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GEM & JEWELLERY EXPORTS:

Can we be Number One?

The high profile gem & jewellery business is also the object of great suspicion because of the enormous amount of black money involved in this trade. Despite this, the trade has achieved exports worth around Rs 1,385 crores. But many believe that this could easily cross Rs 7,000 crores given the right policies and direction.

Diamond merchants and jewellers in India are in the news once again — this time around because the government, believing (and rightly so) that they have today become among the foremost purveyors of black money in India, proposes raids on their businesses. New and more stringent accounting procedures are also in the process of being laid down.

Simultaneously, officials of the government's Minerals & Metals Trading Corporation (MMTC) are reported to be lobbying for exclusive canalising rights on gems and gold. This move, say some MMTC officials, will help minimise the black money generated by this trade. However, trade sources say that this, instead of curtailing the generation of black money, will probably lead to MMTC officials becoming partners in the crime. Informed sources also view these knee-jerk reactions of the government as attacks on the symptoms and not the actual malaise. And what makes things worse is that in all this hue and cry about black money, the export potential of the trade is being completely overlooked.

Everyone is talking about exports these days, but while we're chalking out lists of major thrust areas for exports, gems and jewellery is often overlooked. As many as 700,000 artisans are involved in the trade of gems and jewellery, accounting for exports of around Rs 1,300 crores and a domestic market of around Rs 2,250 crores every year. This figure, say the well informed, is but a fraction of the potential.

Critics, however, point out that the net export figure stands at only Rs 413 crores. They point out that though diamonds worth Rs 1,280 crores were exported last year, imports of unpolished roughs cost Rs 900 crores. Likewise, of the Rs 85 crores that exports of gold jewellery fetched, at least Rs 70 crores worth of gold was imported.

THEY CAN DO IT

However, it is evident that given the right policies, exports of gems and jewellery can shoot up from a total of Rs 2,385 crores at present to over Rs 6,600 crores within ten

Though local trade is brisk, the real profits lie in the overseas market

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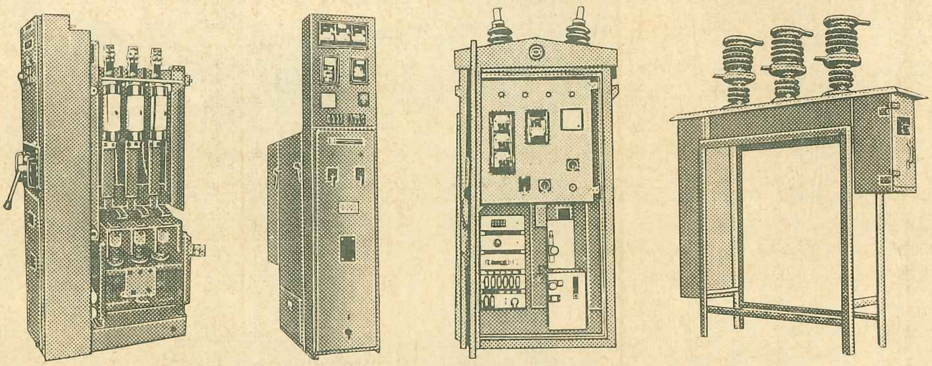

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years. Those in the business feel confident that net exports could zoom from the present Rs 413 crores to over Rs 2,550 crores! (See Table 1.) Add to that spin-offs like domestic employment, the possibility of eliminating premiums on purchases of the US dollar (see box 1) and the illegitimate flight of capital.

That the international markets are tough to penetrate is accepted. In the market for gems and jewellery, estimated to be worth around US $80 billion a year, this is especially true. But, Indian jewellers have proved themselves a match for the best in the world. Unlike other areas, where exports have often thrived on subsidies, incentives, and sound policies, exports of precious goods have been achieved without any of these.

Already, India's diamond exports, valued at over $1.1 billion, account for an impressive one-third share in the world market for diamond exports estimated at around $4 billion. (For some reason diamonds bought and sold in New York are ignored by the diamond trade. See Table 2.) The share of gold exports is, however, shameful. With the Rs 85 crores which gold jewellery exports fetched last year, India has less than a one per cent share of the world trade.

IN FETTERS?

Jewellers say that their performance could have been better had it not been for the government's attitude towards the trade. And the suspicions about black money have not helped matters either. But, the fact remains that an estimated Rs 700 crores worth of gold has been smuggled into India every year on an average for the last 12 years (see Table 3). In 1984 alone, gold worth Rs 1,400 crores was smuggled into India. Other estimates show that diamonds worth Rs 250 crores are sold illegally within the country every year.

This, however, is only part of the story. It is often overlooked that it was the shortsighted government policies that drove most of the trade underground. "Consider for instance, that where policies were a bit more enlightened, the response of the trade has been good," says one jeweller. "Take the case of the diamond trade as an example. Since the government allowed diamond exports more freely, than it did export of gold jewellery, domestic sales were Rs 250 crores while exports clocked in Rs 1,300 crores."

This is in sharp contrast to the case of gold. Since regulations were crippling, not only did exports not take off, but half of the domestic market estimated at Rs 2,000 crores was serviced by smuggled gold. In parts this logic seems inescapable, and certainly provides some sort of explanation for the situation prevailing today.

Indeed, if there is one area where gem and jewellery exporters have demonstrated ability and promise, it is in the exports of diamonds. Diamond exports have risen from Rs 28 crores in 1970-71 to around Rs 1,300 crores last year (value added increased from Rs 9 crores to Rs 400 crores during the same period). That India today has a virtual monopoly in one segment of the diamond industry is a little known fact.

India's army of cutters capable of handling tiny stones makes it the only country in the world where workable margins can be squeezed out of the painstaking business of cutting and polishing makeable roughs (see Box 2). In effect, as S. G. Jhaveri of London Star, one of India's leading diamond exporters, puts it, "Without India, there will be excess stocks accumulating everywhere — in producing countries and within De Beers. We are the only nation which can reliably cut small diamonds profitably and still keep them affordable."

Since India already accounts for cutting and polishing virtually all the makeable roughs in the world, exports of this variety of diamonds have quite possibly reached a plateau. Hence, if exports are to be boosted, it can be done in one of two ways.

The first is to move into cutting and polishing sawn and sawable roughs (see Box 2), activity which is largely untouched at the moment. This, incidentally, would eat into what have traditionally been the market domains of Israel and Belgium. For decisive growth in exports, however, the second would definitely be the more promising approach, ie, to move into the manufacture of studded jewellery, which consists of tiny Indian stones set in gold.

POLISHED GEMS

Once polished diamonds are mounted in gold, their retail value of $4.1 billion zooms up to an unbelievable $22 billion in the international market. "As gold accounts for barely 20 per cent of the value of studded jewellery, it is evident that value of polished gems goes

Table 1

Export potential

(Rs crores)

	Current			Potential		
	Import	Export	Value added	Import	Export	Value added
Diamonds	900	1,300	400	900	600**	(—)300
Studded jewellery				600†	3,000	2,400
Gold jewellery	77*	85	13	2,550 ≠	3,000	450
Total:	977	1,385	413	4,050	6,600	2,550

* *Assumed*

** *The rest of the polished gems go for making studded jewellery*

† *Gold content in studded jewellery is estimated to be only around 20% of its value. (Even these figures give India only a 12 per cent share of the world market estimated at US $22 billion.)*

≠ *Value added in gold jewellery is around 15-20% on an average. The rest of the gold is imported. (These figures assume India to have less than 4 per cent share of the world market at US $80 billion.)*

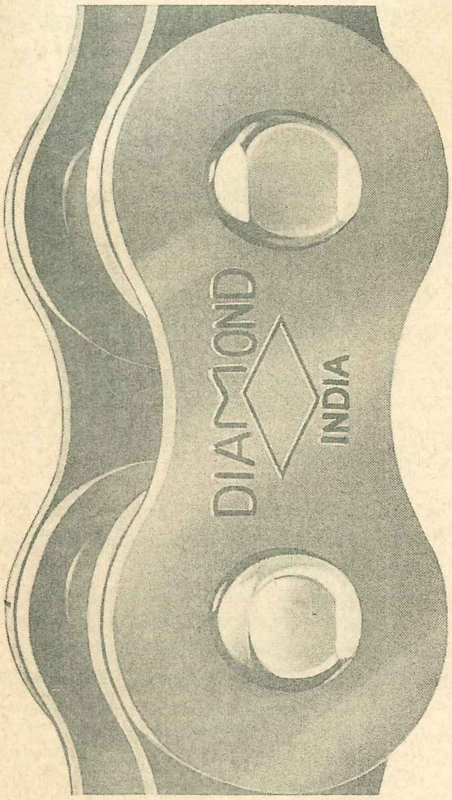
Table 2

Polished diamond exports

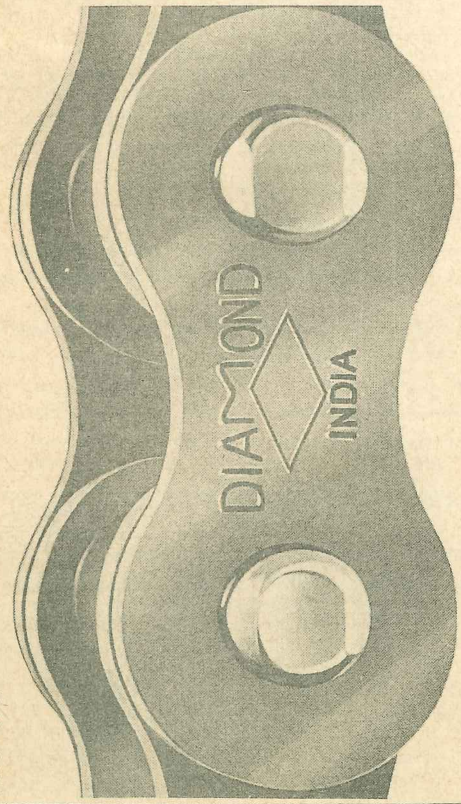
($ million)

	1980	1981	1982	1983	1984	1985*
Antwerp	2,185	1,720	1,589	1,606	1,599	1,593
Israel	1,615	1,306	1,158	1,208	1,213	1,439
Bombay	785	633	661	1,110	1,046	1,022
New York	837	719	561	526	526	497

* *12 months to November*
Source: CSO



The most vital link of an industrial chain is not in the chain.



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Box 1

Gold and the rupee black market

There is a myth that it was the Emergency declared by the government of India in 1975 which brought down the black market price of the US dollar. The truth is different.

For years the US government fixed the price of gold at US $32 per ounce. During this time the price of gold in India was much higher than the international price. It was a lucrative business to buy gold overseas at $32 per ounce and smuggle it into Inda where the prices were much higher.

In 1970 the US government abandoned this price. The price of gold then startec climbing. As the differential between international prices and local prices narrowed it hardly remained profitable to smuggle gold.

With the smuggling of gold on the decline, demand for dollars at the unofficial price fell away. In accordance with the simplest rules of economics, as demand fell for the unofficial dollar, the price naturally fell.

It is of course true that dollars are purchased in black for a variety of reasons. Some people may want to transfer black money to safe overseas bank accounts, or some people may simply want a little extra shopping money when travelling. But it is widely acknowledged that the bulk of unofficial dealings in dollars is used to finance gold smuggling.

Since the gold overseas has to be purchased in US dollars, a premium price, in black, has to be paid for the dollars. The gold smuggled in is naturally sold in black, and the cycle continues.

Smugglers freely acknowledged that unless the price differential is at least 20 per cent, it is not worth their while, considering the risks and costs involved, to smuggle gold.

Interestingly, when gold reached $800 per ounce in 1980 there was a brief period when gold was actually smuggled out of India. At that time the unofficial premium on the dollar fell dramatically and almost disappeared.

Table 3

Gold smuggled into India

(In tonnes)

Year	Quantity
1973	60.5
1974	14.0
1975	25.0
1976	32.9
1977	39.5
1978	44.0
1979	10.0
1980	−9.0
1981	25.4
1982	60.0
1983	53.0
1984	70.0

Source: Consolidated goldfields

Table 4

Average differences in gold prices

(Price in rupees per 10 gm)

Year	$ per ounce	London (equivalent price)	Year	Bombay
1969	41.09	114.91	1969-70	179.62
1970	35.94	100.51	1970-71	184.96
1971	40.80	114.09	1971-72	200.16
1972	58.13	162.76	1972-73	242.14
1973	97.17	271.76	1973-74	369.23
1974	159.13	443.92	1974-75	519.10
1975	161.05	449.73	1975-76	544.99
1976	114.83	348.84	1976-77	549.50
1977	147.71	433.95*	1977-78	637.92
1978	193.10	550.21	1978-79	791.22
1979	300.98	1,053.03	1979-80	1,158.75
1980	612.38	1,484.67	1980-81	1,522.44
1981	459.85	1,209.94	1981-82	1,719.17
1982	374.96	1,250.38	1982-83	1,722.54
1983	423.68	1,342.06	1983-84	1,858.47
1984	364.15		1984-85	1,880.00
March 1986	341.50		March 1986	2,075

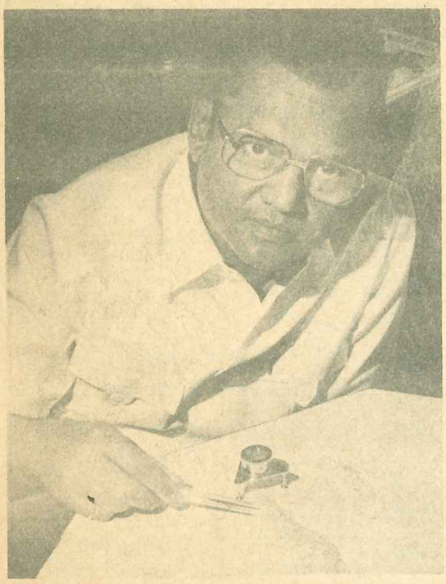
** April to March (earlier years for London prices are given for the calender year). Subsequent figures for the following years follow the Indian financial year.*
Source: Bombay Bullion Association, RBI and Consolidated Gold Fields

up four fold when they are studded in gold. The need for moving into the making and exporting of studded jewellery is, therefore, imperative," says Manhar Bhansali, chairman of the Gem and Jewellery Export Promotion Council of India.

There is another reason why India is strategicaly placed to grab a sizeable share of the $22 billion studded jewellery market. "Indian cut and polished diamonds are currently used in cluster jewellery and a whole range of other types of jewellery essentially meant for the middle class," says a jeweller. "Had it not been for Indian polished gems, studded jewellery would have remained a prerogative of the affluent who alone can afford the astronomical prices that large stones set in precious metals command."

"People will always want low priced jewellery," says Arvind Parikh, vice chairman of the Bombay Diamond Exporters Association, "and we think there is still room for growth in that market." Nariman Wadia, of K. Wadia jewellers, one of the most prominent champions for the cause of jewellery exports, says, "India has a rich tradition in the making of jewellery, and it has the very gems that make such jewellery appealing. It is indeed sad that we have not moved into this area of exports in a big way."

In addition to the studded jewellery, heavy jewellery of the kind customarily made in India and machine made jewellery together account for another $58 billion worldwide. (This adds up to a staggering $80 billion retail market for gold and studded jewellery.) "This



Bhansali: " move into studded jewellery"

is another area where India could grab a share. We have a tradition in making heavy jewellery which finds ready acceptance in the Middle East and in the South East," says Wadia. "But it has not been possible to develop them to their full potential on account of existing regulations."

Wadia goes on to say that while Italy, Hong Kong and Israel are big names in the world jewellery market, the US department of commerce talks of emerging competition from Switzerland, Japan and Korea, all already significant exporters. "Among countries which are recent entrants in the export market are Peru, Thailand, West Germany, the UK, Canada and Lebanon. Among the dark horses are Sri Lanka, Macau, China and, since last year, even Pakistan. India figures nowhere," intones Wadia sadly.

MAJOR HINDRANCE

"The biggest hindrance to Indian trade is the Gold Control Act (GCA)," thunders Arvind Zaveri, president of the Greater Bombay Jewellery and Bullion Dealers Association. "Besides inhibiting exports, the GCA has driven the trade underground," laments Shantilal Sonawala, president of the Bombay Bullion Association (see *BI*, Focus, 17 July, 1985).

"Although the GCA does not explicitly state its aims, besides making a passing reference to protecting economic and financial interests of the community, we, by deduction, understand that the Act had five objectives," says Zaveri. "These were to wean people away from gold; to regulate its supply; to stop smuggling of gold; to reduce demand; and, to bring down

Arvind Zaveri: " GCA is the biggest hindrance"

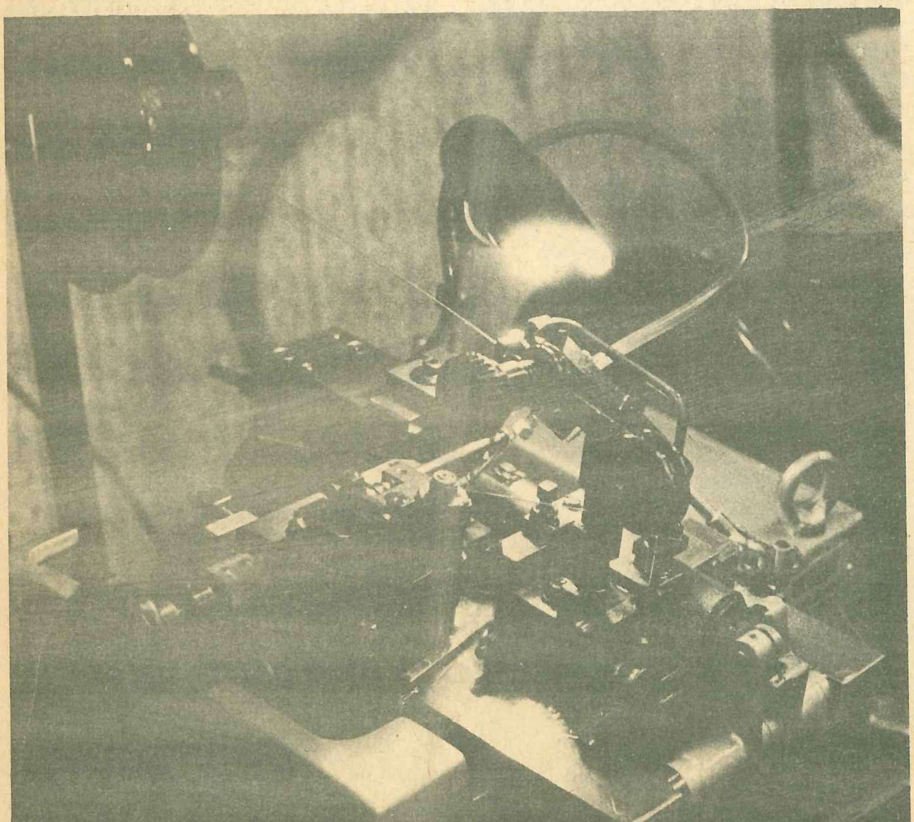
the price of gold. But then if you look at what has happened during the last 22 years, you will find that none of these has come about. Since the GCA has not justified its existence, why should it exist at all?" he asks.

Not achieving its primary objectives apart, the GCA has provisions that prohibit a gold dealer from owning any amount of primary gold (gold in any unfinished or semifinished form) in excess of 300 gms. "If a dealer has an time bound export order of 5 to 10 kg, he has to search for 15 to 30 trustworthy goldsmiths to get the work done within the time period. And as the GCA states that only one bar can be given to a goldsmith at a time, it results in further delays," says N. V. Minawala, president, Gold Jewellery Exporters Association.

Wadia points out, "To make a necklace, I need twice the amount of gold, unless of course I am supposed to fabricate one part, remelt the residual, make the second part, remelt once again the residual and fabricate a third part and so on. How can I compete in international markets with such laws?" Jewellers also point to over 45 sets of documents they have to prepare and furnish for various authorities before an export order can be met. "Even then I don't know if I have missed out on some obscure rule on account of which I could get into trouble," adds another jeweller.

RADICAL RETHINKING REQUIRED

Many have tried to point out what actually can help exports take off. Suggestions that have gained currency at various times range from total abolition of the GCA to legalising import of gold, to even giving the trade a free rein once the broad guidelines have been laid down. While some of these suggestions demand a radical rethinking on the part of the



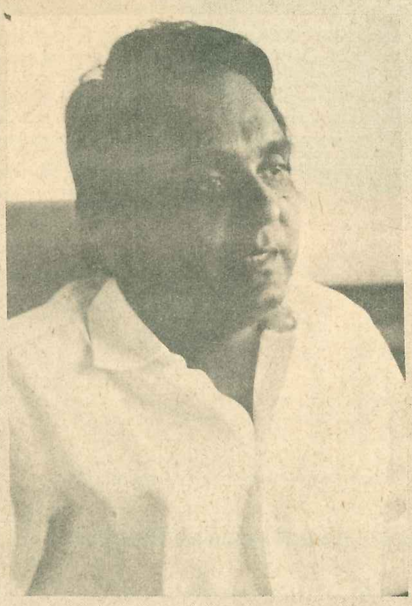
An automatic gold chain making machine

Box 2

India forever

Diamond dealers in India are a very proud people — indeed they are complacent. The complacence arises from a knowledge that they control almost one third of the world's production of polished gems, and that no one can snatch this away from them. They know that if any one diamond exporter loses a share of his business it is because some other Indian must have grabbed it.

This is because the Indian diamond business has specialised in the cutting and polishing of what are known as makeable rough diamonds. These roughs have an irregular grain structure which makes mechanical cutting and polishing of them virtually impossible. Consequently the cutting and polishing of such roughs becomes labour intensive. This also explains why India has almost four lakh cutters in this trade, who cut and polish diamonds (export value around Rs 1,300 crores last year) compared to 7,500 cutters in Belgium (export value $1,593 million), 10,000 cutters in Israel ($1,439 million) and 300 cutters in New York ($497 million).

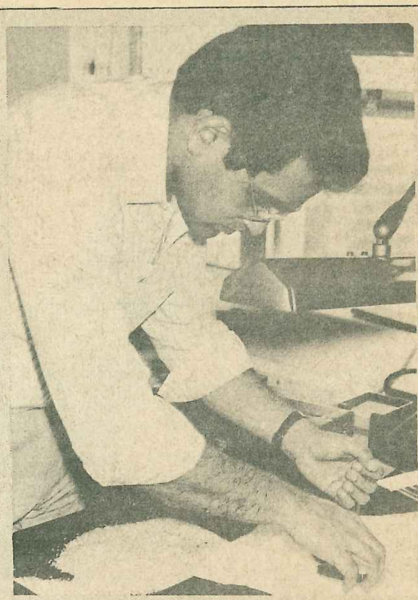


Arun Mehta: "our labour costs are lowest"

The unique aspect of the diamond trade in India is that no other centre in the world has the ability to cut and polish makeable roughs. Consequently, India has a virtual monopoly in this field. In fact, had it not been for India, almost 50 per cent of the world's diamond production by weight (28.38 million carats of makeable roughs become just 5.56 million carats of polished diamonds) would be sold as boart or low value roughs, useable only for industrial purposes.

One reason behind India's success is of course low labour costs. As Arun Mehta of B. Arunkumar & Co puts it, "While a cutter in Israel costs $800 a month and $1,000 in Antwerp, our workers get only $70 to $80 — one tenth the cost to others." ~~A second~~ reason is that traditions of trust enable exporters to pass on roughs to cutters, fully confident of the safe passage and return of goods.

Uncomfortable with India's monopoly in the area, the Diamond Trading Co (DTC) has been trying, for the last four years, to cultivate parallel centres for cutting and polishing such makeable roughs. Centres were started in Sri Lanka, Korea, China and even Malaysia. However, none of them has made much headway.



Jatin Mehta fears stagnation of the market

"As we are already cutting and polishing virtually all the makeable roughs produced in the world, our exports in this field have almost plateaued," says Jatin Mehta of Su-Raj Diamonds, the first Indian diamond exporting company to go public. "If we have to increase our export earnings we have to move into other markets. And this means moving into cutting and polishing sawn and sawable roughs as well." Today around five Indian diamantaires, as they are called, including Mehta, are gradually engaging in this activity in addition to their traditional business of dealing in makeables. This, in effect, means that India will now be taking on Israel and Belgium in a bid to be number one in the diamond export business.

Table 5

Gold jewellery

(Per cent)

Type of jewellery	Value addition	Manufacturing loss *
Studded	25	15 (5-10 casting 10-15 hand made)
Machine made	10	2
Plain gold	10 to 12	3-4

*Note: * Manufacturing losses are invariably taken into account when prices of such items are fixed.*

government, others would merely require minor modifications in existing rules.

Two moves, from among the steps suggested, that may go a long way in pulling the trade out of the mess it is in, seem to be the abolition of the GCA and at the same time legalising imports of gold. "Why cant the government understand that for us gold is a raw material and therefore should be regarded as such?" asks Wadia.

GOLD IMPORTS

Jewellers suggest that if gold imports were permitted on a duty of not more than 20 per cent on its international value, not only would the difference between gold prices overseas and in India come down (see Table 4), but it would also help the government earn not less than Rs 140 crores by way of duty each year. "This could be as high as Rs 280 crores if one includes the 70 tonnes of gold smuggled into India," adds another jeweller. "Even the outgo of foreign exchange will be considerably less since a lot of it is going towards overseas payments for gold to be smuggled in," he continues. Jewellers believe, that any duty over 25 per cent only encourages smuggling as the margins are then wide enough to cover losses through seizure.

Another problem, say jewellers, is the government's insistence on allowing import of gold only if the mark up on gold exported is not less than 15 per cent. Almost every jeweller dismisses such a stipulation as arbitrary and totally unrealistic. They point out that the value added varies from one type of jewellery to another (see Table 5). And fixing a value added at 15 per cent forces a market price on a highly competitive yet speculative market. "The government of India wants a 15 per cent

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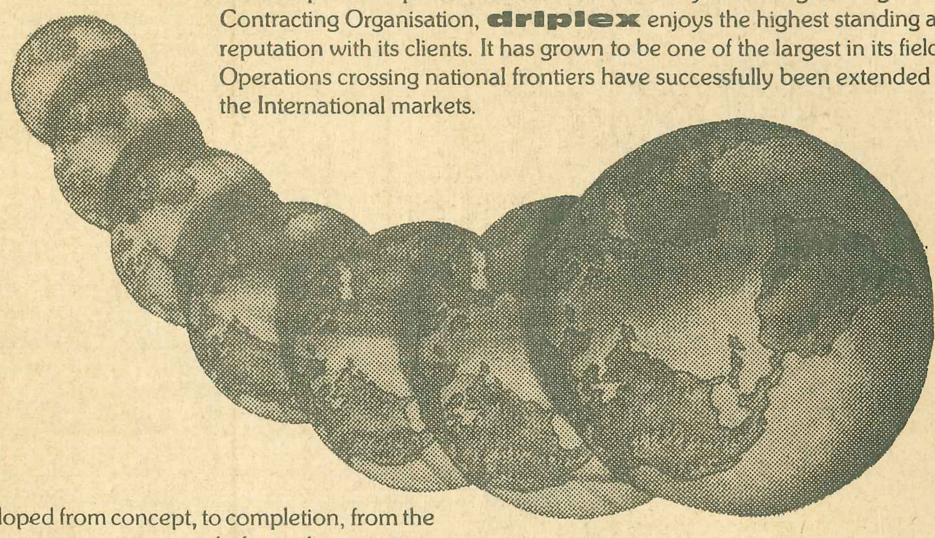

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Zaveri Bazar, stronghold of jewellers in Bombay

Table 6

Diamond import-export trade of India

	Import of roughs			Export of cut & polished diamonds			
Year	*Rs crores*	*Carats approx in million*	*Average price Rs/Cts*	*Rs crores*	*Carats approx in million*	*Average price Rs/Cts*	*Added value in crores*
1970-71	19.23	3.08	62.44	28.25	0.53	533	9.02
1971-72	23.82	3.94	60.46	36.20	0.66	548	12.38
1972-73	38.35	4.36	87.96	60.13	0.80	752	21.78
1973-74	63.11	5.96	105.89	84.68	1.69	501	21.57
1974-75	45.73	3.71	123.26	75.05	1.07	701	29.32
1975-76	78.31	5.57	140.59	99.08	1.00	991	20.77
1976-77	172.59	8.82	195.68	211.84	1.92	1103	39.25
1977-78	301.43	16.89	178.47	516.68	3.10	1667	215.25
1978-79	470.42	19.33	243.36	692.94	4.32	1604	222.52
1979-80	365.59	15.80	231.39	550.14	4.46	1233	184.55
1980-81	387.16	18.71	206.93	590.65	4.15	1423	203.49
1981-82	572.39	26.36	217.14	727.76	4.05	1797	155.37
1982-83	665.59	25.36	262.46	912.83	4.65	1963	247.24
1983-84	901.85	28.38	317.78	1188.89	5.56	2127	287.04
	4105.57			5775.12			1669.55

value added when Italy has a value added of just 1.5 per cent," says a jeweller.

"Let's face it — if someone has to break into a market where he is virtually unknown, the incentives have to be high. We've not asked for subsidies — we only want these absurd restraints to go. Eventually, the country benefits, does it not?" In any case, say jewellers, once Indian goods begin to gain recognition overseas, the margins would automatically rise — perhaps even beyond the 15 per cent mark up desired by the government.

ARBITRARY MARGINS

What jewellers want to know is how the 15 per cent figure was arrived at. They compalin that it is arbitrary and fixed without consulting the trade. Government officials say that if such a stipulation were not insisted upon, a lot of the gold would find its way into the local market. Historically, India has demonstrated an insatiable demand for the metal. "Fears about leakages into local markets are well founded," says a prominent jeweller, "but it obscures two facts. Firstly, smuggled gold is being paid for with dollars purchased in black. Secondly, even if some gold does find its way into the domestic market, it won't be at the expense of further outgo of foreign exchange. Whatever has been paid for legally will earn at least some mark up."

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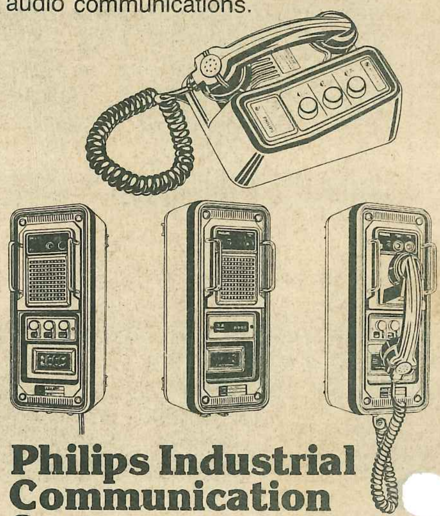

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Box 3

Is India getting a raw deal?

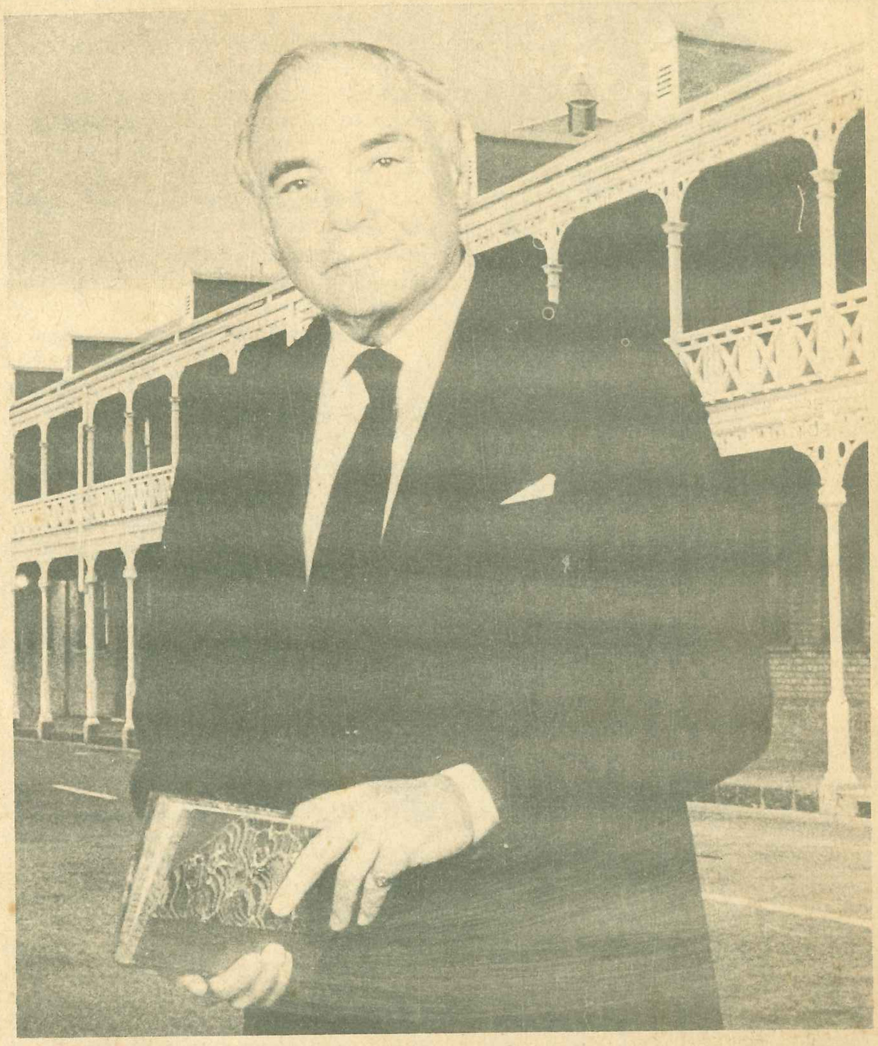
The Diamond Trading Co (DTC), the marketing arm of Oppenheimer's De Beer mining interests, controls directly or indirectly 80 per cent of the supply of the world's roughs. It sells the roughs it procures through the Central Selling Organisation (CSO) which operates from the UK. While the DTC's responsibility is to ensure that diamonds, through regulated supplies, fetch a good price in the market, the CSO's job is to sell the roughs through 'sights' which comprise an assortment of roughs that a sight holder must accept in its entirety. Or else he must pass up the offer and wait for two more weeks when the next 'sight' is held.

Inevitably, there are some roughs, notably makeables, which no country but India can cut and process. Hence sight holders worldwide sell these makeable roughs to Indian diamantaires through their offices in Antwerp, New York, Geneva or elsewhere. At the same time, small diamond producing countries also sell their roughs to India in the open market in Antwerp (and lately in Amsterdam too).

India was the only cutting and polishing country that virtually escaped the diamond exports slump that began in 1979 and continued till 1982-83. Speculators in Tel Aviv and Antwerp kept hoarding polished diamonds and, in order to procure more such gems, borrowed heavily from banks using the previously acquired gems as collateral. When the markets crashed, banks found themselves sitting uncomfortably on piles of glitter that had become relatively worthless almost overnight. During the next three years, when the DTC had to suck out almost US $5 billion worth of gems from the pipeline, India remained the only country capable of buying from the DTC and keeping the diamond market (and the DTC and CSO) alive.

However, Indian diamantaires complain that the DTC has increased prices of roughs disproportionately. The price of roughs has gone up from Rs 62.44 a carat in 1970-71 (see table 6) to Rs 317.78 two years ago. True, the value of polished diamonds exported from India has also gone up from Rs 533 a carat to Rs 2,127 a carat during the same period, but a closer look shows that while the price of roughs increased five times, that of polished gems increased less than four times.

"There is therefore justification for the government imposed cess of up to 20 per cent on imported roughs worth $50 a carat or less, because that is where we have a monopoly," says an informed observer. "The result will be that sellers and suppliers of such diamonds will be compelled to reduce the prices of such roughs correspondingly." For instance, the DTC used to take into account the five per cent duty (imposed by the Indian government on roughs five years ago), and then price its sales to India accordingly.



Oppenheimer of De Beers, the international diamonds giant

Simultaneously, say informed sources, a 25 to 30 per cent discount on such a cess should be allowed on supplies of roughs coming directly from the mining countries. This would discourage countries like Australia (95 per cent of its diamonds can be cut and polished only in India) from selling their roughs to India through the DTC or through free traders in Antwerp.

Diamantaires in India, however, express shock and consternation when asked to respond to such a suggestion. They talk about dire reprisals by the DTC, which might respond by cutting off supplies of roughs to India altogether. But, informed sources have it that the DTC cannot afford to cut off supplies to India. First, because no one else can cut and polish makeable roughs except for India, and second, because the DTC, as late as 1984, was sitting on a stockpile of superior roughs valued at $2.6 billion.

Even though last year the CSO achieved peak sales worth $1.82 billion — the highest since the 1980 record of $2.97 billion — the stockpile is estimated to be worth almost $2 billion. It is unimaginable then that the DTC or the CSO will be willing to add to this glut another $1 billion worth or roughs that no other country could possibly lift.


Sonawala: "GCA has driven trade underground"

A third major problem that has inhibited export of gold jewellery is the government's reluctance to treat exports of studded jewellery at par with gem exports. Diamond exports get replenishment licences (REP) of 85 per cent while studded jewellery gets only 65 per cent. Government officials claim that a 65 per cent REP is fair since diamonds which should have been exported, but were purchased by jewellers, should not be given an additional REP (as diamond exporters have already availed of the same).

Wadia points out that jewellers purchase diamonds from the local market at prices which are at least 10 per cent higher than prices at which they are exported. "Unless the REP is attractive enough, why should a studded jewellery maker export? The domestic market is good enough for him," says Wadia.

Though an increased REP would certainly detract marginally from the attractives of the industry to government, trade circles insist that even with this, there would still be no need for an elaborate and expensive series of incentives and explicit subsidies. Suggestions have been made about issuing gold bonds, so that gold comes freely or at least more easily into the hands of jewellers. Only when this is possible will jewellers be able to move into world markets which have been growing almost at a rate of 10 per cent per annum.

NO EASY TASK

However, for sure, penetration of these markets won't be a cakewalk. For one, greater emphasis will have to be laid on developing retail outlet connections. It is in this context that jewellers decry governmental strictures which inhibit sales of jewellery to incoming foreign tourists. "You can sell, true," says another jeweller, "but you must have a money changer's licence which requires a minimum foreign exchange earning of $10,000 annually. In any case no foreigner is allowed to buy jewellery worth more than around Rs 15,000."

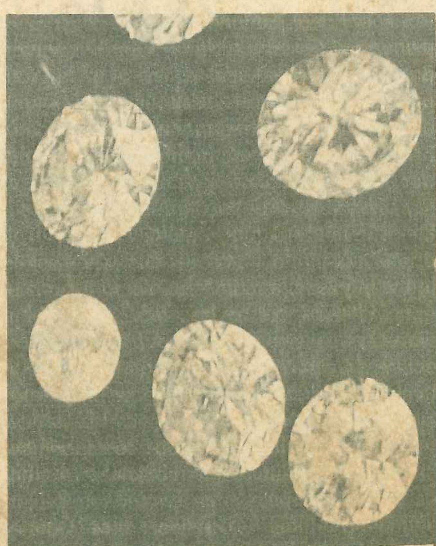
These rules, say jewellers, have crippled any word-of-mouth publicity that Indian jewellery gets in international fashion circles. They point to how Italy got to be number one in the international market for jewellery. Tourist purchases made there and flaunted in circles where fashion matters most clinched the market for Italian jewellers. The same was the case with Hong Kong.

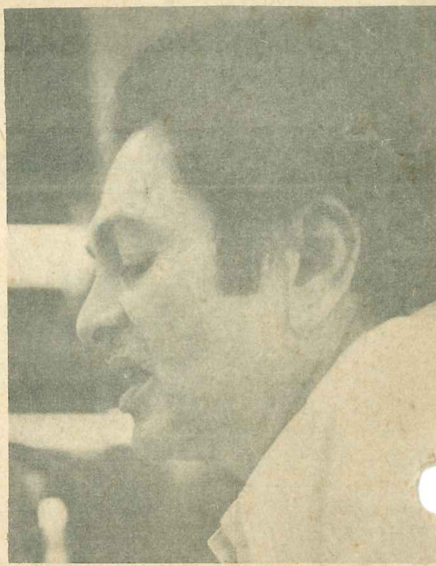
The unfavourable customs rules have had adverse effects particularly in the US, which accounts for almost 40 per cent of the world market for carat and plated jewellery. Recently, Japan has also emerged as a possible market for Indian studded jewellery. At the same time, since the designs of jewellery that would sell in these countries are different, a great deal of education will be needed for Indian artisans to cater to such markets.

A NEED FOR TRAINING

The education aspect gains significance considering the fact that while India has specialised in the manufacture of heavy jewellery, which finds easy markets in the Middle East and South East Asia, jewellers here still have to get familiar with machine made jewellery. Import of machines, a lot of training and exposure to trends in the world jewellery market are badly needed.

The government, in an attempt to remedy the situation, has set up jewellery product development centres both in Bombay and New Delhi. Wadia, who is convenor of the centre


Only India can process makeables


Minawala: "such laws impede competition"

in Bombay, explains how short term classes are to be conducted for upgrading skills of jewellers for world markets with special reference to Japan, which has become the world's fastest growing market for middle class jewellery. "Rs 40 lakhs have been sanctioned for both centres, but we wish it could be a lot more," says Wadia.

Jewellers point out two key social changes which have had a pronounced impact on the jewellery industry worldwide — the rapid growth of fashion jewellery and the increasing independence of women. But to get a share of the market, jewellers must move into the risks associated with more fashionable designs, and abandon the security of traditional designs.

For Indian exporters this spells out a need to understand market tastes and fashions. In addition they must get to know the distribution channels and understand purchasing habits overseas. Clearly the average Indian jeweller will have to learn a lot of lessons quickly.

And what makes all this worth the effort is that if there is any market that promises to be 'durable', it is the one for jewellery. As one jeweller puts it, "It is worth recalling that in 1970, when the gold price was still approximately $35 an ounce, over 1,000 tonnes of gold jewellery were fabricated. Fifteen years later though the price has increased over ten fold, the jewellery industry still consumes almost 800 tonnes of gold." In absolute terms, this means that the value of gold consumed has increased eight-fold, from $1.2 billion to $9.8 billion. And this constitutes only the token value of the metal, not of the value added market worth $80 billion. Obviously India cannot afford to stay out of this market.

R. N. BHASKAR