Gem and jewelry industry is a potential industry highly significant to Thailand’s economic development. It generates almost 30 billion US dollars of circulating money in the nation’s economic system. The industry creates 800,000 employments throughout its supply chains. Owing to local wisdom in gemstone quality enhancement, skilled polishing craftsmen, and jewelers with internationally recognized proficiency, Thailand has been securing a position among the world’s top ten gem and jewelry exporters. Domestic trading is equally vigorous from purchasing force of Thai consumers and 30 million foreign tourists visiting Thailand per annum. A considerable number of foreign businessmen also travel into Thailand to buy gem and jewelry products. It is anticipated that domestic trading value is almost on par with Thailand’s gross gem and jewelry export value. Having noted such influences, Thai government sets a goal to make Thailand the world’s gem and jewelry trading hub within the next 5 years.

**Current Trading Situation**

Thai gem and jewelry products have been highly accepted in the global market. Most of the products manufactured are export-oriented. Thai craftsmen are well-known for their exceptional competence in gemstone polishing and jewelry making. With Thai entrepreneurs’ consistent development regarding manufacturing and marketing capabilities and constant supports from the government, Thailand successfully stood among the world’s top ten exporters for the first time in 2016 (top of Asia) with the export value of over 14.2 billion US dollars. Thailand’s key export markets include Hong Kong, the EU, the US, Middle East countries, Japan, and ASEAN countries. Its top export product is unwrought gold, followed by fine jewelry, which includes silver jewelry (the second of the world) and gold jewelry (the thirteenth of the world), polished precious stone (the fourth of the world), and polished semiprecious stone (the second of the world) respectively. Because of facing insufficient gemstone and precious metal raw materials, rough gems and precious metals have to be imported. Dominant import products are diamond, colored stone, gold, silver, and platinum. Thailand’s import sources include Switzerland, Hong Kong, Japan, and African countries.
Domestic gem and jewelry trading has been continually growing. The trading value is estimated to be comparable to export value as there are over 8,000 jewelry retailers and wholesalers in the system and many thousands outside the system involving in domestic trading. Most shops are clustered in Bangkok and large tourist-destination provinces, including Chiang Mai and Phuket. Domestic gem and jewelry buyers can be divided into groups: 1) Thai consumers with middle income and above who prefer gold ornament of 96.5 percent purity and some are wealthy consumers who usually buy diamonds and gold bullions as an investment 2) Expatriates who work and stay in Thailand 3) Foreign tourists whose number reaches over 30 million each year as well as foreign traders who enter the country to buy products and bring back to their countries to sell and 4) Foreigners living in cities adjacent to Thailand’s borders who cross borders to buy jewelry products, especially gold ornaments.

Current Manufacturing Situation

Thai gem and jewelry industry is a complete industry from upstream to downstream\(^1\). 80 percent of its production is export-oriented, while 20 percent is for domestic distribution. At present, there are around 2,200 officially-registered manufacturers, whereas thousands are household businesses.

Thailand’s gem and jewelry structure consists of the followings:

1) Colored Stone Polishing Industry: Most of the businesses are household industry. Since uncomplicated production machines are used, investment required is not high. Thai craftsmen possess globally recognized skills and expertise in colored stone polishing. Business operators hold heat treatment techniques for colored stone enhancement. They are Thai local wisdoms which other countries have yet succeeded in originating a comparable one. It is estimated that around 20,000 workers are employed in the colored stone polishing industry. Most of the operators and craftsmen are clustered in provinces which are the centers of colored stone production and trading such as Bangkok, Chanthaburi, and Tak.

2) Diamond Polishing Industry: It is a business requiring high investment as diamond polishing equipments are relatively complicated and using advanced technology and they have to be imported. The business involves rather high training costs for new polishers. Therefore, Thai diamond polishing industry consists of mostly companies from other countries such as Belgium and Israel relocating their manufacturing bases to Thailand to use Thai craftsmen whose wage rates are much lower than that of workers in their homelands. Additionally, they can obtain benefit from investment stimulus measures offered by the Board of Investment of Thailand (BOI). Currently, over 4,000 polishers are employed.

\(^1\)Upstream industries are mining, gemstone heat treatment, and gemstone polishing. Midstream industries include jewelry design, metal casting, mounting, gemstone setting, and jewelry polishing. Downstream industries include marketing and other related businesses, for instance, logistics and insurance.
3) Jewelry Manufacturing Industry: It is known for gold and silver jewelry production. Thai jewelry makers are capable of producing products with internationally acknowledged meticulousness and refinement. Consequently, Thailand has been among the world’s top two silver jewelry exporters for a decade. Most of the operators are of medium and small scale which are export-oriented and some of their products are also sold domestically. Thus, their production methods are a combination of handmade and highly advanced technology. Generally, jewelry products are manufactured with subcontracting, which is manufacturing according to orders from contractors. Only a few manufacturers who produce and distribute products of their own brands, whereas manufacturing of small scale businesses, accounting for the highest number of businesses in the jewelry manufacturing industry, is usually done by skilled workers and simple equipment and focus on domestic distribution.

Thailand’s Readiness to be Trading Hub

Supportive factors for Thailand to achieve the position of the world’s gem and jewelry trading hub can be summarized as follows:

1) **Gemstone heat treatment competence:** Thailand almost entirely relies on gemstone raw material imports. However, being the origin of colored stone heat treatment technique, an incomparable local wisdom, over 80 percent of rough gemstones from across the globe have been shipped to Thailand for quality enhancement. Thus, Thailand gemstone raw material inflows remain unbroken.

2) **Highly skilled workers:** Thailand has gem polishers and jewelry makers with globally recognized and relatively outstanding skills. Newly recruited workers are also fast learners and capable of quickly developing their skills. These are key strengths and one of many factors attracting large oversea companies to establish their manufacturing bases in Thailand: Pandora Production Co., Ltd. which has chosen Thailand as its only silver jewelry manufacturing base distributing products around the world; Rosy Blue Diamond Co., Ltd., the world’s leading diamond manufacturer from Belgium with multiple manufacturing bases in many districts of Phitsanulok; and Abbeycrest PLC, a large company from the UK, engaging in business concerning designing, manufacturing, and distributing gold and silver jewelry with its manufacturing base in Lamphun.

3) **Trading competent and promptly adaptive business operators:** Thai gem and jewelry business operators are competent in business operation, diligently expand their capacity regarding seeking raw materials, designing, manufacturing, and marketing as well as take care of every customer like their own families. Such attention excellently creates great impression and nurtures their relationship with customers.
4) **Suitable location and infrastructure:** Thailand’s location offers effortless connection with every region of the world. The country has solid infrastructures, public utilities, and transportation systems. There are many domestic and international airports. Its road systems linking every province. Thus, it is convenient to travel within the country and overseas. Hotels and accommodation facilities of various types are also extensively available. Furthermore, many of the country’s alluring nature and tourist attractions are among the world’s favorites.

5) **Trading areas scattered across the country:** Thailand has many internationally known gem and jewelry districts. Key districts are Gemstone Market in Chanthaburi (located in Muang Chanthaburi District, Treerat Road and Krajang Lane), Mae Sot Gem Market (located on Prasatwithi, Mae Sot District, Tak), and trading areas in Bangkok on Silom Road, Charoenkrung Road, Yaowarat Road, and Khao San Road. There are also gem and jewelry trading centers located in duty-free zones such as Chanthaburi Gem and Jewelry Center and Gemopolis. In addition, Thailand holds Bangkok Gems and Jewelry Fair twice a year in February and September.

6) **Solid gem and jewelry specialized agencies:** The Gem and Jewelry Institute of Thailand or GIT is a governmental organization under supervision of Ministry of Commerce. GIT plays an important role in promoting Thailand gem and jewelry industry for its competitiveness in the global market by assuring product quality, building confidence among domestic and oversea buyers, providing complete development of the industry’s personnel, and offering news and information of the global market for entrepreneurs. Moreover, Thailand has gem and jewelry related associations and clubs deriving from private sectors’ collaborations to carry out activities that strengthen the industry.

7) **Resolute support from the government:** Thai government has continually supported and developed the gem and jewelry industry for a decade. Incentive measures regarding taxation, finance as well as domestic and international marketing have been issued. Regulations and procedures have been reduced to provide seamless trading. The government has also worked closely with private sectors to reduce trade obstacles. Related governmental agencies have been assigned to help gem and jewelry business operators in every aspect.

**Government’s Incentive Policy**

In order to eliminate trading obstacles to increase competitiveness of Thai gem and jewelry industry and drive Thailand toward the goal of becoming the world’s gem and jewelry trading hub within 5 years, Thai government has issued the following incentive measures supporting Thai gem and jewelry industry’s development:
1) **Taxation measure:** Formerly, Thailand’s gem and jewelry products import duty rates were 0-10 percent and value added tax rate was 7 percent. To strengthen competence of Thai entrepreneurs and draw diversified products into the country to suite its status of a gem and jewelry trading hub, the government has exempted import duties for gem and jewelry products of every category since the early 2017. As Thailand relies mostly on imported gemstone raw materials, in order to induce rough stones inflow, the government has lifted value added tax and personal income tax for individuals who import rough gemstones for distribution in Thailand. Sellers are subjected to 1 percent withholding tax out of their income deriving from selling gemstones instantly as soon as gemstones are traded. A withholding tax certificate and a receipt must be issued to a seller for presenting to a customs officer. The government has also exempted value added tax for importation or selling of unmounted gemstones and precious metals (platinum, white gold, silver, and palladium) for business operators who have registered for value added tax. Furthermore, Thai entrepreneurs are eligible for double deduction on salary and wage expenses of jewelry making workers covering 3 accounting periods.

2) **Product standardization measure:** The measures aim to upgrade product quality and standard to meet the global market’s standards and to determine a hallmark to certify precious metal standards to raise buyers’ confidence and assure consumers of products’ standardized quality.

3) **Craftsmen’s skill measure:** The measures aim to enhance workers’ skills; and determine appropriate wage rates for gem polishers, jewelry casters, jewelry finishers, and gem setters to encourage craftsmen in the industry. The measures will help retain skilled personnel and ease shortage of skilled workers in the industry.

4) **Financial measure:** The application period of 30-billion-baht low rate loans for SMEs business operators’ machinery upgrade and manufacturing efficiency enhancement has been extended. The deadline of the application period, which was previously set on December 3, 2016, has been moved to October 31, 2017.

5) **Marketing promotion measure:** The government has integrated tourism industry with gem and jewelry industry by publicizing tourist attractions in major gem and jewelry trading districts in Bangkok and other provinces, organizing trade fairs such as Thailand Grand Sale, publicizing quality products to tourists through different media outlets, for example, advertisement and public relation of airlines, and promoting the image of being the world’s gem and jewelry trading hub. The government has announced its readiness while hosting the World Ruby Forum 2017 and CIBJO CONGRESS 2017 held during November 2-7, 2017. Over 300 participants from 42 countries around the world attended the events.

6) **Investment promotion measure:** Thai and foreign investors are eligible to apply for investment incentives for gem and jewelry businesses from the Board of Investment
of Thailand (BOI) or Industrial Estate Authority of Thailand. They will be granted tax incentives, including exemption/reduction of corporate income tax, and exemption/reduction of import duty on machinery and raw/essential materials, and non-tax incentives, including providing investors with a service concerning bringing skilled workers and experts into Thailand through e–Expert System. Currently, Gemopolis is one of Thailand’s key gem and jewelry manufacturing centers where business operators from many countries have established their manufacturing bases. Thailand has carried out investment promotional policy in special economic zones, for instance, Mae Sot Special Economic Zone and Sa Kaeo Special Economic Zone. Gem and jewelry industry is a target industry of these special economic zones. Business operators will receive incentives including 8-year exemption of corporate income tax and additional 5 years of 50 percent reduction of corporate income tax. Moreover, business operators are allowed to employ foreign workers.

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