It’s Good Time To Invest in Jewellery Industry

বাজুস

BANGLADESH JEWELLER’S ASSOCIATION

বাংলাদেশ জুয়েলার্স এসোসিয়েশন

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The history of gold jewelry in Bangladesh is ancient. Artisans in Bangladesh have been creating intricate gold ornaments since time immemorial. When Arabian traders came to this land for commercial purposes thousands of years ago, they were fascinated by the craftsmanship of gold ornaments and muslin textiles. Since ancient times, the gold smithery of Bangladesh has received worldwide acclaim.

Gold is the most widely used metal in ornament worldwide, and Bangladesh, like Dubai has the potential to be a hub for gold business. Now, all that is needed is policy support and a declaration as a thriving industry to boost this sector. The government has set an ambitious $100 billion export target by 2026. To achieve this target, the jewelry industry can function as a key driving force. This industry can emerge as a crucial source of employment, with the current workforce reaching around 2 million. In the next few years, the industry has the potential to create employment opportunities for 4-5 million people.

The future of Gold Industry in Bangladesh looks promising and with necessary government support, it can revolutionize the economicland scape of the country. It is time to make pragmatic decisions regarding this sector,ensuring that the potential of this industry is not lost.

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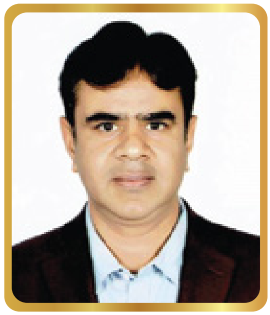

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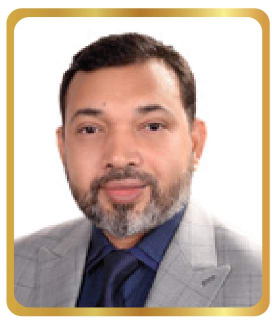

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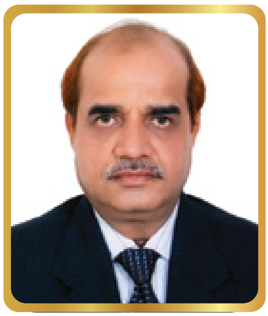

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It's Good Time to Invest in Jewellery Industry

Sayem Sobhan Anvir
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Bangladesh Jeweller's Association-BAJUS

Bangladesh has a large number of skilled goldsmiths of international standards. There are about 40,000 jewellery establishments across the country. The industry employs around 5 million people. With Prime Minister Sheikh Hasina's guidance and support, the country's economy can witness a sea-change in the next five years.

Soil and gold never decay. Instead of going down, the price of these two increases all the time. Those who have been closely associated with the jewellery industry in the country for a long time, have a lot of experience. However, this experience is mostly limited to trading in the jewellery sector. They didn't emphasise on industrialisation of the jewellery sector though there is a huge demand for handmade gold ornaments in the global market.

When the entrepreneurs of the readymade garment (RMG) industry of Bangladesh started exporting in the early eighties, many people may not have imagined that Bangladesh would be at the second position in the world in exporting garment products. Applauding this achievement of the RMG industry, I want to say strongly that there is a lot of potential in the jewellery industry of the country. I firmly believe that the exports of this sector will surpass the apparel industry. Apart from domestic markets, we have a large global market in the jewellery sector. This potential market has no chance of getting smaller. Rather it will be bigger in the future.

There are about 40,000 jewellery establishments across the country. I would like to say to the entrepreneurs of these business establishments that this is the golden time to invest in setting up factories for exporting jewellery products of Bangladesh. I also urge the experienced entrepreneurs of other export-oriented industrial sectors to use the experience of almost a hundred year of the jewellery sector and open a new horizon for export. Foreign companies are showing immense interest in setting up export-oriented factories in the jewellery sector of Bangladesh. World renowned jewellery brand Malabar has officially started setting up their factory in Bangladesh. I call upon the Bangladeshi entrepreneurs to perceive this possibility.

Bangladesh Jeweller's Association (BAJUS), the country's traditional trade organisation, is ready to support entrepreneurs interested in setting up factories in the jewellery sector. We want to make further progress. There are many hurdles in the jewellery industry. I request the concerned people to remove these obstacles.

We hope that all the problems of the jewellery sector will be resolved under the guidance of honourable Prime Minister Sheikh Hasina. This sector will not improve without her intervention. Besides, my request to the jewellers all over the country - all of you should look into setting up jewellery factories. For those of you who have been trading for so long, it is time to focus on industrialisation.

We now want to move towards exports. All of you build factories one by one. Let's make the country rich by exporting. Let's improve this industry. The jewellery industry in the country should be further expanded and jewellery export should be developed. Basically my aim will be to expand the jewellery industry. In this case, I will identify the VAT and tax problems and try to solve those. We will make Bangladesh a jewellery exporting country. Through the export of jewellery products, Bangladesh will take one more step towards building the Sonar Bangla (Golden Bengal) dreamt by the great architect of Bangladesh and Father of the Nation Bangabandhu Sheikh Mujibur Rahman. Bangladesh will stand tall on the global stage.

I attended the two-day jewellery expo titled 'Sonar Bangla' organised in honour of Bangladeshi jewellers in India's Goa on June 28. There, I called on Indian businessmen to invest in Bangladesh and said that Bangladesh has skilled goldsmiths and India has skilled designers. We can do joint marketing by utilising these two types of capabilities of the two countries. If the two neighboring countries work together, we will be on top of the world in the jewellery industry. No one can stop us.

In several bilateral meetings with me, India's top jewellers have expressed interest for joint investment in setting up new jewellery manufacturing factories in Bangladesh. They also appreciated the jewelleries made by Bangladeshi artisans. Businessmen in India want to come forward with technical and technological support.

India is far ahead of Bangladesh in the jewellery sector. Bangladesh is now trying to stand up. My hope is that India extends its hand of cooperation to Bangladesh as our close friend and neighbour. Indian jewellery traders have been invited to set up manufacturing factories in Bangladesh. If Bangladesh and India work together, the business of both countries will improve. As a result, we will be able to expand our business more than any other country in the world.

A Matter of Hope is that the world renowned jewellery brand Malabar has already set up a manufacturing factory in Bangladesh on July 29 with the aim of exporting jewellery products from Bangladesh. I am quite optimistic that many more foreign companies will soon invest in the jewellery industry of Bangladesh.

Bangladesh has a large number of skilled goldsmiths of international standards. There are about 40,000 jewellery establishments across the country. Employment of around 5 million people is involved in the industry. With Prime Minister Sheikh Hasina's guidance and support, the country's economy can change in the next five years.

Prime Minister Sheikh Hasina is working tirelessly to continue the progress of economic self-reliance and development of the country. It is possible to further advance this progress by establishing jewellery industries. Bangladesh, a country that was slandered as a 'bottomless basket', is now rising to the ranks of developed countries through the hands of Bangabandhu's daughter, Prime Minister Sheikh Hasina.

Many artisans of the country's jewellery industry are working in different countries of the world. The world is appreciating their works. These workers can take Bangladesh forward with their labour and talent in the jewellery industry. For this, jewellery factories have to be set up in the country. Now if such factories are established in the country, the goldsmiths working abroad will return and work there. Bangladesh will earn foreign currency by exporting their manufactured ornaments abroad.

I have visited the jewellery industry of different countries of the world and talked to many skilled craftsmen. Many people go to other countries without getting good working opportunities and environment in Bangladesh and are working there to make world class ornaments. Especially many Bangladeshi Hindu artisans areworking in India and Dubai. If it is possible to develop this industry in the country, then the heyday of the native artisans will return.

Besides, goldsmiths working in different countries of the world will be able to come back and work in the country. Skilled artisans of the gold industry are now not getting work while many are leaving this profession of their predecessors and moving to other professions. Many are living inhumane lives with their families.

Gold smuggling has not stopped even after 50 years of independence. According to the media, gold is being smuggled every day despite the sincere efforts of the government and law enforcement agencies. At present, 90 percent of the gold is smuggled into the country. This is depriving the government of a huge amount of revenue. All the law enforcement agencies involved in the prevention of gold smuggling, especially the members of customs, police, BGB and RAB and other agencies, are carrying out extensive activities in this regard. I request them to strengthen these activities. Smuggling of gold and laundering of the country's money will be stopped through the effective role of law enforcement agencies.

The biggest calumny of the jewellery industry in Bangladesh is that no valid documents are exchanged for buying and selling gold at the wholesale level. It means the whole process of buying and selling is illegal. This is a huge problem. Owners across the country need to unite to settle the problems of the jewellery industry. If all the jewellers of the country become members of BAJUS, an order will be ensured in the sector. The present BAJUS leadership is working to develop an international image of the organisation and make it organisationally strong and dynamic.

The problem of a jeweller in the country is a problem for all of us. The problem of VAT in the jewellery sector needs to be settled. Harassment must stop. For this purpose BAJUS should be strengthened to solve the problems of the jewellery sector. Jewellery traders across the country should get united.

Jewelry Industry in Bangladesh
A sector with tremendous export potential

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Introduction
In villages and towns all across the country, some 100,000 jewelry craftsmen (artisans) slog away with traditional implements in small shops carving out gold and silver jewelry that adorn our women folk of all ages. In larger cities like Dhaka, jewelry stores are more chic and trendy retail outlets. With average incomes rising demand for jewelry is growing, perhaps faster than income, as Bangladesh's income Gini coefficient shows that the share of income of the rich is rising faster than that of the poor inequity is an unfortunate feature of Bangladesh's prosperity. Expenditure on jewelry is therefore clearly skewed in favor of high-income groups. Nevertheless, it is an industry on the rise. Bangladesh is expected to become the world's 9th largest consumer market by 2023, according to projections of Boston Consulting Group. That implies substantial increases in expenditure on jewelry made of precious metals like diamonds, gold and silver.

Jewelry production is part of the manufacturing sector in which export oriented production is gradually becoming predominant. Therefore, the focus of entrepreneurs and retail businesses in this sector should not be limited to the domestic market, no matter how profitable and dynamic that might appear. The domestic market is not match to the world market for gold and diamond jewelry which is vast, approaching $200 billion in nominal US dollar prices.

Most importantly, the making of jewelry in Bangladesh is still a highly labor-intensive process and Bangladesh is well endowed with the skills required to design and produce jewelry. Just as the success of the readymade garment industry was described as the 'triumph of comparative advantage', this industry is also waiting to become a success story of the future if the right export-oriented policies are adopted now. Bangladesh's share in the world market is miniscule, which means, in principle, our exporters do not face any demand constraint. Yet, jewelry entrepreneurs are facing significant hurdles in producing and marketing their products competitively for the world market where competition is fierce and small margins make the difference between gaining or losing markets.

Finally, export diversification has become Bangladesh's major challenge on the export front. In this context jewelry export presents a promising prospect of growth at a fast pace provided policies are set right. A few policy measures discussed later could open the door for significant expansion of jewelry export giving traction to the drive for export diversification.

Global scenario and key regional players

History reveals that humans have been adorning themselves with all things shiny since prehistoric times. The earliest records of such trinkets include seashells, animal bones, obsidian, pearls and so on. Evolving through the Bronze-Iron Age to the modern, industrialized world, mankind has found ingenious ways to beautify themselves. In the modern world, we have moved on from naturally occurring objects like bones and raw gems to manufactured and intricately carved precious metals and gem & rhinestones. What is even more amazing is how science has enabled us to bend nature to our will and create artificial gems and metals by introducing various combinations of minerals in laboratory conditions. Such advancements in science and technology have momentously transformed the global jewelry and gems industry into a multibillion-dollar *monolith.*

Countries with historical expertise and strong traditions in jewelry-making are the current big players in the global jewelry industry. For example, China, India, Thailand, etc. So where does Bangladesh fit in? This region has a rich history of jewelry manufacturing since ancient times. Ornaments made of gold, silver, pearls and gemstones have been found in excavation sites like Mahasthan, Mainamati, and Paharpur, which display sophisticated craftmanship and skill. In Bangladesh, it has long been customary to wear unique jewelry on various body parts, especially during special occasions like weddings, pujas, Eid, etc. Intriguingly, jewelry was important not simply as decoration but, more importantly, as a security against unanticipated calamities.

In 2021, the global jewelry trade reached a total value of $93.5 billion. China emerged as the largest exporter, with jewelry exports worth around $11.8 billion. After China, the next countries on the list are India and Switzerland. They exported $10.7 billion and $9.35 billion, respectively. Moreover, world diamond jewelry market in 2021 stood at $87 billion. After a sharp drop in 2020 due to Covid-19 world demand started picking up and is expected to resume earlier levels and rise with world income.

A look at the state of the jewelry industry among regional and global players provides interesting insights about the state of play. It also throws light on where Bangladesh stands in the world of jewelry and how Bangladesh may carve out a niche in this lucrative and growing market.

India

India's jewelry and gems industry accounted for 7.5% of GDP and 14% of merchandise exports as of February 2021. This diversified sector includes gold, diamonds, silver, lab-grown diamonds, and synthetic stones, with a market size of US$78.50 billion in FY21. With a 29% share, India dominates the global diamond export market. The country also actively exports silver-cut diamonds and laboratory-grown diamonds in large quantities. In 2021, India exported jewelry worth $10.7 billion which is a substantial rise from the previous year (a 66.7% growth compared to 2020).

As a result, India has become the second-largest jewelry exporter globally. India's major export destinations for jewelry include countries like the US, the UAE, Singapore, and the UK i.e., countries with large Indian/South Asian expatriates. Moreover, the Indian gems and jewelry sector received a significant amount of foreign direct investment (FDI) in the year 2021-22, around $58.77 billion, which is a good sign for its future growth. It is projected that the industry has the potential to reach a value of $100 billion by 2027.

Thailand

Thailand has gained significant recognition in the international jewels and jewelry market due to its expertise in refining gemstones, specifically sapphires and rubies. In fact, Thailand is the sole processor of more than 80% of the world's rubies. Additionally, the nation has distinguished itself in the production of jewelry, functioning as a center for Original Equipment Manufacturer (OEM) activities and outsourcing for international brands. Thailand's gems and jewelry sector includes several small and medium-sized firms in gemstone enhancement, manufacturing, and sales. The Thai government promotes the industry by exempting VAT on unprocessed diamond imports and hosting the International Chanthaburi Gems and Jewelry Festival. In 2021, Thailand's jewelry exports reached an impressive $3.45 billion, making it the 10th largest exporter of jewelry globally.

United Arab Emirates (UAE)

The UAE is a hub for the global jewelry industry. In 2021, the UAE exported jewelry worth $7.76 billion, ranking as the world's fifth-largest jewelry exporter. Notably, the UAE's versatility in catering to diverse customer preferences and markets was reflected in jewelry being the 7th most exported commodity from the country. UAE mostly exports and re-exports imported jewelry to neighboring

Countries in the Middle East and to some European countries. Recently, the UAE has turned into a tourist hub for the West and the East alike. Because of this, it imports a wide variety of jewelry from different parts of the world and then sells it within the local market. In 2021, the UAE ranked as the third-largest importer of jewelry globally. With a sizable South Asian population living within its borders, UAE experiences a large demand for Indian jewelry. Unsurprisingly, they imported the most jewelry from India in 2021.

Jewelry Industry in Bangladesh

Production, export and domestic market

The jewelry industry is a budding industry in the manufacturing sector of the country. Bangladesh Jeweller’s Association (BAJUS) estimates the size of the jewelry market in Bangladesh (excluding imitation/costume jewelry) at about Tk. 100,000 crore (US $10 billion).

Considering that jewelry is a precious, high-value article, the market is not very large. In comparison, the market size of sweets is estimated to be around Tk. 20,000 crore (US$ 2 billion), whereas the size of the footwear industry is around $407 million according to estimates of Apex Footwear Limited.

Bangladesh is not a very big exporter of jewelry, though it could be. If India could become the second largest exporter of jewelry in the world, there seems no justification for Bangladesh to remain so far behind. According to the Export Promotion Bureau (EPB), Bangladesh exported $578,842.4 worth of jewelry and jewelry-making materials (HS 71) in FY2023. Among these, imitation jewelry worth only $112,350.34 was exported. This is by no means a reflection of Bangladesh's export potential from the jewelry sector and represents a tiny fraction of world demand. According to the 2022 report of the World Gold Council, the demand for gold in the world market was 4,740 tons. Among them, the demand for gold ornaments was 2,189.8 tons, approaching US$100 billion in value.

Compared to the size of the Bangladesh market, global demand for gold ornaments is vast. Given that Bangladesh has strong comparative advantage in labor-intensive production growth of jewelry exports could generate substantial employment around the country in Micro, Small and Medium Enterprises (MSME) which make up the vast majority of jewelry enterprises. However, the export-orientation and growth of the sector are impeded by several policy challenges that need to be addressed on a priority basis.

In essence, the quality and value of an article of jewelry mostly hinge on the skill and aptitude of the artisan. Bangladesh has a long and rich history of jewelry making. Most traditional jewelry businesses are family businesses passed down from generation to generation. Although the demand for jewelry has always been high in this region due to deeply rooted cultural factors and customs, the wages of the jewelry artisans have remained low. BAJUS reports that there are around 100,000 workers currently working in micro, small & medium enterprises (MSMEs) all around the country's various jewelry-making clusters. In total, there are about 440,000 people either directly or indirectly employed in the jewelry industry of Bangladesh. In most cases, these workers, although skilled, are not paid enough to encourage the entry of a new generation of artisans. Without the new generation taking interest in the jewelry-making art, the sector will not sustain itself and will not grow to its true potential. Therefore, improving the livelihoods of the artisans is a pressing need at this time.

Challenges and Way Forward

First of all, as in many other prospective sectors, import tariffs on inputs and outputs need to be rationalized. Since Bangladesh has scarcely any local source of gold and silver ore, they need to be imported in order to make jewelry. But the immensely high tariffs act as a significant constraint to the production of jewelry. As a result of these steep tariff rates, the price of jewelry is found to be significantly higher than the world market price. Additionally, the government has currently imposed 5% and 10% custom duties on imports of raw and partially refined gold ore respectively, which raises the import cost of raw materials. Additionally, the lack of specific tax rates on imports of rough diamonds limits the regulation of the diamond cutting and polishing sector, a key component of the jewelry industry.

According to BAJUS, currently, rough diamond (a primary input) imports have the following tariff and para-tariff rates: CD- 25%, SD- 2%, VAT 15%, AIT- 5%, RD- 3% and AT- 5% (with approximate Nominal Protection Rate (NPR) at 48%). On the other hand, polished diamond (an output) imports have the rates: CD- 25%, SD- 60%, VAT- 15%, AIT- 5%, RD- 3% and AT- 5% (with approximate NPR at 103%). Apart from these, polished diamond imports also face a 40.76% import invoice tax in Bangladesh. In comparison, our neighboring India only applies 10% import invoice tax. Notably, 100% of the diamonds used for making jewelry are imported in Bangladesh. Therefore, a key pillar of the jewelry industry is extremely dependent on imports which is basically dictated by the highly protective tariff structure. This tariff structure is inconsistent with the objective of stimulating exports of diamond jewelry.

One of the cost-effective means of importing gold was through air passengers coming from the Middle East and other countries under baggage rules. In the current budget of FY2023-24, the government has halved the amount of gold air passengers can carry from 234 grams to 117 grams while also doubling the import duty. The import duty has been made such that each passenger will have to pay a total of Tk 4,000 for every 11.664 grams of gold they carry. That is equivalent to an ad valorem tariff rate of about 5%, which was only 2.5%. This further raises the cost of production and hinders the supply of scarce raw materials for the jewelry industry which by and large runs on informally imported gold.

Moreover, by observing the tariff structure of the known inputs in the jewelry industry such as ores, powders and chunks of gold, silver and platinum and various polished/unpolished gems and pearls (diamonds, rubies, sapphires, emeralds, etc.); we estimate the average NPR to be around 14%. On the other hand, finished jewelry articles made of these precious metals and gems have an average NPR of 28%. This wedge in input and output tariff rates gives a decent rate of effective protection to the jewelry industry, though much less than what is provided to, say, biscuit, footwear, or ceramic industry (all get in excess of 100% ERP). In my view, if jewelry exports are to be encouraged there should be a balance of incentives between exports and domestic sales. High effective protection serves as a disincentive to exports by raising the profitability of domestic sales above profits from exports. Moreover, despite being considered a Special Development Sector in the National Industrial Policy 2022, the jewelry industry still does not receive any sort of cash incentive for exports.

Despite its rich legacy and potential, Bangladesh's jewelry sector confronts a number of problems that limit its growth and competitiveness. The restriction imposed by the government on the importation of 24-karat gold is one of the most significant obstacles. This restriction hinders production processes, as artisans often require high-quality gold for crafting intricate pieces. Furthermore, the growth of the industry is hampered by a lack of government support, such as tax benefits and letter of credit provisions. The presence of a 5% VAT on gold, gold jewelry, silver, and silver jewelry contributes to the high cost of production that already exists in the sector.

Furthermore, the competitiveness and export potential of the gold jewelry industry are negatively impacted by the fact that the price of gold and gold jewelry in Bangladesh is normally 5-10% higher (around Tk. 8,000 to Tk. 10,000 higher) than the world price due to the tariff structure. These price differences put Bangladeshi jewelry at a disadvantage in global markets. The situation is further complicated by the notable disparity in tariff rates between Bangladesh and its neighboring nations, such as India and Sri Lanka, which impedes trade and undermines the industry's potential for growth. So, all in all, the current environment in the jewelry industry is not conducive to a shift towards an export-oriented sector. Hence, there is much work to be done.

Finally, there is a lack of organization within the jewelers of the industry. There are various clusters of specialized jewelry makers who are concentrated in specific regions of the country. And in most cases, these jewelers are not associated with the jewelers in other parts of the country. This lack of organization is a hindrance to the creation of a unified manufacturing cohort which could potentially be a lucrative export powerhouse. However, there is the Bangladesh Jeweller's Association (BAJUS), which is a governing body of the many jewelry artisans of the country who are representing a significant portion of the jewelers and the jewelry sector. According to BAJUS, there are over 40,000 jewelry shops currently operating in Bangladesh of which 21,000 are members of BAJUS. A larger and more inclusive membership of the national jewelry association will surely give them more strength for collective action on various problems and issues that the industry faces in its day-to-day operation and for future expansion.

In conclusion, it is important to first acknowledge that the enormous potential of the jewelry industry is still going unexploited. Jewelry production is a labor intensive activity that is fully consistent with the nation's comparative advantage. Like the readymade garment industry, it should be given the facility to import inputs at world prices (i.e., duty free) through appropriate regulatory controls rather than creating impediments to imports.

Yet, the jewelry industry of Bangladesh faces a multitude of challenges that include regulatory restrictions on gold and diamond (which are the primary inputs) imports, a lack of supporting policies for turning the industry into an export-oriented sector and issues related to import tariffs, restrictions, and taxation. It is imperative for the government to facilitate the growth of the sector by implementing rationalized input-output tariffs and providing proper regulatory support. These measures are essential in order to fully realize the industry's potential, increase its international competitiveness, and facilitate its more substantial contribution to the economy, an opportunity this sector overwhelmingly deserves.

Dr. Sattar is Chairman, Policy Research Institute of Bangladesh (PRI). Competent research support was provided by PRI Sr. Research Associates, Tasdid Mohammed Fayed, and Karisa Musrat.

Prospects for the Gold and Jewelry Industry in Bangladesh and Financing Challenges

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The Gold and Jewelry Industry (GJI) can become the second prospective thriving sector after the RMG sector in Bangladesh. This Industry is a missing revolution for Bangladesh which the government policymakers failed to foresee the same way they missed the prospects for the Readymade Garments (RMG) sector. Fair financing for GJI is absent just because the government policies toward GJI are self- contradictory, defective, myopic, and unfair. Appropriate VAT, custom duties, and tariffs along with supportive financing policy can awaken the sleeping lion of Bangladesh's gold industry. The gold jewelry industry can usher in golden opportunities in high value addition and job creation in an unemployment- prone Bangladesh.

The history of gold and jewelry suggests that South Asian countries cherish a great tradition of jewelry artistry with gold, silver, diamond, and other precious metals. The four epics of the world, which go back to five thousand years BC, testify to a vibrant presence of jewelry and a healthy patronage for jewelers by the monarchs, kings, and queens. Two epics of them belong to the Indian subcontinent and they evidence the widespread use of gold ornaments across various income groups. Jewelry and gold have never lost their appeal since then and will continue to remain so in the future as history guides us accordingly. Gold is an essential item in almost all weddings and festivals for both rich and poor by symbolizing both prestige and security. The US abandoned the gold standard in the early 1970s, but it stores the highest amount of gold with its central bank. European countries along with the two emerging giants India and China are getting more careful to augment their holdings of gold as a symbol of financial stability.

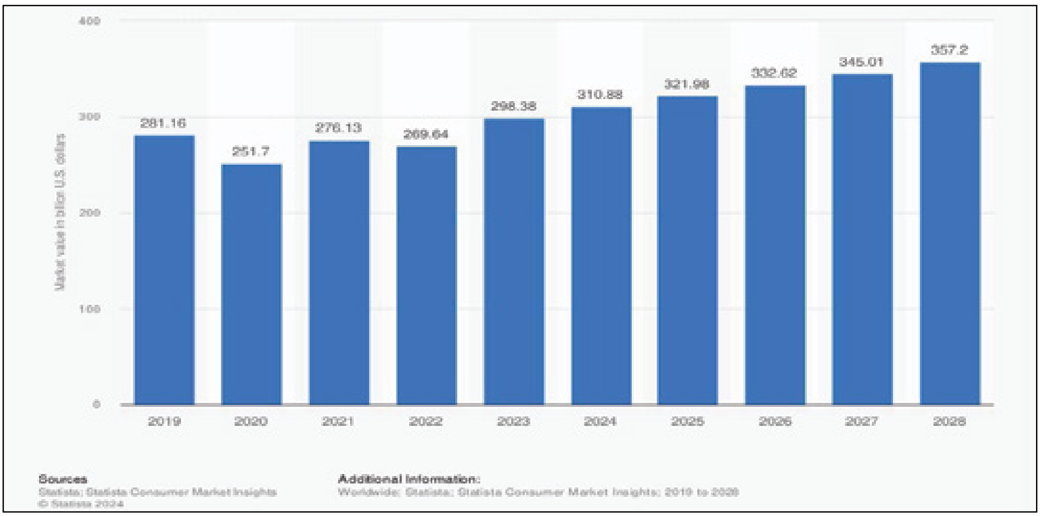
Historically, Bangladeshi policymakers have often failed to understand what gold means. It is not simply a glitery metal mainly used for ornaments. The gold industry has its intrinsic power of sustainability despite the government's restrictions on its expansion. Gold and jewelry products proved their resilience even being treated as a clandestine industry. While India's governments understood the gravity of gold and the future of the market, Bangladesh's jewelry industry has remained like a Cinderella in the Bangladesh government's outlook. Policymakers never saw the immense prospects of the gold industry in Bangladesh the same way they never saw the prospects of the garments industry in the 1970s.

Figure 1: 30-Year Global Gold Price Per Ounce = 28.35 Grams

It took Bangladesh half a century to make a gold policy which is still immature in promoting the business of jewelry. Policymakers failed to understand that gold is more powerful than taka or the dollar. Gold is an asset in the wealth portfolio. It is simultaneously an asset for saving, investment, and insurance. Figure 1 suggests gold's superiority over dollar or taka. The data of the last 30 years suggests that gold's value must increase over time in the long run. Gold is the most reliable asset for insulating against recessions or any crises. During the 4 Global Greats, gold always gained value. They are the 1) Great Depression of the 1930s 2) Great Inflation of the 1970s 3) Great Recession of 2007-2009, and 4) Great Pandemic of 2020-2021. Investors and households resorted to gold when currencies, particularly the dollar, lost their purchasing power. Gold is an insurance particularly for women – rich and poor – against unpredictable events in life. Gold's intrinsic value and inflation-proof shield made it a truly reliable asset. Gold's value addition is perpetual is always to stay. This is not necessarily true for other commodities, currencies, or industries. Holding gold for the last 20 years had given 8.43 percent growth. The jewelry industry is growing at 4.4 percent per year which is outpacing the global GDP growth rate of 2.9 percent.

Figure 2: Global Revenue of the Jewelry Industry in Billion Dollars

Figure 2 shows global revenue on gold and jewelry, suggesting the consistent rise in revenue, which is arguably an indicator of rising profitability as well. The top six gold reserve-holding countries include the US, Germany, Italy, France, Russia, and China. Gold was the sixth most traded commodity globally in 2020. Global gold demand was 4740 tons. Forty-six percent of this total demand, i.e., 2190 tons, was comprised of jewelry or ornaments, amounting to $100 billion in that year.



The global jewelry market size was valued at $216.48 billion in 2022 and is projected to grow from $224.38 billion in 2023 to $308.36 billion by 2030, exhibiting 4.6 percent yearly growth – much higher than world GDP growth. The demand for gold and jewelry in Asia occupied only 45 percent some 3 decades ago. Now it the region occupies as big as 60 percent whose main segments are originating from the emerging economies like China and India.

Around forty thousand shops are engaged in gold and jewelry businesses in Bangladesh. Around twenty lac people maintain their livelihood on this business directly and indirectly. The making of gold jewelry can add value from 20 percent to 40 percent on top of the raw material cost a labor intensive value addition which is much higher than what the RMG sector can ensure. Bangladesh's yearly demand for gold is 18-36 tons whose 10 percent comes from old or recycled gold while the rest comes from smuggling and through the baggage avenue of international air passengers. The amount of smuggled gold that deserts Bangladesh is estimated to the tune of Tk 73 thousand annually, equivalent to $6.6 billion.

In 2021, Indians purchased 611 tons of gold jewelry while Chinese people bought 673 tons. Bangladesh's gold sale, now being $0.3 billion, is expected to reach $2.1 billion in 2030 by growing at 12 percent. Growth in gold sale in the country rises by 12.5 percent - doubly faster than GDP growth of 6 percent. In 2021, China exported gold to the rest of the world amounting to $12 billion while India $11 billion and Switzerland $9.4 billion. Given Bangladesh's background in jewelry skills and artistry, the country seems to be capable of earning at least $2 billion annually. Bangladesh is the 149th gold exporter while India is the second. India is 8-9 times bigger than Bangladesh in GDP while India is 74 times bigger than Bangladesh in gold exports. The Export Promotion Bureau asserts that Bangladesh exported gold and jewelry to the tune of $0.58 million in FY2023. The amount can be 10 times higher in 5-10 years if the government is sincere to promote the business the way it now cares for the RMG sector.

There are a plenty of examples how Bangladesh's neighboring countries are promoting gold and jewelry businesses. Thailand exempts VAT on unprocessed diamond. India, Qatar, and China use their gold stock to pay for import costs. In contrast, the Bangladesh government's approach appears to be lackadaisical and tardy in helping the gold industry. In the FY2024 Budget, the government has halved the amount of gold an air passenger can carry, from 234 grams to 117 grams while also doubling the import duty – Tk 4,000 per Bhori. Moreover, the New Industrial Policy (NIP) 2022 has provisioned for no cash incentive for exporting gold and jewelry products.

For India, the Jewelry and Gems Industry accounts for 7.5 percent of its GDP. The country earns $52 billion from gold and diamond each year. Between 2013 and 2021, India's gold imports turned out to be 7 percent of its total imports, and the trend has been upward such as the amount of 1600 billion Indian rupees in 2014 rose to Rs. 2500 billion in 2021. FDI in India's gems and jewelry sector in FY22 was $59 billion which is expected to reach $100 billion by 2027. The India-UAE strategic alliance is a wakeup call for Bangladesh. India's gold jewelry exports grew from $7.6 billion in 2015 to $12.4billion in 2019, suggesting a 13 percent growth rate which is signaling an opportunity for Bangladesh as well. India is the second largest consumer of gold jewelry. Weddings and festivals are the main drivers of the gold demand. Evolving demographics, rising per capita income, spreading urbanization, and improved familiarity with global products are the driving factors behind India's augmenting gold demand.

Table 1: Top Gold Producing Countries in 2022 (in tons)

Table 1 shows how China tops the list of gold production that represents almost 10 percent of global production. Bangladesh has good economic and diplomatic relations with the top five gold producers of the world. The demand for gold, as decomposed in Figure 3, signals a bright future for value addition in Bangladesh since jewelry making occupies almost of the full demand.

Rank	Country	Amount	Rank	Country	Amount
1	China	375.0	6	Ghana	127.0
2	Russia	324.7	7	Peru	125.7
3	Australia	313.9	8	Indonesia	124.9
4	Canada	194.5	9	Mexico	124.0
5	United States	172.7	10	Uzbekistan	110.8

Figure 3: Decomposition of the Demand for Gold in 2022

India did not qualify to become any of top 44 gold producing countries, but it is the second highest exporter of jewelry, as Table 2 shows. The factors behind this success can be atributed to the country's vast workforce, the cultural background that supports artistry, the growing middle class, and supportive fiscal as well as monetary financing policies. Bangladesh is in a good position to revive those elements to revolutionize the sleeping and partly clandestine industry of gold and jewelry.

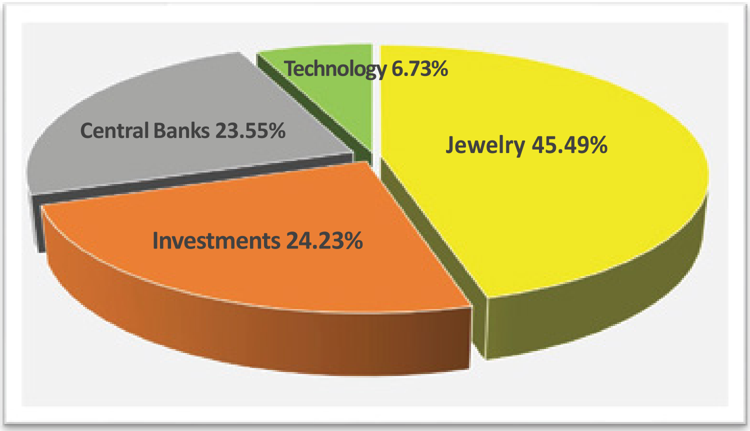


Table 2: Top 5 Gold Importing and Jewelry Exporting Countries 2021 (in billion dollars)

The World Economic Outlook (Oct 2023) of IMF asserts that per capita income in Bangladesh is $2,650 while that in India is $2,850 and Pakistan around $1800. Bangladesh's GDP is $455 billion, and the country is expected to achieve 6.0 percent GDP growth. Its population growth is 1.3 percent, making per capita income growth at around 4.7 percent. Poverty in the country is around 18 percent, but income inequality is on the rise, threatening both growth and employment for the future. Inflation is hovering above 9.0 percent. The economy suffers from the dollar crisis and the amount of foreign currency reserves has now dropped below $20 billion that can foot around 3 months' import bills.

Gold Importing Countries			Gold Jewelry Exporting Countries		
1	Switzerland	$83.80	1	China	$11.80
2	India	$58.40	2	India	$10.70
3	UK	$53.90	3	Switzerland	$9.30
4	UAE	$46.00	4	Italy	$9.10
5	China	$34.20	5	UAE	$7.70

The national data on unemployment is underestimated and hence unreliable. Overall, youth unemployment is as high as over 20 percent a BIDS study suggests. The main challenge for supporting development projects is the government's poor tax-GDP ratio below 9 percent, which is not only the lowest in the region, but one of the lowest in the world as well. The lack of diversification in the export sector is evident since the RMG sector occupies 83 percent of total exports. Institutional hindrances such as inefficient bureaucracy and the tardy judiciary have aggravated the score of corruption in the country. Bangladesh's rank in this area is stagnant and sometimes downward moving.

Figure 4: Bangladesh's GDP as a Percentage Share of World GDP: 1981-2021

However, the country's development in infrastructure is praiseworthy, and it has started contributing to the resource mobilization across the country. The government has changed its focus to building infrastructure since 2009, and the Bangladesh economy has begun to occupy greater share in global GDP since then as Figure 4 suggests. Bangladesh's GDP was only 0.16 percent of global GDP in 2009, and it has now moved upward to 0.44 percent by 2021.

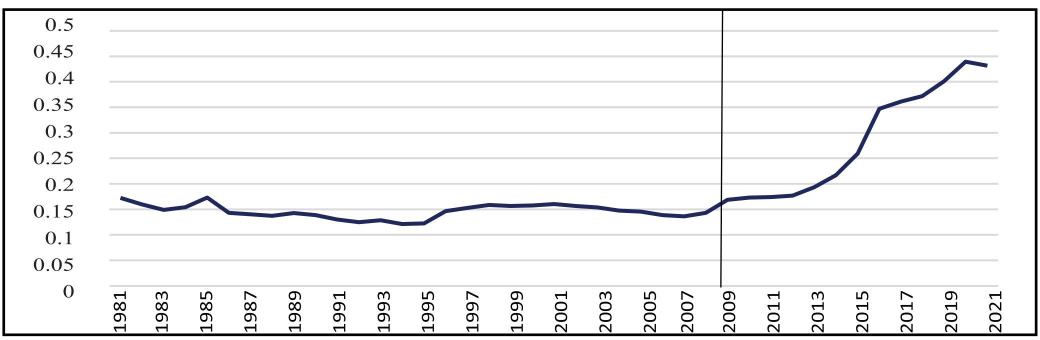


Figure 5: The World Growth Line (Botom) and Bangladesh's Growth Line (Top)

Figure 5 suggests that Bangladesh's GDP growth has begun to synchronize with global GDP growth since the late 1990s. But since 2009, the country's growth path has displayed a strong upward trend until the pandemic of Covid-19 hit the economy. In the post Covid-19 era, Bangladesh's growth path shows a dampened trend which is not consistent with the one that started since 2009, and the challenge for the government is to push the trend upward by further job creation and export diversification. Investment and policy support for the gold and jewelry industry can help the country achieve this goal.

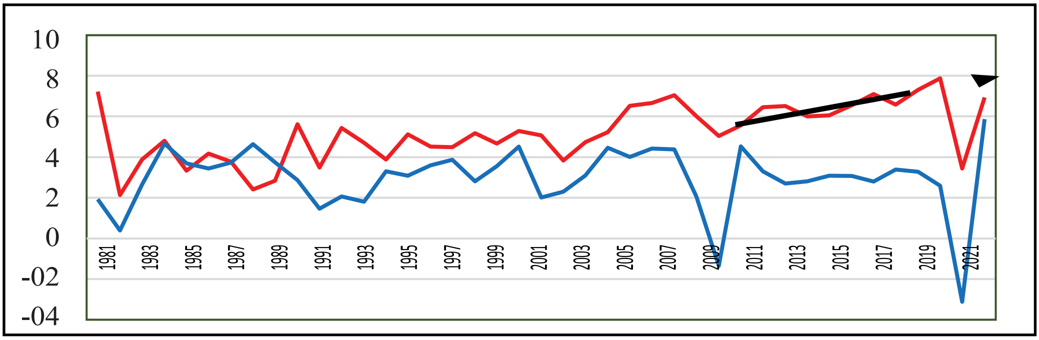


Figure 6: Exploring Opportunities to Atain the Nation's Goal

Figure 6 shows the level of per capita income that Bangladesh has achieved with the left arrow while the right arrow shows the position the country must achieve in per capita income to become a developed country. The journey is long, and the government must unveil numerous opportunities in the economy to reach the destination.

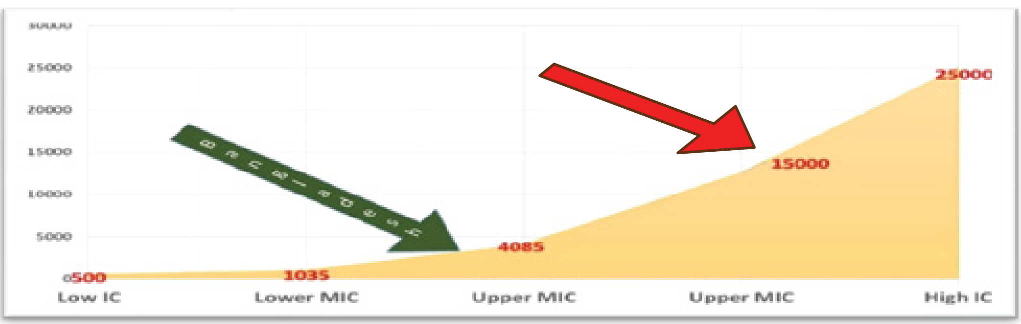


Figure 7: Decade-Wise Growth Performance in Bangladesh

Bangladesh's decade-wise growth performance, as shown in Figure 7 suggests that the government must open new areas of growth particularly in the export sector, and help the country achieve the decade-wise projected growth of 7.5 percent. A BIDS study conducted by B Paul and R Islam (2019) shows that Bangladesh's growth performance has remained much below the country's potential growth since the mid-1990s. Figure 8 presents the findings. Two of the main reasons include the underutilization of the labor force and poor state of technology used in the country. The gold and jewelry industry can work toward filling these two gaps effectively.

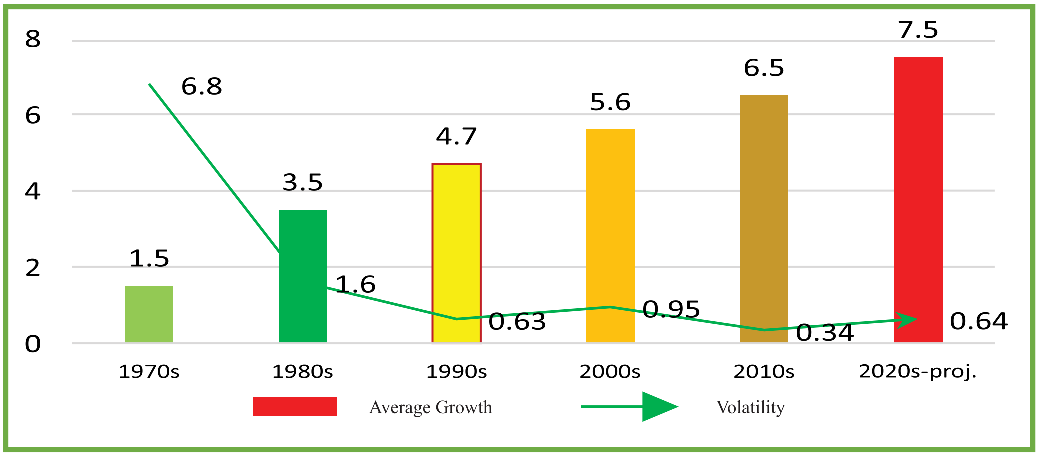
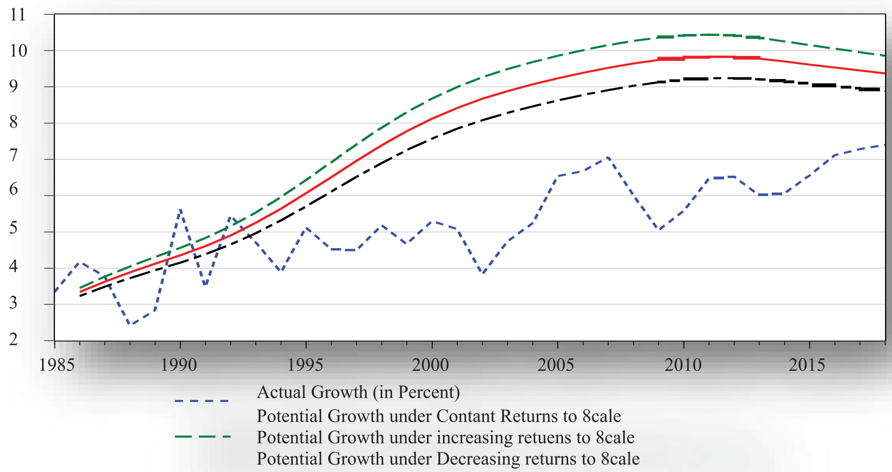


Figure 8: Bangladesh: Actual vs. Potential Growth in Percentage: 1985-2018

The gold industry is a hidden treasure for Bangladesh to reach closer to the country's potential level. Gold related craftsmanship is Bangladesh's comparative advantage which, as economist David Ricardo (1817) suggested more than 200 years ago, Bangladesh can use to gain in trade. The artistry of making gold jewelry is Bangladesh's cultural heritage – which the country can use for niche marketing in the world. Gold and Jewelry are the hidden



Source: BBS (1986-2017), WDI (2017), CB (2017), Penn (2017)

High unemployment and the shortage of foreign reserves are the two acute problems the Bangladesh economy is facing now. Gold can unveil a golden opportunity to largely address these problems. Bangladesh has four models for its lessons in this regard. 1) The India Case: The second largest exporter with similar per capita income of Bangladesh. Similar background of cultural craftsmanship for gold jewelry. India's advancement in the Jewelry Industry is more of a shame than a lesson for Bangladesh. 2) The China Case: China is doubly lucky: Gold mines and cultural heritage of jewelry. China's proximity and trade relations are the golden opportunities for flourishing gold refineries in Bangladesh. 3) The Switzerland Case: Having or not having gold mines is NOT the precondition to succeed in gold and jewelry business. To excel in exports of gold jewelry, imports must be liberalized. 4) The UAE Case: Achieve growth in the gold and jewelry business by guaranteeing high standard quality control.

The gold businesses in Bangladesh and India are a classic example of Duopoly where the leader dominates the price. Economists define it as "Follow-the-Leader-Pricing" in an oligopolistic market. Phillip Kotler, the marketing guru, showed how marketing can thrive by following the leader's pricing. Indian gold importers, jewelry exporters, and retailers find bank loans in a more comfortable way because of their recognition. They are treated as entrepreneurs, not players of hide-and-seek.

As the dominant firm changes its prices according to the forces of supply and demand, the smaller firms must adjust their prices by following the leader's price as well to retain their market share.

Now we can see why Bangladesh cannot charge prices higher than India. The American economist, Paul Sweezy (1939), contributed the theory of the Kinked Demand Curve which showed why interdependence between firms is essential in setting the price. If one firm sets a higher price, customers will quit that company and flock to others which would offer lower prices. This is more so for gold businesses because of the universal standards of gold. Price differentiation is possible by product differentiation. But gold is a uniform standard product by its purity and weight. Higher gold prices in Bangladesh cannot survive when India offers competitive prices by benefiting from the government policy.

Now the question arises on how Bangladesh can catch India in gold businesses. Phillip Kotler and Gary Armstrong (2014) suggested 3 pricing strategies: customer value-based pricing, cost-based pricing, and competition-based pricing. India's pricing is competitive and advantageous. Bangladesh can catch India by lowering the final price of ornaments and the government's reasonable policy is the only way out in this regard. Hence, accepting the leader-determined price and setting the business strategy accordingly is the optimal way to stay in business. There is no way other than ensuring lower final prices for gold and jewelry in Bangladesh to survive and thrive. That is possible by easing bank loans and by lowering VAT, customs, and tariffs. Other steps relate to favorable government policies to promote the industry and explore other global opportunities.

A Triangular Strategic Alliance with China, India, and UAE can benefit Bangladesh the most for expanding Bangladesh's gold refinery and jewelry business. Bangladesh is in good terms with all of them, and exploiting the opportunities would be wise to broaden the horizon of gold. A Technical Alliance with Switzerland, UK, France, and Germany for modern craftsmanship and training will benefit the country. Establishing Bangladesh Gold and Jewelry Institute (BGJI) is of paramount importance. BGJI can develop the workforce to a global standard by providing adequate state-of-the-art training and learning services. Europe, India, and China will outsource the work orders to Bangladesh if Bangladesh can enhance modern skills and style by ensuring 100 percent purity in making jewelry with gold and other gems. What Bangladesh needs is long-term planning and economic diplomacy.

Economic rationales for imposing lower custom duties on gold and extending easy private credit lines toward jewelers and gold entrepreneurs are quite evident. First, Bangladesh's gold prices must be competitive. Higher gold prices by Tk. 8,000-12,000 are mainly atributable to restrictive imports, high duties, and finally expensive credit. Second, gold jewelry's demand is highly elastic, and hence lower final

prices will generate more revenue and increase the market share by contributing to the employment sector. This industry is a good fit in a labor- intensive economy and it is the country's comparative advantage. Craftsmen's wages in Bangladesh are lower than that in India, China, Switzerland, and the UAE. That is another advantage too. Differentiated prices in this age of information will simply hurt the country that charges higher prices for gold jewelry. Slightly well-off Bangladeshis will buy gold from India, Singapore, or the Middle- East countries.

Gold is like the dollar or other internationally accepted currencies. It must be treated like that, not like heroin or addiction drugs. The mindset at the customs must the changed. Hardworking remitance earners bring gold or ornaments as a proxy of insurance for their families. Nothing is wrong with that. Gold can be exchanged anywhere in the country. The government can open Gold Exchanges and Gold Banks and thus can manage its reserves by using gold's universal convertibility. The government must follow the best practices of how European countries allow high imports and ensure high exports of gold after adding value.

The strategies that enabled the RMG sector to occupy 83 percent of exports can be replicated for enabling the gold sector to thrive. The first step: Cheap Labor Utilization led to lower production cost for RMG – a tactic to occupy the low-end markets. The second step: Quality Improvements to occupy the classy markets. The third step: Technological Improvements and Training to lower cost and to enhance quality for remaining vibrant. The sooner the government adopts this strategic map, the greater the prospects Bangladesh will be able to harvest to promote export, generate employment, and increase growth toward becoming a developed country by upscaling per capita GDP.

Gold refineries need long-term financing – which many banks will not be willing to do. It will not be wise too. Since jewelers are working in a clandestine environment, they cannot show enough collateral to earn big-ticket loans. First, the Gold Policy must be updated. Second, the customs duties, VAT, tariffs, and other taxation policies must be corrected. If the gold and jewelry businesses qualify to be part of the government's priority list of industrial promotion, gold businesses and jewelers will easily qualify to borrow from banks at easy rates. Long-term businesses such as refineries and massive-scale jewelers will be able to manage financing from the capital market.

There are various ways to ensure supporting or financing gold and jewelry businesses. They include 1) Back-to-Back L/Cs 2) Overseas loans 3) Gold Export Processing Zones, and 4) Special Rate Loans for EPZ Members. Gold as a loan collateral is discouraged while it is much more efficient for banks to recover the loan in case of default. It suggests that financing gold business suffers from impracticality and non- cooperation. Easy loan provisions for gold artisans, goldsmiths, designers, and craftsmen must be ensured.

The botom line for the poor performance of GJI in Bangladesh is the supply constraints. Gold is not easily available domestically. This is the main hindrance to developing the industry which still struggling with its identity issues in Bangladesh because of the wrong attitude from policymakers. The supply part is too weak to support the demand part. Liberal baggage rules and export-based import guarantee must be implemented to ensure an abundant supply of gold in the domestic market. This is the precondition to the success in the gold and jewelry industry as the cases of India, China, and Switzerland justify. The supply effect – the adequate supply – will eventually lower gold and jewelry prices, augmenting their demand at home and abroad. Lower prices will prevent domestic buyers from collecting gold from overseas.

The government must brainstorm to find out how enough gold can flow into the country without having to undergo hassles and harassment. An example will illustrate the intra-policy defects of the existing gold and custom rules. Say, a US-based nonresident Bangladeshi (NRB) wants to finance his sister's wedding in Bangladesh. There are four ways he can make it happen and their consequences must be similar since the NRB is spending his post-tax money to help his sister in his homeland. First, the NRB

can buy a gold bar of $10,000 from Doha and bring it to his town to make ornaments for his sister. Second, the NRB can bring readymade ornaments from Dubai costing $10,000. Third, he can bring $10,000 cash and convert it into taka to buy jewelry from the local market. Fourth, the NRB can remit that amount to any Bangladeshi account, draw cash taka, and send for his sister's ornaments. The consequences are weirdly different. While the first case is good for value addition domestically, it will be more expensive than the second option, suggesting that the policy must be corrected.

A passenger pays around Tk 45,000 for bringing gold of around 100 grams while an importer must pay around Tk 70,000 for bringing the same amount of gold, suggesting that gold import policy is anti- export biased. Many Bangladeshi artisans are working in India and Dubai while they face antagonism while working in Bangladesh. Bangladesh borders with India in three sides of the country, making it impossible to fully stop cross-border trafficking of gold and jewelry. As a result, it would be practical to adopt apt VAT or Custom Duties, which will be competitively less than those of India. Currently, these tax rates make Bangladeshi jewelry more expensive than India's, encouraging purchases from India and thus dampening the prospects of gold businesses in Bangladesh. Bringing VAT down to 2 percent from 5 percent and slashing down tariff rates from 30-60 percent to 10 percent will give a competitive edge for Bangladesh over India, which will bring a transformative change in the gold industry.

Currently, each passenger is entitled to bring gold ornaments not exceeding 100 grams duty free. But bringing a gold bar of 100 grams is dutiable. It is unreasonable discrimination. A 100-gram gold bar, if used for making ornaments, will remunerate working hours and add value to GDP. US rules say that either gold or jewelry of $10,000, suggesting that they don't make any distinction between gold or jewelry. Some stakeholders proposed awarding a portion of confiscated gold to the customs personnel involved in seizures. This will make gold inflow worse and fuel moral hazards in the public service. The gold import ways must be liberalized to make it a star performer in jewelry exports. It is a two-way traffic.

The essay concludes by claiming that the gold and jewelry industry has high potential to generate employment, promote exports, and contribute to GDP growth. India, China, UAE, and Switzerland are the 4 models for Bangladesh to follow and achieve success in the gold and jewelry business. This industry deserves proper recognition, technical guidance, and fiscal support to flourish in Bangladesh as a second thriving sector after the RMG sector. Supportive bank loans and capital market financing are required to make this industry grow for export diversification, unemployment reduction, and output growth. A unified effort from gold businessmen, economists, policymakers, and customers is warranted to awake the sleeping lion of the gold and jewelry industry in Bangladesh.

Unlocking the Golden Gateway: Developing the Gold Sector for Export Diversification in Bangladesh

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&
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Policy Analyst
Policy Exchange Bangladesh

1.0 Charting Bangladesh's Path to Progress: A Vision for Development

In just 50 years, Bangladesh has transformed into a Middle-Income Country with a GDP skyrocketing from $9 billion to over $400 billion.

Per capita income has surged from $137 to $2554, and agricultural output has quadrupled. Life expectancy has seen a significant rise from 47 to 72 years. Bangladesh's trajectory aims for a $500 billion economy, reaching Upper Middle-Income status by 2031, and aspiring to become a Developed Country by 2041, as recognized by the World Bank.

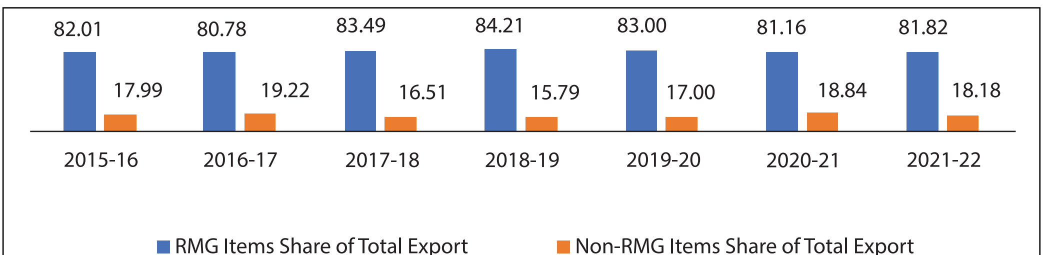
Bangladesh's Development Aspirations target high-income country status by 2041, requiring private investment/GDP to rise from the current 22% to 36.3%, FDI/GDP from 0.5% to 3%, and exports to reach $319 billion from $39 billion in 2021. Supporting this vision are strategic plans, including "Vision 2041" and the "Digital Bangladesh" initiative. The nation is also working to enhance innovation and economic diversification while addressing youth unemployment and expanding digital literacy and financial access to 36% and 50% of the population, respectively. These ambitious goals underline Bangladesh's remarkable journey in the global development landscape.

Figure: Development Aspirations

Perspective Plan 2041

2.0 Bangladesh's Export Landscape: Trends, Insights and The Imperative of Export Diversification

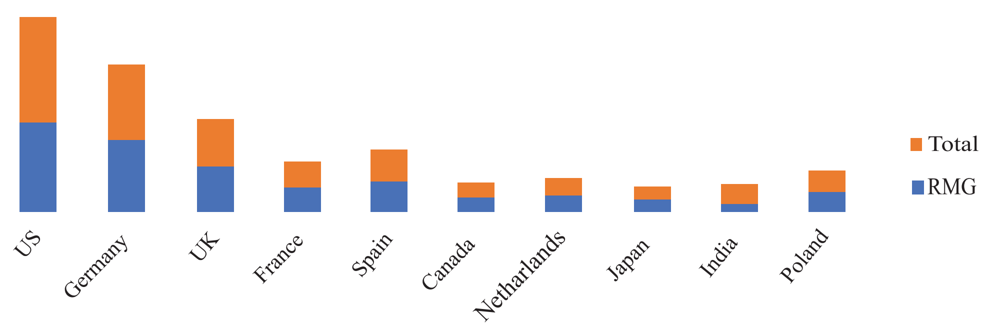
In Bangladesh's export landscape, the concentration is evident, with an average of 82.53% of total exports attributed to Ready-Made Garments (RMG) from FY 2017 to FY 2021, leaving non-RMG items with a limited 17.47% share. The RMG sector, which has historically been a significant employment generator, is nearing its limits, and close to 60% of jobs held by low-educated groups may vanish by the mid-2030s. Diversification becomes even more pressing as Bangladesh transitions out of its LDC status, given that over 75% of its exports rely on LDC tariff preferences that will vanish post-graduation, affecting competitiveness. Additionally, uncertainties post-COVID and evolving consumer preferences, particularly those related to carbon footprints, underscore the necessity for Bangladesh to transition to higher-value products and adapt to



Source: EPB

Figure: RMG Vs Non-RMG Export in Percentage of Total Export

Bangladesh grapples with a formidable challenge in the diversification of its export sector. Despite concerted efforts, the complexity of its product range remains limited, evident in the disconnected nature of the product space. Furthermore, the country's export destinations have shown little variation, with the European Union and North America continuing to account for a substantial 77% of total exports. A significant hurdle in achieving rapid diversification lies in the absence of multi-product, multi-destination exporters within Bangladesh. This dearth of diversification presents a perplexing paradox, as it has failed to spark the expected shift towards more complex sectors, highlighting the formidable challenges the nation faces in this endeavor.



Source: EPB

Figure: Share of RMG in Top 10 Exporting Countries in Million USD

3.0 Bangladesh Making Serious Efforts in Economic Diversification

Bangladesh has made significant strides in its efforts to diversify its economy to date. The Perspective Plan 2041, a comprehensive roadmap, provides guidance and strategies for key sectors, including Agriculture, Trade, Financial Services, and Telecoms, among others. Complementing this plan, the Export Policy 2021-24 delineates High Priority Sectors and Special Development Sectors, aimed at fostering economic expansion and diversification. The ambitious Delta Plan 2100 further supports these initiatives, incorporating cross-cutting themes such as green growth, the expansion of Small and Medium-sized Enterprises (SMEs), and increased female employment. These strategic frameworks underscore the nation's commitment to enhancing economic diversification and sustainability.

4.0 The Global Gold Industry Offers a New Gateway for Bangladeshi Exports

The Gold sector, though ranking low in product complexity, is the sixth most traded commodity globally in 2020. Central banks hold a substantial 35,218.6 tonnes of gold, with the Eurozone owning 10,772.2 tonnes, constituting up to 59.1% of their total reserves . Notably, 2021 witnessed a significant development, with a 67% increase in jewelry demand, 31% rise in investments in bars and coins, and a 9% boost in technological usage. The increased demand coincided with the global economy's recovery, resulting in a 10% rise in the global gold demand to 4.021 thousand tonnes in 2021.

The Gold jewelry market, valued at $229.3 billion in 2019, is projected to reach $291.7 billion by 2025, reinforcing its enduring importance in the global economy.

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[1] Rough-Polished.
[1] The Business Post

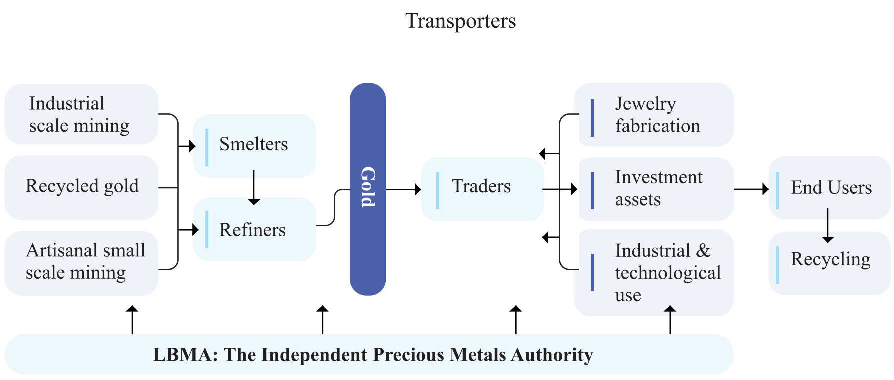

Figure: Value Chain of Gold

5.0 Trading Gold on a Global Scale and India's Success Case

In 2020, the global gold trade demonstrated its significant impact, ranking as the 6th most traded product with a total trade value of $422 billion. Notably, between 2019 and 2020, gold exports surged by 23.8%, growing from $341 billion to $422 billion, and accounted for 2.52% of total world trade. The top exporters of gold in 2020 included Switzerland ($68.5 billion), Hong Kong ($33 billion), the United Arab Emirates ($28.8 billion), Russia ($18.7 billion), and Australia ($17.7 billion). Meanwhile, the leading gold importers during the same period were Switzerland ($87.4 billion), the United Kingdom ($83.7 billion), the United States ($48.2 billion), the United Arab Emirates ($38.4 billion), and Turkey ($23.7 billion). Bangladesh contributed to this trade, with an import share of 1.29% in 2020, equivalent to $357 million USD. These figures underscore the remarkable scale and global significance of the gold trade.

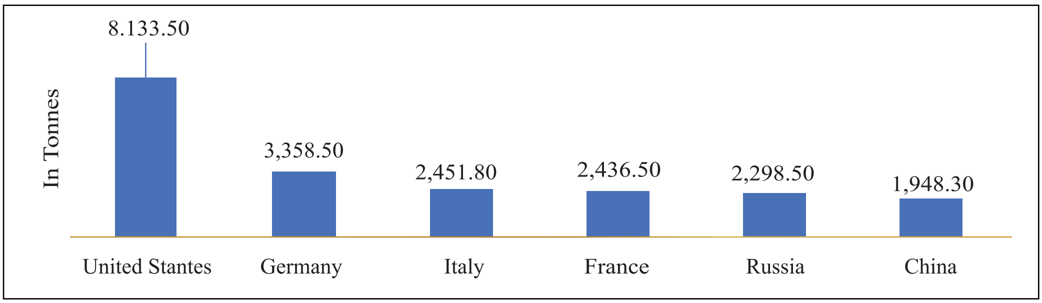

Figure: Six countries with the largest gold reserves United States, Germany, Italy, France, Russia, and China in 2020 .

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A closer look into India's gold market reveals a dynamic landscape. India, the world's second-largest consumer of gold jewelry, purchased a substantial 611 tonnes of gold jewelry in 2021, following closely behind China's 673 tonnes. Gold jewelry exports in India have also witnessed substantial growth, increasing from $7.6 billion in 2015 to $12.4 billion in 2019. Notably, bridal jewelry dominates the market, securing a significant 50-55% share. Plain gold jewelry accounts for the majority, holding 80-85% of the market, predominantly in 22-carat gold, although the demand for 18-carat gold jewelry is also on the rise. Furthermore, approximately 40-45% of the market caters to daily wear jewelry. These insights shed light on the multifaceted nature of India's gold jewelry industry and its ever-evolving trends.

6.0 Gold Export Potential Glitters in Bangladesh: An Overview of the Precious Metal Market

Bangladesh's gold scenario presents a dynamic landscape. In 2018, the country's gold demand ranged from 20 to 40 metric tonnes, and it holds the 33rd rank globally in gold import volume . Accounting for 1.29% of total imports, Bangladesh imported $397 million worth of gold in 2020, primarily from the UAE ($37 million), Singapore ($1.49 million), Malaysia ($0.994 million), and Thailand ($0.226 million) . In the same year, the total sale of gold and silver bars and gold jewelry amounted to $285.4 million. With a forecasted annual growth rate of 12.1% from 2022 to 2030, the market is set to reach $2.109 billion in sales by 2030. Notably, in 2020, the sale of gold jewelry and gold bars stood at $237.9 million and $82.82 million, respectively. The regulatory landscape has also evolved, with new laws implemented in 2018 and subsequently corrected in 2021.

The Gold Tax Fair of 2019 set a tax of 1,000 Taka per Bhori (equivalent to 11.664 grams) and 6,000 Taka per carat for diamonds, accumulating a total tax collection of 300 Crore Taka. These insights offer a comprehensive view of Bangladesh's gold industry and its dynamic growth.

Bangladesh has a rich tradition of producing high-quality gold ornaments and jewelry in South and Southeast Asia. The country is poised for significant developments in this sector, as Bashundhara plans to establish a refinery in Kuril, employing around 8,000 people and requiring an investment of at least Tk 3,500 crore. In 2019, the global market for gold jewelry was valued at US$229.3 billion and is projected to rise to US$291.7 billion by 2025 . Bangladesh aims to realize its

[1] The Daily Star
[1] The Observatory of Economic Complexity

vision of introducing 'Made in Bangladesh' gold bars and ornaments on a global scale. With the ambitious Bashundhara project, the country's jewelry industry is poised to achieve competitive export capacity. This investment marks Bangladesh's progression towards taking on the gold refining trade, aiming to meet the demands of the nearly $230 billion global gold jewelry market, which research predicts will grow to $480.5 billion by 2025.

7.0 Navigating Obstacles That Limit Bangladesh Gold Sector's Potential

The gold sector in Bangladesh grapples with an array of pressing challenges.

A. Illegal Gold Imports:
The fact that approximately 190% of gold enters the market through illegal sources is a major concern. This not only results in a loss of revenue for the government but also raises questions about the legitimacy and ethical sourcing of gold in the country.

B. Lack of Legal Documentation:
The wholesale trade in the gold sector operating without legal paperwork can lead to tax evasion, money laundering, and a lack of transparency. This undermines the sector's credibility and accountability.

C. Absence of Gold Refinery:
The absence of a gold refinery in Bangladesh hampers the country's ability to process raw gold, refine it, and add value to the precious metal. This is a missed opportunity for economic growth and attracting foreign investment.

D. High International Gold Price and Reduced Local Demand:
The combination of a high international gold price and reduced local demand can make it challenging for both consumers and the industry. High prices might discourage local consumption, and reduced demand can lead to economic stagnation in the sector.

E. Wastage in Jewelry-Making:
Significant wastage in the jewelry-making process represents an economic inefficiency. Reducing wastage and improving the production process can help save resources and increase profitability.

F. Unethical Use of Baggage Rule:
The unethical use of the Baggage Rule, which allows individuals to bring a certain amount of gold into the country duty-free, can be exploited and lead to further issues related to illegal gold imports and tax evasion.

G. 5% VAT on Gold:
The 5% Value Added Tax (VAT) on gold can increase the cost of gold for consumers and create a disincentive for investment and consumption in the sector.

8.0 Way Forward : Policy Measures for Attaining the Gold Export Potential

A set of comprehensive policy recommendations emerges to address the challenges in Bangladesh's gold sector-

- Prohibiting the sale of jewelry without Hallmark certification is a crucial step to ensure the quality and authenticity of gold products.

- Restricting gold sales to specific carat standards (18, 21, 22, and 24 carats) further ensures quality control and consumer protection.

B. Incentives for Effective Enforcement:
Awarding a portion of confiscated gold to personnel involved in seizures can provide a strong incentive for effective enforcement and discourage illegal practices.

C. Establishment of Gold Refineries:
Establishing gold refineries in Bangladesh can add value to the raw gold, create jobs, and attract foreign investment, contributing to economic

D. VAT Reduction:
Reducing the Value Added Tax (VAT) on gold from 5% to 2% can make gold more accessible to consumers and encourage local consumption.

[1] The Business Post

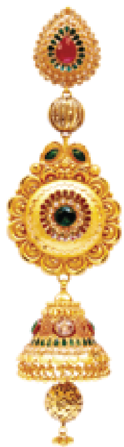
E. Encouraging Investors:

- Encouraging investors to establish refineries on a minimum of 20 bighas of land can promote large-scale, efficient refining operations.
- Expanding lab facilities for quality measurement enhances the sector's ability to maintain and verify product standards.
- Attracting foreign investors can bring in capital, expertise, and global market access.

F. Incorporating Unlisted Jewelry Businesses:
Bringing unlisted jewelry businesses into the mainstream economy can improve transparency and regulatory compliance.

G. Training and Reducing Wastage:
Training new craftsmen and minimizing gold wastage in the jewelry making process can enhance the quality of products and competitiveness in the international market.

H. Gold Exchange and Gold Bank:
The establishment of a Gold Exchange and Gold Bank can provide a centralized platform for trading, financing, and value-added services in the gold sector.



Bangladesh as An Emerging Tiger in Gold Export: Prospects and Challenges

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Introduction

"All that glitters is not gold" is an aphorism that signifies the preciousness of this metal. Since time immemorial, gold has been the most popular metal to be used in ornaments for the beautification of the human body, especially for women. The use of this metal in Bangladesh is antique. It is a highly reliable mode of transaction. Preservation of gold is a safe investment for its ever-growing market. Inadequate supply alongside the perpetual colour of gold accounts for its towering popularity and high value.

Bangladesh has ample possibility to be a major exporter of gold ornaments and jewelleries. The products made by Bangladeshi artisans are popular at home and abroad.

In 1414, Ma-Huan, the great visitor of China, came to Sonargaon. In his travel story, he focused on the global popularity of ornaments made by Bengal artisans. In 1514, Duarte Barbosa, a Portuguese writer and officer from Portuguese India, in his book, mentioned that the price of gold in Bengal was one-sixth and silver one-fourth compared to Malacca. The businessmen of Malacca were fond of Bengal jewellery. French gem merchant and traveller Jean Baptiste Tavernier visited Dhaka in 1666, being attracted towards the talent of Bengal artisans. During the Mughal rule, jewellery was considered a highly profitable business after Muslin and spice. However such business faced a setback over the course of time because of various taxes, legal barriers and bureaucratic tangles of British colonial rule and subsequent regimes.

Economic value

In 1500 BC, the Nubian economy considered gold as a principal mode of fiscal transaction and exchange. Being the embodiment of aristocracy and aestheticism, gold has inflated demand putting it in the climax of exchange rate. At that time, an 11.3-gram electrum coinage comprising two-thirds of gold and one-third copper was used for transactions.

According to a reporter from Reuters, Russian gold stock has some value for Moscow. Despite the heavy toll on the country's foreign exchange reserves triggered by Western sanctions after its war with Ukraine, Vladimir Putin's regime has about $140 billion of the yellow metal beyond the direct reach of sanctions. This is how gold can be a saviour of the country's economy in the time of crisis.

Best mode of savings

Babylonian invention of measuring the level of purity of gold led to a perception that stocking the precious metal could be good savings and profitable in an ever-changing market. Despite the expiry of several thousand years, this perception remains unchanged, paving the way for a gold-centric industry. Women irrespective of rural and urban are in a habit of preserving gold ornaments in their houses or banks as a means of financial security.

Prospects and challenges

In 1986, the Micro Industries Development Assistant Society published a study report titled "Gold Jewellery Industry of Bangladesh: Growth Potential and Export Feasibility." The findings of the study are following:

Despite healthy prospects, the gold industry in Bangladesh could not flourish due to the inadequate supply of this precious metal and the absence of conducive policies and financial support of successive governments. As such, Bangladesh is lagging in the areas of use of modern technology in the gold industry, design and innovations. If the problems are resolved, the country will be able to benefit from this sector.

During the survey, the jewellers also expressed their inclination for export subject to an adequate supply of gold, modern types of machinery, financial assistance, market-searching information and support. The report made some recommendations which the government did not implement. It not only prevented the gold industry from flourishing but also encouraged smuggling and black money mushroom growth. Recently, the government has enacted some laws and rules relating to jewellery but loopholes and complications are the major challenges. Agriculture has been considered as the main economic driving force, whereas conservative policy has suppressed the prospect of the gold industry.

Role of Bashundhara Gold Refinery

In March 8, 2020, the International Finance Corporation (IFC), a member of the World Bank Group, published a report titled "Bangladesh's Journey to Middle-Income Status: The Role of The Private Sector" highlighting the role of private

companies in the country. The report claimed that 23 largest private business houses in Bangladesh have annual turnover worth Tk 5,500 crore. But Bashundhara Group is the first to construct gold refinery to change the wheel of country's economy.

Bashundhara Group has taken the lead in constructing a gold refinery to exploit the overseas market of the jewellery industry. Sayem Sobhan Anvir, Managing Director of Bashundhara Group and President of the Bangladesh Jewellers' Association (BAJUS) has played a pivotal role in this regard. Under his presidency, the organisation has been united through councils of the district units and an increase in membership. BAJUS held meetings with NBR, customs and other government bodies with a common objective of fighting gold smuggling and resolving other problems of the sector. The BAJUS chief dreams about sending jewellery ornaments abroad with a "Made in Bangladesh" tagline. After Bashundhara Gold Refinery comes into operation, Bangladesh will appear as the leading jewellery exporter and outshine RMG in foreign currency earnings.

Conclusion

Bangladesh earned Tk 1,20,90,200 from the export of jewellery products in FY 2021-22 although the sector first entered the global market in 1995. The policymakers still neglect the sector, considering it a small industry. But golds worth Tk 73,000 crore are being smuggled into the country annually. Prime Minister Sheikh Hasina has announced the country's Gold Policy to ease the export and import of the precious metal. But the jewellery sector needs more policy support and a lull in smuggling to flourish.

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