a hike of 26 per cent from 2012. The amount is also almost the double value of the 2009 silver jewellery export, which accounted for US\$447 million.
- The USA is the dominant importer of silver jewellery from China, which accounted for half (55.3%) of the total export value. Hong Kong is the second largest export market, which accounted for 30 per cent, followed by Europe (7.6%).

Jewellery Export in USD (million)



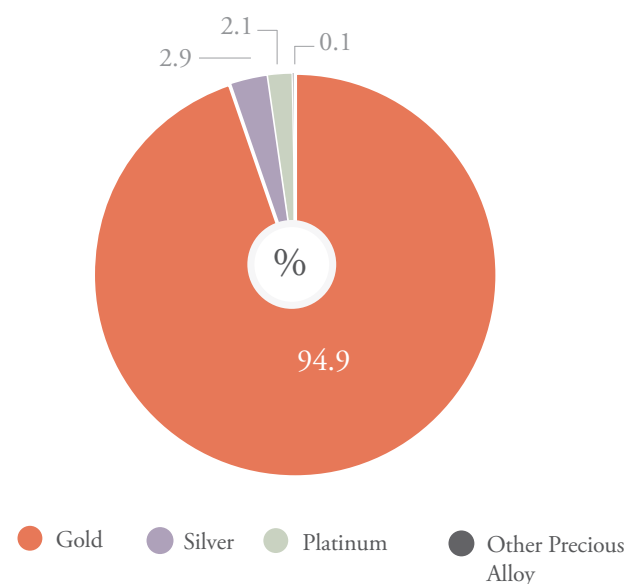
Source: ITC Trade Map, 2014

China's Precious Jewellery Export Market Share in 2013 (%)



Source: ITC Trade Map, 2014

Export Share in % of Precious Jewellery by Category

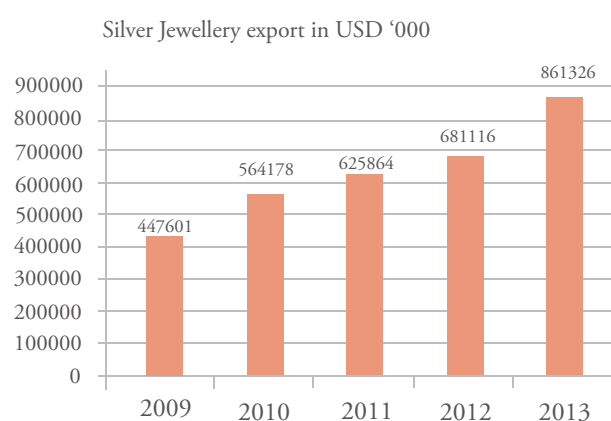


Source: ITC Trade Map, 2014

6.a.5 Silver Jewellery in China

- China is the world's largest silver jewellery manufacturer.
- Silver jewellery fabrication accounted for 34 per cent of the silver consumption in 2011, second after industrial applications, which was about 56 per cent. (Silver Institute, 2012)
- Domestic consumption of silver jewellery rose dramatically as styles and designs moved beyond the bulky traditional designs for weddings and birth celebrations.

Figure: Silver jewellery export from 2009 to 2013.



Source: ITC Trade Map, 2014

- Young Chinese consumers in the first- and second-tier cities began to embrace silver jewellery after 2006, and most of the promotions focused in these areas. Recently, consumers in rural areas have adopted silver jewellery as a lower cost alternative to white gold and platinum. Rhodium-plated silver jewellery has also become popular, as it offers the look of platinum.
- Domestic manufacturers have been duplicating their gold jewellery lines in silver to provide lower cost alternatives to a broad Chinese consumer market, especially entry-level customers.

6.a.6 Policies related to Jewellery Industry

Import and Trade Regulations

Since 2003, China has implemented a series of reforms primarily related to income, property and export taxes. As of 2012, there were twenty-five tax categories in China. The central government relies heavily on consumption-based taxes, which are less damaging to individual savings than traditional income taxes. (Institute for Research on the Economics of Taxation, 2010)

Table: Import tariffs of jewellery items in China (2013)

HS Code	Description	%
7101	Pearls, natural or cultured, whether or not worked or graded but not strung, mounted or set; pearls, natural or cultured, temporarily strung for convenience of transport	0, 21
7102	Diamonds, whether or not worked, but not mounted or set	0-8
7103	Precious stones (other than diamonds) and semi-precious stones, whether or not worked or graded but not strung, mounted or set; ungraded precious stones (other than diamonds) and semi-precious stones, temporarily strung for convenience of transport	3, 8
7106	Silver (including silver plated with gold or platinum), unwrought or in semi-manufactured forms, or in powder form	0
7107	Base metals clad with silver	10.5
7108	Gold (including gold plated with platinum) unwrought or in semi-manufactured forms, or in powder form	0.3
7109	Base metals or silver, clad with gold	20, 35
7110	Platinum, unwrought or in semi-manufactured forms, or in powder form	35
7113	Articles of jewellery and parts thereof, or precious metal or of metal clad with precious metal	0-35
7114	Articles of goldsmiths' or silversmiths' wares and parts thereof, or precious metal or of metal clad with precious metal	35
7115	Other articles of precious metal or of metal clad with precious metal	0-35
7116	Articles of natural or cultured pearls, precious or semi-precious stones (natural, synthetic or reconstructed)	35

Source: Customs Import and Export Tariff of the People's Republic of China 2013

- Value added tax (VAT) is a large portion of the taxes that an enterprise or individual pays; this applies to jewellery companies as well. According to the website of the State Administration of Taxation, there are two basic rates: 13 and 17 per cent.
- Since May 2003, the Mainland has abolished the licensing system for running businesses in gold and silver products. As a result, the production, processing, wholesale and retail of jewellery are under total market management. Anyone can register as a natural person and operate a business in jewellery production, processing and wholesaling.
- On December 1, 2004, Guangdong began a pilot reform project in de-linking the gold price from the workmanship fee in Guangzhou's jewellery retail market. From September 1, 2006 onwards, the practice has been extended throughout Guangdong. As stipulated in the *Interim Measures for the Separate Marking of Retail Price and Workmanship Fee for Gold Jewellery Items in Guangdong's Jewellery Market*, prices of gold jewellery items in the Guangdong market are now displayed in the form of 'material price + workmanship fee' in contrast to the traditional method of pricing on a 'per gram' basis.
- Shanghai Gold Exchange began operation on October 30, 2002, signifying that China's gold market is moving towards complete marketization. For its business rules and relevant laws and regulations, please refer to <http://www.sge.sh>
- On August 19, 2006, the National Development and Reform Commission published three sets of industry standards: *Precious Metal Adornment QB/T2062-2006*, *Terms of Precious Metal Adornment QB/T1689-2006* and *Jewellery: Measurement of Gold and Silver Coating Thickness*.
- Shanghai Diamond Exchange is the only legal channel in China for import and export of diamonds for general trading and for domestic sale of rough diamonds. For its import and export policies, customs control policies, tax policies and foreign currency management policies, please refer to <http://www.cnsde.com>.
- In 2002, China released the standard GB/T18781-2002 Cultured Pearl Grading, which provided text descriptions on quality factors and grades of cultured pearls.
- The national standard for jade grading has been drawn up by the National Gems and Jewellery Technology Administrative Centre of the Ministry of Land and Resources and has been in effect since March 1, 2010.
- The national standard GB/T 25071-2010 Classification and Codes for Products of Gems and Precious Metals was issued for implementation on December 1, 2010. As an important basic standard in the computerization of China's jewellery industry, it provides bases for management, transmission, retrieval and dissemination of data on information concerning the products of gems and precious metals. (HKTDC, 2013)

6.a.7 Private and Public Support to Jewellery Industry

Laboratories and Lab Standards

Over the past thirty years, China formed a series of laboratory standards based on both western examples and research by Chinese gemologists. The standards were published in 1996, and updated versions were issued in 2010 and applied to laboratory work in February 2011:

- The Jewellery Industry Nomenclature Standard (GB/T 16552-2010)
- The Gem Identification Standard (GB/T 16553-2010)
- The Diamond Grading Standard (GB/T 16554-2010)

China's diamond taxation policy			
	Before June 2002	June 2002—June 2006	July 2006—present
Tariff	Rough: 3 %; polished: 9 %	0 %	
VAT	17 %		Rough: 0%; polished: 4 %
Consumption Tax	10% at the import stage		5% at the retail stage

Source: China Diamond Exchange Center 2013

Professional and Education Training

China has a very specialized jewellery training and education system. There are two main components of this system:

Professional Training

In 1989, the China University of Geosciences in Wuhan formed a collaborative teaching centre with the Gemmological Association of Great Britain to launch the first FGA programme. Following the collaboration, more foreign gemology and diamond certificate training programmes were established in Mainland China. For example, the Diamond High Council (HRD), Shanghai in 1993, Gem-A in Wuhan in 1994. These accredited programmes train about 300 students every year. (Yang, 2013)

The training content in these courses includes gemology, manufacturing, design, sales and management.

Gemmology Certificates and Degree Programmes

Since the mid-1980s, some universities have been offering gemology degrees, which are equivalent to an associate's degree in the USA such as the Gemmological Institute at the China University of Geosciences in Wuhan. In 1998, the Ministry of Education added gemmology as a major faculty in the Nation's universities.

In 2009, the Gemmological Institute in Wuhan became the first university to offer a master's programme in jewellery design. (Yang, 2013)

Jewellery Associations, Media and Important Links in China

Gem and Jewellery Trade Association of China (GAC)

GAC promotes adjustment of related policies on import, export and consumption duties of jewellery production and international trade agreements. GAC also facilitated in regulating the industry policy to build a normative policy environment. For details please refer to www.jewellery.org.cn. Other important associations are as follows:

- Chinese National Fashion Jewellery Association <http://www.asiafja.com/en/IndustryNews.html>
- National Gem and Jewellery Technology http://www.ngtc.gov.cn/ngtc/index_en.do

Jewellery Magazines:

- *China's Gems*
- *China's Jewellery*
- *The Phoenix Jewellery Magazine*
- *China's Gold and Jewellery Magazine*
- Harper's Bazaar Jewellery Magazine

Internet Media

The China Jewellery Website:

<http://www.chinahjzb.com/news/zhengcefagui/>

China International Silver Conference

The China International Silver Conference (CISC) is an event jointly hosted by the Silver Institute and four key organizations of the Chinese silver industry (ie Gems & Jewellery Trade Association of China [GAC], China General Chamber of Commerce, China Nonferrous Metals Industry Association and the China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters [CCCMC]).

The CISC covers topics from manufacturing to market analysis and investment issues. Participants are manufacturers, refiners, silver mining companies, investors, traders and government officials.

International Jewellery Fairs and Trade Shows

The fairs and trade shows provide the best channel for enterprises to gather the latest jewellery information in China. They are also the best places to meet dealers. Most prominent fairs are as below

- China International Jewellery Fair
- Shenzhen International Jewellery Fair
- China International Gold, Jewellery and Gem Fair, Shanghai
- Beijing International Luxury Exhibition
- Cheng Du International Jewellery Fair

Other Influencing Factors in China's Jewellery Industry

Labour Force

To secure the skills needed to compete in the jewellery industry, many companies provide their employees with special training and higher salaries. Pingzhou Mazu Jadeite Company pays many of its jadeite carvers salaries of more than one million yuan (US\$150,000) per year. Salaries in diamond-cutting factories have increased by about 15 per cent annually for several years.

Internet Retail

E-commerce in China has grown tremendously in the last few years, including in jewellery sales. Individuals in third- and fourth-tier cities actually spend a higher percentage of disposable income shopping online than first- and second-tier residents. (Dobbs et al., 2013) Jewellery companies like Zbird, a pioneer in China's Internet diamond jewellery sales, have spent years in building customer confidence in online purchases. Chow Tai Fook and Chow Sang Sang are trading through Tmall, an online shopping website. Chow Tai Fook is beginning to develop its own B2C website. According to an incomplete statistics supplied by the Chamber of Jewellery of All-China Federation of Industry and Commerce, there are currently 1,000 B2C companies specializing in jewellery e-tailing. Several western luxury jewellery retailers, including Cartier, Bulgari and Tiffany, rank among the most followed luxury brands on social media.

6.b. Hong Kong

6.b.1 Country Information

Population:

7.2 million (2013)
Chinese (93%), other minorities (6.4%), ie Indonesians, Filipinos, Whites (European decedents), Mixed, South Asian (Indians and Pakistanis) and other Asians

Economy:

High income, highly open economy
GDP US\$274 billion (2013)
GDP growth 2.9% (2013)
GDP per capita US\$38,124 (2013)
Inflation 4.5% (2013)
Unemployment rate 3.3% (2013)
Ranks second for the most business-friendly regulations (Q1, 2014)

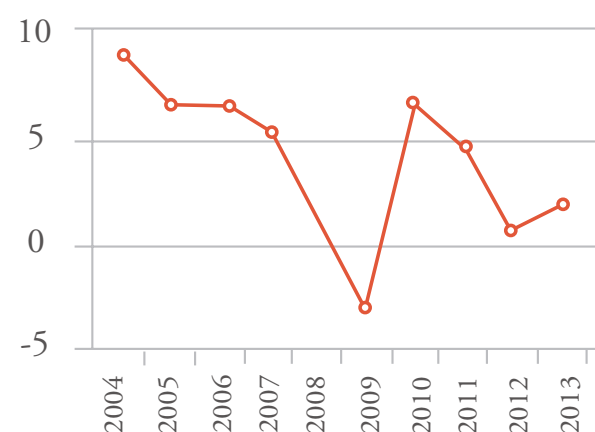


The following figures show the gross national income per capita (GNI in US\$) from 2009 to 2013 and the percentage growth of gross domestic product of Hong Kong from 2004 to 2013.

GNI per Capita (USD)



GDP Growth(%)



Source: World Bank

6.b.2 History

- After 1949, Hong Kong was transformed into a new home for migrant industrialists, merchants and artisans from the Mainland China, who contributed to the blossoming of the jewellery industry.
- According to Tony Fu, the author of *Entrepreneurship and Economic Development in Hong Kong*, the jewellery industry recorded growth in contribution of the manufacturing industries in the '70s, '80s and '90s.
- With Hong Kong's reunification with the Mainland China in 1997, many manufacturers moved their production facilities back to the Mainland China (eg to Guangdong province:

Shenzhen and Panyu), in particular the mass production and labour-intensive jewellery.

- A majority of jewellery manufacturers in Shenzhen and Panyu county, which are involved in chain production and jewellery casting, belong to Hong Kong manufacturers.
- Hong Kong-based businesses have helped turn the Guangdong province into a major global manufacturing centre.

6.b.3 Development of Jewellery Industry

- Hong Kong's jewellery industry is dominated by the precious jewellery sector. Its development has been facilitated by the expansion of the local market, including sales to tourists.
- The jewellery industry can be divided into two main categories: precious metal jewellery and imitation jewellery.
- Precious metal jewellery accounted for the lion's share in terms of production and export volume, which was valued at US\$7,372 million in 2013. (Hong Kong Economy Research, 2014)
- Manufacturers in Hong Kong specialize in creating contemporary designer jewellery set with diamonds, precious and semi-precious stones as well as pearls.
- Although Hong Kong's reunification with the Mainland China shifted jewellery production to Mainland China, mainly Shenzhen and Panyu, facilities such as design output, management and control and manufacture of high-end jewellery still remained in Hong Kong.
- According to the Hong Kong Census and Statistics Department, there were a total of 381 local jewellery manufacturing establishments in September 2013, with a workforce of 2,989.
- With the gradual expansion of trading with the Mainland and the further expansion of its role as a jewellery trading hub, Hong Kong has now become the world's third largest exporter of fine jewellery.

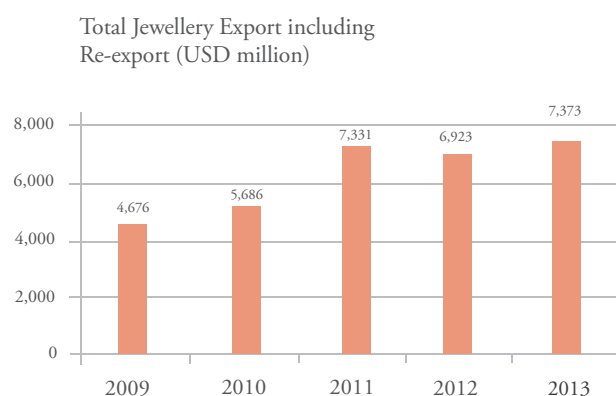
6.b.4 Production and Export

- Hong Kong manufacturers are good at producing small stones fashion jewellery.
- Hong Kong leads in the production of pure gold items. 'Chuk kam' jewellery made of 24K gold is

one of the popular product categories in the domestic market. Chinese view 'Chuk Kam' mainly as a financial asset.

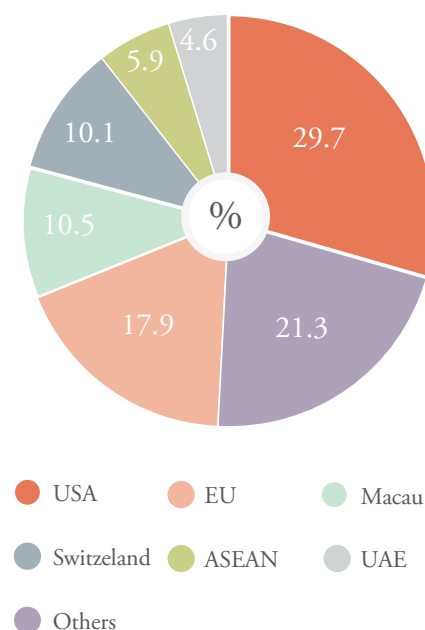
- Hong Kong has long been recognized as a major centre for production of jade jewellery. It has also emerged as one of the leading trading and distribution centres for pearls in recent years due to the fast emerging Chinese and South Sea pearl industry and decline of the Tahitian pearl industry.
- The most popular product category is gem-set jewellery, particularly diamonds set in 14K or 18K and yellow or white gold. The major jewellery production items are bangles, rings and pendants.
- The overall technology level of the precious jewellery industry is perceived by manufacturers to be above competitors like Thailand but below the world leaders such as Italy and Japan.
- The manufacturing techniques combine electroforming with handicraft skills to create good quality and competitively priced jewellery items.
- According to the Hong Kong Census and Statistics Department, jewellery export contributes 3.4 percent of the total export of Hong Kong.
- The value of export domestic production for jewellery and related articles for 2013 is HK\$8,373 million (around US\$1,088 million) in comparison with HK\$8,718 million (around US\$1,133 million) in 2012.
- The re-export of jewellery and related articles recorded 9 per cent and 17 per cent growth in 2013 and 2012, which were valued at HK \$48,342 million and HK\$44,535 million respectively.
- According to HKTDC, Hong Kong's export of pearls, gemstones and rough diamonds also increased 12 per cent in 2013 and 18 per cent year-on-year in January 2014.

Figure: Contribution of earning from jewellery exports from 2009 to 2013.



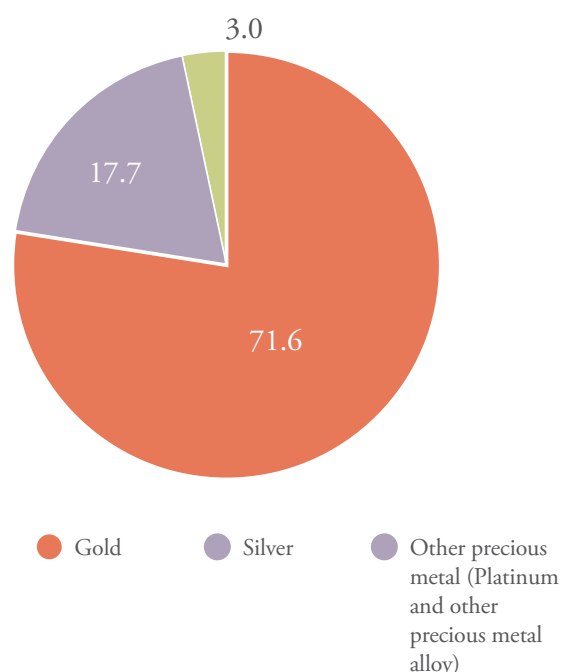
Source: HKTDC, 2014

Hong Kong's Precious Jewellery Export Market Share (%) in 2013



Source: HKTDC, 2014

Export Share in % of Precious Jewellery by Category in 2012



Source: ITC Trade Map, 2014

- Gold jewellery takes the lion's share of precious metal export (about 72%), followed by silver jewellery (estimated at about 18%).
- In 2012, the silver jewellery export accounted for US\$841 million, an increase of 5.5 per cent compared to 2010.

- The USA and the EU remained Hong Kong's dominant markets for precious jewellery, accounting for some 48 per cent in 2013. Export growth to these two markets increased 7 per cent and 10 percent respectively in 2013, according to the Hong Kong Census and Statistics Department.
- Macau, Switzerland and ASEAN are increasingly important markets for Hong Kong. In 2013, Hong Kong's exports of precious jewellery to these three markets increased 83 per cent, 21 per cent and 12 per cent respectively, bringing their total market share from 20.6 per cent in 2012 to 26.5 per cent in 2013.
- Other emerging export destinations are India and Russia.
- The export value of precious stones to India jumped about 50 per cent each year between 2006 and 2011. (Trade Development Council)
- Russia, an emerging importer of Hong Kong's jewellery, imported a total value of US\$188 million fine jewellery in 2012 and US\$139 million worth of jewellery in the first half of 2013.

6.b.5 Silver Jewellery

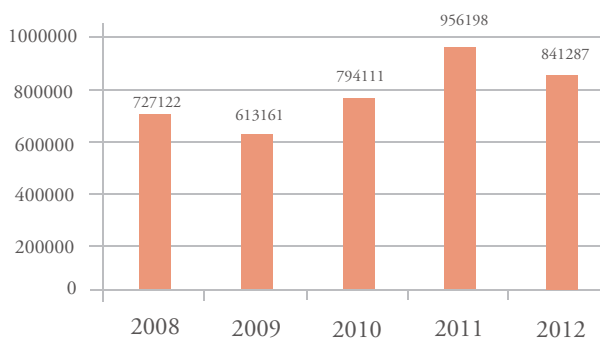
- China is the world's largest silver jewellery manufacturer. In 2011, about 34 per cent of the silver jewellery fabrication came from China. (Silver Institute, 2012)
- Domestic consumption of silver jewellery rose dramatically as styles moved beyond the bulky traditional designs for weddings and birth celebrations.
- Consumers in rural areas have adopted silver jewellery as a lower-cost alternative to white gold and platinum. Rhodium-plated silver jewellery has also become popular, as it offers the look of platinum.
- Domestic manufacturers have been duplicating their gold jewellery lines in silver to provide lower cost alternatives to a broad Chinese consumer market, especially entry-level customers.
- Following the market trend in Mainland China, many jewellery manufacturers have begun to diversify their jewellery production.
- According to ITC, silver jewellery export was valued at US\$611.7 million in 2012, of which a majority of the export items went to the USA (43.3%) and Europe (29%).

- Hong Kong, on the other hand, in 2012 imported silver jewellery worth US\$538.3 million and re-exported to other countries. Majority of the silver jewellery imports came from Mainland China, which constitutes about 43.2 per cent, followed by the UAE (18.6%) and the USA (12.4%).

'Silver is becoming more precious. Using silver with precious or semi-precious gemstones and diamonds to make cutting-edge designs is a popular choice'

Jessica Fong, Founder of Jessica Fong Fine Jewellery

Export of silver jewellery during the period 2008--2012



Source: ITC Trade Map, 2014

6.b.6 Roles of Governmental Institutions

The **Hong Kong Trade Development Council (HKTDC)** plays a major role in promoting and supporting the development of jewellery industry in Hong Kong.

Its major tasks are:

- Conducting research, publishing data, co-organizing trade shows, holding bilateral talks to promote the industry.
- Promoting Hong Kong as a platform for jewellery business with China throughout Asia.
- Organizing trade fairs such as the annual Hong Kong International Jewellery Show and business

missions to connect companies with opportunities in Hong Kong and the Mainland.

- Providing jewellery trade and market information via trade publications, product magazines, research reports and the online platform hktdc.com Online Marketplace.
- Publishing the **Hong Kong Jewellery Magazine** and **Hong Kong Economic Research**.

The Hong Kong **Trade and Industry Department (TID)** plays a vital role in conducting Hong Kong's international jewellery trade relations, implementing bilateral agreements and trade policies with jewellery trading partners.

For example, the Sanmenxia-Hong Kong Gold Jewellery Industry Development Consultation was held in Hong Kong on June 4, 2014 on the occasion of the Henan-Hong Kong Trade Exchange and Cooperation Programme.

- The TID also provides general support services for industries and SMEs. The majority of Hong Kong's jewellery businesses are SMEs.
- Support for SMEs includes establishing funding schemes: the SME Loan Guarantee Scheme, the SME Export Marketing Fund and the SME Development Fund, which help SMEs to secure loans, expand markets outside Hong Kong and enhance overall competitiveness. The total funding provision and government commitment of the schemes are US\$5.25 billion and US\$33.75 billion respectively.
- On November 24, 2005, the department launched the 'Jewellery Integrity Campaign' jointly with the jewellery industry and the Consumer Council in a bid to promote industry-wide trading integrity and sale of genuine goods. The campaign aims at sustaining the image of Hong Kong as a shopping paradise for genuine goods, facilitating the department's criminal enforcement action and strengthening consumer protection through public promotion and education of product knowledge.
- On December 14, 2009, with financial support from the SME Development Fund, Hong Kong Jewellery Manufacturers Association (HKJMA), with technical support from the Hong Kong Productivity Council, launched the world's first Global Jewellery Identity Management Label Scheme (Global J-ID). This helped shoppers and traders of jewellery products in tracing and verifying product information.

Government Support for Jewellery Industry

In enhancing competitiveness in the Mainland, the government introduced the Dedicated Fund on Branding, Upgrading and Domestic Sales (the BUD Fund) worth US\$1 billion in June 2012 to assist Hong Kong enterprises in developing brands, upgrading and restructuring operations and promoting domestic sales in the Mainland.

The BUD fund facilitates Hong Kong jewellery enterprises to carry out brand positioning and brand strategy to enter the Mainland market, which eventually may help to expand their business operations in Hong Kong.

Government Support in Human Resources, Training and Education

The **Vocational Training Council (VTC)** provides a comprehensive range of vocational education and training programmes on the latest knowledge and skills through various member institutions, including the Institute of Professional Education and Knowledge (PEAK), Technological and Higher Education Institute of Hong Kong (THEi), Hong Kong Institute of Vocational Education (IVE), Hong Kong Design Institute (HKDI) and Pro-Act by VTC, to meet the changing needs of Hong Kong's industrial and commercial sectors.

Government Support for Technology

The **Hong Kong Jewellery Industry Technology Centre (HKJITC)** was established in 1995 with the ITF funding support of the Hong Kong SAR Government. It is jointly managed by the Hong Kong Jewellery Manufacturers Association (HKJMA) and the Hong Kong Productivity Council (HKPC).

- HKJITC provides support services and technology transfer to the local jewellery industry to increase its market competitiveness and to enhance its manufacturing capabilities.
- It provides the following services:
 - Wax rapid prototyping services
 - Master alloy services
 - Precious metal electroforming
 - Precious metal recovery and refinery
 - Enamel coating and jewellery texturing

- HKJITC also publishes standards for assaying and organizes laboratory study tours, seminars and conferences for jewellery operators.

Promoting Outstanding Achievements

The Hong Kong Awards for Industries, jointly organized by major trade and industrial associations and industry support organizations under the stewardship of the Director General of Trade and Industry, aims to recognize outstanding achievements of companies in both manufacturing and service sectors. There are six categories under the Awards namely the consumer product design, machinery and machine tools design, customer service, innovation and creativity, productivity and quality, and technological achievement.

Hong Kong Census and Statistic Department

collaborates with other relevant government institutions to compile and update merchandise export and import data, which has helped Hong Kong enterprises and industry operators in assessing trade information.

6.b.7 Framework Regulations and Policies

Hong Kong follows the economic policies of free enterprise and free trade. There are no import tariffs on jewellery and related articles.

According to a research report (2011) published by Hong Kong Chinese Importers and Exporters Association, manufacturers and traders felt that the policies of the Mainland Government play evident roles in their business operations.

Implications of the Mainland China and Hong Kong Closer Economic Partnership Arrangement (CEPA):

- On January 1, 2004, the Mainland China and Hong Kong Closer Economic Partnership Arrangement (CEPA) came into effect. 'Made in Hong Kong' jewellery is eligible for zero tariffs in China, which accounted for the increase of production facilities in Hong Kong.
- Non-Hong Kong-made counterparts will remain subject to tariffs ranging from 20 to 35 per cent.
- CEPA also opens the possibility for Hong Kong operators to engage in wholesale and retail distribution. Hong Kong jewellers will have easier access to the Mainland market than other foreign suppliers.
- Under CEPA, Hong Kong service suppliers can enjoy preferential access in various service sectors in the Mainland market. Hong Kong companies can also operate fully-owned wholesale and retailing businesses in the Guangdong province.
- On trade in goods, the Mainland has given locally manufactured jewellery and imitation jewellery products exemption from tariff upon application by local manufacturers and upon the CEPA rules of origin being agreed and met.
- Updates are available from the official website of the Hong Kong Trade and Industry Department: http://www.tid.gov.hk/english/cepa/further_liberal.html
- Therefore, local jewellery manufacturers have benefited from CEPA and have enjoyed an increase in the market share of the Mainland.
- It also helps to attract employers to invest their resources in the local jewellery manufacturing industry and to actively engage themselves in technological innovations and design of new products.
- On the other hand, the relaxed policy of the Individual Visit Scheme for Mainland travellers to visit Hong Kong has a positive effect on the local jewellery industry, especially outlets which mainly serve Mainland tourists.
- According to a survey conducted by the Hong Kong Tourism Board on Hong Kong must-buy products, gold jewellery is one of the must-buy souvenirs of the Mainland and overseas tourists.
- The formation of special economic zones (SEZs) in Mainland China has also benefited Hong Kong's jewellery manufacturers and exporters. Jewellery businesses in Hong Kong took advantage of lower cost labour in the Guangdong province, including Shenzhen and Panyu, and the newly established free trade zones. This has helped the manufacturers to maintain competitiveness in pricing.
- The creation of the Shanghai Diamond Exchange and the Shanghai Gold Exchange led to the reform of import and export protocols, including revision of tax policies, and this fuelled the growth of jewellery industry in both the Mainland and Hong Kong.

6.b.8 Major Non-Governmental Market Players

Hong Kong Jewellery Manufacturers Association (HKJMA)

HKJMA plays a vital role in promoting jewellery development in Hong Kong. The association was established in March 1988. HKJMA provides services such as business matching, organizing Hong Kong pavilions in the Mainland and overseas jewellery exhibitions, promoting the Mainland chain stores and potential buyers, building a closer relationship with the Mainland jewellery associations, as well as organizing China VIP delegations to visit Hong Kong International Jewellery Manufacturers' Show.

- HKJMA led jewellery manufacturers' participation in the 11th Gold and Jewellery Exhibition in Kuwait.
- HKJMA has been organizing the Hong Kong International Jewellery Manufacturers' Show annually since 1994. It has attracted global buyers, especially from South East Asia and Mainland buyers, for stocks sourcing.
- HKJMA organized Miss Jewellery Hong Kong to show the latest designs and trends.
- In 2012, HKJMA organized Hong Kong's first jewellery industry summit, World Jewellery Industry Development Summit, to foresee the future development of the jewellery industry. The summit was funded by the HKSAR government and supported by Create HK.
- HKJMA organized the Buyers' Favorite Jewellery Design Competition to encourage jewellery designers to be innovative and competitive with world jewellery designs.
- HKJMA assists members in brand development by organizing seminars and forums on brand development.
- HKJMA promotes Hong Kong jewellery through electronic sales.
- The association is currently cooperating with the government, tertiary institutes and jewellery industry players to work out a development plan to attract more teenagers to join the industry.
- HKJMA organizes professional jewellery courses, study/training tours.

More information on HKJMA can be obtained at www.jewelry.org.hk/

Hong Kong Jewellers & Goldsmith Association (HKJGA)

- The association was established in 1953 to unite the jewellery and goldsmith enterprises in Hong Kong.
- In 2005, the Hong Kong Jewellers and Goldsmiths Association and the Kowloon Pearls, Precious Stones, Jade, Gold and Silver Ornament Merchants Association jointly launched the 'Natural Fei Cui Quality Mark' Scheme, which sells only natural jade. About 250 merchants have been accredited since the launch.
- The association has established the Jewellery Trade Laboratory Limited to provide a testing service to verify pure jade.
- In 2006, the association collaborated with the Intellectual Property Department of Hong Kong and acted as an issuing body of the 'No Fakes Pledge'.
- The association also organized the Chuk Kam Jewellery Design Competition, which is sponsored by the Hong Kong Trade Development Council and the World Gold Council.
- In 1989, the association launched the Quality Gold Mark Scheme to protect consumers' rights.

More information about HKJGA is available at: <http://www.hkjga.hk/eng/>

Other jewellery associations of importance in Hong Kong's jewellery industry:

- Hong Kong Pearl Association: <http://www.hkpearlassn.org/hkpa.html>
- Hong Kong International Jewellery Designers Association: <http://www.ijda.org.hk/aboutus.php>
- The Chinese Gold and Silver Exchange Society: http://www.cgse.com.hk/en/about_01.php
- The Diamond Federation of Hong Kong, China (DFHK): <http://www.dfhk.com.hk>
- Hong Kong Gemstone Manufacturers' Association (HKGMA): <http://www.hkgma.org>

6.b.9 Private and Public Support for the Jewellery Industry

Jewellery Exhibitions and Trade Fairs

- From November 2007 till June 2008, Hong Kong Design Series 6: Jewellery for Life was held at Hong Kong Heritage Museum for nine months.
- Jewellery trade fairs in Hong Kong showcase the jewellery products to regional and international buyers:
 - The Hong Kong International Jewellery Show (March)
 - Asia's Fashion Jewellery and Accessories Fair (June)
 - Hong Kong Jewellery & Gem Fair (June and September)
 - Hong Kong Jewellery and Watch Fair (September)

Media Support

Print media and trade magazines such as Hong Kong Jewellery Magazine publish news and events about the industry. Through the media the visibility of jewellery industry has increased among the public, buyers from the Mainland as well as from around the world.

Following are links of print and Internet media related to jewellery industry in Hong Kong:

- Hong Kong Jewellery Magazine: <http://www.hktdc.com/manufacturers-suppliers/Hong-Kong-Jewellery-Magazine-Ltd/en/1X00A15S/>
- Jewellery News Asia: <http://www.jewellerynetasia.com/en-us/editorial/news/555/341/exhibition-highlights-hong-kongs-local-talent>
- Hong Kong Jewellery Express: <http://www.hkje.com/hkje/en/html/aboutje.html>



Photo: TPP



Photo: Lex Van Boeckel

7. Conclusion and Recommendations

Positive sector development drivers can be found in all countries, which are:

- Friendly business climate
- Openness and hospitality
- Good reputation abroad
- 100 per cent Foreign Direct Investment
- Establishment of Special Economic Zones
- Stable political and economic environment
- Zero tax initiatives on imports (raw material, semi-finished and machinery)
- Exemptions on excise, VAT, corporate, export taxes
- Relaxed gold and silver control regulations
- Efficient and well-supported trade promotion programmes, international fairs, conferences, etc

- Efficient and well-managed export facilities (one-window system)
- Strong and well-supported sector associations
- Well-managed quality assurance and accreditation bodies
- Strong public and media support
- National pride for the sector
- A national label/brand
- Links with the tourism industry
- Development of local resources
- Well-established skill and capacity development sector

All countries are, however, facing challenges. The impact weighs differently in each country, depending on the general strength and stability of the sector. The main challenges are:

- Frequent changes in trade policies, taxation, duties, etc
- National and international economic and political crises
- Corruption
- Weak government control mechanism

Influence of political decisions and economic conditions on the jewellery sector

Thailand

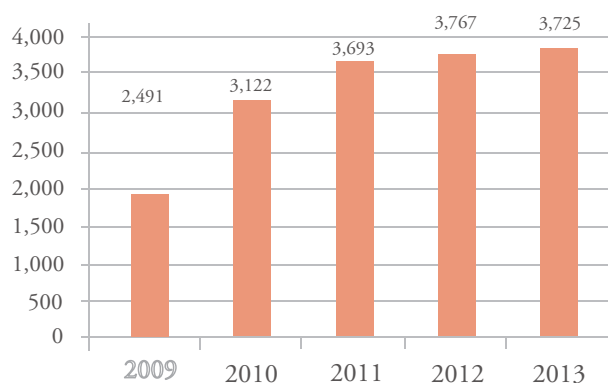
Thailand has been extremely successful in developing the jewellery sector. In no other country in the world has this sector managed to be the No. 3 of the country's export industry. All the above-mentioned positive sector development drivers are fully valid for Thailand. However, Thailand has also been facing challenges recently, which are:

Political Instability

The current political crisis casted a negative impact on the jewellery sector as national demand and sales are slowing down. Besides, a negative growth of the economy is forecasted for the first quarter of 2014. The instable political situation in Thailand also indirectly slowed down integration processes like the Free Trade Agreements (FTAs), particularly within the ASEAN, the USA, China and SAARC trade corridors. This has caused the country to lag behind in the recent dynamics of international trade negotiations, which have an impact on all export sectors, including jewellery.

Thailand: Well supported Business Environment

Jewellery export ifrom Thailandn in USD (million)



Another challenge is the tariff dispute with India, one of the major competitors in the jewellery sector in the region.

India

India has a long history and tradition in developing the jewellery sector. The huge domestic sector is also the main driver for export. Some controversial interventions by the government, however, have caused uncertainty in the jewellery industry; thus, the full potential has not been tapped so far. Some critical political decisions are mentioned below:

The Union Budget of 2009/10 and the 2013 Duty Intervention for Gold have resulted in a plunge in jewellery export.

The Union Budget of 2009/10:

Customs duty on serially numbered gold bars (other than tola bars) and gold coins was increased from Rs 100 per 10 gram to Rs 200 per 10 gram. Customs duty on other forms of gold increased from Rs 250 per 10 gram to Rs 500 per 10 gram. Customs duty on silver was increased from Rs 500 per kg to Rs 1,000 per kg.

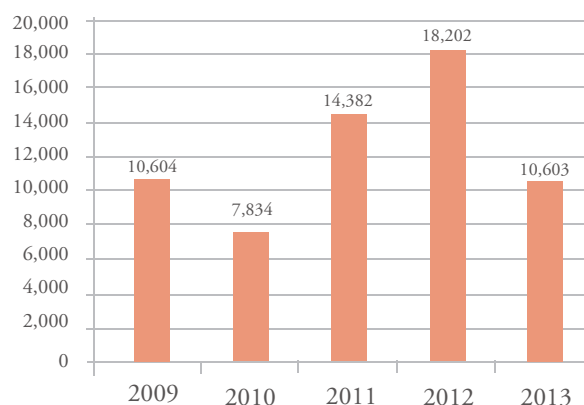
2013 Duty Intervention for Gold import:

Import duty on gold jewellery was raised to 15 per cent to curb the increasing current account deficit

India's jewellery sector is also highly dependent on gold import, which has resulted in high current account deficit and susceptibility to regulations on

India: Raise of import duty for gold to 15% in 2013

Jewellery export in USD (million)

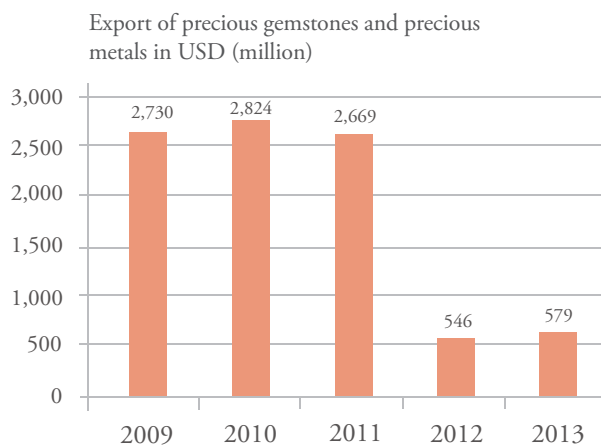


gold import. There is limited gold recycling in the sector due to the unattractive Gold Deposit Scheme structure offered by the State Bank of India.

Vietnam

The Vietnamese government plays a leading role in jewellery and gem production and marketing. The export and import of gold products are highly controlled by the government. State-owned companies such as Saigon Jewellery Company and Kim Quy dominate jewellery production and export. The economic reform has resulted in opening to foreign investors in the industry. The sector was further developed by the expansion of the local market, including sales to tourists.

Vietnam: Re-introduction of 10% import tax for gold items in 2011



The re-introduction of a 10 per cent export tariff in 2011, imposed by the government on all gold items, caused drastic fall in the jewellery export in 2012 and 2013. In March 2014, the government lifted the export tariff to boost the sector development.

Indonesia

The domestic political and security instability has significantly affected the industry. Most of the silver jewellery cities are also tourist destinations. The incident of Bali bombings in 2009 has affected the production and sales of silver jewellery.

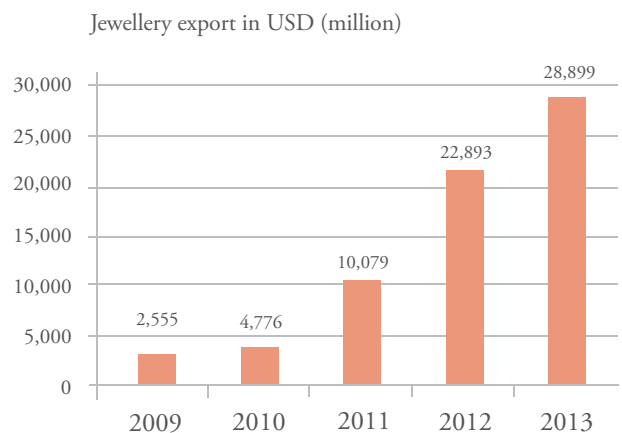
Due to continual supply of raw materials, ie silver, and a lack of support for local SMEs, many local

silver jewellery businesses were taken over by foreign entrepreneurs. Other major challenges are inefficient implementation of existing policies and little decentralization of central government authorities to district and local councils.

China and Hongkong

Besides its status as a free port in the region, political stability and stable economic growth have helped Hong Kong to become the hub of jewellery trade in Asia. Due to the CEPA agreement between China and Hong Kong, as well as the policy of Individual Visit Scheme, jewellery manufacturers in Hong Kong have benefited. Although many manufacturers have shifted their major production to Mainland China, the re-import and re-export of jewellery between Mainland China and Hong Kong are increasing. Besides, the government's ample support to boost the industry, ie product quality through certification and branding, technology investment, human resource training and sector promotions, has facilitated the development of the sector.

China: Economic reforms



China, on the other hand has implemented a series of reforms in the export sector, which has boosted jewellery export. The Chinese government has also introduced a series of standards for jewellery production to curb the quality issues. The domestic demand for luxury products is also seen as a trend that has helped to develop the sector.

Malaysia: Stable economic and political conditions



Malaysia

The stable economic growth and politics have contributed to increasing production and export of jewellery of the country. The government's decision to scrap all taxes related to jewellery products in 2011 has boosted the jewellery industry. The aspiration of Malaysian jewellery industry's players to become the gold jewellery hub in Asia has also helped to further develop the sector.

Nepal

The Government of Nepal has taken crucial steps to promote the sector in its Trade Strategy Paper from 2009 and the Three-Year-Plan Approach Paper 2010/11.

Some basic recommendations in the Nepal context are made herewith:

- Stable political conditions and legal framework
- Global openness and friendly politics. Thailand and Hong Kong are good examples.
- Efficient and flexible business environment, laws and regulations, customs, one-window system
- Scrapping of all taxes, duties and market regulations on silver and gold imports
- Well-functioning, professional, non-corrupt BDS (Business Development Service) advisory structure
- A modern, well-organized and funded Trade and Export Promotion Department with sector-specific promotion programmes
- Training and R&D centres
- Strong role of associations: Governmental tasks outsourced to them, eg export promotion, all services in sector promotion, national, international, PR, media, quality assurance, certification, training, capacity development, etc
- Tourism as the main driver. Cooperation with the Nepal Tourism Board
- Improving international reputation, focus on uniqueness and quality (focus on the traditional religious arts, which has a good reputation abroad)
- Creating a Nepal jewellery label/brand, including a quality assurance structure
- Measures which increase reliability in export trade
- Protection against cheap copies, fakes (mainly from India and China) through patents, intellectual property rights (based on Buddhist, Hindu silver crafts)
- Design and technology transfers by up-to-date global market trends
- Avoiding negative headlines in the international media
- Accreditation and human resource development (in cooperation with Nepal's universities and the private education sector)
- Media campaign abroad, together with embassies and consular services, including jewellery in the tourism promotion strategy, eg at international tourist fairs: ITB Berlin, in China, Thailand, India, etc, Nepal events in museums, media, print and online media
- Intensified participation in international fairs
- *Fair-trade* certification



Photo: TPP

8. ANNEX

Suggestions from the Interaction programme held on Silver Jewellery Policy

29.8.2014, Hotel Himalaya, Pulchowk, Nepal

1. *Hallmarking* should be done not only in the case of gold but also for silver jewellery. *Certification* should be made available by the Government. It would be good if the certification is managed by the Bureau of Standards. We should not only focus on the foreign market, but also on the domestic market. We should do research on that.
2. There are no cutting facilities for precious and semi-precious stones in Nepal. But we can see many gem cuttings in the festivals like Dipankar Buddha, statues, etc. We do not have the modern technologies for the cutting of gems in Nepal. Research on stone cutting should be done. We have to learn from the success stories of other countries. The success story of other countries is our failure.
3. PR offered certain activities in cooperation with the TEPC; however, GIZ cannot substitute governmental decisions, eg the certification issue. A roadmap should be developed together with the Government and they need to make decisions. GIZ cannot do this, but the private sector is in charge to push it ahead. Many topics are on the table, but there has been no implementation so far. The GIZ will extend the project after 2015, but the private sector must demand the government and develop a roadmap.
4. We need to go for a National Brand. At least Nepali jewellery products and designs will be protected from duplication in other countries.
5. There should be an increased demand for Special Economic Zones/Export Promoting Zones. SMEs have very limited capital for investments into the infrastructure. The Government should come forward and start developing such zones. In Sri Lanka, the whole infrastructure is provided for the SMEs. The government can also give tax breaks up to 10 years.



Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH

Trade Promotion Programme (TPP)
National Trust for Nature Conservation
(NTNC) Complex
Khumaltar, Lalitpur
P.O.Box 1457
Kathmandu, Nepal
E: trade@giz.org.np
I: www.nepaltrade.org

Commissioned by:

