



✦ **India Global Connect** ✦
Business Networking Meet
India - Malaysia
14th February, 2022



...Collaboration Possibilities

Gem and Jewellery Export Promotion Council (GJEPC)

Sponsored by the Ministry of Commerce & Industry

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India Global Connect Business Networking Meet – India - Malaysia 14th February 2022, Time- 2:00 P.M IST

India Global Connect is one of the virtual initiatives which has commenced by the GJEPC for exploring trade opportunities and strengthening trade relations with various countries across the world.

India-Malaysia Global Connect-Business Networking Meet has been organized to enable the stakeholders from both countries to understand the business and economic scenarios and consumers' preferences towards the gem and jewellery of both countries.

India- Malaysia Global Connect is the 15th Business Networking Meet that the GJEPC has organised after the successful meetings with the UK, Switzerland, Colombia, Angola, Oman, Singapore, Morocco, Saudi Arabia, UAE, Hong Kong, Qatar, Thailand, Lebanon, and Egypt since 2020



Key Participants

H.E Mr B.N Reddy	High Commissioner
Mr. Vipul Bansal,	Joint Secretary, MoC&I
Ms. C. Sushma	First Secretary (Commerce and Education)

Panelists from Malaysia

Mr. Chan Kah Hui	Auditor, FGJAM (Federation of Goldsmith & Jewellers Association of Malaysia)
Mr. Pang Ann Puo	Honorary Secretary FGJAM
Mr. Ermin Siow	Adviser, FGJAM
Mr. Rasool Malaysian	South Indian Association
Mr. Peter Lee	CHL Marketing
Mr. George Lo Siew Cheong	Tai Cheong Goldsmith Sdn Bhd
Ms. Twin Chow	Dickson Jewellery
Mr. Chee Yook Chiang	YCSG Industrial Sdn Bhd
Mr. Gerald	Ting Sheng Jewellery
Mr. Siva	VKN Jewellers
Mr. Shanal Hameed	Bombay Jewellery

Panelists from India

Mr. Sanjay Jain	Manoj ornaments
Mr. Ram Tambi	Swastik exports
Mr. Mansukh Kothari	Vasupati Jewellers
Mr. Mayank Bajaj	Consultant- Bajaj Advisors
Mr Sabyasachi Ray	ED, GJEPC (Moderator)



B.N. Reddy said, “The trade numbers have grown exponentially between both the countries despite the pandemic. 2022 will be an important year for Malaysia as we complete 55 years of a close and historical relationship with Malaysia and 30 years of being a key member of ASEAN. It’s been noted that despite the pandemic, the preference for jewellery hasn’t changed and we need to work towards making them available to our consumers. I am happy that GJEPC’s efforts have given us a platform to discuss the way forward to strengthen this association. India’s contribution to Malaysia’s annual gem and jewellery imports of about \$350 million is only around \$50 million. I’m sure that today’s meeting will contribute towards greater synergies, and we can look to increasing this to \$150 million. Gem & Jewellery is rooted in our traditions and customs and has remained the same for decades. It’s the fastest-growing sector. With a high potential for gem & jewellery sector, we need to focus more on technology advancements and not just restrict ourselves to the changes in consumer tastes and preferences. IT portals and technology will help us to improve connecting and communicating which each other in real-time. 100% FDI in India has also helped a lot for the trade.”

Mr. Vipul Bansal, Joint Secretary, Ministry of Commerce & Industry, Govt. of India said, “I would like to congratulate the GJEPC for successfully organising the 15th India Global Connect meet. This platform is a great alternative to discuss the opportunities for the gem and jewellery sector. Malaysia is the 13th largest trading partner and India stands at the 10th for Malaysia. We need to work towards increasing this bilateral trade. These past 9 months have contributed much more as compared to the year 2020. It is also noted that 85% of all the exports are from gold jewellery and with India being the pioneer in diamonds, should increase our global presence. The latest budget rules will also help us chart our future. E-commerce has played a vital role and we must work towards optimising it in the most effective and efficient way.”

Mr. Sabyasachi Ray, Executive Director, GJEPC said, “India-Malaysia Gem and Jewellery Trade is at US\$109.35 million 2020-21. India is known for its high-quality cut and polished diamonds and hand-crafted jewellery and exports around \$ 86.43 million to Malaysia. I believe that when it comes to jewellery making, both can complement each other to take their gem and jewellery business to greater heights.”

1.1 India - Malaysia Gems and Jewellery Trade: A Brief Glance

India -Malaysia’s total bilateral trade in 2020-21 stood at US\$ 15.35 billion Malaysia is the 13th largest trading partner for India while India figures among the ten largest trading partners for Malaysia. India’s major export commodities to Malaysia include Mineral fuels, Aluminium, and articles thereof, meat and edible meat offal, organic chemicals, nuclear reactors, boilers, machinery, cereals and zinc and articles. Animals or vegetable fats and oils, mineral fuels, electrical machinery & equipment, nuclear reactors, organic chemicals, rubber and articles, plastics and articles, iron, steel, aluminium, and articles are the key commodities imported by India from Malaysia

India -Malaysia bilateral trade pertaining to the gems and jewellery trade has increased significantly over the period of five years. Gems and jewellery trade increased from US\$ 28.98 million in 2016-17 to US\$ 109.35 million in 2020-21 even amid the covid-19 pandemic period. **(Refer Table 1)**

Table 1: India- Malaysia Gems and Jewellery Trade (Chapter -71)

Year	Exports	Imports	Total Trade
	US\$ Mn	US\$ Mn	US\$ Mn
2016-17	27.90	1.08	28.98
2017-18	56.99	1.01	58
2018-19	79.77	19.11	98.88
2019-20	86.43	11.36	97.79
2020-21	59.19	50.16	109.35

Source: DGCI&S

1.2 India's Export basket to Malaysia (2020-21)

Gold Jewellery is the major commodity which is exported to Malaysia accounting for around 85 % of India's total exports of gems and jewellery commodities to the country. Cut and polished diamonds, Imitation Jewellery and silver jewellery are the other commodities that are exported from India to Malaysia **(Table 2)**

Table 2 - India's exports of gems and jewellery commodities to Malaysia - 2020-21

Commodity	Amount (US \$ million)
Gold Jewellery	47.70
Cut & Polished diamonds	7.34
Silver Jewellery	1.88
Imitation Jewellery	1.17

Source: DGCI&S

1.3 Malaysia key gems and jewellery imports from the World and India-2020

Malaysia's total imports of gems and jewellery commodities from the world are valued at US \$ 3.76 billion which majorly consist of gold jewellery, cut and polished diamonds, imitation jewellery, silver jewellery, and coloured gemstones in 2020. **(Refer table 3)**

The share of India in Malaysia's total imports of gems and jewellery commodities stood at 1.5 % and the country is one of the major sourcing partners for gold jewellery and cut and polished diamonds for Malaysia in 2020



Table 3: Malaysia Key G&J imports from World and India - 2020

HS Code	Commodity Description	Malaysia's Imports from World (US\$mn)	Malaysia's Imports from India (US\$mn)	India's % share in Malaysia's Imports & rank
71	Gems and Jewellery	US\$ 3760.52 million	US\$ 57.08 million	1.5 % ,9th rank
711319	Gold Jewellery (Plain +Studded)	US\$ 364.32 million	US\$ 41.55 million	11.4 % ,5th rank
710239	Cut and polished diamonds	US\$ 45.7 million	US\$ 9.46 million	20.7% ,2nd rank
7117	Imitation jewellery	US\$ 26.7 million	US\$1.16 million	4.4 % ,6th rank
711311	Silver jewellery	US\$ 15.19 million	US\$ 3.3 million	21.8% ,2nd rank
710399	Precious & semi-precious stones, worked	US\$ 3.75 million	US\$ 0.054 million	1.4% ,6th rank
710391	Rubies, Sapphires & Emeralds	US\$ 2.04 million	US\$ 0.087 million	4.3 % ,5th rank

Source: GJEPC analysis based on UN Comtrade Data,2020



1.4 India - ASEAN gems and jewellery trade with special reference to Malaysia - 2019-20

This section includes the gems and jewellery trade of India with the ASEAN region with special reference to Malaysia which is a part of the said region. It has been observed that Thailand, with a 49 % share, is India's largest export partner within the ASEAN region. Malaysia with around 7 % share is India's 3rd largest export partner within the ASEAN region with an export value of US\$ 86.43 million in 2019-20. Singapore, Vietnam, and Indonesia are the other significant export destinations of India's gems and jewellery commodities. **(Table 4)**

Table 4: India's Gem & Jewellery Exports within ASEAN region -2019-20

Region	2019-2020 (US\$ mn)	% Share
Thailand	646.84	48.93
Singapore	573.11	43.35
Malaysia	86.43	6.54
Indonesia	7.77	0.59
Vietnam	7.01	0.53
Cambodia	0.5	0.04
Philippines	0.27	0.02
Myanmar	0.15	0.01
Brunei	0.00	0.00
Laos	0	0.00
Total	1,322.08	100

Source: DGCI&S



India Global Connect – Interactions and Key Take Away

Mr. Sabyasachi Ray started the rounds of discussions with panellists; outcomes of which are briefly described here below:

Overview of the Malaysian G&J market and the impact of pandemic

a) Malaysian G&J market

Malaysian market is predominantly a plain gold jewellery market and the country exports on an average 30 -35 metric tons of plain gold jewellery annually with a value of US\$ 1.5 billion. Malaysia's Plain gold jewellery exports are higher than its local consumption. Other gemstones/diamond-studded jewellery only constitute 10-15 % of the domestic market with an estimated value of around US\$ 200 million. Major export markets of Malaysia include the Middle East and UAE. The country in the 1990s used to export 50-60 metric tons a year with optimum utilization of manufacturing facilities. However, the export volume of Malaysia has declined over the years with the country utilizing less than half of its manufacturing capacity.

b) Impact of pandemic

Malaysian government had imposed a movement control order (MCO) in the country from March 2020 to May 2020 that led to a halt of manufacturing operations and retail sales in the country. Government in response had provided financial relief to the industry in the form of allowing borrowers time to repay bank loans which led to an increase in buying capacity of the consumers which they had spent on buying gold jewellery, investing in the share market and property. Lack of tourists in the country, restricted movements, and preferences towards buying gold jewellery by Malaysians slowly led to a recovery in the gems and jewellery market in the country from May 2020 to December 2020, especially in the gold jewellery segment with a rise in local consumption. 2nd MCO order was imposed from June 2021 to August 2021 which again led to the shutting down of production and the retail market. Gems and jewellery market in the country opened after August 2021 with Covid-19 appropriate norms such as mandatory double vaccination and limited manufacturing capacity.

The latter half of 2021 followed the same trends as in the same period previous year with increasing buying capacity of the consumers with further financial relief through selective bank loan moratoriums. Malaysian market specializes in the production of 22 karat gold jewellery which has a huge demand in the Asian, South Asian and Middle East markets. UAE is one of the major exporting destinations for Malaysian gems and jewellery products. Tourism does not account for much of

jewellery sales as the country is not a top tourist destination for buying jewellery unlike Hong Kong and Thailand

c) Online G&J sales trends

Malaysia has a population of around 32 million that consists of three major races namely Malay, Chinese and Indians. Malaysians mostly prefer buying locally manufactured Chinese Thai jewellery. The country is not directly importing from India and source their gems and jewellery requirements from UAE and other markets in the Middle Eastern region. However, Malaysia engages in direct sourcing of machinery and technology from India.

Covid-19 pandemic led to the increase in the online sales of jewellery by retail chain stores which provided a boost to the booming Malaysian gems and jewellery sector. Online sales of jewellery have boomed in Malaysia with the emergence of the covid-19 pandemic with various e-trading opportunities available over the course of 2 years.

Key points

- Online sales of jewellery have risen in Malaysia with the emergence of the covid-19 pandemic
- Malaysia is not a strong market for studded gold jewellery
- Malaysian market is predominantly a plain gold jewellery market, especially 21 karat gold jewellery
- Malaysia is not a top tourist destination for buying jewellery unlike Hong Kong and Thailand
- Malaysians prefer locally manufactured jewellery products
- Malaysia is a growing gems and jewellery market



Issues & Challenges hindering G&J Trade and Tax structure in Malaysia

a) Issues

Malaysian gems and jewellery market has grown exponentially coupled with a rise in chain stores in the country. Locals have started buying jewellery and opening chain stores to cater to the Malaysian market which in turn led to an increase in the influx of designs.

However, there are certain issues that are inhibiting gems and jewellery trade between the two countries. There are a large number of companies that employ Indian artisans and workers for manufacturing gems and jewellery commodities that cater to the preferences of the Indian diaspora in the country. However, foreign workers are not permitted to work in the country beyond 10 years leading to a shortage of labour. Furthermore, there are middle-income jewellers/retailers from Malaysia who are unable to engage in spot purchase of jewellery that weighs below 2 kilos from India. There are stringent anti-laundering acts/rules in Malaysia that are inhibiting opening of offices in the country. Thus, there is a need to organize annual meetings for redressal of the current issues pertaining to worker's employment, passport/VISA, and other hindrances.

India and Malaysia have currently two trade agreements namely ASEAN India Free Trade Agreement (AIFTA) and India Malaysia Comprehensive Economic Cooperation Agreement (CECA). Volume of direct exports to Malaysia is low as most of the Indian gems and jewellery commodities are indirectly exported through UAE. There is a need to relax some restrictions on imports of Indian jewellery from Malaysia in the India-Malaysia CECA as the provision was allowed for only a limited period.

Malaysia is a gold jewellery market whose primary export destination is UAE. However, the pandemic has led to a decline in exports of gems and jewellery commodities which led to an increase in local market consumption.

Malaysians mostly meet their sourcing requirements of diamonds from Hong Kong Trade Fair as the country enjoys a tax-free status along with geographical proximity, unlike India which attracts a duty on imports of diamonds.

b) Evolving Tax structure

Malaysia enjoyed a tax-free status before the implementation of GST in 2018. The raw materials of manufacturing gems and jewellery products (Gold /Silver/Gemstones) rose with the abolition of import duties in 1983. Gems and jewellery industry transitioned from cottage industries to medium and large-scale industries post the further relaxation of regulations on gold control in 1987. Import duties on gems and jewellery products were relaxed further in 2000s that was a hindrance to the domestic industry with the increase in competition and lack of tax for protecting local industries.

Key points

- There is a lack of direct exports to Malaysia
- Middle Eastern market and UAE is the major export destination for Malaysian gems and jewellery commodities
- Malaysian gems and jewellery industry transitioned from cottage industries to Middle and large-sized industries
- There is a need to address issues pertaining to worker's employment and passport/visa related issues
- There are some restrictions on imports of Indian jewellery from Malaysia in the India-Malaysia CECA
- Malaysia's imports of diamonds from India are not much as the country sources the commodity from Hong Kong that enjoys a tax-free status

Measures to enhance G&J Trade

There is a need to understand Malaysian gems and jewellery market, their needs, designs, and requirements to boost trade between the two countries. There is good scope for enhancing Indian gems and jewellery exports in the Malaysian market. India has a pool of skilled artisans and workers, potential for supplying hand crafted jewellery to Malaysia coupled with high-quality infrastructural facilities /services namely India Jewellery Park. However, there are issues pertaining to retaining Indian artisans/workers in Malaysia. There is a need to invite Malaysian delegation of gems and jewellery manufacturers and companies to India to increase engagement and interaction between the two countries

Companies from both countries can engage in merged exports by sourcing raw materials from 15-20 different vendors and manufacturing and exporting together to different countries.

India and Malaysia are equally efficient in the manufacturing of plain gold jewellery. India has a range of gold jewellery that vary across various parts in India ranging from South Indian temple jewellery to North Indian jewellery which can be complemented with Malaysian designs. Exports of loose diamonds, precious and semi-precious stones can be enhanced in the Malaysian market which in turn the country can process and export to other countries in the Gulf region.

There is a need to increase engagement and interaction between the two countries by inviting delegations from the Malaysian gems and jewellery sector to understand the needs and requirements of the market, especially in the IGJS show Jaipur which is being held in the month of May 2022

Key points

- There is a need to increase engagement between the two countries by conducting more meetings, interactions and inviting delegations to understand market needs of the countries
- The exports of loose diamonds, precious and semi-precious stones can be enhanced in the Malaysian market
- The companies from both countries can engage in merged exports by sourcing raw materials from 15-20 different vendors and manufacturing and exporting together to different countries



Key developments in the Indian G&J Sector & potential of Lab-grown diamonds

a) Key developments in the Indian G&J sector

Indian gems and jewellery sector is going through a transformative change. There are several developments that are taking place in terms of design, product ranges, infrastructural development, and technology. There has been exponential growth in exports of lab-grown diamonds from the country with huge demand for the product in USA, Hong Kong & UAE. Silver-studded jewellery and platinum jewellery have also been identified as thrust areas for the gems and jewellery sector.

India Jewellery Park and Mega CFC project are two such infrastructural projects initiated by the council to enhance infrastructural capacity of the gems and jewellery sector. India jewellery Park is set on a 21-acre land with an aim to set up an integrated gem and jewellery industrial park with manufacturing units, commercial areas, residences for industrial workers and commercial support services.

Mega CFC project is another key project initiated by the council last year to enhance infrastructural capacity, provide innovative technology, and impart training and skilling facilities to boost gems and jewellery exports from the country.

India is also currently in negotiations for free trade agreements with various countries such as UAE, Canada, EU, United Kingdom, Israel, and Australia to increase penetration of Indian gems and jewellery products in these markets. These developments in the gems and jewellery sector will ensure the achievement of the annual export target of US\$ 41 billion as set by the government of India

b) Potential of Lab grown diamonds

Production of natural diamonds is on average 150 million carats in a year that is affordable by only 3-4 % of the global population. Lab-grown diamonds are cheaper than natural diamonds by around 60-70 % making them affordable to around 10-12 % of the global population.

Lab-grown diamonds is expected to grow significantly in South-East Asian economies including Malaysia due to several factors. South-East Asian Economies have a GDP of US\$ 3 trillion that is expected to be higher than Japan in the coming years. These economies also have a sizable proportion of young population that is below 18 years of age (around 25%). Malaysian economy's GDP per capita is equivalent to China providing huge scope for growth of the commodity in the country.

Key points

- There are several developments that are taking place in terms of design, product ranges, infrastructural development and technology in the Indian gems and jewellery sector.
- There is an immense potential for lab-grown diamonds in the South East Asian economies including Malaysia

Conclusions

Mr. Ray concluded the meet by highlighting key insights gained from the interactions. He narrated that there is a great scope for enhancing bilateral trade relations between the two countries.

- The online sales of jewellery have risen in Malaysia with the emergence of the covid-19 pandemic
- Malaysia is not a strong market for studded gold jewellery
- Malaysian market is predominantly a plain gold jewellery market, especially 21 karat gold jewellery
- Malaysia is not a top tourist destination for buying jewellery unlike Hong Kong and Thailand
- Malaysians prefer locally manufactured jewellery products
- There is a lack of direct exports to Malaysia
- Middle Eastern market especially UAE is the major export destination for Malaysian gems and jewellery commodities
- Malaysian gems and jewellery industry has transitioned from cottage industries to Middle and large-sized industries
- There is a need to address issues pertaining to workers' employment and passport/VISA related issues.
- There are some restrictions on imports of Indian jewellery from Malaysia in the India-Malaysia CECA
- There are several developments that are taking place in terms of design, product ranges, infrastructural development and technology in the Indian gems and jewellery sector.
- There is an immense potential for lab-grown diamonds in the South- East Asian economies including Malaysia

Collaboration Possibilities

- There is a need to increase engagement between the two countries by conducting more meetings, interactions and inviting delegations to understand market needs of the countries
- The exports of loose diamonds, precious and semi-precious stones can be enhanced in the Malaysian market
- The companies from both countries can engage in merged exports by sourcing raw materials from 15-20 different vendors and manufacturing and exporting together to different countries



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