CHAPTER VI

SUMMARY OF CONCLUSIONS & RECOMMENDATIONS

Indian diamond industry has witnessed many vicissitudes. As a supplier of very high value, large size rare diamonds it enriched the coffers of the emperors, kings and queens; satisfied the baroque of super elite of the globe; and enjoyed the sole monopoly as well as a place of pride in the world exports for over two millennia ending with the close of the first quarter of the eighteenth century. Available accounts indicate that much before 400 BC India used to supply diamonds to different parts of the world. During the 16th and 17th centuries when India was at the pinnacle of world exports, many countries of the globe were not even aware of diamond as a product.

HISTORICAL OVERVIEW

A salient feature of the diamond mining in ancient era was that despite the absence of the present day scientific advancements and technological innovations, large size invaluable diamonds were mined in India from conglomerates and alluvial deposits. Since diamonds were uncommon with the common people, the gem stones weighing 10 carats and above were the property of the Government
and formed part of the treasury of the State. Possession of big and rare diamonds was a barometer of the strength and wealth of the State.

For a very long time running into centuries, a strong belief that changing the natural shape of a diamond could bring untold misery and misfortune to the cutter, and to a large extent lack of technical know-how, with­held the development of the craft of diamond cutting and polishing. Uncut and unpolished diamonds were, therefore, used in jewellery. The art of cutting and polishing of diamonds in India, however, dates back to 14th century.

Many of the invaluable, legendary and world famous gem diamonds in rare colours, shapes and sizes weighing upto 300 carats inter alia including the Koh-i-Noor, the Great Mughal, the Hope, the Regent, the Darya-i-Nur and the Orloff were mined and polished in India. The important discovery that a diamond can cut diamond is due to the skill and ingenuity of the Indian craftsmen.

SHIFTS IN BUSINESS ACTIVITY

With the discovery of diamond mines in Brazil in 1725, in South Africa in 1866 and subsequently in other countries, the Indian diamond industry lost its supremacy and the centre of processing activity shifted to Amsterdam (Holland) and then to Antwerp (Belgium). Lisbon in Portugal emerged as a main distribution centre
for Indian diamonds in the 16th century after the discovery of a direct sea route to India. Exhaustion of diamond mines in the country and simultaneously discovery of mines in other countries in 1725 and 1866 brought U.K. into prominence as a trading centre. The diamond industry in India gradually lost its importance and went into a state of oblivion from the middle of the eighteenth century.

The two World Wars gave a serious blow to the industries in Holland and Belgium and the refugees of Indian origin from these major centres enthused some life in the oblivion-ridden diamond industry of India. In the last few decades economic compulsions of rising wages in Western Europe like other developed economies have been responsible for a drift of the cutting industry to Israel and later to India.

On account of foreign exchange problems and restricted imports of rough diamonds into India after Independence, the industry was able to revive itself through unfair practices. Imports of roughs were effected through unauthorised channels and after cutting & polishing these were exported through the same clandestine means. This practice continued till the import of roughs was officially allowed in 1956-57 with introduction of import replenishment scheme in the
following year under which exporters should import rough diamonds from the Diamond Trading Company and other sources abroad.

Diamond cutting & polishing having been rendered uneconomical in other leading centres, factors such as availability of skills of artisans, entrepreneurial competence of diamantaires and the policy of the Government of India to allow import of rough diamonds were responsible to avail of the opportunity that came in the way of the Indian diamond industry. Though the cutting & polishing activity has remained confined to small diamonds mainly single cut and double cut to feed the jewellery manufacturing industries of the world, the Indian diamond industry has carved out a place of pre-eminence with first rank in the globe in terms of number of pieces worked as well as the carat weight processed by it.

PRESENT STATUS

The diamond industry and trade currently include three main functional components (a) import of roughs, (b) cutting & polishing, and (c) export of cut & polished diamonds. While the import and export functions are undertaken by diamond merchants, cutting & polishing operations are performed by workshops and factories run mainly on cottage basis. The two functions of
production (cutting & polishing) and export marketing of diamonds are performed in isolation there being no vertical integration in the two sectors. The artisans engaged in the industry work on piece rate basis, and constitute a fragile and temporary link even in the processing sector.

The diamond cutting & polishing activity is concentrated in and around Surat in Gujarat. Surat alone accounts for nearly 60 to 70 per cent of the total processing activity in the country. Navsari, Bhavnagar, Palanpur and Bombay are some of the other main cutting centres. Of late, the industry has dispersed to new areas like Jaipur, Cambay, Trichur, Coimbatore and Goa. Bombay remains the main trading centre and over 90 per cent of the exports take place from this nerve centre of commercial activity.

With outmoded techniques and traditional tools of cutting & polishing, the per carat yield is much below that achieved in other centres of the world, weight loss at different stages of processing is considerably high, and the productivity of workers is the lowest.

The industry is engaged in the cutting and polishing of small diamonds, single cuts (8/8) and double or full cuts (16/16), together accounting for 90 per cent share of the total processing. The
industry is based on imported raw material. About 85 per cent of the roughs are imported directly and indirectly from the Diamond Trading Company, London.

ROLE OF DTC

The Diamond Trading Company has taken advantage of its monopoly position and has established its stronghold by being instrumental in developing diamond cutting industries in different parts of the world strictly by demarcating and distributing roughs of specific categories to various centres. While the USA has been developed as a centre for cutting and polishing of large diamonds of one carat size and above, Belgium and Israel have been established as major centres mainly for medium size diamonds ranging between 10 pieces per carat and 50 pieces per carat. Indian diamond industry has been made to specialise in the cutting and polishing of very small diamonds of the sizes varying 50 pieces per carat and 300 pieces per carat. In this process, the Diamond Trading Company has been successful in taking away the major share of the profit by stepping up from time to time prices of raw material in different centres. There have been as many as 19 price hikes between 1972 and 1982 with cumulative price rise of over 252 per cent for the Indian diamond industry.
The availability of traditional skills, competitive labour and the capability of the Indian artisans to transform near industrial variety of small diamonds into gem variety are some of the important considerations to have weighed heavily in favour of India being developed into a specialised centre by the DTC. According to international trade circles, had India not been in the field of cutting of small diamonds very little of the rough diamonds supplied to the industry would have been categorised as of gem variety.

**EXPORT PERFORMANCE**

The export performance of the Indian diamond industry has been quite impressive during the last 15 years. Exchange earnings of the industry have steadily increased from Rs 106 million in 1966-67 to Rs 847 million in 1973-74 representing nearly 700 per cent increase over the period. The era following oil-price hike has witnessed a peculiar phenomenon. While all other industries have continued to reel under the influence of economic phenomena like inflation, stagflation and recession, diamond industry has experienced a meteoric rise in exports, its exchange earnings having gone up from Rs 750 million in 1974-75 to Rs 5500 million in 1979-80, Rs 7277 million in 1981-82 and touching an all time high of Rs 9128 million in 1982-83.
The reasons for this unprecedented growth are not far too difficult to seek. With confidence in paper currency at the lowest ebb due to its fast depreciating value as a result of mounting inflation, the affluent and the middle income strata of society all over the world have regarded expending their disposable luxury income on diamonds as a sound and rewarding investment. Political crisis in certain parts of the globe and reduced opportunity cost of holding alternative form of investments are some of the other factors acting as stimulants for greater expenditure on diamonds.

Exports of diamonds from India are directed to about 30 markets of the world. The major ones, however, include the USA, Belgium, Japan, Hong Kong, Singapore, Switzerland, France, U.K. and West Germany together accounting for over 94 per cent share in the total exports in 1981-82. Among these while Belgium constitutes a major trading centre, Switzerland, Hong Kong and Singapore are the transit trade centres. The USA and Japan are the principal consuming markets.

UNACCOUNTED TRADE

The official trade data does not take into account exports effected through unauthorised channels including smuggling, known in the language of trade as "magic carpet" or "sub marine" exports. Nor does it
include outward sales taking place through secret courier service. Besides, other malpractices like under-invoicing and over-invoicing, sales in domestic market, and huge advance payments received in foreign exchange from overseas buyers during their business visits to India do not get reflected in the trade transactions for the purposes of export.

**EXPORT PROSPECTS**

Factors which have been instrumental in helping the Indian diamond industry attain dizzy heights in exports are still in existence. Indian diamond export sector caters to the growing requirements of the jewellery manufacturing industries of the world. The current world demand for studded jewellery valued at $12 billion is estimated to grow to the level of $25-30 billion by 1990-91. Inflationary trends with sagging value of paper currency and political instability in many parts of the globe - two powerful stimulants in motivating people all over the world to increasingly invest their disposable luxury income in diamonds or diamond studded jewellery in otherwise adverse economic conditions - continue to exercise their positive and favourable impact on India's diamond exports.

The strength of the Indian diamond industry lies in its huge inventory of skills such as cleaving, sawing, cutting, polishing, grading and assorting
supported by the competence as well as entrepreneurial ability of diamond merchants. In certain areas like grading and assorting, Indian skills match the highest standards of the world. In the export field, the industry has hitherto continued to sustain on the forte of its cheap labour and traditional skills as also rudimentary tools. The production has remained unorganised and its cottage character with lack of vertical integration have deprived the industry of the benefits of higher productivity, higher per carat yield through research & development in the tools and techniques of cutting & polishing, and higher value added content by way of diversification.

If past expert performance of the industry is any guide, with immense scope for further growth and development of areas which remain untapped, especially the economies available in systematic organisation and diversification, export earnings of the diamond sector are expected to make a major breakthrough in the years to come. The Committee on Export Strategy for 1980s, appointed by the Government of India in the recent past, has estimated that export performance of diamonds could reach a 30000 million mark by the close of the present decade. The scope, however, is much higher and the industry can surpass this level provided it is
able to diversify itself into newer areas including widening the range of its cutting & polishing in terms of sizes and shapes as well as production of studded jewellery for export. The present exports of cut and polished diamonds in loose form constitute raw material for the jewellery manufacturing sectors of the importing countries. With product development and product orientation supported by improvements in tools and techniques, the industry holds potential to reach the pinnacle of world exports.

PROBLEMS

Lack of vertical integration, inadequate availability of roughs; outmoded tools of production; rudimentary techniques of cutting & polishing; absence of research & development for effecting improvements in the finished product, achieving higher productivity and realising higher per carat yield; heavy weight loss in processing; high incidence of switching of goods at various stages of processing; total absence of craze for product innovation; limited and narrow product range; and lack of efforts to upgrade skills are the main problems of the diamond cutting industry.

Problems of international marketing are characterised by failure on the part of the export sector to keep pace with the fast changing overseas
sales strategies adopted by competitors and to meet requirements of the foreign buyers at times demanding deliveries on their very door steps; absence of systematic and scientific marketing techniques and practices in the form of establishment of diamond bourses, failure to comply with prevalent practices in other centres like consignment sales or sales under customs bond; near total absence of product and market diversification; inadequacy of pre-shipment and post-shipment finance; long delays on account of cumbersome and time-consuming procedural formalities. Other constraints and handicaps in the export promotion effort include absence of code of conduct among the members of the trade indulging in malpractices, lack of faith and trust between the trade and the policy formulating authorities in the Government; inadequate facilities for training in gemmology and lack of proper institutional support.

COMPETITION

Constant efforts are made by the DTC to avoid competition among different diamond production centres through distribution of roughs of specific categories. Even then at the marketing stage certain degree of competition comes to surface. India enjoys the near monopoly of cutting and polishing of small diamonds.
On the marketing side, however, competition is posed by Israel and Belgium, the two important international diamond trading centres in the world in terms of wide product range, delivery schedule and favourable payment terms. These centres make purchases of small diamonds mainly cut and polished in India and thus widen the range of their merchandise. Availability of complete range of product attracts buyers from different buying countries to make their shopping from one place rather than visiting number of centres for piece-meal purchases thus saving time and expense. Often exporters of these countries offer credit facilities ranging up to three months and at times extending up to six months depending upon their business dealings with jewellery manufacturers who are the end users of diamonds. In the process the competitors are able to realise higher unit value to the extent of about 15 per cent.

NEW DEVELOPMENTS

Developments of far reaching importance have been taking place in other countries which have not been taken cognizance of by the Indian diamond industry. These relate to (a) discovery of new diamond mines and expansion of the existing ones, (b) emergence of new cutting & polishing centres in countries with raw material resource base or with cheap labour or both,
(c) research and upgradation in diamond cutting technology, (d) modernisation of tools and techniques of processing, (e) aggressive marketing strategies, and (f) organised distribution system. The already established centres particularly Belgium and Israel constitute success stories of scientific management of cutting & polishing industries having extended research & development in the various areas of processing and export marketing. These have helped the industries of these countries to achieve quality production, higher per carat yield, increased productivity and every conceivable gain howsoever small or marginal it may be through systematic marketing.

Among the new developments, entry of De Beers Consolidated Mines, hitherto in the field of rough diamonds, into the trade of cut & polished diamonds is of considerable significance. This development is viewed with serious concern by the international trade circles. Such a measure is aimed at extending control of De Beers over the demand and supply of cut & polished diamonds and sharing some proportion of profit margin, which according to them is, enjoyed by the middlemen without much value addition on their part.

Growing strength of the USSR diamond industry, backed by indigenous availability of quality roughs and competent work force drawn from Belgium is another
development which tends to undermine the importance of the present day leading centres. In the area of marketing, the Russian producers take recourse to measures and pricing policies which bear no relevance to the prevailing commercial practices. These tend to shake the confidence of the general consumer and adversely affect price stability of diamonds.

Some of the African countries are leaving the umbrella of the De Beers for marketing their roughs produced by them. Ghana and Zaire have already dissociated themselves from the Diamond Trading Company and have thus terminated their long association with this world monopoly organisation. This development is considered as a trend setter for other countries to go outside the fold of the powerful international giant.

NEW DIAMOND MINES

Stepping up of diamond mining activities in the existing centres like Botswana and China and, more than this, new discovery in Australia are some of the significant developments which are bound to exercise their influence on the world diamond industry and trade including that of India. Australia alone which has discovered huge reserves has plans to produce 25 million carats of rough diamonds by 1985. That Australia will not market its produce through the Diamond Trading Company in itself is a new dimension insofar as the
world supply of roughs is concerned. To the Indian diamond industry this is a favourable development since the Government of India, through the Minerals & Metals Trading Corporation, is looking for direct sources of supplies of roughs.

LOSING GRIP BY WORLD LEADERS OF DIAMONDS

Belgium and Israel have lost their tight grip over their diamond industries. This is reflected in the number of workshops and factories which have closed down as a result of uncompetitive processing, drastic decline in the number of workers, and the heavy sight-squeeze to the extent of over 80 per cent effected by the DTC at the instance of the production centres, more particularly Israel. In comparison, supplies of roughs to Indian industry have been stepped up by about 66 per cent. This is a favourable sign for the development and expansion of the Indian diamond export sector.

EMERGENCE OF NEW CENTRES

Many countries of the world are in the process of developing their own diamond cutting & polishing industries. In the developed world, such a measure taken by France is aimed at developing her jewellery manufacturing industry on a competitive basis. In China and South Africa endowed with diamond mines, the development of diamond cutting & polishing facilities is
sought to make use of their available domestic resources. Certain other countries like Indonesia, Thailand, Malaysia and Sri Lanka have taken steps to establish diamond cutting industries with technical know-how and technological base built in the already established processing centres.

**LIKELY IMPACT ON INDIAN INDUSTRY**

While developments in the USSR and S. Africa pose a threat to diamond industries in Belgium and Israel engaged in the processing of medium size diamonds, emergence of new centres like China, Indonesia, Thailand, Malaysia and Sri Lanka is a potential danger to the Indian diamond industry. These developing economies have the benefit of cheap labour and their initial start in diamond cutting with modern technologies adopted by the present day leading centres is an edge which is likely to dwarf the achievements of the industry in India. The Indian diamond export sector, therefore, has to view some of the developments seriously and keep abreast with the technological improvements lest the new entrants in the field steal a march over us.

**EXPORT PROMOTION MEASURES**

With inherent advantages available to the Indian diamond industry in the areas of skills, competitive strength in the processing of small size diamonds, managerial capabilities and favourable international
milieu, a comprehensive strategy can help the industry reach the pinnacle of world exports. The strategy so devised should aim at a multi-pronged approach encompassing:

a) Indigenous diamond mining,
b) Qualitative production and processing,
c) Research and Development,
d) Training and upgradation of skills,
e) Higher productivity and realisation of higher per carat yield,
f) Product orientation and product diversification,
g) Improvement in tools and techniques of cutting & polishing,
h) Mechanisation and modernisation, wherever possible,
i) Vertical integration of production and export marketing,
j) Systematic marketing and distribution practices,
k) Development of India as an international diamond trading centre, and
l) Adequate institutional support.

**SUPPLIES OF ROUGH DIAMONDS**

For adequate supplies of rough diamonds, key input and the very life-line of the industry, efforts are necessary to ensure increasing availability from
the existing sources like the Diamond Trading Company, open market purchases in Antwerp and London, and direct arrangements with primary producers. In the long-run, however, it is desirable to minimise dependence on imports and particularly on a single source of supplies by exploiting the known reserves within the country, wherever necessary with know-how and technological assistance from countries reputed for their diamond exploration and mining operations.

TRAINING

The cutting & polishing sector of diamond industry which employs about four hundred thousand artisans lacks proper education and school level training in conceptual framework for comprehension of geometrical proportions so essential for perfect and quality cutting. The existing work force, therefore, needs to be helped in upgradation of skills. The two Artisans Training Schools established in recent years have not been able to fulfil the task assigned to them. In particular, for effectively meeting the needs of the industry & trade, the scope of the Indian Diamond Institute, the institution meant to develop skills in diamond cutting, should be to develop professionalism in diamond technology through (a) systematic and scientific training in different aspects of processing, (b) research in improved tools
and techniques for higher productivity and greater per carat yield, (c) upgradation of existing skills, and (d) dissemination of information about technological improvements and innovations taking place in other centres of the world.

Traditional and ad hoc approach 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 scientific lines to meet effectively the requirements of the fiercely competitive world markets. This is possible only if the artisans and craftsmen are helped to catch up with the technological innovations and improvements effected by the main consuming and production centres.

RESEARCH & DEVELOPMENT

In other production centres of the world, by means of constant research qualitative production has been achieved at economical cost. This presents a sharp contrast to India where primitive and outmoded methods of cutting & polishing are widely in use in the industry. With a view to imparting efficiency, improving quality and finish of the end product and effecting
cost reduction, research & development activity has to be accorded priority if the industry has to further improve its export performance. A pre-requisite for such a measure is to undertake a detailed comparative study of tools and techniques used in India and other leading centres with an ultimate aim of emulating the examples of the latter.

DIVERSIFICATION

Too much emphasis has been given on the export of small diamonds in loose form, currently in the price range of $220-315 per carat, and too little has been done to diversify in the areas of processing of large gems or realising the benefits of higher value added content in the form of exports of studded jewellery. Lack of systematic and organised export effort to reorient production to suit overseas market requirements have hitherto frustrated the efforts of the industry. To help accelerate further growth and expansion, the export promotion strategy has to ensure commercial intelligence and information on a regular basis to the trade with provision of facilities as well as services to the industry in the areas of jewellery designing, jewellery casting, diamond and gem stone setting, electroplating and hall marking to meet the exacting requirements of the overseas markets. This could be
made possible by creating the necessary infrastructure and evolving a congenial policy in relation to the following areas:

Jewellery Design Centre,
Hall Marking Facilities,
Common Facility Centres, and
Pragmatic and forward looking policy for gold jewellery exports.

AGGRESSIVE EXPORT MARKETING STRATEGY

DIAMOND EXCHANGE

Marketing and distribution policies of the Indian diamond industry desire much to be improved. These need to be structured on the lines of the strategies adopted in other centres like Antwerp and Tel Aviv. The establishment of a Diamond Exchange at Bombay with necessary facilities of banks, brokers, customs, appraisers, postal services, and offices of airlines cannot be over-emphasised. The trade having failed to create such an infrastructure all these years, it is essential that the Central Government and the Government of Maharashtra in the larger interests of the country and the diamond trade take initiative by evolving a time-bound plan for the implementation of the project.
Current status of the diamond industry in India is that of an exporter and not as a trader. In a personalised trade like diamonds, buying decisions are vested in the proprietor or head of the enterprise who cannot delegate responsibility to others. When the overseas diamond dealer looks to other centres for making purchases time for him is as precious as diamonds and, therefore, prefers to buy wide range and variety of goods at one place. The Government and the diamond industry have not realised the benefits accruing from imparting the status of an international diamond trading centre to India. Apart from importing roughs in the country and exporting cut & polished diamonds, facilities need to be provided to import polished goods to enable the industry widen the range for export trade subject to certain minimum percentage as value added in foreign exchange for re-export. Such a measure is expected to help boost considerably exports of Indian diamonds through demand creation and demand diversion effect.

CONSIGNMENT SALES

Apart from developing India as an international trading centre and creating an infrastructure for systematic marketing in the form of a Diamond Exchange,
the industry has to adopt practices which have become customary to trade in other centres of the world. These include exports on consignment sales basis or exports under customs bond. These facilities help the foreign buyers to make choice of goods in terms of sizes, range; and shapes without spending time and incurring expenses on visits to production centres outside their own countries.

COURIER SERVICE

Steps have been taken by other competing countries to ensure supply of diamonds at the very door steps of the buyers. This has been done through the application of courier service which ensures convenience to the foreign buyers besides providing safe and prompt delivery. The Indian diamond industry & trade will have to fall in line and extend such a facility to overseas buyers.

MARKET INFORMATION & COMMERCIAL INTELLIGENCE

Very little attention has been paid by the industry & trade in India to collect market information and commercial intelligence on systematic lines for reorienting and strengthening its export effort. A small number of diamond exporters having overseas sales outlets are able to collect such information through their own resources while the vast majority
is not able to get information about changing day-to-day market trends and feedback relating to extent of competition and promotional strategies. Trade delegations sponsored by the Gem & Jewellery Export Promotion Council being of not much avail, there is need to lay adequate emphasis on market studies and surveys. With the help of professional market research agencies and specialists the concerned export promotion organisations should ensure market and commercial information to the small and medium exporters on a continuing basis.

COMMERCIAL PUBLICITY

Though jewellery making industries in the various countries of the world use small diamonds of Indian origin, quite many of them are ignorant of the fact that India can supply quality product in wide range of cuts, sizes and shapes especially when they get the supplies through third countries. Since the product is not amenable to brand names, the organisations concerned with export promotion of diamonds should undertake publicity to popularise and publicise Indian diamonds in specialised trade journals in markets abroad. Commodity-oriented trade fairs on gems & jewellery organised in different world markets constitute another important medium of export promotion which has not been tapped by the Indian diamond trade. Participation in such specialised international trade fairs can pay rich dividends in the export expansion effort of the industry.
INSTITUTIONAL SUPPORT

DIAMOND CONTROL OFFICE

The existing institutional support for further development and export expansion of diamond industry is inadequate and needs to be strengthened. The industry has acquired a status and place when it deserves exclusive and undivided attention. This could be best achieved by establishing two institutions, one at the policy formulation and the other at the execution level. The policy formulation relating to import and export, maintenance of trade transactions, determination of value added content, and matters connected with supply of roughs should be assigned to the Diamond Control Office. This office should also determine the quantum of import replenishment to be allowed to the diamond exporters against their export performance.

DIAMOND EXPORT DEVELOPMENT BOARD

With a view to accelerating the pace of export expansion, a separate agency should be created for exclusively attending to the development of the diamond sector. Such an agency, known as Diamond Export Development Board, should be vested with powers to look after all aspects of the industry including production, processing, research & development, training &
upgradation of skills, and market promotion. The Diamond Export Development Board should also be assigned the role of registration and licensing; assessment of infrastructural facilities, manpower requirements, and financial or credit facilities required by the industry; export publicity and promotional campaigns; and promotion of welfare of workers engaged in the cutting & polishing sector.

GEMMOLOGICAL INSTITUTE

Product knowledge is quite important for new entrants desirous of joining the diamond export business. Without adequate competence in the areas of identification, sorting, grading and valuation of diamonds, efforts of the new entrepreneurs cannot bear fruit. Currently, on part-time basis such training facilities are available to limited number of persons coming from families of jewellers at Delhi and Bombay. Increasing demand for training in gemmology and the interest evinced by the general traders to diversify their activities to include exports of diamonds call for an urgent need to establish a full fledged Gemmological Institute either at Bombay or Delhi equipped with modern laboratory and testing facilities.

DIAMOND BANK

With exports of diamonds touching new high almost every year and there being immense scope for further
growth, creation of an exclusive Diamond Bank can go a long way in mobilising the export potential of the Indian diamond industry. The proposed bank can also be used as an instrument for bringing about vertical integration in the industry.

COORDINATION

There is need to forge proper coordination among the different organisations engaged in the export promotion effort of the diamond industry. Such a linkage does not exist at present. While the role of fostering the necessary linkage could be assigned to the proposed Diamond Export Development Board, the best way of doing so could be by representing the newly created agency on the managing committees or the boards of directors of organisations like the Minerals & Metals Trading Corporation, Hindustan Diamond Company Ltd., National Mineral Development Corporation and the Geological Survey of India.

HINDUSTAN DIAMOND COMPANY LTD.

In the entire institutional set-up, the establishment of the Hindustan Diamond Company Ltd. needs a fresh look. Its working calls for review in the light of the criticism levelled by the cross section of diamond trade. Its existence is termed as a
"third eye" of the De Beers Consolidated Mines Ltd. to collect commercial intelligence about the Indian diamond industry & trade. The continuance of this agency is detrimental to the larger interests of the diamond industry.

SIMPLIFICATION OF PROCEDURAL FORMALITIES

Procedural formalities incidental to export of diamonds should be simplified as an effective strategy for export promotion. In this process, examples of countries like Belgium and Israel need to be emulated. The procedures should embody a provision for foreign customers to carry packets of diamonds with them if they so desire, after completing the incidental formalities and making the necessary declaration at the Customs.

CENSUS SURVEY FOR PROPER DATA BASE

The cottage based diamond industry in the country lacks the necessary data base in relation to the exact number of workers engaged in the processing sector craft-wise, the types of tools used by them, wage level of different categories of workers, etc. Besides, information is totally lacking with regard to the child labour and their working conditions. Nor is the authentic information available in relation to State-wise and district-wise dispersal of the processing units. For formulating realistic policies, it is
necessary to build up reliable data base for the diamond industry through a comprehensive all-India census survey, covering the various vital aspects.

**VERTICAL INTEGRATION**

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. On account of the existing set-up, improvements at various stages of processing and production which could change the very complexion of the industry are not possible. Nor is it feasible to bring about improvements in the tools of production and techniques of processing. The loose type of arrangement between the processing and export sectors is not congenial for systematic and organised export expansion. In order to introduce mechanisation and modernisation, increase productivity and per carat yield, and to bring about diversification, vertical integration is an essential pre-requisite for the diamond industry. A two-pronged approach to achieve this end could be by providing fiscal and financial incentives to the exporting units to develop their own processing facilities.
and to the factory owners/artisans to organise themselves into cooperatives or consortia with the ultimate objective of encouraging them to develop exports of their own.

PROPER UNDERSTANDING

Wherever diamond industry has developed and achieved a major breakthrough, it has been due to minimum of controls, proper understanding of the peculiar and specialised characteristics of the trade, and faith & trust between the Government and the diamantaires. In India, at the policy formulation level the Governmental authorities are not aware of the ins and outs of the personalised and specialised diamond trade, nor is there faith & trust between the Government and the diamond business community. Trust and confidence are the rails on which the entire diamond business runs. Development of proper understanding as well as trust & confidence are, therefore, necessary for the export expansion of this trade.

CODE OF CONDUCT

Major role in the development of mutual trust between the Government and the business community has to be played by the trade. The exporting community should evolve a code of conduct for itself to arrest
the malpractices rampant in the trade including smuggling, under-invoicing and over-invoicing, maintenance of duplicate account books to evade taxes, sales of cut & polished diamonds in domestic market, and proper accounting of advances taken in foreign exchange from foreign buyers when they personally visit India for business purposes.

**FLEXIBILITY IN POLICIES**

In view of the changes fast taking place in the international arena, expeditious and timely action is of great essence in keeping pace with the new developments in the world as also to counter the moves of the competitors. As a measure of help for the industry & trade to face the international competition effectively there should be an in-built element of flexibility in the promotional and developmental policies adopted by the Government.

**AREAS OF GOVERNMENTAL INTERVENTION**

Viewed in the context of the socio-economic aspect and the considerable amount of exploitation in the diamond industry & trade, a yawning imbalance has been responsible for conferring undue benefits on those who in real terms contribute very little to value added content. The gains arising from the
progress and prosperity of the diamond trade during the last two decades have been apportioned by the suppliers of roughs, diamond merchants and factory owners. The artisans who impart value to the near industrial variety gems by culling out their latent beauty and lustre through the magic of their hands work on subsistence in filthy and unhygienic conditions. There is heavy predominance of child labour with a high degree of incidence of T.B. among the diamond cutters.

The provisions of various legislative enactments like the Factories Act, the Minimum Wages Act, etc. are kept at bay by the factory owners under the pretext of the cottage character of the diamond industry. With a view to imparting discipline in the industry and ameliorating the plight of workers, the Government should, irrespective of the scale of operations, extend the provisions of the various labour laws to this industry.

HEALTH & MEDICARE OF WORKERS

In order to protect the workers from falling prey to T.B. the use of mask while cutting & polishing diamonds should be made a statutory requirement for artisans engaged in the diamond industry. The masks should be provided to workers by the factory owners.
Measures should also be initiated with the help of UNICEF to improve working conditions of children and their health as well as medicare. These steps should be preceded by a detailed survey aimed at investigating into the wages paid to the child labour and the educational facilities available to them.

DEVELOPMENTAL CESS

Experience has shown that left to the diamond industry & trade it is not possible to effect significant improvements either in the inputs or in the tools and techniques of processing. So also is the case with research and development gains of which have not been realised by the diamond industry in India for want of adequate resources. In order to build up resources for the purpose, it is essential that the Government of India imposes a cess of one per cent on the f.o.b. value of exports of cut & polished diamonds. The fund so raised could be utilised for effecting research & development in the areas of processing technology, raw material and other inputs, and upgradation of skills. Besides, part of the resources of this fund could be spent on diamond mining and exploratory research for effecting import substitution for the benefit of the industry and the country.
Domestic market for diamond studded jewellery has been looking up in the recent past especially after imposition of restrictions on the possession of gold jewellery beyond certain limits. Trade circles estimate that over Rs 3000 million worth of diamonds find entry into the local market. In the wake of difficult balance of payments position and shortage of foreign exchange, with entirely imported roughs the consumption of cut & polished diamonds within the country tantamounts to misuse of scarce resources especially when import of rough diamonds is allowed duty free. In order to optimise exports and to arrest increasing use of cut & polished diamonds within the country, it is desirable that heavy duties are imposed on the local sales of diamonds or studded jewellery. Alternatively, import of roughs should be subjected to duty with provision of drawback refund on production of evidence of exports having been effected.