

**AN OVERVIEW
OF
JEWELLERY SECTOR -PAKISTAN**



Small and Medium Enterprise Development Authority

SWOT Analysis of the Pakistani Jewellery Industry

STRENGTH

- ◆ Low cost labour

WEAKNESSES

- ◆ Highly fragmented market
- ◆ Lack of training facilities
- ◆ Lack of standardisation and quality assurance
- ◆ Lack of technical know-how in making 6, 9, 10 carat gold
- ◆ Unavailability of gold loans by banks
- ◆ Lack of large scale factories and mass production of jewellery items
- ◆ Lack of joint venture arrangements
- ◆ Lack of market awareness of the latest international trends

OPPORTUNITIES

- ◆ Market diversification to Asian and Gulf countries
- ◆ Develop the giftware market for tourists attraction

THREATS

- ◆ Free Trade and removal of international barriers
- ◆ Indian jewellery being smuggling in Pakistan
- ◆ Established world markets-barrier to market entry
- ◆ Lack of financial support from financial institutions

INTRODUCTION

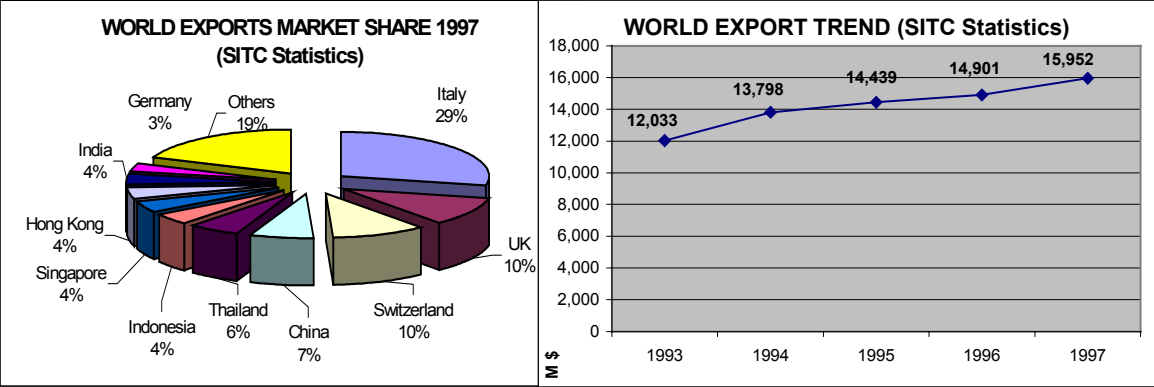
The making of fine quality jewellery is deeply rooted in Pakistan's history. It was under the Mughal era that the artisan class of goldsmiths rose in the subcontinent. All civilizations have practiced the art of jewellery making and developed designs and skills in accordance with the needs of the society. Jewellery type inherited from Mughal times are Minakari, Kundan, Tikka, Nauratan, etc.

In Pakistan the hub of jewellery manufacturing are Karachi and Lahore. There is dearth of skilled/semi-skilled and relatively cheap labour available in Pakistan. Giving training would not only polish their skills but would also make them internationally competitive. Pakistan in the year had exports of US\$ 7.5 million in 1997-98. The jewellery trade in Pakistan involves a large turnover of jewellery worth million of dollars, but the drawback is that the jewellery industry still relies on traditional designs which can only satisfy the local demand of consumers in Pakistan. However, since the jewellery items are generally hand-created, there is a need for modernisation. To meet and increase export demands, two things have to take precedent, *mass production and gold loans*. There is no way Pakistan can compete with the rest of the world, where they have mass production, vis-à-vis large size factories. Therefore it becomes imperative that large size factories be set up, with or without government's financial assistance. However what is important is encouragement by giving incentives. Incentives could be tax break for a specified period, low cost site areas to encourage setting up large size factories. The other issue is the loan of gold for mass production. If gold loans, at the international prices are available, then the finished product will be compatible in the international market. For this to happen, banks and financial institutes must be involved.

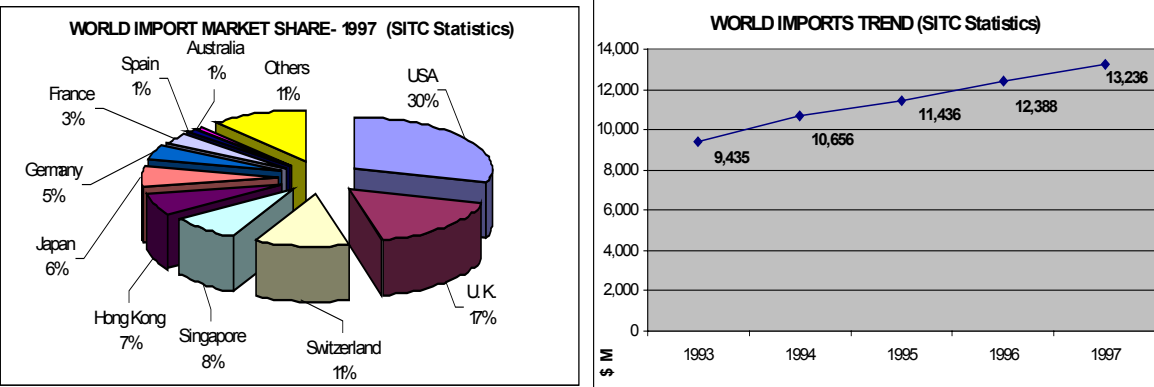
A major handicap to the development of jewellery products for exports from Pakistan is the lack of facilities for training of manpower in design, craftsmanship, quality assurance, standardisation and marketing management. The Pakistani manufacturing industry if continues to stagnate will eventually decline as it will fail to compete with Asian countries (Thailand, Hong Kong and India) and European countries in its domestic market when trade barriers are removed.

THE WORLD SCENARIO

The world jewellery export trend has been in a positive direction and has increased from US\$12,033 million in 1993 to US\$15,953 million in 1997 with Italy, United Kingdom and Switzerland leading the sector and having market shares of 29 percent, 10 percent and 10 percent respectively.



On the other hand analysing the world imports, USA, United Kingdom, Switzerland and Singapore lead the market with 30 percent, 17 percent, 11 percent and 6 percent share respectively. The total world imports of jewellery are US\$ 13,238 million. The difference seen between imports and exports figures is due to the non-reporting of certain countries and secondly due to the local jewellery consumption in the specified countries.



In the gold jewellery sector there are a lot of countries who with their regulations, marketing techniques, technical know how have proved themselves in delivering quality jewellery. Italy, Turkey and India are few countries, are worth mentioning who made a name/place in the world jewellery industry. In the upgradation of all these countries, the government, banks, financial

institutions, gold expertise like The World Gold Council along with public/private sector, all contributed in bringing these countries to a standard where they are today. One of the success behind all countries progressing is liberalisation. Countries are liberalising their gold policies so that there is no restriction on gold ownership and allow free and efficient movement of gold within and between markets. Due to the stress on liberalisation of policies, the parallel trade in many countries has reduced to quite an extent.

WORLD JEWELLERY TRENDS

During the last many years great amount of advancements have been made in the jewellery industry. Every region has developed its own trends, tastes and fashion. The American and the European markets are more inclined towards buying 18, 14, 10, 9 and 8-karat jewellery (karat is the proportion of gold in jewellery) with new and lightweight designs. On the other hand Asian countries and the Middle East are more towards buying 22 and 24 karat(pure gold) jewellery. After the Asian Crisis that hit the Southeast Asian Countries, people started investing more in. Now a lot more jewellery is being manufactured in 22, 23 and 24 karat. Most residents in the Middle East buy 21 and 22-karat jewellery with emigrants from India and Pakistan.

New jewellery centres have emerged in 1990s. These are Hong Kong, Singapore, Malaysia and Thailand. They are mainly catering to the rapidly growing market for pure gold jewellery. In the international market there is example of Italy in the west and India in the sub-continent who are earning enormous foreign exchange through exports of jewellery products although neither of these countries have any gold reserves. The Italian's have superiority in mechanisation while India and other southern Asian states have highly skilled manpower especially in the creation of new designs and craftsmanship along with modernisation.

European gold quality standard (Hallmarking)

While importing jewellery in most of the countries certain requirements for standardisation have to be followed. In some European countries jewellery pieces are required to be tested and then marked as imported. They should also have the distributor's mark stamped on them. Even where testing in Europe is not compulsory the distributor's mark is necessary to enable tracing the source if required for any reason. European Commission is introducing a common system for guaranteeing standards of fitness within members of the European Community. Three strictly supervised systems are possible:

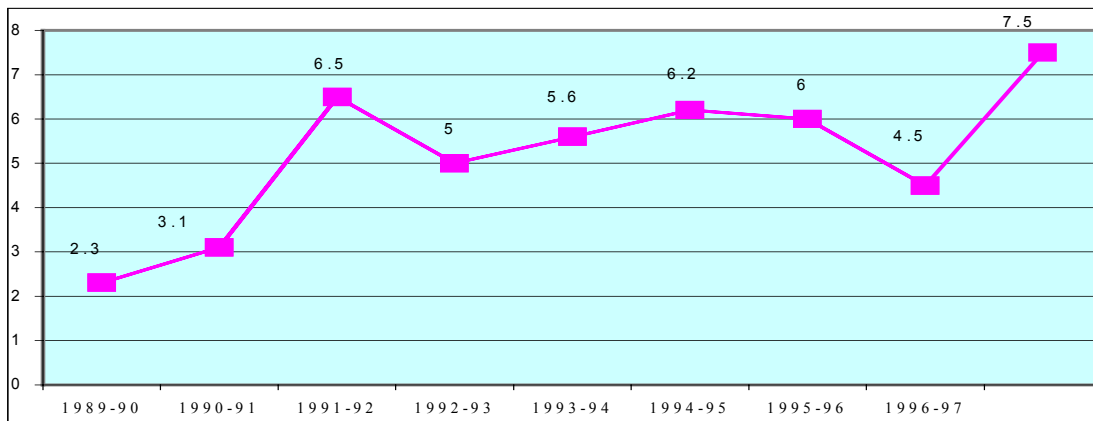
- ◆ Hallmarking
- ◆ Quality control
- ◆ Certificate of conformity by manufacturers.

The standard karatage in Pakistan, is "22", although most jewellery is suspected to be well below this figure. A "23 or 24 karat" jewellery is also available, particularly in the larger jewellery stores. In addition, jewellery of "21 carat" (mainly brought in by Pakistani workers from the

Middle East) is also widely used. 18 karat is available but not popular. During the last five years the trend in Pakistan had also shifted towards lighter jewellery with exceptions in the interior city. A slight preference towards modern designed jewellery is being adopted. Indian designs also have high demand.

Jewellery in Pakistan caters mainly for local demand. Due to the lack of quality standards or hallmarking conditions, it is difficult to judge the quality standards of the jewellery. Compulsory testing and marketing laws have become very necessary for export sales This causes a hindrance to the exports.

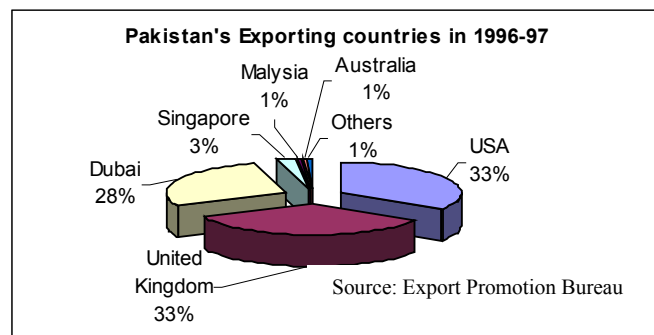
Pakistan Gold Jewellery Exports in US \$ Millions



Source: Export Promotion Bureau Report 1998

Export Markets

It is clear from the graph that the major jewellery exports from Pakistan goes to USA, Europe and Dubai, with 33 percent and 28 percent respectively. As mentioned earlier, Pakistan lacks



the assurance of proper karatage yet exports its product to United Kingdom where standards are extremely high. Concentration should more be on Dubai and Gulf States.

Pakistan has been investigating the possibility of opening an assay office, initially for exports, for a number of years. Delay in its establishment for jewellery exports is an expensive mistake. The main argument for institutional testing in the past has been the danger caused to an order, to

the manufacturing company's reputation and to the general standing of a country if the promised gold karatages was found to be substandard. As a result, not only is the order lost (returned at best, destroyed at worst), but future business is jeopardised.

Gift wear Segment

The gift wear market is another segment, which has tremendous potential and demand as they are targeted towards tourists. A lot of foreign earnings are earned by countries like India, Hong Kong, China, Turkey, Italy etc. Pakistan has a lot of tourists coming every year but unfortunately this segment has been totally neglected.

Design Schools

Throughout the world in the jewellery-exporting sector, hundreds of art-schools and trained professional institutions have emerged, displaying considerable expertise and innovative approach to jewellery designing. These design schools bring out new designers every year. In Pakistan no design schools have ever been established. Many jewellers who can afford the expense, go abroad and get degrees in jewellery manufacturing and designing.

Product Range

The international consumers highly demand bracelets, broaches, earrings, pendants and rings with intricate designs. As trends are changing and more women have started working, low price ranged small sets are demanded. Cuff-links, tie-pins, tie-clips and collar bars are being manufactured targeting men.

In Pakistan, all types of jewellery products are manufactured. The qualities of the products vary from high to low. The level of skills in Pakistan is comparable with quality products manufactured in other developing countries. The unfortunate part is that the people involved in this industry are unaware of the international styling requirements. Designs are often created by copying from design catalogues or by individual clients.

State of art machinery

The western world is bringing out new technology at a rapid pace. These machines, not only make the process of jewellery making easy but also allows for more creativity. Creativity is the most important element in the industry, which has to be supported by advanced technology. The

technological application helps in maintaining low production cost and high quality standard in efficient mass production.

CAD/CAM System

There is an increasing widespread use of electroforming in gold and other metals. Computer-aided design (CAD) and computer-aided manufacturing (CAM) have been adopted by many companies to diversify their designs and improve productivity.

The design, craftsmanship and quality of gold jewellery made in recent years is due to a lot of joint ventures arrangements. During the last few years China and Thailand due to the low labour cost have had joint ventures with Italy, France, Japan and many other.

Gold Demand in the key markets (in tonnes)

	1993	1994	1995	1996	1997	1998	1999
Gold Price (\$)	359.2	384.1	384.1	387.9	331.3	294.1	278.6
Pakistan	37	37	43	54	82	98	122
India	405	415	477	508	737	815	839
China, Taiwan, Hong Kong	420	434	427	374	407	315	343
South East Asia & Korea	341	411	446	455	318	111	384
Saudi Arabia	200	174	193	185	199	208	199
Egypt	56	63	67	76	98	104	125
Gulf States	82	88	105	118	142	144	145
Turkey	160	81	139	153	202	172	139
Americans	94	97	85	100	107	119	126
Europe	282	280	297	273	293	309	276
USA	296	301	315	332	362	428	460
Japan	220	212	272	152	107	110	121
WGC Market Total	2,593	2,592	2,866	2,779	3,054	2,712	3280

Source: World Gold Council

AN OVERVIEW OF THE PAKISTANI MARKET

Pakistan's jewellery sector is basically retail driven as little export is done. Lahore and Karachi are the hubs for jewellery manufacturing. Karachi, accounts for about 60% of the gold business and Lahore being the second largest centre in Pakistan. Of the typical annual consumption, roughly 10% is recycled gold. Dubai is the main exporter of bullion to Pakistan, with an additional amount of about 20 tonnes coming in directly from Switzerland. It is estimated that another 25 tonnes of bullion is imported through unofficial channels.

Trend of the Pakistani Market

The dominant reason for the purchase of jewellery in Pakistan is marriage, which is accumulated for this purpose over several years. With store-of-value being an important motivator, most Pakistanis prefer plain jewellery. As gold is perceived as a form of savings.

By weight, bangles and necklaces are reported by major urban retailers to account for more than 65% of demand. The range of jewellery items produced by the jeweller is very wide. The popular items of Pakistan's jewellery are

Teeka	Pendants
Bazuband	Jhoomer
Bangles	Nose Pin
Kara	Earrings
Ring	Balian
Pazeb	Necklace

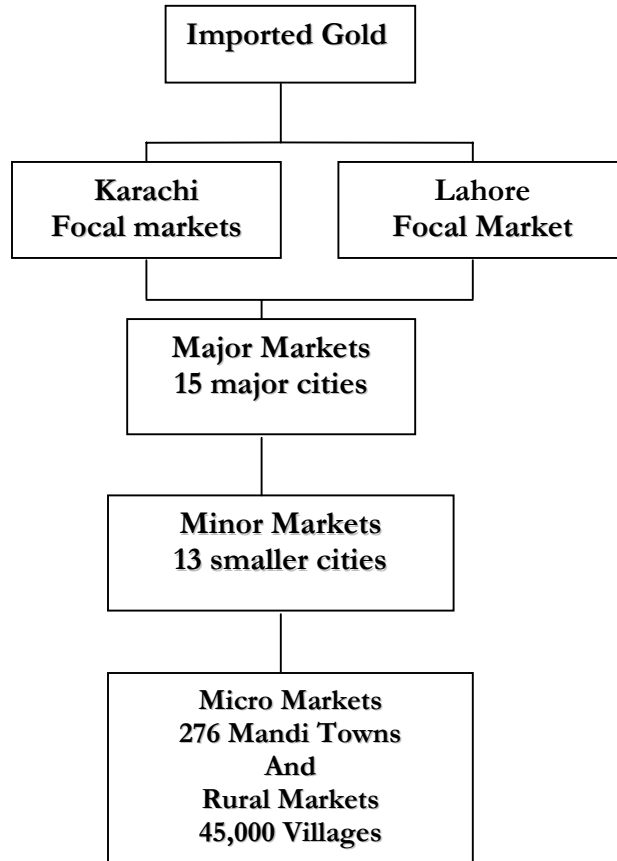
PAKISTAN INDUSTRY STRUCTURE

Each of the major cities of Pakistan has a “Sarafa Bazaar”, consisting of hundreds of small showrooms, bullion dealers and casting shops.

KARACHI **Zaibunisa Street (Saddar), Tariq Road, Hydery**
LAHORE **Gulberg, The Mall, Sona Bazaar**
RAWALPINDI **Muree Road, Mareer Chawk**

Jewellery retailers (Showrooms)	8,750
Jewellery manufacturers	
Skilled artisans	100,000
Fabrication units	22,000
Mechanised chain manufacturers	4
Jewellery wholesalers	20
Bullion dealers	
Major dealers	30
Other dealers	500
Refiners and bar manufacturers	
Major refiners	None
Other refiners	1,000
Jewellery exporters	
Significant exporters	6
Other exporters (sporadic)	300
Gold trade associations	
Significant associations	10
Other associations	500
Bullion importers	3

MARKET SEGMENTATION (A survey done by Techma)



In each of the major cities, there are other important groupings of trade entities. For example:

Focal Markets

As mentioned earlier, Karachi and Lahore are the two big markets for the production of jewellery and the largest sources of raw gold for all other Pakistani markets (The Focal Markets). Karachi jewellers sell about half of their total output to consumers in Karachi and about half to various distribution channels into Sind, Punjab and the N.W.F.P markets. In the same way around 1/3rd of Lahore's gold jewellery business is generated by Lahore's own consumers, while 2/3rd goes to Kasur, Raiwind, sheikhupura, Gujranwala, etc.

Major Markets

The gold jewellery trade in fifteen cities namely Peshawar, Hyderabad, Sialkot, Rawalpindi, Jhelum, Multan, Gujrat, Bahawalpur, Larkana, Sakkur, Faisalabad, Quetta, Mirpur, Gujranwala, Islamabad (The Major Markets) receive bulk of the raw gold and jewellery from Karachi and

Lahore. In these cities 60% to 90% of jewellery made/sold in Larkana, Rawalpindi and Peshawar is supplied to other smaller markets.

Micro Markets

Consumers within markets of Attock, Sargodha, Kohat, Nawabshah, Rahim Yar Khan (The Minor Markets) etc. account for the largest proportion of jewellery sold here. A small proportion is exported to the semi-urban and the rural markets (The Micro Markets).

Markets	Percent of total gold demand	People having workshops
Focal	49.3%	31.8%
Major	28.4%	66.2%
Minor	10.7%	88.7%
Micro	11.6%	89.2%

Source: Estimates of a field research by Techma

Demand	Tonnage 1998
Jewellery	85
Bars	2
Coins	1
Hoarding	6
Others	4
Total	98

Sources	Tonnes
Authorised bar imports(bullion)	35.0
Unofficial trade imports (bullion)	40.0
Unrecorded personal imports	01.0
Unofficial jewellery import	12.0
Recycling	10.0
Total Supply	98

Source: WGC and study by TECHMA 1997

Current Status of Pakistan Gold Jewellery Industry

1. Manufacturing Technology Level

Our gold jewellery industry as already mentioned is mainly cottage. The trade consists of small companies (generally up to 15 workers) with freelance craftsmen. The workforce still work in the traditional manner sitting on the floor at low benches rather than seated at conventional workbenches which are more comfortable and productive. The tools and technology is very basic. There is little use of electrically powered tools such as flexible shaft motors although many workshops do use locally made rolling mills, belt-driven by electric motors. Alloy melting is done by charcoal fires furnaces in air. Polishing is done by hand on crude electric motors. There is no modern casting machines or ancillary equipment.

If Pakistan is to be compared with India, one may analyse that in India the jewellery manufacturers targeting to the domestic market are also using the traditional primitive tools and manufacturing under poor working conditions. The metal loss during the manufacturing process is 2 to 8 percent where as in Pakistan the gold loss amounts to as much as 20%. Many of the goldsmiths in India also have limited exposure to the modern techniques and manufacturing methods but the export processing zone units have already created awareness about the advantages of modern jewellery manufacturing technology. The modern units in India are using high technology precision tools to help the workers produce millions of intricate rings, bracelets and earrings, for export purposes. In India the jewellery industry is making efforts in producing good quality products through innovative technologies for the international market at competitive prices.

Manufacturing processes for gold manufacturing

Refining

The refining process is done to convert old manufactured jewellery used for the production of jewellery products into new, modern designs. Each sarafa bazaar (gold market) has a few refiners. This refined gold then goes through the casting or pressing process.

There are a large number of gold refiners in Karachi and Lahore and these numbers are estimated at about 50 in each of these two cities. In addition other cities also have a few refiners. These refiners process about 150 to 250 grams per day of gold. It is estimated that the recycled gold comprises about 10% of the total gold demand in Pakistan.

Casting

In the jewellery manufacturing process, the first step is to cast the raw gold (biscuits/slabs) into the desired shape. The casting of gold is a mechanised process and requires the preparation of rubber mould of the article/ornament into which molten gold is poured. The cast article then goes through the processes of stone setting and finishing.

Pakistan was the first country in the region in early 1960s to introduce the casting process. Now there are approximately 50 casting machines in Karachi. These machines are old but still are in use due to the lack of technological upgradation.

Finishing

After the gold is cast or pressed formed into the desired shapes, the remaining process of hand crafting, stone setting and finishing is carried out in the manufacturing workshops. There are many manufacturing workshops in Pakistan, which are either attached with jewellery traders or operated by independent owners. For manufacturing of jewellery, gold is advanced to workers by the jewellers who then manufacture the given design. There are no major manufacturers in Pakistan due to which neither mass production nor branded jewellery exists.

2. SKILL MANAGEMENT

It is estimated that approximately 500,000 people are directly employed by the gold and jewellery sector. With a large number of manpower, and relative low costs labour, Pakistan can really boost its exports. Unfortunately there are no formal training institutes in the jewellery sector. Thus there is no way a new person entering this field can learn this art in a systematic manner. The same old ustaad chagird method of teaching is applied. A few leading shops have their own little training room where they teach students who are latter employed by the same shop owners. This training session is more of an on job training rather than formal teaching. The highest priority in the jewellery sector is to upgrade both the management skills and the technical capability of the workforce.

To make a name in the international market training should be provided in developing western style products such as earrings, neckwear, wrist wear and broaches, but with a Pakistani design ethos. There is still a role for hand crafted jewellery but these should be upgraded to work with modern tools and machines.

In India the artisans in the smaller groups are exposed to jewellery making at an early age of about 10 and then trained to learn different techniques. Over time they become competent goldsmiths. There are goldsmith communities spread over different states. In Bombay there is a move to educate and provide training on various aspects of jewellery making. Certificate programs of one-year duration and diploma course of two years duration are offered. In the organized sector training is imparted through apprentice programs. The number of skilled/technical personnel in the export-processing zone vary from 150 to 1,150. Some of the units in the export-processing zone are giving special training programs and eventually absorbing them in their units.

The importance of designing needs to be recognised. Jewellery is becoming increasibly fashion-oriented. In india jewellery design courses are taught at various institutions. The National Institute of Fashion Technology, Delhi serves as model that could be copied. In Turkey during the earlier years, design seminars were held resulting in the establishment of design departments by leading manufacturers. After some time the leading members of the sector started creating their own designs.

3. GOVERNMENT REGULATIONS

Regulations of the jewellery sector is one of the areas where not much attention has been paid. This is because the jewellery sector has never been given the status of being an industry. Effective and good regulations are joint efforts of the government with the private and public sector.

In the jewellery sector liberalisation of trade has become a vital issue. Too many taxes and other strict measures of imports and exports drive the sector underground, which causes loss to the government. Jewellery import is allowed at almost 43% duty, which is not lucrative to retailers while the cost of a carrier, from UAE to Pakistan is only 3%. It is due to the duties that the parallel jewellery imports take place. Italy and Turkey have benefited a lot from the liberalisation of trade. India is also struggling to catch up with the international market by liberalising its policies. Pakistan has never seriously tried to control or monitor the domestic gold industry. Since 1998 there have been attempts to levy GST on gold products, which has met with strong resistance.

It has to be highlighted that India has, in the meantime, surpassed Pakistan in liberalising its gold market. Due to this the long-standing gold smuggling route from Pakistan to India has almost stopped. If nothing is done on the regulatory issues, parallel exports and imports will continue creating a negative impact on the domestic manufacturing industry.

Pakistan due its government policies, high taxes and other barriers are facing a lot of problems. Along with all other barriers, no Pakistani banks or financial institutions have any role in importing gold. The approval to import gold is also with three bodies.

- ◆ ARY
- ◆ H.A Rahim & Sons
- ◆ Mohammad Al-Ramazan.

Loss of Revenue to the Government

The loss of revenue to the government of Pakistan due to parallel imports, is as follows:

Bullion	40 tons = 40,000,000 grams / 11.66 = 3,430,000 tolas	
	3,430,000 tolas x 1\$ =	\$3.43 Million
Jewellery	12 tons = 12,000,000 grams / 11.66 = 1,029,160 tolas	
	@ \$3 = 1,029,160 x 3 =	<u>\$3.09 Million</u>
Loss of revenue:		<u>\$6.52 Million</u>

Source: Estimates of The World Gold Council

Although the customs duty on Bullion is fairly reasonable, it falls prey to the local regulatory barrier, viz., income tax. If a retailer purchases bullion from an official importer, his purchases are documented.

Duty free import of specified jewellery manufacturing items

Since 1990, the Government has progressively authorised the import of specified items unavailable in Pakistan. This relaxation has been widely welcomed by the few major mechanised manufacturers in Pakistan.

Personal import of Gold Bars

In 1990, Pakistani residents and non-residents were permitted to import foreign gold bars up to 100 oz as part of their accompanied baggage on every visit to Pakistan, subject to 5% customs duty being paid. Now up to 5 kilos is permitted. For any amount exceeding, an import license is required. The cost is a deposit of \$10,000 as non-refundable fee and customs fees of \$1 per tola. However, official import volumes are reported as extremely low, due to regulatory barriers, such as high income tax on the gold traders.

Import of Gold Bars & Re-export as Jewellery

A facility to promote jewellery export, introduced in 1975, still applies. Jewellery exports, however, are reported as less than 1 ton annually. Jewellery exporters in Pakistan are not well supported by incentives such as gold loans and government training institutes as in the case of India. India's exports exceed \$6 billion annually while Pakistan's exports stand at \$7.5 million.

4. FINANCIAL SUPPORT

Pakistan does not give its jewellery sector any kind of financial help from any of the banks or financial institutions. With the passing of time corporate finance has taken on an increasingly important role in the management of jewellery companies. Financial help becomes extremely important in a highly fragmented sector, which has to compete with the external competition. One of the main hindrances in the development of this is the lack of it being recognised as an industry due to which none of the banks and financial institutions support.

5. ROLE OF INSTITUTIONS

The domestic market in Pakistan has high demand for jewellery. International institutions have played a very vital role in the development of this sector. Associations, technological bodies and export departments have influencing powers to compel the government in formulating policies and approving funds for the development of the sector. International associations as collective efforts send their members to international fairs and bear a certain percentage of the total expense.

Associations in Pakistan

The All Pakistan Gem Merchants and Jewellers Association (APGMJA) is the most important association in Pakistan. However, it has so far not succeeded in formulating a consistent development program for the trade at large. APGMJA claims to have approximately 750 members. It circulates newsletters at times, but publishes no trade magazine. It has never been involved in any kind of training, except for the one which was initiated by the World Gold Council in 1998. In Karachi, Lahore, Rawalpindi/Islamabad there are also several sizeable associations representing trade entities grouped together into retailing and manufacturing sectors, some numbering several hundred members.

Export Promotion Bureau

Export Promotion Bureau (EPB) is a government owned body. One of its responsibility is to promote trade by arranging exhibitions on an international level and setting up training institutions etc. Up till now seldom any exhibitions have been arranged. Most efforts have been made on individual level. Renowned retailers or private designers on occasional basis hold their own private exhibitions.

The All Pakistan Gem Merchants and Jewellers Association and the Export Promotion Bureau made one effort in approving funds of Rs.27 million for setting up a jewellery institute in Lahore. Up till now Rs.8 million have been allocated, but no sign of any institute is seen.

Unlike EPB, The Indian Gems and Jewellery Export Promotion council provides occasional short term courses of small duration in areas of jewellery designing and short courses on gold refining, jewellery making, casting, finishing, etc. In Hong Kong Jewellery Industry Technology Centre (HKJITC) and the Hong Kong Productivity Council (HKPC) play a pivotal role in co-ordinating the progress of major jewellery technology projects. HKJITC is also responsible for facilitating the efficient transfer of technological know-how to manufacturers in Hong Kong.

The World Gold Council

The World Gold Council, an international non-profit organisation has played many vital roles in helping up grading the countries jewellery sector. In Pakistan, on individual level fairs have been arranged in Karachi. WGC held a jewellery design contest throughout Pakistan. The design contest was targeted mainly to bring in new designers of different art colleges in the industry.

6. MARKETING

Marketing is one area where Pakistan lacks a lot. Marketing of gold jewellery is done individually by jewellery traders. A very selected number of people visit the world jewellery fairs. Export sales are made exclusively to Pakistani or Indian nationals abroad or to Gulf States where styling requirements are almost identical to the domestic market.

Following are a few ways how international companies market products.

- ◆ Exhibitions and Fairs
- ◆ Packing and Display
- ◆ Reward programs
- ◆ Joint ventures arrangements with marketing companies

PAKISTAN'S OPPORTUNITIES

In Pakistan, the jewellers are beginning to realise the importance of training in design and production of ornaments. They are becoming more and more aware of the new trends in jewellery design and are conscious of the fact that there is tremendous potential for the export of jewellery products to the Middle East, Europe and other parts of the world. Middle East is the most important market for export of jewellery from Pakistan as large number of Pakistanis work in the Middle East. Other countries consisting of U.K. and the U.S.A also import jewellery products from Pakistan.

Several factors make the industry attractive to the international market:

- ◆ High skills, resources and comparatively low cost labour;
- ◆ Easy access to markets in the Middle East and adjoining countries
- ◆ The industry is well established, with domestic market providing a solid platform;
- ◆ Skill levels are high;

RECOMMENDATIONS

The Pakistan gold jewellery industry has witnessed stagnation in its quality of manufacturing, which has reflected on the exports. Jewellery is exported on a very small scale by few manufacturers, which does not have a measurable impact on the economy. Any further neglect to this industry, especially on the manufacturing side, will result in a further deterioration of standards. This industry in the present state is seen as fragmented with no real investments being made to push it forward. Designs, marketing, manufacturing and distribution will remain this way unless proper measures are taken and executed.

Large investments will be required to adequately train individuals and to upgrade machinery. The latter can only be achieved by reinvesting the profits to a larger extent. The prerequisite is a smooth taxation system, charging reasonably low taxes.

The future potential and development of jewellery industry depends upon the following factors:-

- ◆ Development of facilities for the training of personnel in various skills specially design; crafts, quality assurance, marketing etc;
- ◆ The establishment of display centre for exhibitions;
- ◆ Establishment of design centre for the creation of new, innovative designs;
- ◆ Development of pilot production facilities;
- ◆ Development of facilities for standardisation, inspection, and quality assurance and hall-marking of raw materials end products;
- ◆ Development of joint ventures with European companies which will ensure the
- ◆ introduction of new designs and promote the export trade.

REGULATORY PROGRAMMES

To develop the jewellery sector in Pakistan the availability of finance is very important which needs to be greatly emphasised. If adequate finance is available, improvements in technology, marketing and working capital will automatically improve.

ROLE OF BANKS

One of the major reason for Pakistan's industry not flourishing is the lack of finance available. No Pakistani bank or even the State Bank of Pakistan has ever been involved in the import of gold. In countries such as Turkey, Italy, Malaysia, India and many others, banks have played an extremely vital role in the jewellery sector. What banks do is to add value to

their banking services for their clients in the jewellery business and provide loans, which are a substitute for the money loans. Banks additionally make a margin on the loans and commission on the letter of credit. Banks also get a large amount of foreign business because every transaction in gold is with a bank, where basically they are buying gold and customers are giving money in local currency. When gold is given out in consignments to manufacturers on behalf of overseas buyers, there is a charge for the delivery of gold.

To be competitive in the global market, soft loans and ready financing are essential. It will make a tremendous difference to the industry if gold jewellery fabrication is recognised as a priority sector by banks. SMEDA in this part can sell the idea to the State Bank of Pakistan and show them the potential of Pakistan in comparison with the international data and how the banks in those countries have made an impact in the upgradation of their jewellery sector. Loans will enable exporters to upgrade their technology and finance the heavy working capital requirements. These loans to the manufacturers should be given at a nominal rate and not at high percentage rate.

To promote any sector in the beginning, certain relaxation are given so that the sector may have space to mature. Before giving out loans proper satisfaction should be made by seeing the past record of the manufacturer. As done in Italy, proper monitoring should be done that the imported gold should be manufactured only for industrial use. A certain percentage should be kept for saving while the rest should be exported.

As mentioned earlier, most of our gold is consumed in the domestic market and only 1 ton is exported in the form of jewellery. This shows that the saving level of gold in Pakistan is extremely high. Taking advantage of this saving level, banks should introduce gold schemes as the already running Khas deposit schemes and other saving schemes offered by our banks for 5 to 10 years. The only difference will be that instead of currency, gold should be the medium of deposit. All other interest rates should be the same. In the jewellery sector, as done in Sri Lanka, the government should liberalise imports of precious metals exclusively for jewellery exports to make them more competitive in the world market.

Government can stimulate the move to export zones with tax and other incentives. Gold should be available from banks as loans and for outright purchases. This will assist the larger exporters in keeping the price of production competitive. To prevent the gold trade from staying underground, the government must continue to push forward the liberalisation in the gold jewellery sector.

Gold Import Via Personnel Baggage

The Government should allow personnel baggage gold import from 5 kilos to 10 kilos at the duty rate of bullion imports which is 5 percent. This would tremendously increase the import of gold and reduce the parallel imports which as already mentioned is presently giving a loss of \$6.52 million to the government of Pakistan. With the increase to 10 kilos in India, the collection of custom's duty rose from US\$66 million in 1992 to US\$ 483 million in 1996.

Elimination of the US\$ 10,000 Deposit

A certain relaxation or in a better situation the removal of deposit required of US\$10,000 for imports is needed. As the importers are not permitted to buy foreign exchange from the State Bank of Pakistan, the US\$10,000 deposit is not feasible and causes a hindrance for the market development.

TECHNICAL SUPPORT PROGRAMMES

The jewellery industry in Pakistan needs a fine balance between technology and handcrafting. SMEDA can contribute in the technical programs by collaborating with the polytech and the vocational training institutes to provide vocational guidance to the artisans, upgrade their techniques and make their process efficient, as they are a very strong asset. To enhance the technical capability, formal, structured training, leading to nationally recognised vocational qualifications, in both traditional goldsmithing skills and modern production technologies, is essential to the future viability of the industry. This should cater for both the industry people and school leavers.

Technical Seminars

Technical seminars are very essential in enlightening people of the latest know-how and how Pakistan can meet those requirements. In Turkey and India during liberalisation, to bring awareness to people, technical experts were brought in to evaluate the current state of the technology. The World Gold Council sponsored these technical seminars. Taking advantage of their technical expertise, similar workshops could be arranged in Lahore and Karachi for labours and manager level position. These seminars would not only give people a direction but would also enlighten people with the latest international requirements.

Designing Courses

Pakistani jewellery has remained traditional because of lack of designers. Most of the jewellery manufactured is aimed at overseas Pakistanis and Indians. Proper designing

courses should be introduced in art colleges like National College of Arts and the Fine Arts Department. It is important to expose a few talented designers to jewellery shows abroad. There must be exchange programs for talented designers to study in different international markets and the industry should absorb them. More of designing competition should take place. This sort of exercise not only brings out new talents but creates motivation amongst new people who have an abtitude towards this field. The previous design contest sponsored by the World Gold Council was held in The National College of arts.

INSTITUTIONAL SUPPORT PROGRAMMES

Institutional support like all other programs can make an incredible difference. If institutes are strong, they can persuade the government to amend certain regulation for the prosperity of the sector.

The approved jewellery institute in Lahore by the Export Promotion Bureau is lying vacant with no proper set-up. SMEDA should work on the project by setting it up in an organised manner and creating a proper curriculum for it.

SMEDA should also in collaboration with the jewellery association and the World Gold Council arrange seminars and jewellery exhibitions at a national level.

MANAGEMENT SUPPORT PROGRAMMES

There is also a need for training in upgrading management skills in modern production technology, financing, marketing, retailing etc. This can be done by short courses and lectures from invited experts. From the international point of view, the jewellery trade has fallen well behind the position it had in the previous years. Education, entrance of new manufacturers and educated staff is needed. The efficient way to start is by jewellery institutes, which could also become an information source for:

- ◆ Experienced workers
- ◆ Newcomers to the trade

The Pakistani Gold jewellery industry as already mentioned is not moving with the fast track companies in the jewellery- industry, thus all aspects in jewellery manufacturing need attention. If considerable efforts is made on one area, say designing and not on techniques, no significant progress could be made. Emphasis should be made on the following:

- Improvements in all manufacturing areas from master making to finishing

- Introduction to up dated equipment and modern systems
- Design

The jewellery institutes should not only have classes but should also perform other related functions such as

- ◆ Public lectures and exhibitions of work
- ◆ Equipment trade shows
- ◆ Design shows
- ◆ Library (books on technical aspects and designing)

The objectives of these institutions should be to provide systematic education in jewellery to enhance the quality of the Pakistani Jewellery product on par with the international standards. These institutions would not only create employment opportunities for the craftsmen but also earn a lot of foreign earnings, as there is enormous potential for exports.

The new jewellery institutes approved for Karachi and Lahore are lying vacant, with no planning and proper curriculum. These institutions are a promising start but need equipment, staffing and an independent board. Support from both government and the private sector is needed.

The training centre should have a proper layout and a definite timetable of at least three years, the minimum time for it to prove its benefits to the industry. The trained people then should teach the coming students. This would not only increase employment but would also produce for of skilled and polished people.

Importing countries have a strict quality requirement for the jewellery imports. The quality of jewellery in terms of karatage needs to be better guaranteed. This should preferably be done by National hallmarking regulations and government control consistent with international standards. This is very essential for exports.

An important infrastructure improvement could include setting up new integrated jewellery industrial zones with manufacturing units to modern standards suited for jewellery production. Special concessions should be given for setting up jewellery units. Tax holiday for five and low rate loans, for setting up of gold jewellery factories employing more than 10 people should be available.

MARKETING SUPPORT PROGRAMMES

To enhance Pakistan's' image in the international markets, image building should be done through affiliations with well-established international schools and institutions. Collaboration with training institutes in China, Sri Lanka and Thailand could be made possible due to our friendly relations with them. Target a limited number of countries for exports with proper planning. To become a successful exporter there is need to understand the targeted market and its needs. A "Pakistan" brand needs to be established that has credible standards of quality and design. The Pakistani jewellery needs to have a coherent quality image. To learn the western tastes in jewellery, it is useful to start with targeting tourists visiting Pakistan.

The government should conduct a proper research and develop a database, with a facility to update. The following information and services should be available:

- ◆ Domestic demand
- ◆ Official and parallel estimates
- ◆ Brand tracking, qualitative study
- ◆ Global information on consumption and new developments
- ◆ Rules and regulations and contacts in Pakistan for development of the jewellery trade
- ◆ Monthly update system for local and quarterly for international
- ◆ Easy access to all

SMEDA should launch a newsletter regarding jewellery so that the industry could be made aware of the different technical, marketing and regulatory aspects in comparison with the international scenario of jewellery industry.