



8. Colored Stones

1. Definition of Category

Only polished colored stones. It does not include uncut colored stones or synthetic gemstones.

HS Numbers	Commodity
7103.91	Rubies, sapphires, emeralds (so-called precious stones)
7103.99	Other colored stones (so-called semi-precious stones)

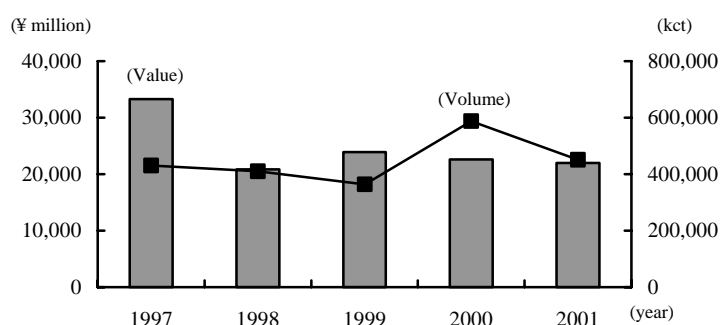
2. Import Trends

(1) Recent Trends in Colored Stone Imports

As the phrase implies, colored stones come in many different varieties. Japan's official customs statistics classifies them as either precious stones (rubies, sapphires and emeralds) or as semi-precious stones (all other colored stones). After the collapse of the bubble economy, the slump in domestic consumption sharply reduced imports of higher priced precious stones. For a time, semi-precious stones enjoyed increased imports for use in costume jewelry, since they are inexpensive and richly varied. However, from 1995 onward, imports of semi-precious stones tumbled on both a volume and value basis. By 1999, total precious imports had fallen on a volume basis to just one-third the level five years before.

In 2000 imports of inexpensive semi-precious stones rose significantly on a volume basis. Nevertheless, 2001 saw semi-precious-stone decline again to 449,509 carats (down 23.4% from the year before), worth ¥22.0 billion (down 2.9%). Since the consumer purchase price point has fallen, importers increasingly tend to select lower-priced varieties of colored stones. Consequently, the unit price per carat has fallen dramatically (note: 1 carat = 0.2 grams).

Fig. 1 Japan's colored stone imports



	1997		1998		1999		2000		2001	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Rubies, sapphires, emeralds	2,606	17,208	1,817	9,743	1,969	11,633	2,129	10,132	1,139	9,327
Other colored stones	427,555	16,061	407,982	11,102	362,072	12,262	585,937	12,472	449,509	12,624
TOTAL	430,161	33,269	409,799	20,845	364,040	23,896	588,066	22,604	450,647	21,951

Units: kct, ¥ million

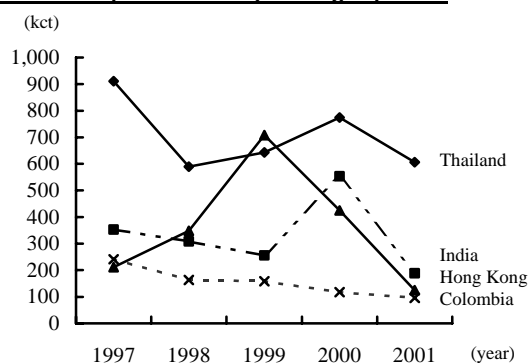
Source: Japan Exports and Imports

(2) Imports by Place of Origin

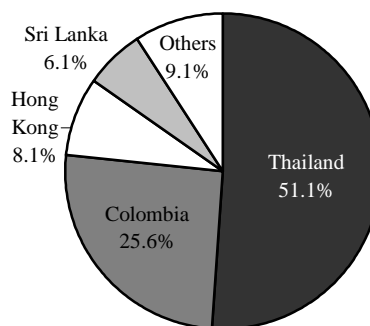
Rubies, sapphires and emeralds are produced in Asia and South America, and the largest portion of Japan's precious stone imports comes from Thailand, which is one of the leading worldwide centers of both gemstone production and processing. In 2001, Thailand accounted for 51.1% of all of Japan's imports of precious stones such as rubies, sapphires and emeralds. The next leading exporter of precious stones to Japan was Colombia (25.6%, its emeralds are famous). On the volume basis, Thailand held a share of 53.2%, followed by India (16.5%) and Hong Kong (11.0%). In contrast, the leading exporter of semi-precious stones to Japan is Hong Kong, which produces no stones of its own but is well known as a processing and distribution point. Hong Kong accounted for 35.4% of all Japan's semi-precious stone in 2001 on a value basis. On the volume basis, the leading exporter of semi-precious stones to Japan changed from Brazil to China.

Fig. 2 Principal exporters of precious stones to Japan

Trends in import volume by leading exporters



Shares of precious stone imports in 2001 (value basis)



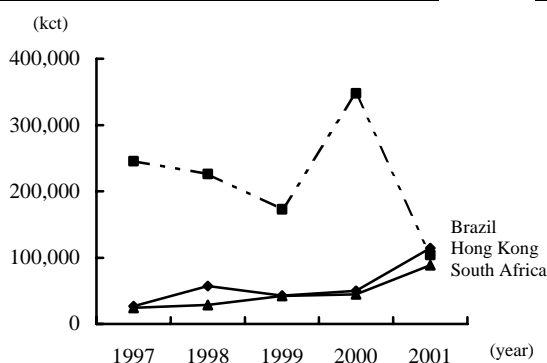
	1997	1998	1999	2000		2001			
	Volume	Volume	Volume	Volume	Value	Volume	Value	Volume	Value
Thailand	912	590	644	774	5,191	606	53.2%	4,766	51.1%
India	353	308	255	553	212	188	16.5%	184	2.0%
Hong Kong	211	348	708	425	899	125	11.0%	754	8.1%
Colombia	242	164	159	118	2,738	95	8.4%	2,391	25.6%
U.S.A.	637	292	80	42	244	45	3.9%	106	1.1%
Others	252	115	123	217	848	79	7.0%	1,125	12.1%
TOTAL	2,606	1,817	1,969	2,129	10,132	1,139	100.0%	9,327	100.0%
(E U)	33	50	4	26	79	8	0.7%	293	3.1%

Units : kct, ¥ million

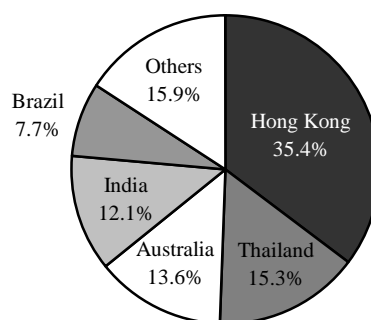
Source: Japan Exports and Imports

Fig. 3 Principal exporters of semi-precious stones to Japan

Trends in import volume by leading exporters



Shares of semi-precious stone imports in 2001 (value basis)



	1997	1998	1999	2000		2001			
	Volume	Volume	Volume	Volume	Value	Volume	Value	Volume	Value
China	26,452	56,994	42,461	49,699	192	114,194	25.4%	407	3.2%
Brazil	245,723	226,029	172,828	347,931	1,017	104,118	23.2%	972	7.7%
South Africa	24,435	28,677	42,260	44,782	7	88,828	19.8%	21	0.2%
Hong Kong	28,675	18,358	35,237	56,448	4,348	83,853	18.7%	4,464	35.4%
Taiwan	29,865	22,446	26,466	27,237	158	21,474	4.8%	96	0.8%
Others	72,404	55,479	42,820	59,840	6,749	37,042	8.2%	6,663	52.8%
TOTAL	427,555	407,982	362,072	585,937	12,472	449,509	100.0%	12,624	100.0%
(E U)	2,100	2,399	3,267	2,149	754	2,969	0.7%	642	5.1%

Units: kct, ¥ million

Source: Japan Exports and Imports

(3) Imports' Market Share in Japan

There is substantially zero domestic production of colored stones. Almost 100 percent of the colored stones sold in Japan are imported.

3. Key Considerations related to Importing

(1) Regulations and Procedural Requirements at the Time of Importation

There are no legal restrictions on the importation of colored stones.

(2) Regulations and Procedural Requirements at the Time of Sale

There are no legal regulations governing sale of colored stones.

(3) Competent Agencies

There are no regulatory agencies on colored stones.

4. Labeling**(1) Legally Required Labeling**

There are no labeling requirements for colored stones. But, when paper or plastic is used as a packaging material for wrapping of individual product items, or for labels, tags, external packaging or elsewhere, a material identifier mark must be displayed with information where the material is used.

(2) Voluntary Labeling Based on Provisions of Law

There is no labeling based on provisions of law for colored stones.

(3) Voluntary Industry Labeling

The Association of Gemological Laboratories Japan (AGL) and the Japan Jewelry Association have instituted information services on jewelry in general. This is to inform the consumer of improvements and changes to the color and appearance, in addition to the cut and polish. This information has had to be disclosed for all gemstones, not only emeralds. Specifically, improvements and changes have to be clearly noted in appraisals, etc. Sales clerks are also obliged to inform customers of these facts when explaining the products for sales purposes. Note that the Japan Jewelry Association and other groups are currently preparing ethical guidelines and voluntary standards regarding transactions.

Contact:

•Japan Jewelry Association Corporation TEL: 03-3835-8567 <http://www.jja.ne.jp>

5. Taxes**(1) Customs Duties**

Custom duties on colored stones are free.

(2) Consumption Tax

CIF x 5%

6. Product Characteristics

The three most salient characteristics of gemstones are (1) beauty, (2) durability and (3) rarity. Rubies, sapphires and emeralds are generally known as precious stones because of their high monetary and decorative value. Other colored stones are known as semi-precious stones. In actual fact, though, there is no clear-cut boundary between these two categories, and there is no internationally valid standard for classification. In recent years among people in the industry there has been a tendency to abandon the attempt to differentiate precious and semi-precious stones and simply refer to all such items as “colored stones”. More commonly they refer to stones by their specific name, such as ruby, sapphire or emerald. There are more than 70 entities in Japan that perform gemological and appraisal work*, all of which are private organizations. The Association of Gemological Laboratories Japan is a trade association that works to promote the use of unified gemological standards.

Note: Gemology is the process of determining the mineralogical identity of a gemstone. Gemologists examine gemstones to determine if they are natural or artificial, whether they have been artificially made, whether they have been artificially worked in a manner, which adds value to the stone, and what name should be assigned to the stone. Appraisal, on the other hand, is the process of determining the economic value of a gemstone, and is performed only for diamonds.

(1) Characteristics of Products from Different Countries / Regions

• Thailand

Thailand is known for the brownish cast to its red rubies and the dark tint of its sapphires. Thailand also imports large quantities of jade from Myanmar and opals from Australia, which it then polishes and reworks for export. Thailand devotes considerable resources to development and improvement of processing technologies, and it has achieved noteworthy results.

- **Sri Lanka**
The central highlands region of Sri Lanka produces high-grade rubies, sapphires, cat's eye and alexandrite. These products put Sri Lanka among the elite producers of colored stones. Its rubies are noted for their light and bright red color, and its sapphires for their light blue color.
- **Myanmar**
Myanmar produces high-quality rubies, sapphires and other colored stones. However, the country has a closed policy regarding the gemstone industry, and its development and distribution infrastructures are regressive as a result. Its stones are available only at special bidding exhibitions held no more than once or twice a year. Myanmar is famous for beautiful red rubies and royal blue sapphires.
- **Zambia**
Zambia is a well-known producer of high-quality emeralds and amethysts. Its emeralds are sold at auction 3-4 times every year.
- **Brazil**
Brazil has the world's largest natural supply of gemstones, and it produces an enormous variety of colored stones, including every major type other than jade. Brazil ranks first in the world in production of tourmaline, which have two or sometimes even more colors.
- **Russia**
Russia produces high-quality emeralds and alexandrite, along with garnet and lapis lazuli. Russian alexandrite is prized for its bluish green color.

(2) Other Characteristics

Color is another determinant of gemstone value. Even minor differences in color can have a major impact on valuation. There are a number of time-honored techniques that have been used to improve or enhance the color of colored stones.

- 1) **Heat treatment**
Heat treatment can be used to enhance the color and improve the quality rating of rubies and sapphires, and to change the green color of newly mined aquamarine to blue.
- 2) **Radiated heat treatment**
Radiated heat treatment is used to change colorless Brazilian topaz into blue.
- 3) **Enhancement**
Treating emeralds with oil or synthetic resins improves clarity by preventing the formation of air pockets inside the stone.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

Colored stones are usually processed and sold with diamonds and precious metals such as gold and platinum in the jewelry and accessories market. It is difficult to track market trends for colored stones in isolation from general trends in jewelry. Accordingly, this section will describe overall trends in the jewelry and accessories market. The Japanese jewelry market reached an all-time record size of ¥2.5 trillion in 1990. However, after the collapse of the so-called bubble economy, sales of higher-priced merchandise began to decline. The market is estimated to have shrunk far below the ¥2.0 trillion level. Newer purchasers tend to put more importance on the styling, the feel, and the ease of coordination of gemstones rather than the price of the gemstones themselves. Young women want gemstones that fit into their daily fashion look, and this has given colored stones in general, and semi-precious stones in particular, a much larger role in the jewelry market.

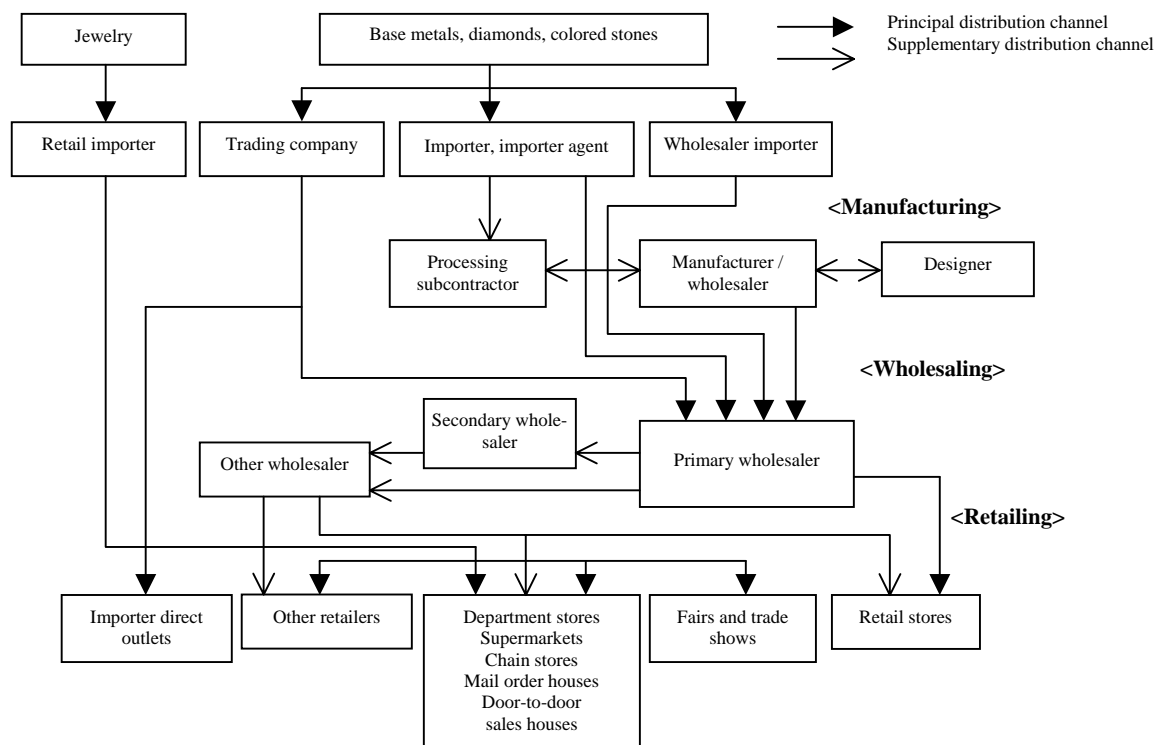
The most frequently purchased type of jewelry item in Japan is rings (including engagement rings and wedding rings), which earlier accounted for 40% of the market on a volume basis, and 60% of the market on a value basis. Almost all engagement rings were diamond rings, but fashion rings enjoyed steady sales growth, and these rings made use of many different types of colored stones. Today, however, many consumers own two or more rings, prompting a shift in demand toward necklaces and earrings. Demand for engagement rings and wedding rings are expected to decline after the second generation of baby-boomers gets married. As a result, the industry is working to develop new demand.

(2) Distribution Channels

The following figure illustrates the principal distribution channels for jewelry and accessory products. Until the revision of the Japanese tax system in 1989, jewelry dealers were required to register with the Ministry of Finance in order to facilitate the collection of excise taxes. However, with the introduction of the consumption tax, the dealer registration system was abolished. The simplification of import procedures led to an increase in direct importing by large retail stores, department stores and chain stores. In addition, some leading importers opened their own retail outlets so they could sell directly to consumers.

Although there are a few very large businesses in the industry, medium-sized and small businesses make up the bulk of the jewelry industry in Japan. Even the very largest jewelry dealers account for only a small percentage of the market. There are some 25,000 retail stores across Japan that sell jewelry and accessory products, including those that also carry watches and eyeglasses. Businesses from other industries, including apparel makers and major retailers, recently have moved into the jewelry market as well, making it even more difficult to determine exactly how many jewelry dealers there actually are in Japan. With certain exceptions, most businesses in the jewelry and accessories industry have only meager supplies of internal capital, and a number of small retail stores have virtually no financial resources of their own. Most of these internal capital, and a number of small retail stores, have virtually no financial resources of their own. Most of these stores sell on consignment with merchandise from wholesalers.

Fig. 4 Principal distribution channels for colored stone products



Source: compiled by the Jewelry Trade Center, Inc.

<The Bonded Method of Jewelry Trading>

When jewelry products are imported into Japan, they may be inspected at a bonded warehouse prior to submitting the required import notification. If merchandise is defective or is not what was ordered, it can be sent back directly from the bonded warehouse.

The inspections currently take place at the Jewelry Trade Center, Inc., under the supervision of the Tokyo Customs Office. This system enables Japanese buyers to conduct thorough inspections for damage, for proper cut and for weight, and then gives them the opportunity to import only items they actually want, and return unneeded items to the supplier. Japanese buyers also benefit because it relieves them of the need to travel abroad to examine and purchase jewelry. The system also is advantageous to foreign suppliers because they are freed from the troublesome process of having to pay customs duties and consumption tax on merchandise brought into Japan for inspection, then having to obtain tax refunds on unsold merchandise.

(3) Key Considerations for entering the Japanese Market

Gem importers tend to be specialists because of the need to identify quality merchandise, possess gemological technology, and to establish connections with exporters in other countries. Moreover, because jewelry is subject to changing style and fashion trends, and because of the need for a full and varied product line, inventory maintenance capabilities are critical to the success of the jewelry importer.

There are several other factors that make it extremely difficult for amateurs to break into the jewelry business: (1) the lack of unified quality and grading standards, (2) the lack of an objective basis for market value, which means dealers must have a feel for the market along with a keen aesthetic sense, and (3) the difficulty in differentiating real from synthetic gemstones.

8. After-Sales Service

Colored stones are rarely sold except as components of jewelry items. Thus, the most commonly required forms of after-sales service are size adjustments, cleaning, loosening the stone setting, and remaking an older style into a newer one. Customers are usually most comfortable with having repairs done at the retail store where they purchased the merchandise. However, not all retail stores accept jewelry for refurbishment because of the high risk of problems.

9. Related Product Categories

For more information about imports of finished jewelry products, in which stones are combined with precious metals, please refer to the section on “Jewelry” (II-7) in this guidebook. As is the case with colored stones, there are no restrictions that apply to unset diamonds and pearls at the time of import.

Imports of jewelry items containing coral, shell (mother of pearl), or shell cameo may be subject to provisions of the Washington Convention. For more information, please contact the Trade Licensing Division, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry.

10. Direct Imports by Individuals

There are no restrictions on imports by individuals either on the basis of volume or value. However, by their nature, colored stones should be purchased only after viewing the merchandise in person, not by purchasing from a catalog listing or pamphlet.

11. Related Organizations

- | | | |
|---|-------------------|---|
| • Japan Jewelry Association | TEL: 03-3835-8567 | http://www.jja.ne.jp |
| • Gemological Association of All Japan | TEL: 03-3835-7486 | http://www.gaaj-zenhokyo.co.jp |
| • AGT Gem Laboratory | TEL: 03-3834-6586 | http://www.giajpn.gr.jp/agt |
| • Association of Gemological Laboratories Japan | TEL: 03-3835-8267 | http://www.agl.jp |