Gems Hit the Global Big Time

In the last few years, Thailand's gems industry has grown from a backyard business to an internationally recognised operation. **Yuli Ismartono** of IPS reports.

THE plan by a major Thai gems company to entrust its cutting operations for coloured stones and diamonds to inmates in Thailand's prisons shows how aggressively the Thai gems and jewellery industry is pursuing its ambitious expansion plans.

Quality Colur Group, the world's largest trader and manufacturer of semi-precious stones, is investing five million dollars in the seemingly foolhardy venture which will initially train prisoners in 20 major correctional facilities and eventually include the country's 60 other jails.

"We Thais are gamblers by nature, and we don't think much about taking risks," said Pronsit Sir-orathaikul, president of the Thai Gem and Jewellery Traders Association.

Under Pronsit's presidency, Thailand's gems business has grown over the past few years from a backyard operation to an internationally recognised industry.

Last year, Thailand exported US$1.35 billion worth of gems and jewellery. Domestic sales, mostly to tourists, added up to US$900 million, according to the Department of Export Promotion.

Gems and jewellery is now Thailand's second-largest manufactured export, behind textiles.

Since 1985, exports have risen an average of 33 per cent yearly, making Thailand the world's second largest jewellery exporter after Italy and second only to India as an exporter of gemstones.

Bangkok has already overtaken the traditional Asian gem and jewellery centres of Hong Kong and Taiwan with its cheap labour and easy access to raw materials.

Rubies and sapphires have long been found in the rice mines of Thailand's south-eastern Chantaburi province near Cambodia and, more recently, in Western kanchanaburi, along the Burmese border.

Jade, which is a favourite among Asians because of its supposed protective powers, is also found in large quantities in Burma.

Thailand has benefited greatly from the two neighbouring countries' lack of know-how and and capital to develop their own industries.

Thai traders have become the major buyers of gemstones, both from the official market and from the illicit trade supplied by smugglers in Burma and Cambodia.

"Stones are obtained at the big gem auction held yearly by the Rangoon government as well as from the various insurgent groups based along the border areas," said a jewel expert in Bangkok.

Similarly, in Cambodia, although buyers deal with officials in the capital of Phnom Penh, much of the trading is done with members of the three guerrilla factions fighting the Hun Sen government.

The most resourceful are the Khmer Rouge who occupy the ruby-rich province of Pailin, just 50 kms from the Thai border.

Both the Burmese and the Cambodian rebels sell gemstones to finance their fight against their respective governments, sometimes trading them for weapons.

More recently, mines in nearby Vietnam have also become major sources for Thailand, particularly the Luc Yen ruby mine, 150 km northwest of Hanoi.

Gem experts here say Luc Yen has the richest ruby deposit in the world today.

Bangkok is in the process of establishing a reputation as an international diamond-cutting centre, replacing Bombay. Though labour costs are cheaper in India, Thai workers are believed to have superior craftsmanship.

More than 30 international diamond traders and jewellery manufacturers have invested in Thailand, compared to only one 10 years.

Big-name companies like Korloff of Paris, Harry Winston of New York, Bulgari of Italy and Mouawad of Saudi Arabia have become regular buyers.

But the industry's expansion plans could be upset by possible trade sanctions from the United States, Thailand's biggest single market.

U.S. trade officials said recently they consider Thailand to be one of the countries that have been very lax in protecting intellectual property.

Talks between the two countries came to a deadlock in April, the deadline set by Washington, after which sanctions may follow.

A hefty 40 per cent of Thailand's jewellery exports go to the United States and traders say they are likely to be slapped stiff trade duties if the dispute festers.

With prospects in the US market uncertain, the Thais have turned their eyes of Europe, Japan, South Korea, Taiwan and Hong Kong.

Gandhi's Death Orphans Business

The assassination of Rajiv Gandhi has dashed hopes of a revival of the process of economic liberalisation and modernisation that he began in his first term as India's prime minister. Mahesh Uniyal of IPS reports.

WHEN he became prime minister six years ago, Rajiv Gandhi took the bold step of liberalising India's stagnating centrally planned economy, vigorously kick-starting it to life.

Many Indians had hoped he would win the present mid-term polls to be elected prime minister again and repeat his success.

But those hopes have been dashed by Gandhi's assassination late month during a campaign rally near the southern Indian city of Madras.

The 'Times of India' newspaper called Gandhi the most "market-friendly" head of government the country has ever seen.

"Gandhi embraced some of the concepts of big business and used them to try and give shape to his vision of a modern India," the paper said.

Anticpating success of Gandhi's Congress-I party in the polls, share values in the country's stock market had been picking up considerably in the weeks before the elections. With the assassination, share trading has plunged.

The markets were buoyant as Gandhi's return as head of government would have given a vigorous push to the process, begun in his earlier term, of loosening the bureaucracy's stranglehold on business.

Gandhi's first tenúre as prime minister saw the beginning of an unprecedented honeymoon between a government once suspicious of bus-iness and private enterprise.

Modernisation and liberalisation were the key words in the economic agenda he had charted and partially carried out for the country.

"He created a more open environment... and made access to domestic markets a lot easier for both foreign as well as Indian private enterprise. These were very brave decisions," said Ratan Tata of India's biggest business house.

A fresh whiff of liberalisation began blowing away cobwebs of licences, permits and quotas shackling India's enterprises. Taxes were slashed, restrictions on monopolies eased and licences were dispensed with altogether for some industries.

The new industries, set up during this period, began churning out a variety of consumer goods snapped up by a burgeoning middle class, estimated to comprise 2000 million of the over 800 million Indian population.

Gandhi's five years in office — between January 1985 and November 1989 — also saw India giving up its paranoiac suspicion of foreign private capital as the country opened up to a flow of transnational investment and knowhow.

As a result of this international exposure, the "made in India" label no longer spelt poor quality and antiquated design, and Indian products began competing with the best in the world.

"There can be no doubt that in manufacturing, process technology and product finish, we are closer to world-class products than we were in 1985," says Tata.

The Gandhi years were years of economic growth and vitality.

The rate of growth accelerated to 5.6 percent annually, the fastest in India's 40 years of centrally planned economy.

Manufactures grew at over eight percent every year during 1985 to 1990, and an increasing amount of factory output was sold in foreign market. Between 1985 and 1989, India's exports more than doubled.

With the rejuvenation of business, however, came growing budget deficits, stagnant savings and a spiralling foreign debt. By the time Gandhi left office at the end of 1989, India was the world's fourth largest debtor nation.

Some critics blame India's present economic crisis on the culture of consumerism and a too liberal pone-door policy inaugurated by Gandhi.

Others point out that the economic forces unleashed during the Gandhi years have placed India firmly in the global market.

If anything, Gandhi was half-hearted in carrying out his liberalisation drive, they say. While some controls were dismantled, most remained intact and business was not freed from the 'clutches' of the politician and the bureaucrat, they add.

"He was by instinct a liberaliser who saw how socialism had gone awry and felt the need to integrate India into the emerging global economy," says business commentator Swaminathan Anklesaria Aiyar.

Aiyar says, however, that Gandhi "knuckled under to party hacks who said it was essential to keep chanting the old 'mantras' of socialism".

FAKE GOODS FROM THE MERCHANTS OF DEATH

THERE was a time when a stopover in Hongkong by Asians on their way home from Europe or America was an eagerly-anticipated side trip.

That's because at that time many years ago, prices of jewellery, household items and other dry goods in the Crown Colony were comparatively cheap and the buyer was assured of the genuineness of each article on sale.

That held true whether one was on a buying spree in Singapore, Tokyo, Manila or Bangkok.

Today, however, that scenario has taken a 380 degree turn. Not only are the prices stiff and sometimes even higher than those at home but one can never be sure that what one buys in the real McCoy or a perfect imitation of the real thing.

The traveler is now up against a new threat — the counterfeit merchant, the man who offers fake goods, the unscrupulous dealer in imitation merchandise.

If you are buying jeans, watches, perfumes, liquor, expensive cosmetics, jewellery, etc., chances are five out of ten items are low-priced but absolute fakes.

You discover that only when you reach home.

In Calcutta streets, fake soaps, shampoos and cold creams of well-known brands are openly sold in the market. They are lower in price and shopkeepers admit that manufacturers of these spurious products are selling goods which are not genuine.

In one police raid, the lawmen recovered counterfeit soaps, detergents, wrappers and packs with famous brand names. The talcum powder you have always wanted to buy might just as well contain French chalk. Any of these can cause allergic rashes on whoever uses them.

A recent survey of bars in Delhi and Calcutta showed that counterfeiters are earning millions by making spurious duplicates of Scotch whisky.

There are two ways of making contraband Scotch. One is for counterfeiters to purchase or acquire genuine Scotch, carefully break open the seal and punch it with cheap Indian whisky.

For instance, Chivas Regal may be purchased but it is distributed already laced with Diplomat or Officer's Choice. All the expensive Scotches, say Dimple Premium, Black Lable, Royal Salute, Glenfiddich and even cheaper ones like Teachers, Red Label, Vat 69, White Horse and others are mostly punched with Diplomat and Officer's Choice.

The second modus operandi is for the contraband manufacturers to acquire empty Scotch bottles from junk dealers or from old household goods buyers, locally called "kabadiwallas," and fill the bottles with spurious Scotch.

Adulterated medicines and drugs are being manufactured on a large scale by greedy manufacturers who reap huge profits. The impact of such drugs is frightening.

The most feared adulteration is the mixing of Diethylene Glycol with Propylene Glycol, an ingredient of expectorants and syrups.

In a nationwide warning, Dr. L.V. Kannan, Director of Indian Drug Control, has said that Diethylene Glycol, mislabelled as Propylene Glycol, may be circulating in India. But this is not the only thing to dread.

The Estrogen Progesterone combination drug, EP Forte, is banned in India because it caused severe birth (congenital) defects but the medicine is still in circulation.

Drug control officials could not track down the manufactures of the medicine and what surprised them was the fact that instead of warning their patients about the spurious preparation, quack doctors in the rural areas are even encouraging its use.

Six months ago, a large quantity of bleaching powder supplied to the Calcutta Municipal Corporation was found fake. Despite being blacklisted, the culprits continued not only to produce but also supply the spurious stuff to the Corporation, thanks to their connections.

In a highly publicised case, mustard oil adulteration in Calcutta resulted in deaths and illnesses to scores of people. A series of raids by the police led to only a few arrests and negligible confiscation of stocks.

What was even more disturbing was the adulteration of baby food and milk powder sold under the brand name of a reputed and reliable company.

It doesn't take a medical expert to be informed that such fake stuff may lead to permanent disability and even death.

This is not surprising in a country where some 200 million middle-class families are wont to scrounge for cheap bargains as their budgets are forever being hit by inflation. A corrupt bureaucracy lends a helping hand.

And so when an 11-year-old boy got Rs. 500 as compensation fro losing his power of speech for taking a fake medicine, he decided to buy an air gun. — Depthnews Asia.

Malls Go Bust

The island state's glitzy malls are hit by a sales slump as fashion-conscious Japanese tourists prefer to shop at home. **Surya Gangadharan** of IPS reports.

FOR years, bargain-hunting Japanese tourists scoured the glitzy malls of Singapore's Orchard Road tourist area for their Gucci's, St Laurent's and Louis Vuitton's.

That retailing bonanza may be fading as fashion-conscious Japanese have turned to buying such designer-label goods at home.

This shift in the shopping habits of free-spending Japanese tourists has sent the business of many Singaporean retailers falling.

Two factors have conspired to create this situation. On the one hand, retail prices here have risen as the Singapore dollar gained against the yen and shop rentals soared.

On the other, deep cuts in Japanese import duties, ranging from 10 to 30 per cent, have made brand-name luxury goods more affordable in Japan.

"Tokyo was having designer sales like nobody's business last year," says one worried manager of a store catering to Japanese tourists.

"They were the new season's goods, not the backlog. You can imagine how bad the market is for us," he added.

Singapore's price advantage is evaporating.

"Japanese department store managers tell me Singapore must maintain a 25 per cent price differential to make it worthwhile for Japanese to shop here," says Hiroshi Kunimatsu, managing director of the Japan Travel Bureau here.

Otherwise, the advantages of buying at home assert themselves.

"If they buy in Japan, communication is easier, they get good after-sales service and can take their time to shop," says Kunimatsu.

Singapore retailers say skyrocketing shop rentals have pushed many of them to the brink of bankruptcy.

A January 1990 survey showed that Orchard Road was the world's 10th priciest street, nearly in the same class as Tokyo's Ginza and New York's Fifth Avenue.

The sales slump has pushed rentals down somewhat, now about US$20 per sq ft when they used to be US$34 before the Gulf crisis.

But even at these reduced rates, retailers are hard put trying to stay price-competitive.

Singapore's shops still give tourists better bargains in some items. A Dunhill tie, for example, costs US$77 here against US$86 in Tokyo. A Chanel lipstick goes for US$19.50 here against US$32 in Japan.

But in the big-ticket items, where retailers make the fattest margins, the price gap between Singapore and Tokyo has narrowed considerably.

Some retailers here have already written off the Japanese as an important market. They are looking at two options: developing the local market further and going regional.

The drawback of targeting the local market is its small size.

Barely 160,000 employees earn more than US$1,150 a month, according to 1989 official figures. Retailers say that is not much of a market for luxury goods.

But the strategy has worked in some cases. Steven Goh, managing director of the Metro department store, says his shop has built up loyal local clientele, insulating the business somewhat from the ups and downs of the tourist trade.

Daimaru, a Japanese-run department store, has done pretty much the same. It has a credit card base of 50,000 locals.

Going regional is attractive because South-east Asia is booming and there is a lot of money for luxury goods. Retail chains are thus setting up shop n Kuala Lumpur, Bangkok and Jakarta.

The Japanese chain, Isetan, for example, already has a store in Kuala Lumpur and is planning outlets in other Malaysian cities like Penang, Johor Baru and Ipoh.

The predicament of Singapore's retail business illustrates how Tokyo's efforts to open up its economy can have unexpected consequences on the economies of its neighbours.

Removing restrictions on the entry of foreign consumer goods was intended to raise Japan's import bill and benefit exporting countries.

But this has had an adverse impact on South-east Asian countries — Thailand, Malaysia, Indonesia and Singapore — that earn much from Japanese tourist spending.

Nepal Joins EPZ Bandwagon

NEPAL'S new government is setting up an Export Processing Zone (EPZ) to boost overseas exports and prop up economic growth. But doubts linger on enhanced trade prospects.

Nepal is geographically handicapped by being located on the lap of the Himalayas, between China on the north and India on the south. The land-locked kingdom has to depend on India's goodwill for trade and contacts with the outside world.

Industry Ministry officials say the proposed EPZ, to be set up here in the next five years, will open employment prospects for about 15,300 people and bring in an additional US$84 million annually to the state coffers.

They are working on the details such as the mode of financing. The proposal was mooted out following King Birendra's approval in 1987 of a new industrial policy.

A recent per-feasibility study undertaken by the United Nations Industrial Development Organisations (UNIDO) suggested the viability of the EPZ. The one in Kathmandu could house 300 manufacturing units spread over 42 hectares.

"It will provide special thrust to foreign investors who will benefit from inbuilt facilities for establishing their industries," says Ramesh C. Arya, an industrial engineer with the Industry Ministry.

Three types of industries have been identified: industries wholly foreign-owned, a joint venture between Nepali and foreign investors or firms fully locally-owned.

Sahana Pradhan, the minister for industry and commerce and the only woman in the nine-member cabinet, heads the committee which will help set up the EPZ.

The decision has been welcomed by business circles as "very necessary." However, its success depends on promotional efforts of the government, and not just the setting up of the EPZ. It is also yet to be seen whether service industries are included.

One businessman and a prospective EPZ participant says electronic goods would constitute a dominant component among the industries there.

Ministry officials say five product categories have been identified: carpets, ready-made garments, herbal products, leather goods, precious and semi-precious stones and electronics, including computer software programme development.

Ready-made garments and woolen carpets are Nepal's top exports at present. The duties, taxes and other charges paid by the export-oriented industries are refunded by the government at present. However, repayments have always been time-consuming.

No hassles once the EPZ comes into being, officials say. Foreigners operating industries in EPZ alone or as a joint venture will also pay their entire payments due to the government in foreign currency.

The EPZ will essentially be a tax-free haven for investors. There will be no local taxes on all raw materials and the entire products will be exported without any local taxes.

Under phase one, land will be acquired and the committee headed by Ms. Pradhan will prepare a time-bound programme, suggest organisational structure, prepare legal framework, and look for prospective investors.

Ms. Pradhan is also president of the United Left Front, an alliance of various warring factions of the Communists which is the junior coalition partner in the interim government. Labour and industrial unrest marked her assumption of office last April.

The decision on the EPZ comes at a time when accessibility of Nepali goods in the Indian markets has improved following the visit to New Delhi by Prime Minister Krishna Prasad Bhattarai last June.

During the visit, officials of both countries agreed that Nepali exports would enjoy duty-free access to the Indian market if they had Indian origin content of at least 65 per cent and a value-added component of 40 per cent as opposed to the previous requirement of 80 per cent and 50 per cent, respectively.

"You are already 15 years behind in establishing the EPZ. Start it right away," the government-run *The Rising Nepal* newspaper quoted an unidentified foreign investor.

The UN Development Programme (UNDP) helped Nepal set up the Foreign Investment Promotion Division (FIPD) to provide one-window-service to foreign investors and attract Western capital and technology.

The FIPD was streamlined and better organised with technical support from UNIDO which also organised several investment promotion missions to Western capitals. The missions involved senior government officials and private investors with joint venture proposals.

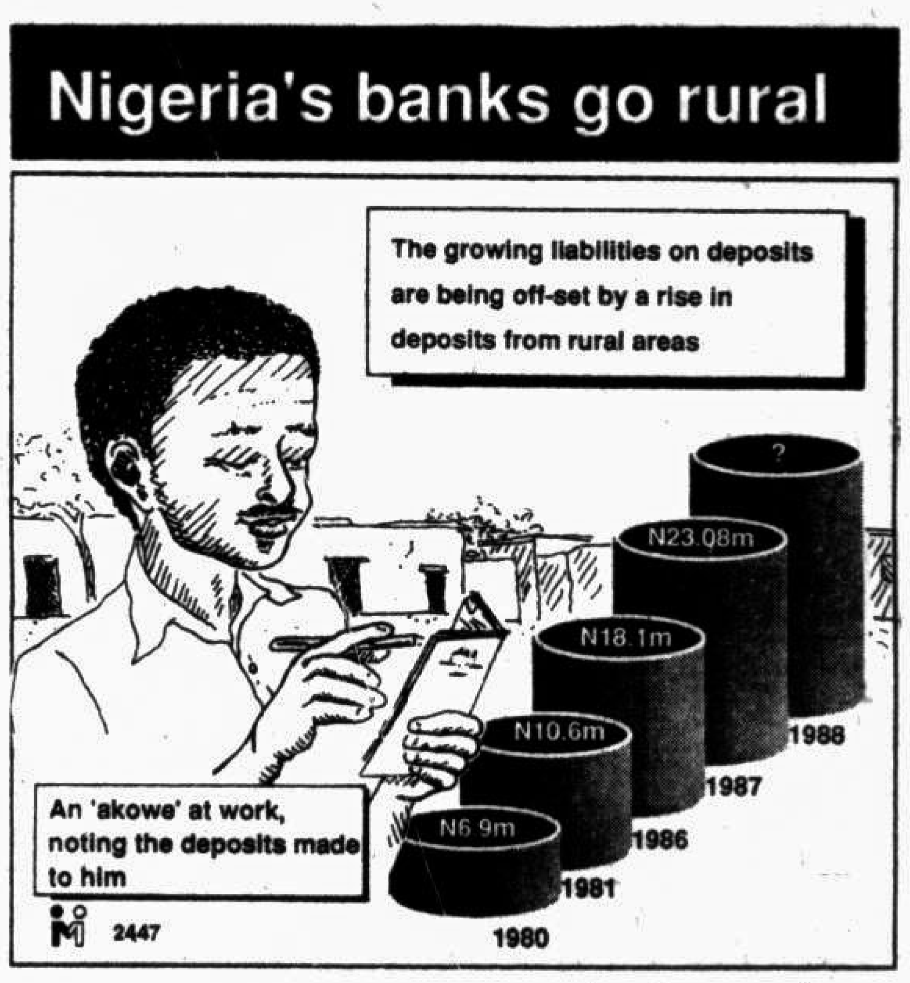
Some 86 enterprises have been registered under foreign collaboration with combined authorised capital of US$170 million. India, the United States, Japan, China, France and South Korea participated in the ventures.

India tops the list of joint ventures and takes more than half the equity shares.

Yet, Nepal remains one of the less credit-worthy countries, nearly the lowest in South Asia. It has lower tariffs than other countries.

Banks Challenge Their Rustic Competitors

Nigeria's banks have struggled for years to make a commercial success of their operations, and there has been a very high number of bank failures. One reason for this has been a lack of attention paid by banks to the rural areas where 70 per cent of the population still lives. Money there was kept in calabashes, or was entrusted to "rustic bankers", who now stand to lose most by tougher competition from the banks. by Akanimo Sampson



NIGERIA'S colourful "rustic bankers", who have provided a rough and ready — and strictly unofficial — banking service to rural areas for years, are about to get some competition from real banks.

The Central Bank of Nigeria has set up a rural banking programme which is aimed at routing the rustic bankers.

The programme will seek to mobilise savings from rural dwellers and use then for development of the rural areas. In doing this it hopes to cultivate banking habits among rural dwellers, will make loans available for agriculture and small-scale industries and will hopefully help check rural-urban migration.

The mainstream banks have been on the losing end of competition from rustic bankers for years now.

Basically, rustic bankers are money collectors and storers. Daily collections of cash are entrusted to the care of an "akowe" — a clerk — who picks up five naira here, 10 naira there. Each "depositor's" contribution is noted on a card or in a notebook, pending withdrawal at the end of each month.

These deposits do not earn interest. On the contrary, the depositors mist pay for them. For instance, Edem Asuquo, a palm wine tapper at Odukpani in cross River State, subscribed N10.00 each day in June. Instead of collecting N300.00 on June 30 he collected N290.00. The balance of N10.00 went to the collector for services rendered.

In a sense, rustic bankers have operated as a half-way house between a rural community which has known little about depositing money in commercial banks for safekeeping, and the banking system.

Edem Asuquo, for example, who is now aged 65, believes that although his father may have heard about the usefulness of banking — and especially of the interest that could be earned — "he was content to keep his money at home where he had easy access to it at any time".

The big drawback of commercial banking for rural dwellers was that money kept in a bank was far removed and offered no visible proof of wealth. "Thus there were reports in those days," said Asuquo, of moths eating up most of the money stored in calabashes and pots in rat-holed tenements.

It was therefore hardly surprising that the rustic banking business would flourish in this environment, and not just among rural dwellers but among those on the periphery of urban areas as well.

The commercial banks did not help their situation by their insistence on operating only in urban areas. Civil servants formed the mainstay of a bank's business, but the deposit base was a too small and consequently a number of banks failed. There was rash of bank failures in the 1940s and 1950s, some banks lasting less than a year after setting up; and between 1894 and 1965, some 23 banks were reported to have surrendered their licences.

In recent years however, there has been a sharp rise in the percentage of deposits reaching banks from the rural areas. And it makes sense for the banks to take action since rural dwellers account for about 70 per cent of Nigeria's population, and some 50 per cent of the country's total money supply circulates in rural areas.

To give a further boost to the rural banking programme, the Federal government has introduced a community bank. This will not only cater for the banking needs of the rural population but it will, through various projects, help correct the lop-sided urban/rural development, especially in the siting of industries — GEMINI