CHAPTER V

STRATEGY FOR EXPORT DEVELOPMENT

With inherent advantages available to the Indian diamond industry in terms of inventory of skills, competitive edge in processing, managerial capabilities and favourable international environment, an appropriate strategy is needed to translate the vast opportunities in the world markets into an actual export performance. The strategy for export development so devised has to be of a multi-pronged character encompassing all aspects having direct and indirect bearing on the diamond industry & trade. This has necessarily to include indigenous diamond mining; quality of production and processing; research and development; higher productivity and per carat yield; product orientation and product diversification; improvement in tools and techniques of cutting & polishing; mechanisation and modernisation; systematic and scientific management of processing sector; vertical integration of production and export activities to inject flexibility, dynamism and control at different stages; and restructuring of marketing and distribution techniques matching those of the competing countries.

Besides, policies relating to the development and growth of the diamond industry will have to be pragmatic,
wherever necessary, by adopting unconventional measures congenial for widening the product range as also for achieving diversification with additional value added content; building up of an infrastructure to create an image of India as an international diamond trading centre; reorganising the institutional support; and regulating the development process in its entirety.

**INDIGENOUS DIAMOND MINING**

One of the important prerequisites for developing and expanding exports of the Indian diamond industry relates to increasing availability of raw material, namely, rough diamonds. This has to be made possible through (a) increased indigenous diamond mining; (b) enhanced supplies by the Diamond Trading Company; (c) more of open market purchases; and (d) proper exploitation of direct sources of supplies. In the short-run this input, as a strategy, will have to be ensured by stepping up imports through the existing sources like the DTC, open market in Antwerp and direct arrangements with primary sources through the Minerals & Metals Trading Corporation. In the long run, however, the country should adopt a systematic and scientific plan to explore and exploit its own known resources to minimise dependence on imports.
Imports figure prominently in India's exports of cut and polished diamonds since domestic production of the raw material forms a microscopic part of the total raw material requirements. Indigenous exploitation and mining of rough diamonds can considerably help improve quality of output and range. Fortunately, there are known reserves of diamonds in certain parts of the country and stray finds by farmers in the fields or near sea beds of large size quality rough diamonds bear testimony to the existence of diamonds in India. Even in the mines already worked for thousands of years, ending with the period around the close of the first quarter of the eighteenth century, mining for small diamonds offer immense possibilities especially when mining in the ancient era was confined to large size diamonds weighing 10 carats and above. In the present era of commercialisation, however, small size diamonds having gained popularity and enormous demand in jewellery manufacturing sector, the already worked mines in the long past can be further tapped for rough diamonds of small sizes.

In so far as the new explorations and exploratory research is concerned, in certain belts of Panna and Andhra Pradesh, investigations have revealed that yield of diamondiferous rock is poor by international standards and this is due mainly to the obsolete recovery process. This has been corroborated by a team of Soviet experts
which visited India about two years back. According to one of its findings, the recovery could be enhanced by about 40 per cent with the application of better ore dressing technique.

The need of the hour in the context of the serious balance of payments problem being to minimise dependence on imports, diamond sector offers considerable scope to fulfil this objective provided adequate efforts are made to expedite the process of exploitation. The Geological Survey of India, the Mineral Exploration Corporation and the National Mineral Development Corporation should take it as a challenge to help meet this objective, though partially, time factor for immediate action being of great essence. The results could be best achieved by replacing obsolete and outdated technology with that of higher performance capabilities. One way to ensure quicker results is to seek technical expertise and collaboration from countries like the USSR which are reputed for diamond exploration and diamond mining operations.

**TRAINING & RESEARCH**

Training needs of the industry should be given due importance in the areas of creation of additional trained manpower, upgradation of skills of the existing artisans, 

1/ Findings of the Team of Soviet Experts remain confidential.
Improvement in the quality of production, product development, product diversification and increased per carat yield. The industry employs about four lakh artisans comprising cleavers, sawers, bruters and cutters. Majority of them being without any formal school education and training in conceptual framework for comprehension of geometrical proportions, efforts should be concentrated on upgradation of skills rather than creating a large work force of semi-skilled workers.

Two training institutions, the Artisans Gem Stone Training School at Jaipur and the Indian Diamond Institute at Surat have been set up in recent years to provide systematic training mainly in lapidary and diamond cutting respectively.

The Indian Diamond Institute was established at the initiative of the Gem & Jewellery Export Promotion Council, with the approval and financial assistance of the Government of India in May 1978, at a time when there was boom in the industry. It was originally conceived as an Artisans Training School with a capacity to train 60 students in diamond cutting and polishing. On account of the ambitious plans of the promotors of the Institute, the emphasis of the project was shifted from producing trained artisans to that of developing two cadres of middle level factory supervisors and marketing managers. Experience of the last three years has shown that the
Institute has not been successful in meeting the objectives set before itself.

The Indian Diamond Institute offers two courses. Its elementary course, originally of 4½ months duration, seeks to provide training in theoretical and practical aspects in the areas of (a) assortment and grading of rough and polished diamonds including evaluation; (b) cleaving and sawing; (c) bruting; (d) polishing of diamonds in various shapes; (e) procurement of rough diamonds and marketing of polished goods; (f) management of diamond processing factories; and (g) commercial aspects like banking, insurance and mercantile law. Its second programme of the same duration known as proficiency or certificate course in marketing management is meant to provide advanced training in the areas covered by the elementary course besides additional aspects of import-export policies and procedural formalities. With effect from the academic session of 1982, the two courses have been extended to one year each.

The Institute has in terms of machinery and equipment capacity to train simultaneously 200 students. However, its utilised capacity in 1980-81 was only 15 per cent. In its various training courses organised since inception in 1978 till 1980-81, 222 trainees had passed out from the Institute. Of these only 10 to 12 were working in the diamond industry that too as artisans
and neither as factory supervisors nor as marketing managers, the rest having engaged themselves in other vocations and professions. Feedback from the employers of the limited number of trainees of the Institute revealed that the former were not satisfied with the product of the Indian Diamond Institute and that the trainees needed another six to eight months of training in the specific aspect of cutting and polishing. The poor performance of the Institute has been due mainly to:

a) yawning gap between the requirements of the industry and the quality of IDI product,

b) lack of involvement of industry in the training activities of the Institute, the latter being a feeder of trained manpower to the diamond processing sector,

c) imparting elementary training in too many subjects in too short a time producing only generalists instead of professionals and specialists in one or two areas,

d) complete absence of feedback from the industry, there being no coordination between the processing sector and the IDI,

e) poor academic inputs, instructors having been drawn from the workshops and factories who themselves were artisans in cutting & polishing for long years, and though aware of practical aspects of diamond cutting but not well versed in the theoretical concepts,

f) casual approach in pursuing the training programmes without keeping in view the structure of the industry and its specific requirements, and

g) lack of proper guidance and direction in running and managing the Institute on scientific lines.

Investigations carried out in diamond cutting workshops and factories employing IDI trained boys, as pointed out earlier, revealed that the artisans (trainees) were much below standard and needed on-the-job practical training for a minimum period of six to eight months in one of the areas like cleaving, sawing, cutting, polishing, assortment and grading for attaining the average level of professional competence. In the diamond industry, the concept of division of labour is prominently used in the cutting and polishing processes and four different artisans work on a diamond each one handling a specialised aspect like making of 'ghat', 'talia', 'mathara' and 'pehal'.

The management of the Indian Diamond Institute has recently been taken over by the Ministry of Commerce, Government of India though its objectives remain to be redefined and its course curriculum restructured. For effectively meeting the needs of the industry & trade, the scope of this institution should be to develop professionalism and skills in diamond technology through
training and research. Accordingly, the objectives of the Institute should be to:

a) impart systematic and scientific training in different aspects of cutting and polishing like cleaving, sawing, bruting and cutting for building professionalism among the trainees.

b) undertake research in improved tools and techniques for increased productivity and higher per carat yield;

c) upgrade skills by imparting training to the existing work force;

d) help the diamond industry diversify its production to take up cutting and polishing of fancies and large size diamonds;

e) encourage adoption of improved tools and techniques through training in their use;

f) undertake research to popularise the use of better inputs like abrasives to improve the quality of the finished product; and

g) disseminate information about the technological improvements in the tools and techniques of processing and better inputs among the Indian artisans.

To fulfil the objectives directly related to improved production and productivity through systematic training and research in tools and techniques of diamond cutting, the Institute will have to restructure its
training functions. The IDI should, therefore, equip itself to meet the existing as well as the future demands of the professionalised work force. The measures proposed for strengthening the areas of activities of the Institute, in the larger interest of the diamond trade and industry, include:

a) designing of training programmes in accordance with the needs of the industry, especially its set-up where each different aspect is looked after by one individual artisan specialising in that particular process;

b) specialisation being the hallmark of diamond cutting & polishing, the artisans should be provided maximum facilities for practicals by assigning them gem diamonds for cutting to make them competent and perfect in their crafts;

c) participation of owners of workshops and diamond cutting factories, end-users of IDI product, should be sought in an increasing measure in the training needs so that the requirements are matched with training;

d) apprenticeship training for participants should be made compulsory before their actual placement;

e) feedback from industry should be obtained from time to time to give the necessary orientation to the training needs in contents and areas which warrant such changes;
f) assessment of future requirements of different categories of artisans should also be made, to the extent possible, while formulating and designing training programmes;

g) findings of research and development in the areas of diamond processing and diamond technology should be properly disseminated; and

h) training inputs in terms of research and teaching material should be given due importance; teachers should be encouraged to keep themselves abreast with latest technological developments and innovations in their respective areas.

Upgradation of Skills

The area of upgradation of skills in the diamond industry needs special emphasis. In this context, the vast potential in the industry for generating employment opportunities and export earnings has not been adequately tapped. On account of the traditional and ad hoc approach that has continued to be applied by the industry in its development and expansion, a stage has now reached when further growth is possible only if the industry equips itself on systematic and scientific lines to effectively meet the requirements of the fiercely competitive world markets. This, according to the research findings, could be achieved if, among other measures, our artisans and craftsmen are able to catch up with the technological improvements taking place in the main consuming and production centres of gems and jewellery.
The Indian craftsmen and artisans engaged in the diamond industry possess high degree of skills and expertise, second to none in the world, in certain areas of workmanship. Talent of some of the artisans has been recognised by the Government of India by decorating them with National Awards as Master Craftsmen in their respective areas of specialisation. The fact, however, remains that the outlook of the Indian craftsmen who make unique but indirect contribution to the national export effort through their exquisitive art remains limited to national boundaries. To provide impetus to the country's export promotion drive and to upgrade the existing skills, it is desirable that such of the artisans and craftsmen who fulfil certain basic requirements and are willing to help the country promote their respective skills are provided exposure to leading jewellery design and research centres, art galleries, colleges of art, workshops and training institutions in various countries of the world. This would help them understand and acquaint themselves with the latest developments in the field in other parts of the world, whether these relate to cutting, shaping and polishing of gem stones or production or designing of precious metal jewellery studded with diamonds and colour stones.
Such an exposure of artisans and craftsmen is essential to enable them to reorient their traditional creative skills to modern changing needs abroad as well as to generate further demand for traditional Indian studded jewellery. Accordingly, a scheme for higher level training for master craftsmen should be launched for the artisans engaged in the gem craft to provide them direct access to developments in foreign countries in their specific areas of interest such as cutting and polishing of diamonds as well as designing of precious metal jewellery. The basic objective of such an exposure should be to enable the craftsmen to translate their oriental and traditional creative arts by imparting touch of the cultures of other world markets to meet their existing requirements and to generate demand for such objects of art on commercial scale. Higher level training of this type for diamonds should be arranged by the Indian Diamond Institute under the aegis of the United Nations agencies or the Commonwealth Fund of Technical Cooperation.

RESEARCH & DEVELOPMENT

The techniques employed and the tools & implements used in the cutting and polishing of diamonds are quite primitive and outmoded. Compared to the
practices followed by this craft in India, in other production centres of the world, through constant research & development, latest techniques and tools of production have been evolved and employed. These improved methods have tended to impart efficiency, increase productivity, improve quality and finish of the product and effect cost reduction besides ensuring production on commercial scale thereby realising economies of scale.

In the wake of the global developments, application of improved techniques and tools of processing of diamonds in India is an important aspect which can no longer be lost sight of if the industry has to sustain and improve the export performance. A prerequisite for such a measure is to undertake a comprehensive comparative study of tools and techniques used by the industry in India and selected leading centres of the world with a view to equipping it technologically to capitalise on the growing international market opportunities. Such a study should be sponsored by the All-India Handicrafts Board of the Ministry of Commerce to identify areas of improvements and to encourage the Indian industry adopt the technological improvements which do not fundamentally alter its basic character but at the same time
ensure:

a) higher per carat yield;
b) product development and product orientation to meet the overseas market requirements;
c) improvement in quality and finish of cut and polished diamonds;
d) cost reduction; and
e) effective competitiveness in the international markets.

Mechanisation

Modernisation in the diamond industry in the country is often mistaken as mechanisation and displacement of labour. This is a narrow view and the industry has to adopt a long-term perspective. In a field where international competition is fierce, every conceivable effort aimed at curtailing cost of production, howsoever marginal it may be, is desirable to withstand the challenge. Presently, no such step is being contemplated by the Indian diamond industry nor is it feasible in its existing set-up. The minimum the industry could do is to move in the right direction in following the moves of other competing sources of supplies. This emphasises the need for a continuous research and development in the areas of processing technology and tools of production. As a specialised service area, this function for the benefit of the industry should be assumed by the Indian Diamond Institute.
DIVERSIFICATION

The diamond export sector has witnessed lop-sided development, specialisation having been achieved by the industry only in the cutting and polishing of small size diamonds. While too much emphasis has been given on the export of small diamonds in loose form, too little has been done to realise the benefits of higher value added content through generating foreign exchange earnings from export of jewellery. Diversification in the processing of diamonds, therefore, could be attempted in the areas of cutting and polishing of melees and fancies as well as production of jewellery studded with diamonds for which immense scope exists in overseas markets.

Lack of systematic and organised effort coupled with inadequacy of commercial information to reorient production to suit overseas market requirements have hitherto impeded the efforts of the industry to take a significant share in the precious metal jewellery studded with diamonds. To help realise further growth and expansion, the export promotion strategy has to ensure commercial intelligence and information on a regular basis and helped to switch over to fashion changes fast taking place in the extremely competitive world markets. Facilities and services
need to be provided to the industry in the areas of jewellery designing, jewellery casting, diamond and gem stone setting, electroplating and hall marking in consonance with the requirements of the overseas markets.

In its report, the Committee on Export Strategy for 1980s, set up by the Ministry of Commerce, Government of India, has suggested creation of institutional infrastructure for mobilising the export marketing effort of the jewellery industry. The infrastructure proposed by the Committee without, however, detailing the objectives and precise functions includes:

a) establishment of Design Development Centres to study the fashion trends prevailing in foreign countries;

b) setting up of a Centre for the development of international trading and marketing;

c) creation of Jewellery Market Research and Monitoring Centres at London, New York, Tokyo and Kuwait; and

d) establishment of a National Design & Technology Institute at Bombay or Delhi.

Jewellery Design Centre

In the backdrop of the present set-up and status of the jewellery industry as also the Governmental policy in relation thereto, the creation

of the entire institutional infrastructure proposed by
the Committee is not desirable at this juncture. A
beginning, however, needs to be made with the establish­
ment of a Jewellery Design Centre. The principal
objective of this Centre should be to create an infra­
structure in the country to act as a catalyst in the
export growth of gems and jewellery through development
of new and original designs, product development,
technological innovations and adoption of improved tools
as well as techniques of jewellery manufacture. The
proposed Centre should be equipped to undertake all
functions directly related to the development, growth
and export expansion of studded jewellery. These should
inter alia include the following:

1) To develop and create new as well
   as original designs for jewellery;

2) To promote product development and
   product orientation to suit the
   requirements of overseas markets;

3) To undertake studies on fashion
   jewellery in foreign markets and to
   forecast future fashion trends for
   the benefit of the Indian industry;

4) To provide commercial intelligence
   and information on regular basis to
   the Indian exporters on the changes
   constantly taking place in the areas
   of fashions and designs;

5) To help effect constant improvements
   in the techniques and tools of
   production of jewellery through
   research and development;
6) To provide advance training in designing and jewellery making;

7) To collect and preserve the wide variety of jewellery designs, both Indian and foreign; and

8) To disseminate information about designs, research and technological innovations among trade and industry through specialised journals, films, publicity literature and seminars.

The success of the Jewellery Design Centre will depend on (a) congenial governmental policy in relation to exports of gold in the form of jewellery and assured supplies of precious metal in requisite fineness range; (b) stability of policies for a minimum period of three to five years to enable the exporters plan long-term strategies and export contracts; (c) creation of adequate infrastructural facilities for hall marking and assaying; (d) permission to allow import of sophisticated jewellery manufacturing machinery till such time it is fabricated indigenously; and (e) swift feedback relating to changing designs and fashions in overseas markets. The present policy of the Government is restrictive in scope with attendant uncertainties and the lurking fear of change after 31st March every year. It is pertinent to get a detailed research study carried out by a team of professionals about the production and marketing policies pursued by leading exporting countries like Italy, West
Germany, and Austria including their precious metal replenishment systems. This will help the Government reorient its current policy in respect of gold jewellery with built-in safeguards. The existing policy bears no relevance with the policies adopted by competing countries and is of the nature of conversion deals. As such the present policy offers a very limited scope for export expansion.

Hall Marking

With global demand of studded jewellery estimated to reach the level of $ 25-30 billion by the close of the present decade, the Indian diamond export sector has a tremendous potential to capitalise on the highly growth oriented segment involving greater value added component. In order to achieve this, the industry has to meet the quality standards stipulated in the major world markets for consumer protection. These are in the form of compulsory hall marking and assaying requirements in the markets of Western Europe and North America where sale of gold jewellery without these essential prerequisites attracts penal action. The emergence of oil rich economies as important markets for jewellery set with diamonds also lay emphasis on hall marking requirements since demand in these
markets is largely catered to at present by the countries supplying quality jewellery duly hall marked and of the desired fineness.

In hall marking, each piece of jewellery with very few exceptions is required to carry guarantee with stamps indicating purity of metal in terms of (a) fineness, (b) certification mark of an assay office, (c) name of the manufacturing company in the allotted codes; and (d) indication of code representing the period, generally a decade, in which the piece of precious metal jewellery is supposed to have been manufactured.

Under the Gold Control Act of 1968, all licensed dealers in India are required to stamp every piece of gold article or jewellery made, manufactured or prepared by them certifying the purity of the gold provided it is otherwise possible to mark it. In accordance with this requirement, on 25th July 1978, the Indian Standards Institution adopted a Standard (IS 8844-1978) specifying guidelines for stamping fineness of items of gold jewellery made in the country. The salient features of this Standard are given in Annexure-A.

The quantum of jewellery sold in India with purity certification under the ISI Standard is almost nil. This is due mainly to the fact that hall marking scheme with necessary facilities has not been introduced
in the country. Such a situation can no longer continue if the industry has to make a dent in world markets in the field of precious metal jewellery. Viewed from another angle of projecting India's image as a supplier of high quality and standard goods compulsory pre-shipment inspection is enforced on large number of items even though the importing countries do not require such certification. Jewellery is an item of export subject to rigid testing in importing countries and as such it is highly desirable that the product should not be allowed to leave the shores of India unless it is tested and marked. Initially, therefore, facilities should be created for assaying and hall marking for purposes of exports of jewellery at main centres such as Bombay, Madras, Calcutta and Delhi.

Substantial technological developments have taken place in the field of metal testing and sophisticated electronic equipment is available for testing the fineness of gold jewellery. The facilities so created should, therefore, be the latest available and internationally accepted.

In course of time growing trade in gold jewellery will also call for international cooperation in the area of hall marking. The technology and know-how, if these are modern, could be exchanged with the
developed countries so that the hall marking scheme operated in India is maintained at par with the international standards. The Ministry of Commerce simultaneously will have to take up on bilateral basis also, at appropriate international fora, the areas of cooperation so as to ensure that the Indian hall marking system is universally accepted to avoid the need for further testing and hall marking in individual importing countries.

**Gold Control Act**

Exports of set precious metal jewellery are linked with the policy of the Government of India towards outward sales of valuable metals like gold and silver, which is restrictive in accordance with the current scheme in force. Exports of gold jewellery are more of the nature of conversion deals under a scheme operated by the Handlooms & Handicrafts Export Corporation Ltd. Under this scheme gold is imported for converting it into ornaments and this measure has proved to be of limited success in the countries of the Middle East and Gulf. The dealers of gold jewellery in these markets show reluctance in parting with the precious metal in advance. According to the general scheme in operation, jewellery could be exported
only if it contains 10 per cent of gold content of the total f.o.b. value. Here again, the scheme suffers from limitations, the major markets for studded jewellery being the countries of Western Europe and North America which are highly fashion conscious and the Indian jewellery sector is not equipped to cater to the design and fashion requirements of these regions.

In order to help promote exports of value added gold jewellery studded with diamonds, the Gold Control Act will have to be given a fresh look. The provisions of the Act will have to be modified and liberalised for encouraging exports. A replenishment policy is desirable on the lines pursued by Italy, which though not a primary producer of precious metal, exports worth about 400 tonnes of gold annually in the form of jewellery. India is endowed with skilled work force of about one million goldsmiths and their workmanship can be mobilised to capture the growing world markets for gold jewellery.

Some of the developing countries enjoying the same benefits of cheap and competitive labour like Thailand, Taiwan and Malaysia have already taken a lead in capturing a sizeable share of the world jewellery market in developed countries. On account of the restrictive policies of the Government of India in
relation to exports of precious metal jewellery, the countries of the Middle East only have preferred to import some quantities of this item. Besides, these countries have, through manpower imports specialised in jewellery making, started producing gold articles and ornaments for their markets. Such a step strategically is in favour of the importing countries and detrimental to the overall interests of the industry in India. Pragmatic and realistic policy for gold jewellery export, therefore, is essential for achieving a breakthrough in the field of gold jewellery sector.

Common Facility Centres

On account of certain peculiarities, jewellery crafts mainly carried on cottage basis are bereft of uniformity as well as mass production, their repetitive production being time-consuming. Certain small components constituting important and indispensable elements produced manually hamper mass production in view of their limited availability as against the mass production generated through mechanical processes in other competitive centres. Besides their availability for original jewellery manufacture, it is difficult to obtain them in replacement market. Nuts, bolts, and clasps are some of the small but important parts of
Jewellery manufacture. It is particularly inconceivable to think of any item of jewellery without bolts and nuts. These are widely used in ear rings and tops which form nearly 70 per cent of the total jewellery production.

Sockets of different sizes, ranging from 1 mm to 2 mm for setting in them calibrated gem stones constitute a very important part for rings, necklaces and bracelets. These parts, if mechanically produced, can result in substantial amount of saving in labour and time, mass production and standardised production. In turn, this facility can yield greater productivity and output in larger volume. The time thus saved by the artisans in repetitive production of these small parts of jewellery can be profitably used in other areas like filing and finishing or improving quality and increasing overall output of the finished product.

To enable the industry generate greater export production, common facility centres for manufacturing nuts, bolts, clasps and sockets should be opened at four major towns in the country, namely, Calcutta, Delhi, Bombay and Madras. These centres should be supplied metal of specific fineness or caratage range for production of small parts of varying standards in terms of length, size and thickness.

Import of Sockets

Yet another area of diversification could be to permit import of sockets and mouldings for re-export
after studding them with diamonds. In the major jewellery importing countries, especially in Western Europe and America the cost of studding or setting is $7-10 per piece. In India, on account of cheap labour the setting of a piece costs between ₹5.00 to ₹8.00 depending on its nature. Such a step will also provide commercial information to the jewellery sector on new trends in designs and fashions.

Technical Assistance

Technical assistance in the form of training equipment and experts for effecting improvements in tools of production and techniques of processing, diamond cutting, jewellery designing, hall marking and establishment of jewellery design centre could be acquired from various international agencies like the UNCTAD/GATT International Trade Centre, United Nations Development Programme, and the Commonwealth Fund of Technical Cooperation. The Indian diamond industry and the jewellery manufacturing sector should take advantage of these facilities for furthering the export promotion cause of cut & polished diamonds as well as studded jewellery. The industry on its own having failed to develop the necessary infrastructure, towards this end in view, the Ministry of Commerce and the organisations concerned with the development of crafts, particularly the All-India Handicrafts Board should play a leading
role in organising the technical assistance available from the various international agencies.

**DISTRIBUTION & MARKETING**

Diamond Exchange

In the marketing and distribution policies for diamonds, emphasis has to be laid on aggressive sales strategies. These need to be structured on the lines of the marketing policies adopted in other centres of the world, notably Antwerp and Tel Aviv. It is also necessary that the marketing policies should be kept abreast with the changing trends much before these assume the character of customary trading practices. Having established as an important production centre, modern marketing techniques within the reach of the trade will have to be created within the country to attract overseas clientele; ensure supplies to foreign customers possibly at their very door steps; and counter the moves of other supplying sources to aim at achieving supremacy in the area of international marketing also.

The establishment of a Diamond Exchange at Bombay with necessary facilities of banks, brokers, customs, appraisers, adequate accommodation for transacting business, and incidental services to complete formalities to transport goods to foreign
destinations brooks no delay. The Indian diamond trade having been unsuccessful all these years and a proposal for establishing a Diamond Exchange having been pending for the last fifteen years, it is desirable that the Central Government and the State Government of Maharashtra take initiative to create such an infrastructure in a central place at Bombay, the nerve centre of commercial activity for diamonds, for the benefit of the industry & trade and in the larger interest of the country. Formation of a high powered Committee under the Ministry of Commerce comprising representatives of the Central and the State Government Departments concerned as well as of trade & industry can go a long way in the creation of such a project. The Government should accord high priority to this venture and chalk out a time-bound plan to bring into being a Diamond Exchange at Bombay without further delay.

International Trading Centre

The export prospects of the Indian diamond industry are closely linked with the establishment of India as an international diamond trading centre. Current status of the diamond industry is that of an exporter and not of a trader. With a view to attracting foreign buyers, it is highly desirable that wide range and variety of goods are made available to them at one
place which could obviate their visits to other centres after making piece-meal purchases from India.

The Government of India and the diamond industry & trade have not so far realised the benefits that could accrue to the country on its acquiring the status of an international diamond trading centre. Firstly, the overall exchange earnings of the country will be augmented through marketing of services along with the product, for hitherto the industry has been exporting only its product, i.e. cut and polished diamonds. Secondly, diamonds cut and polished in the country would be able to realise higher unit value when the available range of merchandise is wide. Thirdly, the very fact that the overseas buyers come to India would place the industry & trade in an advantageous position as a seller. Fourthly, the country will create a market and clientele as well as an image of its own besides helping upgradation of techniques and tools used in diamond processing in other leading centres. Fifthly, this measure will help counteract the strategies of consignment sales adopted by our competing countries. Sixthly, the country will develop the spirit of competition among the diamond business community to make its services competitive. Seventhly, the Diamond Trading Company will be compelled to supply roughs of larger sizes, which in turn will help achieve diversification
in production. Past experience has shown that recourse of the industry to open market purchases of roughs in Antwerp or elsewhere has been responsible for getting diamonds of bigger sizes from DTC, which was otherwise not easy to procure. Eighthly, the official permission to allow import of cut and polished diamonds will minimise the extent of smuggling and inflow through other unauthorised channels. Lastly, the measure will be a step forward as against our immediate competitor, namely, Israel. An indirect important effect will be that the setting up of a Diamond Exchange will augment exchange earnings by encouraging tourist traffic.

In a personalised trade of diamonds, buying decisions are vested in the proprietor or head of the enterprise who cannot delegate responsibility to others, time factor being of great importance to him. As such, till such time the Indian industry is in a position to equip itself to supply wide range of cut & polished goods, imports of those categories not currently processed within the country should be permitted for re-export with a minimum additional value added to the extent of 10 per cent. Such a step will help boost sales of Indian goods also in the form of demand creation and demand diversion effect. According to trade circles, an import
of Rs 1000 million worth of cut and polished diamonds can help generate additional exchange earnings of Rs 350 million including Rs 100 million for re-export and another Rs 250 million worth on account of additional demand for the existing range within the country.

Consignment Sales

The Indian diamond export sector cannot afford to wait for long to fall in line with the trading practices pursued by other countries. Apart from developing India as an international trading centre, it is desirable that aggressive sales techniques like the consignment system already in existence for the export of colour gem stones are made applicable to the export marketing of diamonds.

Exports Under Customs Bond

Facilities have been created by some of the importing countries, particularly in Western Europe, to help promote trade of diamonds by offering inspection facilities under Customs bond. This helps the importers to buy diamonds in specific sizes, ranges and shapes required by them without incurring expenses on visits to production centres. Such a facility further reinforces the need to adopt the consignment system of sales.
Another media of export expansion adopted in recent years by the leading diamond exporting countries and which has attained the force of an acceptable distribution practice relates to movement of goods to destination markets through courier service operated by specialised banks. The courier service ensures convenience to the foreign buyers besides providing safe and prompt delivery. The facility of courier service will have to be extended by the Indian banks dealing with diamond trade. In order to do so the banks will have to equip themselves with necessary infrastructure including facilities for identification, grading and valuation of diamonds.

**MARKET INTELLIGENCE**

Very little attention has been paid by the industry on the collection of market information and commercial intelligence for reorienting and strengthening the export effort of this sector. The need for overseas market surveys and studies to fill this gap has been emphasised by the Task Force on Gems & Jewellery appointed by the Ministry of Commerce and the Committee on Export Strategy for 1980s. During the course of its existence of about 17 years, the Gem & Jewellery Export
Promotion Council has conducted only two market surveys in the recent past, one in Japan and the other in the Middle East, under the aegis of the International Trade Centre, Geneva.

A small number of diamond exporters having overseas outlets are able to collect market information and commercial intelligence through their own resources. The vast majority of the small & medium scale exporters is deprived of the information about changing day-to-day market trends and feedback relating to promotional strategies or the extent of competition prevailing in the various world markets. Trade delegations sponsored by the Gem & Jewellery Export Promotion Council from time to time have failed to be of much utility to the overall industry & trade since these have tended to promote only the interests of individual members of the delegations. It is suggested that instead of sponsoring trade delegations, market surveys and studies should be accorded priority. Such studies should be organised with the help of professional market research specialists or organisations for the larger benefit of the diamond industry & trade.

Commercial Publicity

Cut and polished diamonds, as a product, are not amenable to brand names. In spite of the fact that jewellery making industries in the leading centres of the world use small diamonds of Indian origin, quite many
of them are not aware that India can supply quality product in wide range of cuts, sizes and shapes. As a promotional measure, it is necessary that the concerned organisations vested with the responsibility of developing exports of diamonds should pay adequate attention to publicise and project image of India as a supplier of quality diamonds. This could best be done through publicity in specialised trade journals or supplements brought out on the occasion of the national events like the Republic Day. Direct publicity in the major jewellery manufacturing countries, notably Italy, Austria, and Japan can help encourage direct business with the Indian diamond trade rather than getting their supplies from third countries such as Belgium, Israel and Switzerland.

INSTITUTIONAL SUPPORT

The diamond sector of the Indian gem & jewellery industry has acquired a status and place when it deserves exclusive and undivided attention. The existing institutional support is not able to cope up with the developmental and promotional requirements of the diamond industry & trade on systematic and scientific lines. This can be achieved with the establishment of two institutions, one at the policy formulation level and the other at the execution stage. The policy formulation relating to
import and export as well as proper maintenance of trade transactions should be assigned to a Diamond Control Office while the developmental and promotional functions should be vested in a Diamond Export Development Board.

Diamond Control Office

At the policy formulation level, the proposed Diamond Control office under a Diamond Controller should handle all matters relating to import and export of rough and cut & polished diamonds. In order to impart efficiency in the trade transactions and to remove procedural handicaps, the Diamond Controller should be vested with powers to regulate import and export business as also to maintain the two-way trade data outside the purview of the import trade control authorities. The Diamond Control office should be part and parcel of the Ministry of Commerce and be headed by a person having a thorough knowledge of the diamond industry & trade besides being conversant with the ins and outs of the trade. Hitherto the value added content in the diamond export business has been left to the free will of the diamantaires, which leaves ample scope for manipulations. The Diamond Control office should determine the extent of value added content for the diamond industry & trade to avoid and check malpractices. In addition to this important function, the proposed institution should make an assessment of the financial and credit requirements.
of the diamond export sector. The Diamond Controller, for proper coordination, will need to work with close cooperation of the suggested Diamond Export Development Board.

Diamond Export Development Board (DEDDB)

For an accelerated and systematic development of diamond export sector, it is high time a Diamond Export Development Board was created with statutory powers to look after all aspects of the industry including production, processing, research and development, training and export marketing. The proposed Board should be assigned the functions and responsibilities outlined in the paragraphs to follow.

1) Registration and Licensing

i) To undertake registration and licensing of manufacturing, processing and export enterprises;

ii) To register all dealers including agents, brokers and merchant exporters.

2) Infrastructure & Related Areas

i) To assess and indicate from time to time infrastructural facilities and requirements commensurate with export effort;

ii) To develop adequate facilities for training and research & development;

iii) To bring about coordination among different organisations dealing with diamonds and jewellery production and export promotion.
3) Production

1) To help augment raw material availability by encouraging exploitation of local resources and by increasing imports of roughs;

ii) To help regulate raw material supplies to small and medium scale exporters;

iii) To prescribe and enforce standards of quality matching those of the overseas market requirements;

iv) To review the position of availability of machinery, equipment and spares including ancillary materials;

v) To encourage production of machinery, equipment, spares etc. indigenously at reasonable cost and to arrange their import, wherever necessary;

vi) To suggest the manufacture of new and modern items of equipment.

4) Processing Facilities

1) To regulate and limit the processing or manufacturing capacity in accordance with the changing market requirements;

ii) To encourage diversification of the industry into newer areas of activity and centres to realise additional value added in foreign exchange to the maximum extent;

iii) To encourage introduction of mechanisation of different processes for optimum productivity and efficiency but without displacing labour and involving minimal investment;

iv) To step up quality production facilities by creating additional centres in the country.
5) Research & Development

1) To promote research in techniques of processing and cutting & polishing of diamonds;

2) To arrange research in the area of tools and implements used in the diamond industry;

3) To help promote research on inputs used for improving the quality of the finished product;

4) To lay down priorities for research on various problems faced by the industry and to coordinate research work with other concerned research institutions.

6) Manpower Requirements

1) To assess and indicate from time to time craft-wise manpower requirements of the diamond sector;

2) To assist the industry in obtaining services of qualified foreign designers and technicians, wherever necessary, for a limited period;

3) To arrange opportunities for advanced training abroad for technicians and artisans engaged in the industry.

7) Financial/Credit Facilities

1) To arrange financial assistance by way of loans to the gem crafts to help them meet requirements in improving and modernising equipment;

2) To provide guarantees for loans for effecting improvements in tools and equipment;

3) To channelise subsidies and grants sanctioned by the Government.
8) Export Marketing

   i) To devise modern marketing strategies to capitalise on the potential of the major overseas consuming markets;

   ii) To collect market intelligence from important overseas markets through its representatives for the benefit of the industry;

   iii) To organise promotional campaigns in overseas markets;

   iv) To help settlement of disputes between the Indian exporters and the foreign buyers.

9) General Functions

   i) To undertake export publicity and promotional campaigns through trade fairs, exhibitions and sponsoring of market surveys;

   ii) To recommend to the Government items to be included in the list of import entitlement and the nature of other incentives to be offered to the export sector;

   iii) To promote welfare of workers and artisans engaged in the industry;

   iv) To undertake such other activities which can directly or indirectly help improve, organise and develop diamond industry & trade.

Gemmological Institute

Product knowledge being quite important for new entrants in the diamond export trade, their entrepreneurial effort is frustrated for want of professional competence. Without the knowledge of identification, sorting, grading,
and valuation, it is difficult for any new entrant to venture into this trade. Currently, limited facilities are available at Bombay and Delhi on part-time basis for persons belonging to families of jewellers. Training in gemmology at Delhi organised by the Gem & Jewellery EPC with financial assistance provided by the A3HB is too inadequate, both in content and teaching inputs; so also is the case with training facilities in gemmology created at Bombay by the local Gem & Jewellery Exporters Association. Infrastructural facilities in terms of classroom accommodation and laboratory equipment at both the places are grossly inadequate.

In view of the growing demand for training in gemmology and the interest evinced by the exporters to diversify their activities to include exports of diamonds, it is high time a full-fledged Gemmological Institute on the pattern of the one existing in Antwerp or the Gemmological Institute of America (GIA) is created in Bombay or Delhi to spread systematically and scientifically knowledge of gemmology for the benefit of those desirous of joining the diamond industry & trade. The Institute should have a proper campus and should be adequately equipped with teaching aids and laboratories. Besides meeting the needs of the persons already in the trade or the new comers, the importance of such an
Institute for commercial banks, customs departments and others connected with the diamond trade or appraisal and valuation of roughs or cut & polished diamonds cannot be over-emphasised.

Diamond Bank

Exports having reached the level of Rs 7277 million in 1981-82 and Rs 9128 million in 1982-83, with immense scope for further growth, creation of an exclusive Diamond Bank to cater to the growing financial needs of the industry & trade would go a long way in mobilising the export potential of diamond trade. Such a financial institution could also play an important role in the process of achieving vertical integration in the processing activity and the export sector. The proposed Bank should be equipped with manpower resources and testing facilities adequate enough to provide efficient service to the diamond trading community. Besides, personal knowledge about the competence of exporters at micro level acquired by the proposed Diamond Bank can accelerate the process of export expansion by augmenting the financial or credit limits of the individual enterprises.

Linkages

As part of the developmental and promotional strategy, there is need to forge proper coordination among the different organisations engaged in the export
effort of the diamond industry. At present such a coordination, especially among the Geological Survey of India, National Mineral Development Corporation, Mineral Exploration Corporation, Minerals & Metals Trading Corporation, Hindustan Diamond Company, Indian Diamond Institute, All-India Handicrafts Board, Handlooms & Handicrafts Export Corporation and the Gem & Jewellery Export Promotion Council is partial and ineffective. The role of forging proper and fruitful coordination among the concerned organisations could be entrusted to the proposed Diamond Export Development Board.

While strengthening the institutional set up, the Government of India should review the functions of the existing agencies concerned with the development and export expansion efforts of the diamond industry, particularly the Hindustan Diamond Company which faces severe criticism from the trade. In reviewing the progress made by this joint sector agency in helping the small diamond exporters it should be investigated as to what extent the existence of this organisation, with its main role to conduct test marketing for the sale of rough diamonds and to gather commercial intelligence about the cutting & polishing sector, is useful for the trade and the country. In view of the fact that this particular organisation is dominated indirectly by
the S. African De Beers Consolidated Mines Ltd. and the persons manning distribution of roughs are from its London-based marketing arm, the Diamond Trading Company, the Government of India should have a fresh look at the continuance of this agency since its operations are detrimental to the larger interest of the country as also of the Indian diamond industry & trade.

Procedural Formalities

Indian diamond export sector should be helped to emulate the example of its counterparts in Israel and Belgium in respect of procedural formalities incidental to trade transactions. This could be possible if procedures for exports are simplified and formalities are reduced to minimum. The procedures should embody a provision for foreign customers to carry diamonds with them if they so desire, with necessary declaration and delivery of packets at the Customs. In order to encourage and attract foreign buyers to India, the rules to carry goods either personally or through air freight should be so framed that incidental formalities are completed with ease and convenience.

With a view to completing the necessary procedural formalities in the Customs or Banks with speed and efficiency, the concerned officers should have the requisite training and knowledge of identification
and valuation of diamonds. Thorough knowledge on the part of the personnel handling import and export of diamonds coupled with streamlining of paper work including fixation of time limit for processing of documents in banks will impart efficiency and cut considerably the delays taking place in the transmission of documents thereby removing one of the common complaints of the foreign buyers.

**Adequate Data Base**

The cutting & polishing industry being a cottage sector, lacks the necessary data base in relation to the exact number of workers engaged in the industry, the types of tools & implements used by them, the variety of crafts pursued by the artisans in terms of sawing, cleaving, bruting, cutting, cross-work making, assorting, grading etc., and the wage level. In the absence of such basic information and data on important aspects of the industry, the policies framed by the Government tend to lack pragmatism. In order to overcome this lacuna and to ensure sound and realistic policies, it is essential to build up proper and authentic data base by conducting a census survey of the diamond industry on all-India basis. Initiative for such an important project should be taken by the Ministry of Commerce and the All-India Handicrafts Board.
Many of the problems of the diamond industry & trade stem from the very nature of its set-up, the processing and merchandising sectors being divorced from each other. With import and export operations relating to roughs and cut & polished diamonds respectively being handled by diamantaires, the artisans undertake the processing on piece rate basis. The simple tools and implements as also working space are invariably provided by the factory or workshop owners who constitute an indirect but fragile and remote contact between the artisans and diamond merchants inasmuch as they cater to both the categories, though in different ways. Very few export enterprises have their own processing facilities to a limited extent. In view of the missing link, the artisans who impart substantial amount of value added element to the finished product through culling out the hidden beauty and brilliance from the rough diamonds remain unorganised and are thus deprived of adequate reward for their labour. The middlemen - the factory owners or contractors - who organise the processing activities do not evince keenness in bringing about improvements in tools and techniques of processing.

Besides exploitation of workers, the loose type of arrangement between the processing and export sectors is not congenial for systematic and organised export
expansion. The existing set-up does not help in effecting any qualitative improvement through (a) mechanisation, (b) modernisation; (c) increased productivity; (d) higher per carat yield; (e) diversification; and (f) properly regulating the export effort of the industry. From the socio-economic angle, the existing arrangement presents a picture that the emergence of a privileged class of diamond merchants has apportioned the maximum gain accruing from the export expansion effort of the diamond industry & trade during the last two decades.

One of the elements of the export promotion strategy, therefore, should be to build up a strong supply base conducive to adoption of new and imaginative ideas as well as developments in the sphere of technology. This could only be possible by encouraging vertical integration in the industry in consonance with the practices prevailing in all other diamond cutting and trading centres of world. A two-pronged approach to achieve this end is necessary by providing certain amount of fiscal and financial incentives to the exporting units to develop their own processing facilities and to the factory owners and artisans to organise themselves into cooperatives or consortia with the ultimate aim of encouraging them to take up to export marketing.

Vertical integration could also help establish industrial estates at places of concentration of the
industry to house diamond cutting & polishing units. Such estates can be instrumental in improving the working conditions and ensuring regular power supply to workshops which remain scattered at present.

**PROPER UNDERSTANDING AT GOVERNMENTAL LEVEL**

By virtue of its peculiar characteristics diamond industry & trade is treated on a footing different from other manufacturing industries in the import policy. The governmental machinery, i.e., different Departments and Ministries of the Government of India, dealing with the development of this industry should understand in clear and unambiguous terms the special features including strong and weak points of this personalised trade so that the decisions taken and policies evolved by them are realistic. Proper knowledge will help them to ensure that their ignorance is not exploited and taken undue advantage of by the industry & trade. In the existing set-up, a handful of privileged section of the diamantaires is taking advantage and exploiting the situation in their favour. This is evident from the limited number of diamond merchants who are sight-holders of the Diamond Trading Company. Again, it is on account of lack of proper knowledge of malpractices prevalent like under-invoicing, over-invoicing, maintenance of duplicate account books, trade through unauthorised channels called "magic carpet" and "sub-marine" exports, and sales in domestic market, the upper limit of
replenishment of 87 per cent allowed in the import policy is very much on the high side. The rate of replenishment should be fixed in consultation with an expert preferably from outside the country on the basis of proper cost data furnished by the trade. The rate of import replenishment should be on the basis of carat weight rather than on f.o.b. value of exports. On an average, a carat of rough diamonds yields 35 per cent of cut and polished diamonds after processing. In accordance with this criteria, 65 per cent of import replenishment by weight can meet 100 per cent of the requirements of the exporters.

MINIMUM OF CONTROLS

The development and expansion of diamond trade requires minimum of governmental controls and restrictions. This has been the case with countries where almost laissez faire policy was pursued for the development and promotion of diamond exports. Though India possesses the potential of becoming number one exporting country in the world, much depends on governmental policies and the extent to which these are in line with the unconventional and liberal measures within the framework of its regulatory practices. This does not, however, mean that there should be an
absolute and unqualified freedom. There has to be some discipline in the trade.

**Code of Conduct**

In the export promotion strategy, major role has to be played by the industry & trade. The exporting community should evolve a code of conduct to eliminate the malpractices rampant in the trade including import and export through unauthorised channels, duplicate account books, illegal sales in domestic market, under-invoicing and over-invoicing, etc. In the absence of any discipline in the trade exceptions are also counted among those indulging in illegal and unfair trade practices either for tax evasion or for generating black money. The trade should ensure that due share in the progress and prosperity of the diamond industry is passed on to the artisans also.

**Faith & Trust**

Trust and confidence which are common to diamond business among brokers, dealers as well as other intermediaries handling the goods either for processing or for sales assume considerable significance even for matters pertaining to this trade. This important link is missing between governmental authorities and the diamond exporting community. Often during the course of their transactions with foreign buyers enforcement raids are conducted and the diamond dealers are asked to prove ownership of the goods.
Incidents like this shake the confidence of not only the foreign buyers but also of the local trade. In this personalised business, it is desirable that there should be proper understanding and trust between the Government and the trade shedding prejudices against each other.

**Flexibility in Policies**

The promotional and developmental measures in step with other competing countries are absolutely necessary in view of the fact that the international commercial conditions are not static but highly fluid. It is essential that governmental policies governing marketing practices are not rigid but flexible. If at any time, any improvement in the policy relating to diamond export trade becomes necessary it should be immediately resorted to. Quite often these changes are warranted to keep pace with developments taking place elsewhere and to counter the moves of the competing sources of supplies.

Speed in action is of great essence looking to the developments in the international arena and the threat of competition posed by developing countries with cheap labour who are entering the field of diamond cutting and polishing. The tendency for the new centres
is to start straightaway from the level of technology already achieved in the field in other centres which outweigh the advantages of cheap labour. Before these countries pose any threat to the Indian diamond industry, the Government of India and the industry should act in unison to keep abreast with the fast changing international situations.

GOVERNMENTAL INTERVENTION

Contented work force and healthy working conditions can contribute to the mani-fold growth and expansion of diamond exports. This aspect has been neglected by the diamond industry & trade and the vast majority of artisans who have contributed their sweat and toil in the spectacular growth of the export sector have been deprived of their legitimate due. The gains arising out of the prosperity and progress of the diamond export trade during the last two decades have been apportioned by the suppliers of rough diamonds, diamond merchants and factory owners leaving the artisans even worse off than they were ten to twelve years ago in the wake of constantly mounting inflation and cost of living. The artisans in this sector, therefore, are compelled to put in more hours of work to earn their subsistence. It is here that the work
force feels disillusioned and dissatisfied with the glamour and lustre of diamonds. The unfortunate aspect is that while any amount of price increase in the raw material has been digested by the trade, it is the worker who is the worst sufferer having been denied a few paisa raise per gem stone worked by him on the plea that the competitiveness of exports suffers.

The unhealthy, unhygienic and filthy conditions in which the artisans work in this industry further compound their plight. Crowded places of work, poor lighting arrangements and undue longer working hours are common things in this sector. Employment of child labour and exploitation more akin to bonded labour are other ills rampant in the diamond industry. There is heavy incidence of T.B. among the diamond cutters and polishers.

In order to keep at bay the application of provisions of various labour laws like the Factories Act, the Minimum Wages Act, etc. the factory owners and the manufacturers/exporters organise the processing units in such a way that the legislative provisions are flouted. With a view to imparting discipline in this industry & trade and ameliorating the plight of workers, the Government should extend the provisions of various enactments to this sector irrespective of the scale of operations and number of workers employed in the factories.
Health & Medicare of Workers

A long-term project should be formulated by the Government of India with the help of UNICEF to improve working conditions of children engaged in the diamond cutting & polishing sector and ensuring their health and medicare. Such a project should be preceded by a detailed survey for investigating into the wages paid to the children and the educational facilities, if any, available to them. Such a project will greatly help in improving the lot of the children, making them self-reliant and safeguarding them from exploitation.

Use of Mask

The use of mask for artisans engaged in cutting and polishing of diamonds should be made a statutory requirement to protect workers from falling prey to T.B. The masks should be provided by the factory or workshop owners. Occasional checks by the Department of Labour are also necessary to ensure implementation of the protective safeguards.

Development Cess

Experience has proved that left to the diamond cutting and polishing sector, it is not possible to effect improvements in the inputs or in the tools and techniques of processing. If the industry has to keep pace with the developments taking place in other
countries, it is imperative that research & development is accorded due priority. As pointed out earlier, the newly emerging cutting & polishing centres in the developing world with cheap labour and starting with technological base already built in leading countries like Belgium and Israel are likely to dwarf the achievements of the Indian diamond industry & trade. In this context also the role of research & development for the industry assumes added significance. It is desirable that initiative in this area comes from the Government.

With a view to meeting the financial requirements for research & development, training and import substitution, it is essential that the Government of India imposes a cess of one per cent on the export of cut & polished diamonds. The fund so raised should be apportioned annually according to inter se priorities for accelerating the process of mining of known deposits of diamonds within the country for effecting import substitution, research & development in the areas of tools & techniques of production, upgradation of skills and market promotion.

Export Maximisation

Since sizeable amount of limited resources of foreign exchange — amounting to Rs 5720 million in 1981-82 and Rs 6635 million in 1982-83 — is spent on the imports of roughs, it should be ensured that
cut and polished diamonds are exported in their entirety especially when the import of roughs is completely duty free. The trade circles estimate that domestic demand for diamonds, particularly in the studded jewellery segment, is around ₹ 3000 million. With growing craze in the domestic market for precious metal diamond studded jewellery its demand has been looking up during the last few years. In order to ensure that foreign exchange earnings are optimised, the Government should impose heavy duties to discourage sales of diamonds in the form of studded jewellery within the country. Simultaneously, proper book keeping for sales effected in the local market should be made an obligatory requirement as a safeguard against adequate check as well as evasion of levies and taxes. Alternatively, import of roughs should be subjected to customs duty with provision of drawback refund on furnishing evidence of cut and polished diamonds having been exported.
ANNEXURE-A

SALIENT FEATURES OF IS 8844-1978 ENTITLED GUIDELINES FOR MARKING PURITY OF GOLD ON GOLD ARTICLES/ORNAMENTS

a) The Standard recommends the following six grades of gold for the manufacture of gold articles and ornaments:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Fineness</th>
<th>Or</th>
<th>Carat</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>970</td>
<td></td>
<td>23.3</td>
</tr>
<tr>
<td>2</td>
<td>916.6</td>
<td></td>
<td>22</td>
</tr>
<tr>
<td>3</td>
<td>750</td>
<td></td>
<td>18</td>
</tr>
<tr>
<td>4</td>
<td>585</td>
<td></td>
<td>14</td>
</tr>
<tr>
<td>5</td>
<td>500</td>
<td></td>
<td>12</td>
</tr>
<tr>
<td>6</td>
<td>375</td>
<td></td>
<td>9</td>
</tr>
</tbody>
</table>

b) The solders used for the manufacture of gold article/ornament should be of the same fineness (or caratage) as that of the article/ornament.

c) The sampling and assaying should be done as prescribed by the Indian Standards Institution.

d) The gold articles/ornaments should be stamped with the following marks:

i) identification mark of the manufacturer, and

ii) a quality mark indicating the fineness or caratage.

e) Gold articles/ornaments on which marking should
not be applied are as follows:

i) any gold article/ornament which fails to comply with this Standard,

ii) any gold article/ornament which is not solid or which is made with a hollow centre and then filled with base metal, cement, lac, or other foreign substance, thereby giving the article a false or added weight or strength, and

iii) gold article/ornament on which it is physically impossible to stamp the marks.