Philippines vs Thai Exports
### Philippines vs Thai Exports

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Philippines (US $ Millions)</th>
<th>Thailand (US$ Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>5.60</td>
<td>1.454M</td>
</tr>
<tr>
<td>1995</td>
<td>10.99</td>
<td>2.192M</td>
</tr>
<tr>
<td>2005</td>
<td>41.26</td>
<td>3.232</td>
</tr>
<tr>
<td>2006</td>
<td>46.98</td>
<td>3.668</td>
</tr>
<tr>
<td>2007</td>
<td>45.20</td>
<td>5.381</td>
</tr>
<tr>
<td>2008</td>
<td>39.90</td>
<td>8.270</td>
</tr>
<tr>
<td>2009</td>
<td>46.00</td>
<td>9.761</td>
</tr>
<tr>
<td>2010</td>
<td>55.00</td>
<td>11.651</td>
</tr>
<tr>
<td>2011</td>
<td>37.91</td>
<td>12.301</td>
</tr>
<tr>
<td>2012</td>
<td>24.77</td>
<td>8.901 (Jan-Aug)</td>
</tr>
</tbody>
</table>
What Thailand Did

Sectoral developmental strategies undertaken by the Thai Government together with the Gem and Jewelry Industry to help boost domestic as well as export sales:

1976 - Included gemstones cutting and jewelry setting on its list of industries eligible for promotional privileges
1977 - Lifted import duties on rough stones
1980 - Waived import duty and business tax on cut gemstones earmarked for export
1981 - Lifted business tax on finished jewelry slated for export

•Dropped import duty on diamonds (of which there is no local supply) to allow diamond dealers to have their stones cut cheaply in Bangkok.
•Greater incentives to local and foreign investors in export-oriented jewelry production
•allow 100% foreign ownership
•right to import 99.9% pure gold
•No customs duty on items sold to tourists
•Due to growing scarcity of the domestic supply of gemstones, resort to imports to sustain growth in exports
2004-2014 budget:

THB 450,000,000 or USD 13,889,736.18

or Php 618,663,704.34

or Php 62M per year for 10 years
Thailand's Annual Expenditure
Thailand's Annual Expenditure

1.1 Development of equipment, tools and machines, for 5 years
1.2 Development of designs based on market demand, for 5 years
1.3 Capacity building in export of medium-sized entrepreneurs, for 5 years
1.4 Study the image of Thai gem products in major markets, for 5 years
1.5 Promotion of gems & jewelry as souvenirs for tourism industry, for 1 year
1.6 Capacity development of Thai entrepreneurs to enable them to participate in international trade exhibitions, for 1 year
1.7 Initiation of a cluster of gem and jewelry industry, for 4 years
## Thailand's Annual Expenditure

<table>
<thead>
<tr>
<th>Item</th>
<th>5 years:</th>
<th>1 year:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 Development of equipment, tools and machines</td>
<td>50M baht/year or PhP68,740,411.59/ year</td>
<td></td>
</tr>
<tr>
<td>1.2 Development of designs based on market demand</td>
<td>5.8M baht or PhP7,973,887.74</td>
<td></td>
</tr>
<tr>
<td>1.3 Capacity building in export of medium-sized entrepreneurs</td>
<td>10M baht/year or PhP 13,748,082.32/ year</td>
<td></td>
</tr>
<tr>
<td>1.4 Study the image of Thai gem products in major markets</td>
<td>66M baht or PhP 90,737,343.30</td>
<td></td>
</tr>
<tr>
<td>1.5 Promotion of gems &amp; jewelry as souvenirs for tourism industry</td>
<td>25M baht or PhP34,370,205.80</td>
<td></td>
</tr>
<tr>
<td>1.6 Capacity development of Thai entrepreneurs to enable them to participate in international trade exhibitions</td>
<td>1M baht</td>
<td></td>
</tr>
<tr>
<td>1.7 Initiation of a cluster of gem and jewelry industry</td>
<td>2M baht/year</td>
<td></td>
</tr>
<tr>
<td>1.8 Joint Promotion of markets with other industries</td>
<td>1M baht or PhP1,374,808.23</td>
<td></td>
</tr>
<tr>
<td>1.9 Development of marketing data for goods demanded during various festive seasons and ceremonies in major markets</td>
<td>1M baht/year or PhP1,374,808.23 / year</td>
<td></td>
</tr>
</tbody>
</table>
2. Program for the structure adjustment of the industry – with an aim to determine necessary measures and policies for the development of the industry such as Encouraging more registration of entrepreneurs for the exemption of value added tax by the state’s waiving the right to carry out retroactive inspection of the respective business

3. Program for the administration of the Master Plan and development of an information system, as follows:

   3.1 Development of a system for the evaluation of the Master Plan for gem and jewelry industry (5 years: 5M baht or Php6,874,041.16)

   3.2 Collecting information of business groups in gems and jewelry industry (5 years: 5M baht/year or Php6,874,041.16/year)

4. Study of the structure of the gem and jewelry industry (5 years: 8M baht or Php10,998,465.85)
Support Provided to the Jewelry Industry

<table>
<thead>
<tr>
<th>Forms of Support Received from Government and Others</th>
<th>Php, Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>St Elygius Jewelry Center at the CITC</td>
<td>5</td>
</tr>
<tr>
<td>CITEM (1M per year x 3 years; two trade shows per year x 2 years with CIDA PEARL2)</td>
<td>5</td>
</tr>
<tr>
<td>Philippine Assaying Equipment</td>
<td>3</td>
</tr>
<tr>
<td>PHILEXPORT Sectoral Support Fund P780k per year</td>
<td>7</td>
</tr>
<tr>
<td><strong>Estimated Total</strong></td>
<td><strong>20</strong></td>
</tr>
</tbody>
</table>

Support provided to the Philippine Jewelry Industry
P20M for 10 years
Philippines vs Thailand Exports in 2010
The Confederation of Philippine Jewelers, Inc.

<table>
<thead>
<tr>
<th>Member Organizations</th>
<th>No. of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Camarines Norte Jewelry Association</td>
<td>25</td>
</tr>
<tr>
<td>Cebu FAME Foundation Philippines</td>
<td>47</td>
</tr>
<tr>
<td>Guild of Philippine Jewellers, Inc.</td>
<td>71</td>
</tr>
<tr>
<td>*Meycauayan Jewelry Industry Association, Inc.</td>
<td>57</td>
</tr>
<tr>
<td>Mindanao United Jewelry Association, Inc.</td>
<td>1</td>
</tr>
<tr>
<td>Philippine Association of Pearl Producers &amp; Exporters, Inc.</td>
<td>8</td>
</tr>
<tr>
<td>Philippine Jewelry Business Club Foundation, Inc.</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>222</td>
</tr>
</tbody>
</table>

*PHILEXPORT Accredited Members
Who are the Jewelers?

1. Majority are family run companies – mom and pop businesses, few with corporate structure

2. *Alahera*-System - uniquely Filipino

3. Plateros - craft passed from father to son without any formal education; a dying breed as the younger generation prefer more prestigious jobs

4. *Manu-mano* or the traditional way of making jewelry by hand still prevails

5. Mostly underground – government taxation policy too restrictive, which led to smuggling, mis-declaration of goods

6. Secretive - no exchange of suppliers, technology, ideas for fear of being caught
**Who are the Jewelers?**

### List of Establishments and employees of the Jewelry Industry in 2011

<table>
<thead>
<tr>
<th>AREA</th>
<th>Manufacturer of Jewelry (2011)</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Establishment</td>
<td>Employment</td>
</tr>
<tr>
<td>NATIONAL CAPITAL REGION</td>
<td>3,368</td>
<td>15,938</td>
</tr>
<tr>
<td>CORDILLERA ADMINISTRATIVE REGION</td>
<td>1,425</td>
<td>6,625</td>
</tr>
<tr>
<td>ILOCOS REGION (includes CAGAYAN VALLEY)</td>
<td>71</td>
<td>218</td>
</tr>
<tr>
<td>CENTRAL LUZON</td>
<td>171</td>
<td>321</td>
</tr>
<tr>
<td>CALABARZON &amp; MIMAROPA</td>
<td>342</td>
<td>1,047</td>
</tr>
<tr>
<td>BICOL REGION</td>
<td>475</td>
<td>2,869</td>
</tr>
<tr>
<td>WESTERN VISAYAS</td>
<td>89</td>
<td>186</td>
</tr>
<tr>
<td>CENTRAL VISAYAS</td>
<td>100</td>
<td>358</td>
</tr>
<tr>
<td>EASTERN VISAYAS</td>
<td>203</td>
<td>3,465</td>
</tr>
<tr>
<td>NORTHERN MINDANAO</td>
<td>36</td>
<td>87</td>
</tr>
<tr>
<td>DAVAO REGION</td>
<td>62</td>
<td>201</td>
</tr>
<tr>
<td>SOCCSKSARGEN (ZAMBOANGA PENINSULA, CARAGA)</td>
<td>156</td>
<td>468</td>
</tr>
<tr>
<td>ARMM</td>
<td>208</td>
<td>440</td>
</tr>
<tr>
<td></td>
<td>30</td>
<td>53</td>
</tr>
</tbody>
</table>

*Source: National Statistics Office 2013*

- Entitlement to a zero duty on imported raw materials;
- Exemption from the imposition of excise tax;
- Entitlement to zero duty on imported capital equipment;
- Entitlement to a deduction from taxable income equivalent to one hundred fifty percent (150%) of expenses incurred in training schemes;
- Entitlement to gold and silver sales by the Central Bank of the Philippines;
- Authority to buy silver and gold directly from other sources without specific authority from the Central Bank of the Philippines (except small-scale miners);
- Inclusion of locally-manufactured products in the government’s tourist duty free shops; and
- Eligibility to other incentives provided for by other special laws.
Why Develop the Jewelry Industry

A. Abundant natural resource

The Philippine’s gold deposits are estimated to be the 5th largest in the world with an estimate of 203 million metric tons – at current prices of US$1300 per troy oz., this translates to over US$10 trillion.

The Constitution states that natural resources should be developed for the good of its citizens and that each citizen is entitled to enjoy the profession/ livelihood of his/her choice.
B. Labor force

Creative industries such as handicrafts, furniture, décor, fine jewelry and fashion jewelry can absorb less educated people but only the fine jewelry industry can pay well over the minimum wages so as to lift their workers out of poverty. Current wage rates in the jewelry industry start at about PHP 700 per day for less skilled metal smiths and over PHP 1000 per day for stone setters (average of P25,000-30,000 per month). The ability of the jewelry industry to provide jobs has been recognized and encourages by our neighbors.

C. Robust local market/economy
“The fate of the Philippine fine jewelry industry offers an extreme illustration of how government policies can arrest industrial development. Policy, instead of supporting the growth of a potentially major export earner has forced an entire industry underground. Only a complete reversal of policy in this area will be sufficient to restore business confidence in the value of *legitimate* operations. The view of the Harvard Team is that the comparative advantage of the Philippines (the manufacturing sector) lies in its relatively cheap *skilled* labor. **The jewelry industry** – where labor skilled in production and design is critical to international competitiveness – exhibits all the characteristics of an activity in which the Philippines has a competitive edge. Products where the *skilled* labor content is high, must form the heart of any coherent strategy which seeks to encourage non-traditional exports.
…Highly distortionary policies raised the return to smuggling. Domestic producers could compete with the jewelry, imported through “informal” trade channels, only by operating their businesses outside the tax system. This report focuses on 2 main issues. First, why did the government lead itself down a path of increasing contradiction in its treatment of the jewelry industry? Second, what have been real costs of government policies for the domestic jewelry industry? What are the implications of these policies for cost minimization by the firm and for dynamic efficiency in the industry?”
The Supply Chain
Strengths

• Low capital outlay for equipment and set-up
• Abundant supply of pearls and precious metals
• Growing affluence of local market
• Industry players are well represented – geography and nature of business
• High earning potential for not highly educated workers
• Near cash item (alternative savings instrument)
Weaknesses

- Government perception of jewelry as a luxury
- No sustained support for export marketing services
- Small number of fine jewelry enterprises, including those engaged in exports
- High working capital requirements for raw materials
- Lack of formal training for jewelry design through fabrication
Opportunities

• Growing demand for luxury good in the global market
• AFTA – enterprises are encouraged to be competitive
• Robust domestic market
Threats

- Declining export market due to global recession
- Low awareness re Phil Jewelry in the international market
- Increased red tape and permits
- Exports from Thailand, Vietnam and other AFTA countries
- Competition from gadgets such as mobile telephones, etc.
- Internet and online sales of unknown origin and quality
End Consumers

- 600 people were randomly surveyed in selected urban areas as to their behavior, attitude, perception, and purchase habits towards jewelry.
- The following slides present some of the critical findings of the survey.

**Fine Jewelry**

- Jewelry is defined as any personal ornament that has precious stones and metals. Costume/Fancy jewelry not included.
- The fine jewelry market is estimated to be at USD 250 million, of which 12% to 15% represents the diamond market.
End Consumers

Description of the Market

- 82% of the market are women. They start being influenced to buy jewelry when they hit the 15 to 20 age range.
End Consumers

- Of 100 million Filipinos, 15 million* has purchased fine jewelry over the past five years.
- Of which three to five million bought P100,000.00 and higher.
- While the remaining purchased P10,000.00 and lower.
- 70% to 80% purchased from informal sellers (alajeras and the like).

*highly urbanized, ABC1C2 socio-economic class
End Consumers

Reasons for Purchase of Fine Jewelry

- 85% of the market cited personal use/adornment as primary reason of purchase & perceived that jewelry is a luxury good.
- 80% of the market bought out of necessity - for gift-giving or marriage (out of those who purchased fine jewelry P100,000.00 and up)
End Consumers

On Possessing Jewelry (last 5 years)

- An additional 12 million people have jewelry in their possession,
- of which 3 million have jewelry worth ₱100,000.00 up
- 65% was pinamanahan (inherited from older generations/heirloom)
End Consumers

Perceptions on Fine Jewelry

- 90% found imported jewelry to have better quality than local jewelry
Moving Forward

A. The Big Picture

1. Fully legitimize the industry
2. Conversion of small-scale businesses into world class players through strengthening of domestic market
3. Create greater job opportunities for less educated and out of school youth.
4. Sustained government support to develop the industry
5. Develop linkages with mining industry.
6. Strengthen the CPJI as a Business Support Organization through a larger membership base
7. Enhance the programs & services given to members
Moving Forward

B. Short Term

1. Simplification of RA 8502 accreditation process
2. Simplified export/import policies and regulations
3. VAT exemption on materials, supplies and utilities
4. Greater accessibility to gold, silver
5. Retail Project to be endorsed/supported by the dot/dti
6. Encourage members to go above ground
7. Establishment of a permanent local showroom for the manufacturers & exporters in strategic prime locations in Metro Manila
8. Require mall operators to reserve 10% of prime selling area to domestic enterprises specially for SMEs
The Fine Jewelry Retail Project

Objective:
To Increase awareness and sales for locally manufactured fine jewelry

Includes:
• Marketing/advertising campaign directing balikbayans, tourists and locals to purchase from identified shops;
• Tie up with DTI and DOT;
• HK shop decals identifying shop as DTI/DOT approved/endorsed
C. Long Term

1. A bill reclassifying jewelry from Non-essential to alternative savings instrument
2. Amendment in the National internal Revenue Code or An Act Repealing Sec. 150(A) of the National Internal Revenue Code of 1997 and Declaring the Non-Applicability of Section 151 (A) (2) and (A) (3) (A) and (B) to Jewelry Enterprises
3. Executive Order Providing for the Competitive Environment for the Jewelry Industry of the Philippines
4. Continued subsidy for international exposure through trade fairs & missions
5. Inclusion in government promotional programs
6. Sustained government support in all aspects (cutting red tape)
Thank you!

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