

PASCN Discussion Paper No. 98-04

**Effects of the Early Voluntary  
Sectoral Liberalization  
on Jewelry and Gems**

*Ramon Quesada et al.*



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## **The Effects of APEC Early Voluntary Sectoral Liberalization on Jewelry and Gems\***

**Prof. Ramon Quesada  
Ceferino Rodolfo  
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### **Abstract**

The Philippine jewelry industry has long been identified by the government with luxury - thereby leading to the imposition of high taxes and tariffs. This state has driven most industry players underground. As part of the informal economy, the sector is now plagued with problems of informal sourcing of raw materials, unclear definitions regarding its products, and neglect by government according to industry insiders. This is sad considering the export potential of the local jewelry sector - considering its strengths particularly the high skill of local craftsman - aside from the foregone tax revenues and the lost opportunity of raising local incomes. The EVSL is a welcome development in the industry's road toward increasing its formalization and in solving its raw material sourcing difficulties. However, the full opening of the local market for finished jewelry and pearls requires careful consideration as local producers need time to adjust for being so informal for so long.

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\* The views expressed herein do not necessarily represent the official views of the Philippine government in general, and/or the WTO/AFTA Advisory Commission in particular. This industry paper was prepared to provide some basic or background information; hence, in no way it is exhaustive. The intent is to offer the initial set of information for discussion and in the process, elicit the ideas that could be helpful in formulating the appropriate strategies in the development of this industry sector.

This paper was prepared under the "APEC Early Voluntary Sectoral Liberalization" project which was jointly funded by the WTO/AFTA Commission and the Philippine APEC Study Center Network (PASCN) in furtherance of the general objective of undertaking consensus building activities and other necessary measures to promote the Philippines as a competitive player in the global economy

## **The Effects of Early Voluntary Sectoral Liberalization (EVSL) on Jewelry and Gems**

**Prof. Ramon M. Quesada<sup>1</sup>  
Ceferino S. Rodolfo  
Leandro Tomas David L. Tan**

As instructed by their respective Economic Leaders during the APEC Meeting in Subic, Philippines in November 1996, the APEC Trade Ministers identified fifteen (15) sectors for early voluntary sectoral liberalization (EVSL) which would have “a positive impact on trade, investment and economic growth in the individual APEC economies as well as in the region.”

Of the 15 sectors, nine (9) were fast tracked with the finalization of their EVSL schedule due in June 1998 and to be implemented in the beginning of 1999. These include environmental goods and services, fish and fish products, forest products, medical equipment and instruments, telecommunications MRA, energy sector, toys, gems and jewelry, and chemicals. The EVSL of the remaining 6 sectors comprising oilseeds and oil products, food sector, natural and synthetic rubber, fertilizers, automotive, and civil aircraft was scheduled to be reviewed by the Ministers in June 1998 and by the Leaders in November 1998.

This paper is concerned with the jewelry industry of the Philippines. Its general objective is to define the position and strategy of the Philippine jewelry sector in the APEC EVSL program to enable the country to maximize the benefits it could get from the EVSL initiative. Specifically, the aim is to identify specific problems faced by the jewelry sector and the appropriate measures to be undertaken to enable them to be competitive under the EVSL.

The first section will focus on the industry, its market structure, supply and demand conditions, current issues and problems. The second section will concentrate on the likely impact of the EVSL on the sector and the last will provide an Action Plan containing a tariff reduction schedule as well as facilitation measures and economic-technical measures relevant to the sector.

This paper is based on secondary sources, interviews with industry participants and inputs from the roundtable-discussion organized<sup>1</sup> for this purpose and attended by representatives from the Guild of Philippine Jewelers, Inc., Meycauyan Jewelry Industry Association (MJIA), Fashion Accessories Manufacturers and Exporters (FAME) Foundation, Inc., Philippine Association of Pearl Producers/Exporters, *Bangko Sentral ng Pilipinas*, Department of Trade and Industry, Board of Investments, Tariff Commission, among others.

The countries of Taiwan and Thailand nominated jewelry and gems for EVSL. Based on the Harmonized System (HS) product codes, the commodities that will be affected are the following:

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<u>HS Code</u>	<u>Product description</u>
71.01	Pearls
71.02	Diamonds
71.03	Precious and semi-precious stones
71.04	Synthetic or reconstructed precious and semi-precious stones
71.05	Dust and power of precious and semi-precious stones
71.06	Silver
71.07	Base metals clad with silver
71.08	Gold
71.09	Base metals clad with gold
71.10	Platinum
71.11	Base metals clad with platinum
71.12	Waste and scrap of precious metals
71.13	Articles of jewelry
71.14	Articles of goldsmiths or silversmiths wares
71.15	Other articles of precious metal
71.16	Articles of pearls, precious and semi-precious stones
71.17	Imitation jewelry

The present tariff schedule aims to reduce tariffs in the following manner:

(1) By 1 Jan 2003

(a) 5% for graded pearls, articles of goldsmiths or silversmiths wares, other articles of precious metal, articles of pearls, precious and semi-precious stones, and non-parts of fine and imitation jewelry;

(b) 3% for all other items (71.01 to 71.17) not in (a).

(2) By 1 Jan 2005: zero tariffs on all items (71.01 to 71.17).

The proposed tariff schedule is discussed in the action plan and is presented in the annexes.

### **Current situation, Problems and Issues**

The Philippine jewelry industry belongs to the *informal* sector. For economic considerations and in response to the regulatory environment, business operations of most firms are small (in terms of size of employment and assets) and/or not fully formalized (e.g. underdeclaration of revenue figures, etc.).

For this reason, therefore, it is very difficult to arrive at a comprehensive definition of the industry. Corollary to this as will be shown later, a study based purely on official government statistics may result in misleading conclusions. Thus, official figures on the sector will have to validate and modified based on industry interviews, surveys and first-hand observations.

**Problems of Informality.** As a general rule, nobody wants to become informal as such a condition has numerous costs, such as: (1) harassment from government institutions; (2) no redress to justice; (3) absence of social recognition; (4) difficult access to information, technology, training and financing; (5) difficulty in expanding business; and (6) an identity crisis with regard to social standing. Nevertheless, firms do stay informal if and when the costs of formality (in the form of excessive bureaucratic requirements, registration procedures, taxes, tariffs and fees) outweigh the costs of informality. This is the case with the jewelry industry. Excessive taxation<sup>2</sup> has inflated costs above market returns such that firms have preferred to remain informal despite attempts of jewelry trade associations to obtain formal recognition.

**Problem of Informal Sourcing of Raw Materials.** The industry is highly dependent on the supply of raw materials, which accounts for 69.6% of total operating costs. Other significant input costs are wages and salaries that account for another 25.7%. The other cost factors such as electricity, fuel and services, are quite negligible. This cost structure highlights the critical role that raw material prices, which are greatly affected by tariffs and taxes, play in the industry.

**Table 1. Shares in Production Costs (percent)**

Raw Materials	69.6
Labor (Salaries and Wages)	25.7
Electricity	3.1
Fuels	0.3
Others	1.3
<b>Total</b>	<b>100.0</b>

Source of Basic Data: SKEM (1994)

The only formal source of gold in the country is the *Bangko Sentral ng Pilipinas* (BSP) which, in response to industry initiatives, opened in 1993 a One-Stop Shop for members of jewelry industry associations (e.g. Guild of Philippine Jewellers, Inc. and the Meycauayan Jewelry Industry Association). The BSP, also a reliable source of quality gold (up to 99.99% pure), has so far allotted about 50 kgs per month for sale to jewelers but sales have reached only around 10 kgs a month at its highest. While the BSP quotes the London Bullion Price for its prices, it has lowered its processing fee from 3.5% to just 1% of gold purchase and can even lower this further to 0.25% if demand increases. Another advantage is that there appears no problem with value-added taxes (VAT) as the BSP, being a government institution, is exempted from imposing the 10% VAT and that it is willing to continue shouldering the carrying cost of gold inventory.

<sup>2</sup> Before the passage of the new Jewelry Industry Development Act of 1998, these formal costs included a 3-10% import duty, a 20% excise tax and the 10% Value Added Tax.

However, despite advantages of purchasing gold from the BSP, the industry has mostly stayed away. For 1997, although gold purchases of over 41 kgs is 18% higher than that of 1996, the volumes involved are a pittance compared with the actual market requirements. Also there has been no improvement in the utilization of the One-Stop Shop by the industry since 1994 when the number of purchasers was 19, which up to now, still stands as the highest.

**Table 2. Gold purchases of jewelry industry from BSP**

	BSP Gold Sales		No. of Firms
	(in grams)	% change	
1993	2,950.6		6
1994	25,929.9	779	19
1995	30,605.7	18	13
1996	34,923.7	14	19
1997	41,200.4	18	18

\* No. of firms pertain to no. of buyers in a year which individually may have multiple purchases.

These are substantial reasons for this lack of industry acceptance, the main of which is that the BSP does not give credit terms to gold buyers or delivery services to their establishments as what the informal sources presently offer. Likewise, by offering lower quality of gold, informal sellers can also give lower prices which is acceptable to the industry as not all jewelry manufacturers require the high standard grade of BSP gold. The setting of minimum purchase levels at 50 gms. may also be a factor, but the BSP claims that they can still set this limit to as low as 10 gms. The more substantial obstacle however, is the fear of jewelers that their purchases from the BSP can be traced by the Bureau of Internal Revenue (BIR) and ultimately lead to future legal/tax problems. The last point of contention is the fact that the gold prices of BSP are pegged to the US dollar which may be too complicated for some jewelers.

**Problem of Definitions.** One of the problems of being primarily informal is the lack of clear-cut guidelines to define the industry or its respective subsectors. In the case of the jewelry industry, its definitions are further muddled by its diversity in product composition, form and use.

The Tariff Commission generally defines jewelry as *any personal adornment that can be worn by the person and/or on his clothing(s), including the pockets and/or belts.*<sup>3</sup> This definition clearly encompasses traditional forms of jewelry such as rings, bracelets and necklaces. However, it is also too general but vague to also include such products as watches, pens, tie pins, hair clips and belt buckles. As a working definition, therefore, it suffers from lack of clarity.

<sup>3</sup> Engr. Bernardino, Roundtable Discussion on the EVSL (Jewelry Sector), University of Asia and the Pacific, March 13, 1998.

The industry has two main product lines according to their product composition: *fine* and *costume* jewelry. *Fine* jewelry refers to jewelry made of precious metals (e.g. gold and/or silver), that may or may not be mounted with gemstones. Gemstones are either precious (e.g. diamonds, emeralds, rubies and sapphires and pearls) or semi-precious (others stones). These could be in the form of rings, earrings, bracelets, necklaces, pendants, tiepins and cuff links.

In contrast, *costume* jewelry is composed of other materials (primarily indigenous) such as shells, coral, beads, wood, plastics, and the like. The manufacture of jewelry itself receives little importance in government statistics, classifying it under the broad category "*Other Manufacturing Industries.*"

However, the PSCC<sup>4</sup> and HS categorize the jewelry and jewelry-related products differently. Gemstones as raw materials are classified under pearls, precious & semi-precious stones (PSCC: 667, HS: 71.01 to 71.12). The products of fine jewelry are primarily classified under articles of jewelry (PSCC:897.3; HS: 71.13 to 71.16). However, the non-traditional forms of jewelry that are not worn on the person but on his clothing such as buttons, cuff-links and tie clips are considered imitation jewelry (PSCC: 897.2; HS: 71.17). This term is made more confusing as it primarily also covers costume jewelry under the heading of *imitation jewelry of other non-precious materials, nes* which could also be included in the traditional forms of jewelry (e.g. rings, bracelets, etc) but are composed of non-precious materials. Not included in the assigned tariff schedule are the raw materials for costume jewelry like glass beads & imitations of pearls, precious and semi-precious stones (PSCC: 665.93.01; HS: 70.18.10), selected articles of molding/carving like capiz shells, shell handbags, mother-of-pearl, animal carvings (PSCC: 899.11; HS: 96.01), hairpins (PSCC: 89989; HS: 96.15) and buttons (PSCC: 89983; HS: 96.06.29), to name a few.

The term "jewelry industry" also spans several activities: from raw material extraction and/or importation, to manufacturing and eventually, to trading (wholesale and retail). However, there are no available government figures specifically on the extraction of raw materials for jewelry and on the trading of jewelry products. These are normally aggregated with the other activities. For example, under the Philippine Standard Industrial Classification (PSIC) system,<sup>5</sup> pearl farming is classified under "*Other fishery activities*" while gold extraction for jewelry is together with mining and production for other gold uses e.g., minting. And jewelry trading is classified under "*Wholesale trade, not elsewhere classified*" and "*Retail trade, not elsewhere classified.*"

Thus, due mainly to the above data constraints, the manufacturing side of the Philippine fine jewelry industry will be given more emphasis in this report. However, this limitation will not seriously affect the usefulness of this report as most, if not all, retail jewelers participate in the manufacturing process in one way or another.

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<sup>4</sup> Philippine Standards Classification Code

<sup>5</sup> Philippine Standard Industrial Classification (PSIC). National Economic Development Authority (NEDA). Manila, 1997. The PSIC is the framework used by the government in defining and classifying industries. It is one of the standards set by NEDA to effect uniformity and avoid confusion in the classification work of government agencies.

However for the purposes of this study, the manufacture of fine jewelry involves the following:

- Bracelet, jewelry, manufacturing
- Diamond cutting and polishing
- Dress set, jewelry, manufacturing
- Electroplating
- Engraving on precious metal
- Gold engraving
- Jewel cutting, drilling, and polishing
- Jewel setting and mounting manufacturing
- Jewel, watchmakers', working
- Jewelry enameling and engraving
- Jewelry, precious metal, manufacturing
- Lapidary work
- Metal coating, jewelry
- Metal engraving, jewelry
- Pearl drilling
- Precious stone cutting and polishing
- Ring, jewelry, manufacturing
- Semi-precious stone cutting and polishing
- Silver engraving
- Synthetic precious stone cutting and working

The manufacture of jewelry-like accessories (mainly imitation jewelry) and personal items with precious metals are also included. These are:

- Button, precious metal, manufacturing
- Cane trimming, precious metal, and mfg.
- Case, cigar/cigarette, precious metal, mfg.
- Case, precious metal, mfg.
- Chasing on precious metal
- Clasp, handbag, precious metal mfg.
- Emblem, precious metal, mfg.
- Etching on precious metal
- Fountain pen mounting, gold, mfg.
- Government mint
- Handbag, precious metal, mfg.
- Jewelers' finding and material mfg.
- Jewelry box or case, precious metal, mfg.
- Lighter, cigarette, precious metal, mfg.
- Loving cup trophy mfg.
- Medal, precious or semi-precious metal
- Pin and stem, jewelry finding, mfg.
- Precious metal product mfg.
- Toilet ware, silver, mfg.
- Vanity case, precious metal, mfg.

*Economic significance to the economy.* According to the 1994 Survey of Key Establishments in Manufacturing (SKEM)<sup>6</sup> published by the government, the fine jewelry sector is composed of only 693 manufacturing establishments employing 4,844 people and producing P1.148 billion worth of goods. It accounted for 0.07% of the total 1994 Gross Domestic Product (GDP) and 0.09% of total Personal Consumption Expenditures (PCE).

However, such figures did not include the majority of the firms that were informal. Based on our estimates, the industry had establishments numbering within 7-10,000 firms, employing about 100,000 workers (of which 18,000 are direct). The industry output for 1997 was computed at P 2.4 billion of which the value-added was P936 million and compensation was P920 million.

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<sup>6</sup> 1994 Survey of Key Establishments in Manufacturing (SKEM). National Statistics Office. Manila, Philippines.

**Table 3. Economic significance of Philippine jewelry industry**

	SKEM 1994	Estimates
No. of Firms:	693	7-10,000
Employment Generation:	4,844 (direct)	100,000 + (total) of which 18,000 (direct)
Compensation:	P244 million	P920 million
Output:	P 1.1 billion (1994)	P 2.4 billion (1997)
Value-added:	P 455 million	P 936 million
Share to GDP:	0.07 %	0.10 %
Share to PCE:	0.09 %	0.13 %

Source: Survey of Key Establishments in Manufacturing, NSO; Authors' estimates

Accordingly the adjusted shares of the output with regard to GDP and PCE are 0.1% and 0.13% respectively.<sup>7</sup> This was a marked increase since 1988 when it accounted for only 0.01% of GDP and 0.02% of PCE, an indication of the growing attractiveness of the industry's products to the average consumer.

**Industry Structure.** Most of the industry is operating underground to avoid heavy taxation. As a result, over 95% of the firms are small with only 9 or less employees; of this, the great majority is household operations with only 2-3 workers. Only a few dozen firms have 50 or more workers. There is very little investment in modern tools and equipment. Smuggling is rampant, as its carrying cost is only 1-3% compared with the official burdens. Correspondingly the fine jewelry industry is mostly domestic-oriented with only minimal exports of fine jewelry. In fact, only about 25 firms are regular exporters.

In contrast, the costume jewelry industry has concentrated on exports. This necessitated more formality on their part to access foreign markets and to transport their goods. As such, most of the costume jewelers operate aboveground and are more knowledgeable in international standards and requirements.

The Philippine jewelry industry is concentrated in the following areas: Metro-Manila, Bulacan (Meycauayan), Pampanga, Mountain Province, Camarines Norte, Batangas, Cebu, Iloilo and Davao.

**Philippine Export Performance.** The travails and the prospects of the industry are reflected in trade statistics. Total exports that stood at US\$28.56 million in 1996 had been declining at an annual average rate of 23% since 1994. This was mainly due to the drastic fall

<sup>7</sup> Authors' estimates

of imitation jewelry exports from \$46.4M in 1994 to only \$17.5M in 1996. Local producers of costume jewelry had failed to keep up with foreign demand of new trends, designs and materials. Between 1994 to 1996, the exports of pearls were fairly stable at \$6M, while articles of silver jewelry exports rose by 50% to over \$3M. (See Tables 4 & 5).

- **Export Products.** Around three-fourths of the country's exports are imitation jewelry, while the rest is halved by fine jewelry and pearls. The traditional jewelry products of the Philippines include imitation jewelry of materials other than base metals or *costume jewelry* (HS 711719), articles of silver jewelry (HS 711311), worked cultured pearls (HS 710121), articles of gold/silversmiths wares made of silver (HS 711411), articles of jewelry made of precious metal other than silver or *gold jewelry* (HS 711319), and articles of precious and semi-precious stones (HS 711620). However, as stated, the country is fast losing ground in *costume jewelry* (HS 711719) and cuff-links and studs (HS 711711) while there were sharp declines from 1995 to 1996 in *gold jewelry* (HS 711319), articles of gold/silversmiths wares made of silver (HS 711411) and articles of pearls (HS 711610).
- **Export Markets** The top five export markets of the country are the US, Japan, United Kingdom, Hong Kong and Germany. Together, these markets comprise over 75% of total RP jewelry exports. However, from 1994 to 1996, exports to these major markets fell except for exports to Japan, which grew by 19%. The share of APEC in total exports grew to over 60% in 1996 from only 54.2% in 1994 (Table 7).

The world market for gold, silverware and jewelry was about US\$21 billion in 1995 (International Trade Statistics). The top exporters included Italy (\$4.75B), Switzerland (\$2.02B), Hong Kong (\$1.66B), UK (\$1.44B), China (\$1.40B) and the US (\$1.09B). The country's exports of \$29 million (M) paled in comparison with exports of the country's neighbors such as Singapore (\$658M), Malaysia (\$475M), Japan (\$369M), Indonesia (\$335M), and South Korea (\$328M). The top potential market was still the US, which accounted for 24 percent of total jewelry imports. Switzerland (9.2%), UK (9.0%), Japan (7.8%), Germany (5.0%) and Hong Kong (5.8%) followed this. The potential role of APEC increased with Asia accounting for a third of total trade in jewelry in 1995, up from only 18% in 1986.

This statistics is apart from the market for pearls and semi-/precious stones which totaled over \$40 billion in 1995 (International Trade Statistics). The main sources of such precious stones included Belgium-Luxembourg (\$10.73B), Israel (\$5.58B) and India (\$5.11B). The top regional exporters were Hong Kong (\$1.4B), Thailand (\$1.2B), China (\$515M), Australia (\$255M), Japan (\$262M), Singapore (\$146M), Malaysia (\$103M) and Indonesia (\$12M) while the Philippines lagged behind with only \$6M in 1996. The top markets included Belgium-Luxembourg (23%), USA (15%), Israel (11%), and the UK (10%). Likewise the share of Asia in world trade of precious stones rose to 42.3% in 1995 from only 28.1% in 1981.

**Philippine Import Performance.** Philippine jewelry imports had risen slowly, about 6% annually, from \$1.87M in 1994 to \$2.10M in 1996. This increase is contrary to the significant decrease in total jewelry exports. This implies that an increasing share of imports are finished jewelry rather than raw material inputs for the local industry, coinciding with the increase in personal disposable incomes for the period. It should be noted that such import

figures hardly indicated the actual total inflow of jewelry products into the country, as smuggling was evidently rampant.

- **Imported products.** The traditional imports of the country are precious stones other than pearls and diamonds, both worked (HS 710239) and unworked (710231), cuff-links and studs of base metal (HS 711711), imitation jewelry of base metal (HS 711719) and other materials (HS 711719), gold jewelry (HS 711319), and articles of pearls (HS 711610) and semi-precious stones (HS 711620). Between 1994 and 1996, although imports of articles of precious metal (HS 711311 to 20) and of imitation jewelry of other materials (HS 711719) declined by 41% and 35% respectively, this was more than offset by an upsurge of imported cuff-links & studs of base metal (HS 711711) and of imitation jewelry of base metal (HS 711719) which grew by 154% and 102%, respectively. An increase in the industry's capacity was expected with the 42% rise in imports of articles of gold/silversmiths ware (HS 711411 to 20) from 1994 to 1996 (Table 2).

**Import sources.** Majority of the country's imports came from only three sources: Hong Kong, the US and more recently South Korea. Together, these comprise more than half of total jewelry imports (Table 8). Although imports from Hong Kong fell continuously from over \$1M in 1994 to only \$732 thousand (T) in 1996, the Philippines still sourced over a third of its imported raw materials from the former crown colony. This slack was however taken up by a surge in imports from Japan (other precious stones), Taipei (imitation jewelry of other materials), China (imitation jewelry of base metal), Thailand (imitation jewelry of base metal) and India (articles of precious stones). The role of APEC was significant with over 88% of imports coming from the region.

**Net Trade.** Whereas the country was faced with declining exports and increasing imports, the net trade position was still favorable although it was falling (Table 6). This was an understandable fact as the country had negative positions with regard to raw materials such as diamonds (HS 710239), and products made of base metals whether it be imitation jewelry (HS 711719), articles of jewelry (HS 711320) or articles of gold/silversmiths' wares (HS 711420). In fact, this list expanded surprisingly in 1996 to include articles of pearls (HS 711610) and of precious metals, nes (HS 711590).

**Summary of Industry Characteristics.** The strengths of the industry include:

- (1) A ready manpower pool that is skilled, trainable, inexpensive, creative and familiar with other cultures;
- (2) Availability of raw materials such as gold, silvers and pearls;
- (3) Long industry experience;
- (4) World class craftsmanship; and
- (5) Active trade associations in the form of the Guild of Philippine Jewellers, the Meycauayan, Jewelry Industry Association, the Fashion Accessories Manufacturers and Exporters Foundation, and the Philippine Association of Pearl Producers / Exporters.

The weaknesses of the industry include:

- (1) Largely underground operations
- (2) Lack of price-competitiveness due to heavy taxation
- (3) Domestic-market orientation
- (4) Technological stagnation and the use of outdated equipment
- (5) Lack of familiarity with international product standards and work systems
- (6) Absence of an assay, appraisal and hallmarking system to brand and guarantee the weight and quality of jewelry articles
- (7) Lack of aggressive marketing promotion
- (8) Dependence on imported supply of diamonds and precious stones
- (9) Lack of safety measures for use of toxic chemicals in metal-refining processes

The opportunities of the industry are:

- (1) A relatively stable US market which is a traditional Philippine export market
- (2) Proximity to Japan and Hong Kong which are potential export markets
- (3) Growing primary and secondary markets in the country with the rise in disposable incomes

The threats faced by the industry include:

- (1) Burdensome policies, regulations and taxes that have plagued the industry and forced many firms to remain informal
- (2) Limited access to BSP gold
- (3) Lack of supply capability and cost-competitiveness as most firms are entrenched according to the old regime of informal activity
- (4) Rising labor costs as local daily wages of US\$7-9 (at P/\$ 40) are less competitive compared with the \$1-2 offered in Mongolia, China and Vietnam

**Government regulation.** In an attempt to correct the mistakes of the past and to encourage the full development of the Philippine jewelry sector, the government recently enacted into law Republic Act 8502 which is referred to as *The Jewelry Industry Development Act of 1998*. Among the highlights of the said law are the following incentives available to duly accredited jewelry establishments:

1. Zero duty on imported raw materials
2. Exemption from the imposition of excise tax
3. Zero duty on imported capital equipment
4. Deduction from taxable income of 50% of expenses incurred in training
5. Gold and silver sales by the BSP to jewelry enterprises under minimal margins
6. Authority for jewelry firms to buy gold and silver directly from other sources
7. Inclusion of locally-manufactured jewelry in the government's tourist duty-free shops

Though it is too early to evaluate, the provisions of the Jewelry Industry Development Act seem to address the main problems (e.g., excessive taxation, difficulty in sourcing raw materials) cited by industry players on why they prefer to remain in the informal sector.

## LIKELY IMPACT OF THE EVSL ON THE PHILIPPINE JEWELRY INDUSTRY

*Demand Effects.* Most important among the expected economic effects of import liberalization is that the local consumer would be given better choices because of greater access to more diverse products, styles and designs at more market-friendly prices. This would lead to the continuous upgrading of the taste of domestic consumers thereby raising local product standards as well as opening new market opportunities for local manufacturers. For the local producers, this would mean access to cheaper raw materials, more modern technology and productive processes, as well as an increasingly imperative outlook for export markets.

*Supply Effects.* The EVSL, in combination with RA 8502, will most likely encourage more jewelry establishments to formalize their operations. For it is only in doing so that the benefits of the two government initiatives can be availed of. In addition, with formalization, the industry is expected to undergo rapid consolidation as the prevalent small outfits may group together to achieve greater economies of scale.

Moreover, the formalization of the jewelry industry will lead to increased economic activity resulting in greater employment, and increases in compensation, income taxes (both individual and corporate) and VAT collections. As jewelry making is labor-intensive and does not require tertiary education as the training is based on skills, craftsmanship and design making, it allows small-scale production thus help alleviate conditions in numerous rural areas.

Another positive development is in raising local awareness on traditional Philippine jewelry. Expansion in export jewelry and all its benefits including foreign-exchange earnings is also a possibility that requires more government assistance.

*Sectoral Effects.* The probable effects on the different subsectors of the industry are mixed. The local pearl producers are apprehensive of the possible saturation in their domestic market before their capacity is increased. This is because their product development and measures to increase capacity require natural methods that are time-bound.

On the other hand, the fine jewelry sector, for several years now, have been eagerly waiting for the tariff-free entry of their material inputs. Their concern is with the inflow of finished jewelry that is defined as jewelry that can be readily worn as it is. The local producers are asking for time in adjusting to the new regime of open markets without excessive taxation. As stated this, would entail industry formalization and consolidation as well as rapid technological modernization that cannot happen overnight.

For fashion jewelry, it appears that opening local markets to both raw materials and finished goods is not a problem as most firms are exporters. In fact, foreign competition is welcome especially for local designers as these give them the opportunity to view new fashion trends in the world market. This is also a way of introducing fashion jewelry to the domestic market which is currently viewed as uninformed and limited.

In conclusion, the EVSL is projected to be beneficial to the Philippine economy as a whole. For the government, this would result in generating more employment and tax

revenues. For the producers, the lowering of tariffs will make the industry more cost-competitive, thereby inducing long-delayed plans for capital investment in production. For local consumers, the realignment of the cost structures would result in better prices. Admittedly the choices of fine jewelry will still be relatively limited to locally manufactured items, which are expected to increase in quality in the face of foreign competition. However, such will not be the case when full liberalization occurs in 2005. Until that time, what can be expected is the accelerated development in the industry that will ultimately be for the benefit of all concerned.

## ACTION PLAN

*Tariff Reduction Schedule.* (See Table 9 for details.)

- ***Zero percent tariff, at the soonest time, for jewelry raw materials, loose gems, jewelry components, parts, pieces, except South Sea Pearls.*** Jewelry raw materials include all items under diamonds (HS 7102), precious stones (HS 7103), synthetic or reconstructed precious or semi-precious stones (HS 7104) excluding piezo-electric quartz (HS 710410) which is utilized by electronics industry, dust and powder of natural and synthetic precious or semi-precious stones (HS 7105), silver (HS 7106), base metals clad with silver (HS 7107), gold (HS 7108) excluding monetary gold of BSP (HS 710820), base metals or silver clad with gold (HS 7109), platinum (HS 7110), base metals clad with platinum (HS 7111), waste and scrap of precious metal (HS 7112), and all parts of articles of jewelry (HS 71131190, HS 71131990, HS 71132090), of cuff-links and studs (HS 71171110) and of others (HS 71171990, HS 71179090).
- ***Conditional tariff reductions on finished costume/imitation jewelry.*** Finished imitation jewelry pertains to non-parts of imitation jewelry (HS 71171190, HS 71171990, HS 71179090). The industry is willing to reduce tariffs on finished imitation jewelry to zero provided that their respective raw materials are also reduced to the same level. Note however that such raw materials are not all stated under the same HS headings (HS 7117), but can be found throughout the HS system under for example glass beads & imitations of pearls, precious and semi-precious stones (PSCC: 665.93.01; HS: 701810), selected articles of molding/carving like capiz shells, shell handbags, mother-of-pearl, animal carvings (PSCC: 899.11; HS: 9601), hairpins (PSCC: 89989; HS: 9615), buttons (PSCC: 89983; HS: 960629) to name a few. As it is the industry is willing to settle for tariffs that is equal to the tariffs on the said raw materials which is generally 3 percent.
- ***No acceleration of tariff reduction for finished fine jewelry.*** This refers to jewelry that can readily be worn or used that fall under articles of goldsmiths' and silversmiths' wares (HS 7114), non-parts or "other" of articles of jewelry (HS 71131110, HS 71131910, HS 71132010) and all other articles of precious metal (HS 7115).
- ***Delay in the reduction to zero percent of the tariff for South Sea Pearls; 10% duty on South Sea Pearls until 2003, reduce to 5% by 2004, and 0% by 2005.*** This pertains to pearls (HS 7101) and articles of pearls and precious and semi-precious stones (HS 7116).

### ***Programs to be Implemented by the Philippine Government***

1. Accelerate the completion of the industry's Implementing Rules and Regulations (IRR). This includes the accreditation process and requirements needed by the local jewelers for them to avail of the tax and non-tariff benefits of the new RA 8502: The Jewelry Industry Development Act of 1998.
2. Establishment of Assay Services. This involves the provision of technical and organizational assistance for the physical and human resource development needs of the Industry in connection with institutionalized hallmarking and assaying of jewelry products.

At present assay services are available at the *Bangko Sentral ng Pilipinas*. However, the current costs are prohibitive, as the technology used by the BSP requires the destruction of the sample. While it is said that there already exists a foreign technology, the possible use of X-rays, which does not destroy the sample, such technology requires capital investment which the local producers cannot afford.

3. Access to financing. Aside from the implied difficulty of providing financing to informal outfits, the industry is hampered by the composition of their assets. It is an inherent fact that generally, the only collateral that jewelers can offer to financiers is their inventories in which where most of their assets reside. The problem is therefore how to set a value on these inventories, one that will be recognized by all concerned. This is a task related to establishing assay services.
4. Provide financial and marketing assistance to small firms especially towards exportation.
5. Support in international promotions. This would possibly entail the publication of a Philippine jewelry manufacturers' catalogue, the sponsoring of articles about the local industry in international publications and of sending missions abroad and the match-making of sub-contractors with local and foreign manufacturers through joint ventures.
6. Design and product development assistance. This consists of firm-level assistance for the development of product collections, designs and probably presentation/packaging aspects.
7. Develop supporting industries. This includes industries in gold and silver mining as well as jewelry equipment manufacturers.
8. Open the market to international and local trading of raw gold and factory gold waste. This would lead to gold trading by way of a commodity exchange in the distant future.
9. Organize authorized gold and silver outlets nationwide. The recommended locations are Meycauayan, Camarines Norte and Baguio and they should involve the selling of gold/silver in sheets, wires, grains, etc. as well as solder in various karats/purities.
10. Implementation of Philippine National Standards on Jewelry.

11. Setting of ecological measures for improving fresh water bodies for possible fresh water pearl culture. Although it can be said that the country should instead concentrate on the production of South Sea pearls, the possibility of producing such products is under study.

### **Programs that can be advanced in APEC**

#### ***Facilitation Measures***

1. Formulation of a Mutual Recognition Agreement (MRA) on Jewelry Standards. Note that the Philippine jewelry industry is in itself lacking a national standard. But this could also be set on an APEC-wide or regional basis so as to accelerate the local industry's own development.
2. Trade facilitation assistance, involving the formation of cooperative endeavors between and among member economies for a more effective implementation of the Philippine Retail Trade Law.

#### ***Economic and Technical Cooperation Measures***

1. Technical assistance in the establishment of assay services.
2. Technical support for skill standardization and certification program and trade tests.
3. Establishment of an APEC Regional Jewelry Training Center. Amid possible questions regarding its suitable location, a case may be made in favor of the Philippines instead of other countries that are anyway already way ahead in terms of jewelry industry development.
4. Technology transfers and exchanges on product design and development, pollution control and waste management and upgrading of production technology. This could consist of the provision of experts on specialized aspects of jewelry manufacturing such as stone setting, engraving, casting, surface enhancements, e.g. granulation, enameling, etc. Skill-formation techniques may include exchange programs and local capability build-up. Another area of concern is waste minimization, particularly the control, and/or management of waste generated from the processes involved in the production of precious metal jewelry and fashion accessories (e.g. waste from electroplating process and small-scale refining).
5. Development of natural dyes, to include research and development of natural dyes and production of these dyes in sufficient quantities for use by the various industries to reduce dependence on synthetic dyes and provide productive economic activities to the rural areas.

**Table 4: DISTRIBUTION OF TRADE BY PRODUCT OF GEMS AND JEWELRY**  
(FOB US\$)

HS Code	PSCC rev.2	COMMODITY	1994		1995		1996	
			Exports	Imports	Exports	Imports	Exports	Imports
	667	PEARLS, (SEMI-)PRECIOUS STONES	5,591,341	92,717	6,342,129	83,763	6,137,972	109,023
	6671	Pearls	5,585,906	0	6,340,892	0	6,129,840	0
710121	66712	Cultured Pearls, Unworked	0	0	0	0	49,927	0
710122	66713	Cultured Pearls, Worked	5,585,906	0	6,340,892	0	6,079,913	0
	6672	Diamonds	5,435	0	0	0	0	11,038
710210	6672100	Diamonds, Rough, Unsorted	0	0	0	0	0	0
710231	6672200	Diamonds, Unworked	0	0	0	0	0	11,038
710239	6672900	Diamonds, Worked	5,435	0	0	0	0	0
	6673	Other Precious Stones	0	19,039	0	23,798	0	97,985
710310	6673100	Other Precious Stones, Unworked	0	19,039	0	0	0	32,836
710399	6673909	Other Precious Stones, Worked	0	0	0	23,798	0	65,149
	6674	Synthetic or reconstructed (semi-)/precious stones	0	73,678	1,237	59,965	8,132	0
7104201	6674201	Industrial Synthetic Diamonds	0	52,678	0	59,965	0	0
7104209	6674209	Synthetic (Semi-)/Precious Stones, Unworked	0	21,000	0	0	0	0
7104901	6674901	Synthetic (Semi-)/Precious Stones, NES	0	0	0	0	0	0
7104909	6674909	Other Synthetic (Semi-)/Precious Stones, NES	0	0	1,237	0	8,132	0
	897	JEWELLERY	50,508,103	1,777,668	29,523,174	1,818,442	22,422,952	1,999,899
	8972	Imitation Jewelry	46,659,181	943,835	25,085,347	693,843	17,654,070	1,269,922
	89721	Imitation Jewelry of Base Metal	229,655	471,174	171,717	398,442	155,492	962,545
711711	8972101	Cuff Links & Studs of Base Metal	191,212	18,722	34,192	5,023	122	47,662
711719	8972102	Tie Clips of Base Metal	0	0	0	4,463	0	728
711719	8972109	Imitation Jewellery of Base Metal	38,443	452,452	137,525	388,956	155,370	914,155
	89729	Imitation Jewelry of Other Materials	46,429,526	472,661	24,913,630	295,401	17,498,578	307,377
711719	8972901	Cuff Links & Studs of Other Materials	0	708	14,941	0	0	944
711719	8972902	Tie Clips of Other Materials	0	0	0	2,938	0	0
711719	8972909	Imitation Jewellery of Other Materials	46,429,526	471,953	24,898,689	292,463	17,498,578	306,433
	8973	Articles of Gold, Silver, Platinum	3,848,922	833,833	4,437,827	1,124,599	4,768,882	729,977
	89731	Articles of Jewelry of Precious Metal	2,497,279	513,632	3,181,978	932,086	3,701,671	300,422
711311	8973101	Articles of Silver Jewellery	2,071,300	0	2,478,382	5,710	3,113,757	10,641
711319	8973102	Articles of Jewellery (Other Materials)	425,979	426,531	703,596	856,871	587,914	273,183
711320	8973103	Articles of Jewellery (Base Metal)	0	87,101	0	69,505	0	16,598
	89732	Articles of Goldsmiths/Silversmiths	574,273	92,999	905,682	75,938	718,748	132,906
711411	8973201	Articles of G/Silversmiths (Silver)	500,961	500	877,790	46,649	630,271	13,998
711419	8973202	Articles of G/Silversmiths (Other materials)	73,312	31,165	27,892	0	78,177	3,681
711420	8973203	Articles of G/Silversmiths (of Base Metal)	0	61,334	0	29,289	10,300	115,227
	89733	Articles of Pearls, (Semi-)Precious Stones	777,370	224,621	350,167	100,760	348,463	268,674
711610	8973301	Articles of Pearls	14,465	99,517	99,240	77,764	0	149,879
711620	8973302	Articles of (Semi-)Precious Stones	762,905	125,104	250,927	22,996	348,463	118,795
	8974	Other Articles of Precious Metal	0	2,581	0	15,815	0	27,975
711510	8974100	Platinum Group	0	1,120	0	0	0	0
711590	8974900	Articles of Precious Metal, NES	0	1,461	0	15,815	0	27,975
	Total		56,099,444	1,870,385	35,865,303	1,902,205	28,560,924	2,108,922

Source: Foreign Trade Statistics, NSO

**Table 5: DISTRIBUTION OF TRADE BY PRODUCT OF GEMS AND JEWELRY  
(FOB US\$)**

HS Code	PSCC rev.2	COMMODITY	Percent Distribution (%)					
			Exports			Imports		
			1994	1995	1996	1994	1995	1996
	667	PEARLS, (SEMI-)/PRECIOUS STONES	9.97	17.68	21.49	4.96	4.40	5.17
710121	6671	Pearls	9.96	17.68	21.46	-	-	-
	66712	Cultured Pearls, Unworked	-	-	0.17	-	-	-
710122	66713	Cultured Pearls, Worked	9.96	17.68	21.29	-	-	-
	6672	Diamonds	0.01	-	-	-	-	0.52
710210	6672100	Diamonds, Rough, Unsorted	-	-	-	-	-	-
710231	6672200	Diamonds, Unworked	-	-	-	-	-	0.52
710239	6672900	Diamonds, Worked	0.01	-	-	-	-	-
	6673	Other Precious Stones	-	-	-	1.02	1.25	4.65
710310	6673100	Other Precious Stones, Unworked	-	-	-	1.02	-	1.56
710399	6673909	Other Precious Stones, Worked	-	-	-	-	1.25	3.09
	6674	Synthetic or reconstructed (semi-)/precious stones	-	0.00	0.03	3.94	3.15	-
7104201	6674201	Industrial Synthetic Diamonds	-	-	-	2.82	3.15	-
7104209	6674209	Synthetic (Semi-)/Precious Stones, UnWorked	-	-	-	1.12	-	-
7104901	6674901	Synthetic (Semi-)/Precious Stones, NES	-	-	-	-	-	-
7104909	6674909	Other Synthetic (Semi-)/Precious Stones, NES	-	0.00	0.03	-	-	-
	897	JEWELLERY	90.03	82.32	78.51	95.04	95.60	94.83
	8972	Imitation Jewelry	83.17	69.94	61.81	50.46	36.48	60.22
	89721	Imitation Jewelry of Base Metal	0.41	0.48	0.54	25.19	20.95	45.64
711711	8972101	Cuff Links & Studs of Base Metal	0.34	0.10	0.00	1.00	0.26	2.26
711719	8972102	Tie Clips of Base Metal	-	-	-	-	0.23	0.03
711719	8972109	Imitation Jewellery of Base Metal	0.07	0.38	0.54	24.19	20.45	43.35
	89729	Imitation Jewelry of Other Materials	82.76	69.46	61.27	25.27	15.53	14.58
711719	8972901	Cuff Links & Studs of Other Materials	-	0.04	-	0.04	-	0.04
711719	8972902	Tie Clips of Other Materials	-	-	-	-	0.15	-
711719	8972909	Imitation Jewellery of Other Materials	82.76	69.42	61.27	25.23	15.37	14.53
	8973	Articles of Gold, Silver, Platinum	6.86	12.37	16.70	44.58	59.12	34.61
	89731	Articles of Jewelry of Precious Metal	4.45	8.87	12.96	27.46	49.00	14.25
711311	8973101	Articles of Silver Jewellery	3.69	6.91	10.90	-	0.30	0.50
711319	8973102	Articles of Jewellery (Other Materials)	0.76	1.96	2.06	22.80	45.05	12.95
711320	8973103	Articles of Jewellery (Base Metal)	-	-	-	4.66	3.65	0.79
	89732	Articles of Goldsmiths/Silversmiths	1.02	2.53	2.52	4.97	3.99	6.30
711411	8973201	Articles of G/Silversmiths (Silver)	0.89	2.45	2.21	0.03	2.45	0.66
711419	8973202	Articles of G/Silversmiths (Other materials)	0.13	0.08	0.27	1.67	-	0.17
711420	8973203	Articles of G/Silversmiths (of Base Metal)	-	-	0.04	3.28	1.54	5.46
	89733	Articles of Pearls, (Semi-)/Precious Stones	1.39	0.98	1.22	12.01	5.30	12.74
711610	8973301	Articles of Pearls	0.03	0.28	-	5.32	4.09	7.11
711620	8973302	Articles of (Semi-)/Precious Stones	1.36	0.70	1.22	6.69	1.21	5.63
	8974	Other Articles of Precious Metal	-	-	-	0.14	0.83	1.33
711510	8974100	Platinum Group	-	-	-	0.06	-	-
711590	8974900	Articles of Precious Metal, NES	-	-	-	0.08	0.83	1.33
	Total		100.00	100.00	100.00	100.00	100.00	100.00

Source: Foreign Trade Statistics, NSO

**Table 6: PHILIPPINE NET TRADE IN GEMS AND JEWELRY**  
(FOB US\$)

HS Code	PSCC rev.2	COMMODITY	NET TRADE (FOB US\$)		
			1994	1995	1996
	667	PEARLS, (SEMI-)PRECIOUS STONES	5,498,624	6,258,366	6,028,949
	6671	Pearls	5,585,906	6,340,892	6,129,840
710121	66712	Cultured Pearls, Unworked	0	0	49,927
710122	66713	Cultured Pearls, Worked	5,585,906	6,340,892	6,079,913
	6672	Diamonds	5,435	0	-11,038
710210	6672100	Diamonds, Rough, Unsorted	0	0	0
710231	6672200	Diamonds, Unworked	0	0	-11,038
710239	6672900	Diamonds, Worked	5,435	0	0
	6673	Other Precious Stones	-19,039	-23,798	-97,985
710310	6673100	Other Precious Stones, Unworked	-19,039	0	-32,836
710399	6673909	Other Precious Stones, Worked	0	-23,798	-65,149
	6674	Synthetic or reconstructed (semi-)/precious stones	-73,678	-58,728	8,132
7104201	6674201	Industrial Synthetic Diamonds	-52,678	-59,965	0
7104209	6674209	Synthetic (Semi-)/Precious Stones, UnWorked	-21,000	0	0
7104901	6674901	Synthetic (Semi-)/Precious Stones, NES	0	0	0
7104909	6674909	Other Synthetic (Semi-)/Precious Stones, NES	0	1,237	8,132
	897	JEWELLERY	-48,730,435	27,704,732	20,423,053
	8972	Imitation Jewelry	-45,715,346	24,391,504	16,384,148
	89721	Imitation Jewelry of Base Metal	-241,519	-226,725	-807,053
711711	8972101	Cuff Links & Studs of Base Metal	172,490	29,169	-47,540
711719	8972102	Tie Clips of Base Metal	0	-4,463	-728
711719	8972109	Imitation Jewellery of Base Metal	-414,009	-251,431	-758,785
	89729	Imitation Jewelry of Other Materials	-45,956,865	24,618,229	17,191,201
711719	8972901	Cuff Links & Studs of Other Materials	-708	14,941	-944
711719	8972902	Tie Clips of Other Materials	0	-2,938	0
711719	8972909	Imitation Jewellery of Other Materials	-45,957,573	24,606,226	17,192,145
	8973	Articles of Gold, Silver, Platinum	3,015,089	3,313,228	4,038,905
	89731	Articles of Jewelry of Precious Metal	1,983,647	2,249,892	3,401,249
711311	8973101	Articles of Silver Jewellery	2,071,300	2,472,672	3,103,116
711319	8973102	Articles of Jewellery (Other Materials)	-552	-153,275	314,731
711320	8973103	Articles of Jewellery (Base Metal)	-87,101	-69,505	-16,598
	89732	Articles of Goldsmiths/Silversmiths	481,274	829,744	585,842
711411	8973201	Articles of G/Silversmiths (Silver)	500,461	831,141	616,273
711419	8973202	Articles of G/Silversmiths (Other materials)	42,147	27,892	74,496
711420	8973203	Articles of G/Silversmiths (of Base Metal)	-61,334	-29,289	-104,927
	89733	Articles of Pearls, (Semi-)Precious Stones	552,749	249,407	79,789
711610	8973301	Articles of Pearls	-85,052	21,476	-149,879
711620	8973302	Articles of (Semi-)Precious Stones	637,801	227,931	229,668
	8974	Other Articles of Precious Metal	-2,581	-15,815	-27,975
711510	8974100	Platinum Group	-1,120	0	0
711590	8974900	Articles of Precious Metal, NES	-1,461	-15,815	-27,975
		<b>Total</b>	<b>54,229,059</b>	<b>33,963,098</b>	<b>26,452,002</b>

Source: Foreign Trade Statistics, NSO

**Table 7: PHILIPPINE EXPORT MARKETS FOR GEMS AND JEWELRY**

	EXPORTS (FOB \$)			Average			
	1994	1995	1996	1994-96	1995	1996	1994-96
Hong Kong	4,819,978	4,332,473	3,059,721	4,070,724	12.08	10.62	10.11
Japan	5,868,722	6,915,967	6,974,173	6,586,287	19.28	24.21	16.36
Germany	8,921,249	4,312,322	2,734,755	5,322,775	12.02	9.49	13.22
UK	3,510,066	2,093,004	4,609,051	3,404,040	5.84	16.00	8.46
US	13,195,188	6,411,207	4,742,284	8,116,226	17.88	16.46	20.16
France	2,429,318	1,888,540		2,158,929	5.27	-	3.58
APEC	30,384,071	20,686,780	17,404,457	22,825,103	57.68	60.42	56.70
Rest of World	25,715,373	15,178,523	11,401,738	17,431,878	42.32	39.58	43.30
<b>Total</b>	<b>56,099,444</b>	<b>35,865,303</b>	<b>28,806,195</b>	<b>40,256,981</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: Foreign Trade Statistics, NSO

**Table 8: PHILIPPINE IMPORTS FOR GEMS AND JEWELRY**

	IMPORTS (FOB \$)			Average			
	1994	1995	1996	1994-96	1995	1996	1994-96
Hong Kong	1,008,317	762,038	732,401	834,252	39.89	34.73	42.49
Japan	16,081	4,865	181,825	67,590	0.25	8.62	3.44
Germany	145,808	364	4,406	50,193	0.02	0.21	2.56
UK	20,409	8,782	28,685	19,292	0.46	1.36	0.98
US	274,314	331,025	266,278	290,539	17.33	12.63	14.80
S. Korea	109,844	180,616	249,349	179,936	9.45	11.82	9.17
France	74,142	260,947	78,773	137,954	13.66	3.74	7.03
Australia	46,511	59,965	0	35,492	3.14	-	1.81
Taipei	17,215	42,359	56,913	38,829	2.22	2.70	1.98
China	855	917	62,447	21,406	0.05	2.96	1.09
Thailand	2,461	24,927	235,550	87,646	1.30	11.17	4.46
Italy	71,893	6,825	3,634	27,451	0.36	0.17	1.40
India	0	26,299	20,993	15,764	1.38	1.00	0.80
APEC	1,583,765	1,539,003	1,858,748	1,660,505	80.56	88.14	84.58
Rest of World	286,620	371,334	250,174	302,709	19.44	11.86	15.42
<b>Total</b>	<b>1,870,385</b>	<b>1,910,337</b>	<b>2,108,922</b>	<b>1,963,215</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: Foreign Trade Statistics, NSO