

7. Jewelry

1. Definition of Category

Both pure gold or platinum jewelry and precious metal jewelry with a precious stone inset.

HS Numbers	Commodity
7113.19-021, 19-029	Gold jewelry
7113.11	Silver jewelry
7113.19-010	Platinum jewelry

Note 1: A variety of expressions commonly are used to refer to items of jewelry, terms such as gemstones, jewels, and personal accessories. This guidebook employs the definition used within the jewelry industry, namely "personal accessories made from precious metals."

Note 2: Jewelry is also classified according to the type of precious metal employed, whether to be gold, platinum or silver. Jewelry made from two different precious metals, such as gold and platinum, is referred to as combination jewelry.

Note 3: In the precious stones industry, jewelry is distinguished from cut or uncut precious stones, which are referred to generically as gems or stones, in addition to being referred to by stone type (diamond, ruby, sapphire, etc.).

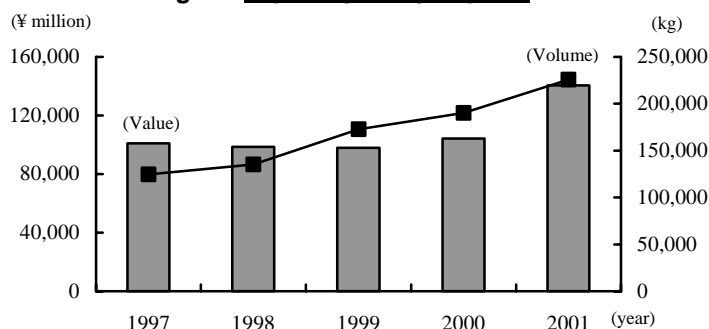
2. Import Trends

(1) Recent Trends in Jewelry Imports

Jewelry imports have held their own, despite the slump in consumer spending prompted by the chronic recession. Jewelry imports posted sizable growth in 2001 on a value basis, rising by 34.8% to ¥140.6 billion, as prices of materials rose and the yen weakened. On a volume basis, jewelry imports reached to 226 tons (up 18.8% from the year before). By material, the leading category on a value basis was gold jewelry (¥77.6 billion, import share 55.2%), while on a volume basis, the leading import was silver, which makes up 87.8% of the total.

The profile of jewelry imports has changed greatly in the last five years. Imports of higher-priced platinum and gold are down, whereas silver jewelry is up more than two-fold on both a volume and value basis. Silver jewelry's share of the total rose from 76.5% in 1997 to 87.8% in 2001 on a volume basis, while on a value basis the share climbed from just 12.7% to 21.0%. The fastest growing item in 2001 on both a value and volume basis was gold jewelry, as the "gold renaissance" was clearly gathering momentum.

Fig. 1 Japan's jewelry imports



	1997		1998		1999		2000		2001	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Gold jewelry	26,145	64,316	17,754	56,216	16,868	51,220	19,325	54,173	25,260	77,614
Silver jewelry	95,453	12,846	115,140	19,298	153,017	23,577	168,068	23,710	198,333	29,954
Platinum jewelry	3,191	23,792	2,284	23,130	2,999	23,099	2,719	26,400	2,328	33,032
TOTAL	124,789	100,953	135,178	98,645	172,884	97,896	190,112	104,283	225,921	140,601

Units: kg, ¥ million

Source: Japan Exports and Imports

(2) Imports by Place of Origin

Leading exporters of jewelry are Italy, the United States, France and Thailand. These four countries together account for 71.5% on a volume basis, and 72.6% on a value basis. By material in value, Italy and France have large share of imports in the category of gold jewelry, while the United States, Italy and France are strong in silver jewelry and platinum jewelry. France's imports include a substantial portion of upscale high-priced items, with French platinum putting in an especially strong showing.

In contrast, Thailand exports mostly lower-priced silver jewelry to Japan. Imports from Italy virtually doubled in 2001 on a volume basis, while imports of low-priced items from China dropped by half.

Fig. 2 List of leading exporters to Japan by material (2001)

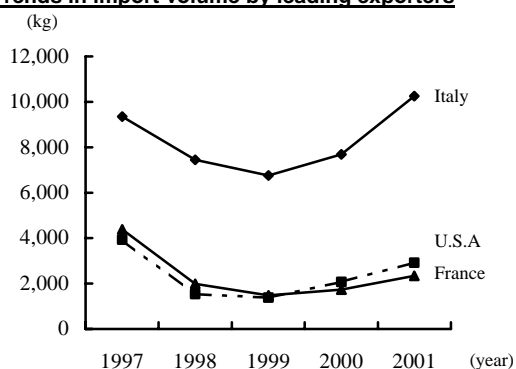
		Total	First	Share	Yearly change	Second	Share	Yearly change
Volume basis	Gold	25,260	Italy	40.6%	133.5	U.S.A.	11.5%	140.4
	Silver	198,333	Thailand	28.9%	114.4	Italy	23.5%	199.2
	Platinum	2,328	U.S.A.	39.6%	91.7	France	10.7%	215.0
	Total	225,921	Thailand	26.3%	114.6	Italy	25.3%	182.5
Value basis	Gold	77,614	Italy	30.0%	139.8	France	26.1%	169.4
	Silver	29,954	U.S.A.	46.9%	136.3	Italy	13.3%	114.4
	Platinum	33,032	U.S.A.	51.0%	111.7	France	19.1%	265.3
	Total	140,600	U.S.A.	26.0%	116.6	Italy	20.3%	114.5

Units: kg, ¥ million

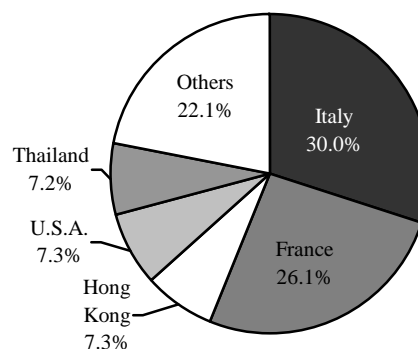
Source: Japan Exports and Imports

Fig. 3 Principal exporters of gold jewelry to Japan

Trends in import volume by leading exporters



Shares of gold jewelry imports in 2001 (value basis)



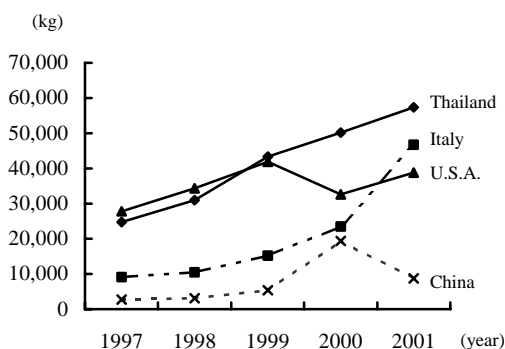
	1997	1998	1999	2000		2001			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
Italy	9,352	7,443	6,755	7,678	16,657	10,253	40.6%	23,292	30.0%
U.S.A.	3,940	1,537	1,376	2,077	4,240	2,917	11.5%	5,667	7.3%
France	4,392	1,984	1,479	1,728	11,960	2,340	9.3%	20,255	26.1%
R. Korea	749	1,150	1,934	1,727	1,963	1,921	7.6%	2,306	3.0%
Thailand	1,858	1,217	872	1,365	4,587	1,834	7.3%	5,598	7.2%
Others	5,854	4,423	4,451	4,750	14,765	5,996	23.7%	20,497	26.4%
TOTAL	26,145	17,754	16,868	19,325	54,173	25,260	100.0%	77,614	100.0%
(E U)	15,114	10,519	9,336	10,517	32,333	13,750	54.4%	49,327	63.6%

Units: kg, ¥ million

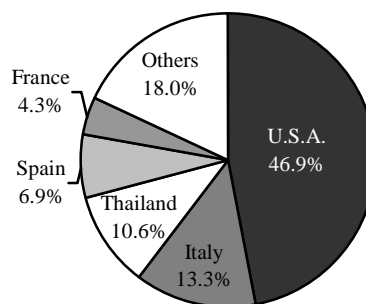
Source: Japan Exports and Imports

Fig. 4 Principal exporters of silver jewelry to Japan

Trends in import volume by leading exporters



Shares of silver jewelry imports in 2001 (value basis)



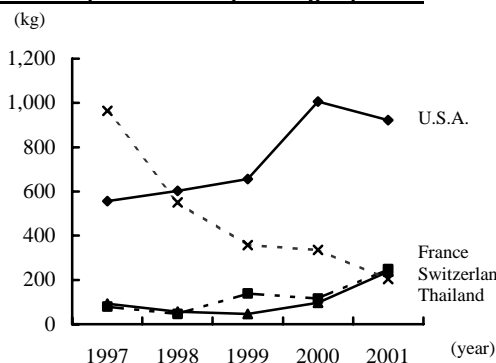
	1997	1998	1999	2000		2001			
	Volume	Volume	Volume	Volume	Value	Volume	Value	Volume	Value
Thailand	24,703	30,980	43,364	50,175	2,735	57,404	28.9%	3,190	10.6%
Italy	9,062	10,479	15,189	23,436	3,491	46,685	23.5%	3,994	13.3%
U.S.A.	27,837	34,360	41,943	32,612	10,296	38,813	19.6%	14,037	46.9%
China	2,760	3,061	5,378	19,326	667	8,727	4.4%	871	2.9%
India	3,805	4,675	4,997	5,578	167	6,952	3.5%	214	0.7%
Others	27,286	31,585	42,146	36,941	6,353	39,752	20.0%	7,649	25.5%
TOTAL	95,453	115,140	153,017	168,068	23,710	198,333	100.0%	29,954	100.0%
(E U)	18,463	21,051	33,490	41,490	8,210	68,254	34.4%	9,520	31.8%

Units: kg, ¥ million

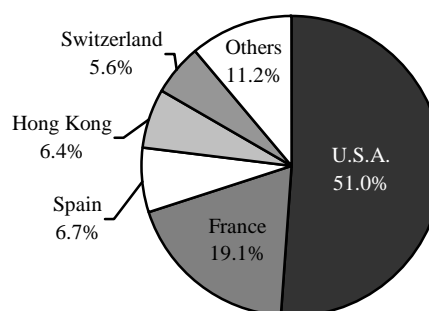
Source: Japan Exports and Imports

Fig. 5 Principal exporters of platinum jewelry to Japan

Trends in import volume by leading exporters



Shares of platinum jewelry imports in 2001 (value basis)



	1997	1998	1999	2000		2001			
	Volume	Volume	Volume	Volume	Value	Volume	Value	Volume	Value
U.S.A.	556	603	657	1,007	15,091	923	39.6%	16,859	51.0%
France	80	46	138	116	2,378	249	10.7%	6,309	19.1%
Switzerland	93	57	46	97	696	237	10.2%	1,836	5.6%
Thailand	964	551	357	335	2,244	204	8.8%	1,486	4.5%
Italy	302	219	312	182	959	186	8.0%	1,286	3.9%
Others	1,196	808	1,489	983	5,033	529	22.7%	5,257	15.9%
TOTAL	3,191	2,284	2,999	2,719	26,400	2,328	100.0%	33,032	100.0%
(E U)	465	394	607	415	4,680	635	27.3%	10,007	30.3%

Units: kg, ¥ million

Source: Japan Exports and Imports

(3) Imports' Market Share in Japan

Japan produces only one type of precious stone or metal commonly used in jewelry, namely, pearls (cultured pearls). Consequently, the Japanese jewelry market relies on imports for virtually all of its raw material supplies. The collapse of the so-called bubble economy in 1991 brought much less favorable market conditions. Sales of high-priced items plummeted and the jewelry industry faced lower sales and reduced profits. The size of the retail jewelry market in Japan is estimated at less than ¥2.0 trillion. Because domestic production was affected by the decline in demand, the import share did not change very much.

3. Key Considerations related to Importing

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

In principle there are no particular legal restrictions on the import of jewelry. However, products made from certain species (such as ivory or coral) may be restricted or prohibited under terms of the Washington Convention (Convention on International Trade in Endangered Species of Wild Fauna and Flora, so-called CITES). In addition, the Customs Tariff Law prohibits the importation of fake name brand items that infringe trademark rights, design rights and other intellectual property rights. Such products are intercepted at customs in Japan, and either confiscated or destroyed.

1) Foreign Exchange and Foreign Trade Law (Import Trade Control Order)

Under terms of the Washington Convention, the Foreign Exchange and Foreign Trade Law regulates importation of species of wild fauna and flora listed in the Appendix to the Convention. The Washington Convention applies to three categories of species, as discussed below. For more information on the specific content and applicability of these classifications, please contact the Trade Licensing Division, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry.

Appendix I (All species threatened with extinction)

Commercial traffic in these species or products made from these species is prohibited. For customs purposes all of these animals are designated as import quota items and the Minister of Economy, Trade and Industry must approve an import quota before any such item can be imported.

Appendix II (All species requiring strict international regulation to prevent danger of extinction)

The importer of any such species or product made from a member of such species must present to Japanese customs authorities an export certificate or re-export certificate from the management authority of the exporting country. Some species need prior confirmation by the Minister of Economy, Trade and Industry.

Appendix III (All Species which any party identifies as being subject to regulation and as needing the cooperation of other parties in the control of trade)

The importer of any such species or product made from a member of such species must present to Japanese customs an export certificate and a certificate of origin issued by management authority of exporting country, or a certificate granted by the management authority of the country of re-export that specimen was processed in that country. Some species need prior confirmation by the Minister of Economy, Trade and Industry.

However, material may be bred and raised in captivity for commercial is permitted so long as a certificate by the management authority of exporting country to that effect is granted. It is preferable when importing jewelry containing ivory, coral and other certain species to list the scientific name on the invoice, even if they indisputably came from a species not covered by the Convention.

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

There are no particular legal regulations governing sale of jewelry. However, products made from certain species (such as ivory or coral) may be restricted or prohibited under terms of the Law for Conservation of Endangered Species of Wild Fauna and Flora. In addition, containers and packaging may be subject to provisions of the Containers and Packaging Recycling Law and the Law for Promotion of Effective Utilization of Resources. For more detailed information about the subject, scopes, labeling method, etc., please consult the competent government agencies listed below.

1) Law for Conservation of Endangered Species of Wild Fauna and Flora

The Law established a comprehensive legal framework of protection for species considered to be in danger of extinction. Products made from certain species, which are designated as species specially identified for protection, may not be sold or transferred in Japan. However, species that are being raised for commercial purposes may be distributed in Japan, provided that proper registration procedures with the Minister of the Environment are completed. Registration procedures are with the Natural Environment Research Center, a registration organization officially designated by the Ministry of the Environment. For more details, please consult the Wildlife Division, Nature Conservation Bureau, Ministry of the Environment.

(3) Competent Agencies

- Foreign Exchange and Foreign Trade Law (Import Trade Control Order)
Trade Licensing Division, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry
TEL: 03-3501-1511 http://www.meti.go.jp
- Law for Conservation of Endangered Species of Wild Fauna and Flora
Wildlife Division, Nature Conservation Bureau, Ministry of the Environment
TEL: 03-3581-3351 http://www.env.go.jp
- Containers and Packaging Recycling Law / Law for Promotion of Effective Utilization of Resources
Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau,
Ministry of Economy, Trade and Industry
TEL: 03-3501-1511 http://www.meti.go.jp
Recycling Promotion Division, Waste Management and Recycling Department, Ministry of the Environment
TEL: 03-3581-3351 http://www.env.go.jp

4. Labeling

(1) Legally Required Labeling

There are no particular legal labeling requirements for jewelry. 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 voluntary labeling based on provisions of law for jewelry.







(3) Voluntary Industry Labeling

Every country has its own distinctive set of symbols for indicating the precious metal content of products made from precious metals, called "Hallmark." In Japan Mint Bureau, Ministry of Finance stamps the "Rising Sun" symbol along with a metal identifier code on coins. The hallmark (metal content mark) system is voluntary, but the marking of jewelry in Japan in this way has pretty much become standard practice. Jewelry made in other developed countries generally bears some sort of metal content mark, but there is no consistent, internationally recognized standard for precious metal or quality labeling.

Contacts:

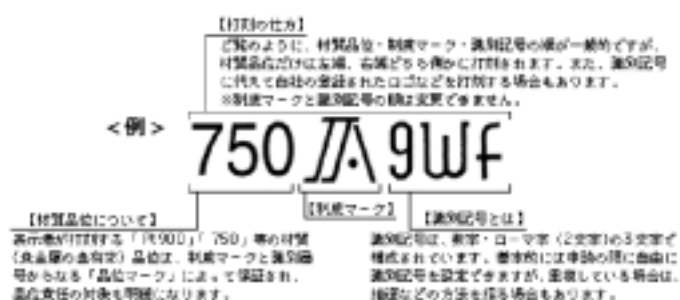
- Japan Jewelry Association Corporation TEL: 03-3835-8567 http://www.jja.ne.jp

Example label for Hallmark/Quality Marking

[Japan]	Platinum Products (Platinum 950) 	Gold Products (18K Gold) 	Silver Products (Silver 950) 
[Italy]	Gold Jewelry only (1) Quality Grading 	(2) Jeweler's No. and Regional Abbreviation 	
[Singapore]	<u>Example of Mark of SAO (Singapore Assay Office)</u> 		

Japanese jewelry industry instituted a quality marking system. This guarantees the quality (content of precious metal) of jewelry and handicrafts made of precious metals (gold, platinum, and silver). Under this system, the responsibility of the labeler is clearly defined by stamping a registered trademark of the Japan Jewelry Association and labeler identification mark.

Labeling example of Quality Marking System in Japan



5. Taxes

(1) Customs Duties

Fig. 6 presents customs duties on leather bags. In order to apply for preferential tariff rates, the importer should submit a certificate of origin issued by the Customs or other issuing agency in the country of export (not required if the total value of the shipment is no greater than ¥200,000). For more details, please contact the Customs and Tariff Bureau, Ministry of Finance.

Fig. 6 Customs duties on jewelry

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
7113	Articles of jewelry and parts thereof, of precious metal:				
11 -000	1. Of silver	6.2%	5.2%	2.08%	
19 -010	2. Of platinum	6.2%	5.2%	2.08%	
	3. Of other precious metal	6.6%	5.4%	2.16%	
-021	(1) Chains for watches, spectacles or pince-nez and other ornamental chains on person			*Free	
-029	(2) Other, of other precious metal			*Free	

Note 1: "*Free" in Preferential Rate is applicable only for Least Less Developed Countries.

Note 2: Refer to "Customs Tariff Schedules of Japan" (published by Japan Tariff Association) etc. for interpretation of tariff table.

(2) Consumption Tax

(CIF + Customs duty) x 5%

6. Product Characteristics

(1) Comparisons with Japanese Products

Japanese-made jewelry is known for its precise and careful workmanship. Products from other Asian suppliers are known for their low cost and availability, while products from Europe and the United States are noted for their superior design and styling. In addition, Japan mostly uses 18-carat gold for gold jewelry, whereas other countries use a variety of grades of gold, including 24-carat, 14-carat and 9 carat gold.

(2) Characteristics of Products from Different Countries / Regions

• Italy

Italian jewelry is known for its high fashion appeal and its broad range of classic and modern styles. Italy also features the most advanced jewelry-making technology, as evident in its machine-made necklaces.

• France

Most of French jewelry uses platinum and gold, and it is known for its high fashion and superior design.

• Switzerland

Switzerland is noted for its careful workmanship, which comes from its watch making tradition. Most of its jewelry consists of handmade luxury-grade products.

- Germany
Germany is known for the simple elegance of its styling and its superior processing technology. Germany makes a wide range of high-weight, luxury-grade products.
- United States
The United States is mainly known for wedding rings and other machine-made products, along with some ultra-luxury-grade handmade name brand products.
- Hong Kong
Most of Hong Kong's jewelry products are hand-worked cast metal items. Production is often assigned to factories in China. As a result, Hong Kong has advantages in flexibility and design.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

The tax system and regulatory changes instituted in April 1989 have brought about massive changes in the Japanese jewelry market. The Japanese jewelry market has managed within a very short time to grow into one of the largest markets in the world. However, the collapse of the bubble economy in 1991 led to a fall in sales of high-priced jewelry. With prospects still uncertain for an economic recovery, lower-priced products have taken center stage. This situation will likely persist into the immediate future.

Nevertheless, the current market trend toward lower prices is not being driven by price consideration alone. It also reflects a significant change in consumer preferences. For young adult women and other new consumer segments, jewelry is a fashion item. The preferences of these consumers differ fundamentally from those of traditional jewelry purchasers. This pattern of preference appears likely to spread into other age groups as well, which will bring jewelry more and more into the realm of fashion merchandise. Products that fail to adapt to these changes in purchaser preferences cannot maintain their competitiveness in the marketplace, whether they are made in Japan or elsewhere.

(2) Distribution Channels

Jewelry distribution channels are illustrated in Fig. 7 on the following page. Small and medium-sized enterprises have an overwhelming share of the market, and no single retailer or wholesaler dominates the jewelry industry in Japan. There are some 10,000 businesses in the jewelry industry including individually owned ones.

Jewelry is normally distributed from importer to primary wholesaler (maker-wholesaler) through processor or direct to secondary wholesaler (general wholesaler) to retailer. There is a fair volume of trading between wholesalers and between retailers. Consignment sales are also common, in which the retailer receives the merchandise on loan until the sale is consummated. At the same time, leading importers also sell direct to consumers through direct outlet stores. Apparel makers are also making moves to enter the market.

(3) Key Considerations for entering the Japanese Market

1) Prevalence of informal international business practices

In all parts of the world the jewelry industry has historically been noted for relying on informal business arrangements based on mutual trust, in which parties operate under parole contracts without any written contract document. However, even though there may be no written agreement, people in the industry still expect strict adherence to product return and payment agreements.

2) Personal relationships

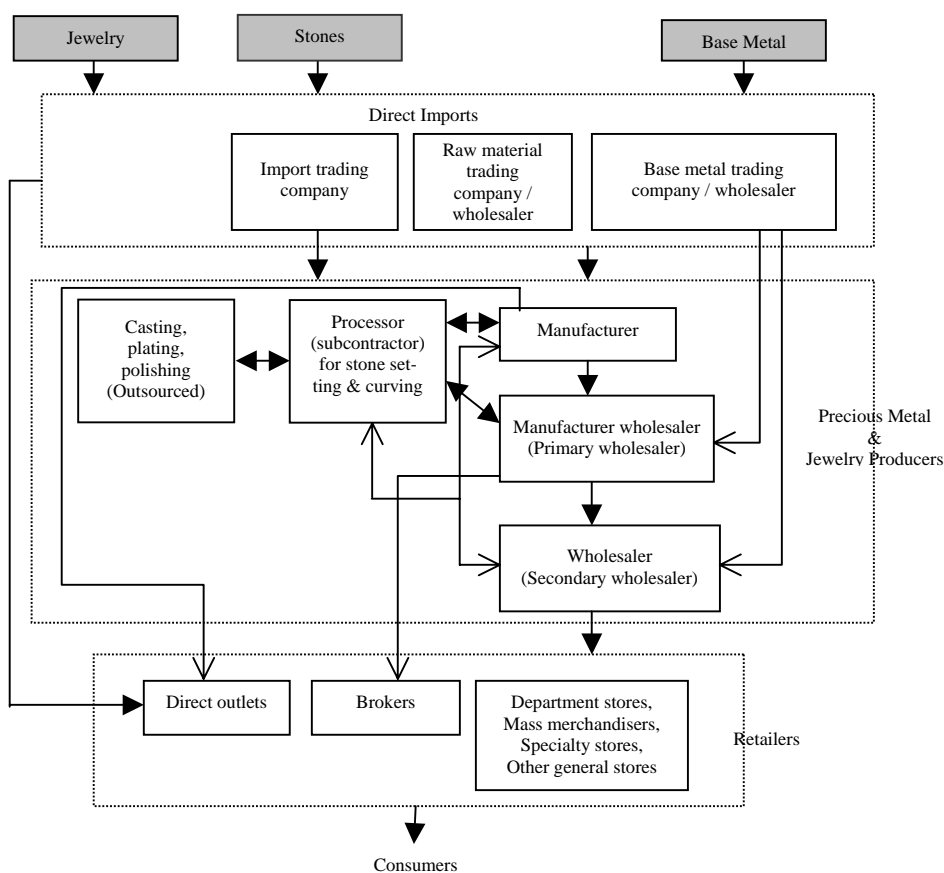
Since the industry shakeout during the early 1980s, the jewelry market has become increasingly open, so much so that even capital-poor young adults and foreigners can easily go into the jewelry business. Even so, it is still possible that the success of an initial business contact will depend on an introduction from some prominent intermediary. In this sense, there has been little change in the fact that personal relationships are key to success in this field.

3) Consignment sales and payment by promissory note

New market entrants must understand that the Japanese jewelry industry has a long-standing tradition of consignment sales and payment by a bill (promissory note), with a wide range of due dates, ranging from 1-2 months to as much as 7 months (210 days).

In consignment sales, the wholesaler or other retailer lends the product to the retailer for a period of time, and they collect a proportionate fee based on the portion sold during that time. Almost all jewelry products on display in retail outlets, including department stores, are being sold on consignment.

Fig. 7 Production and distribution system for precious metals and jewelry



1. Arrows indicate the flow of components and finished goods.
2. Shaded arrows indicate the most common channels.

8. After-Sales Service

Most after-sales service needs are met by Japanese providers either at no cost or at the actual cost of providing the service. Sometimes gold from different manufacturers can differ slightly in color, so there remain certain technical problems in providing after-sales service. Some retailers are optimistic about a recent market strategy of including jewelry refurbishment as part of after-sales service.

9. Related Product Categories

For detailed information on diamonds and colored stones, please refer to the section on “Colored Stones” (II-8) in this guidebook.

10. Direct Imports by Individuals

Except for the import-prohibited items mentioned previously, there are no restrictions on individual jewelry imports. However, individuals seeking to directly import a high-priced product like jewelry should be aware of the following points.

- Jewelry generally carries an FOB price, so individuals must make sure the shipment is adequately insured.
- Many exporters only manufacture the product after receiving an order, so individuals should negotiate a definite delivery schedule at the time of order placement.
- It can be difficult to get return authorization, refunds, repair service, or processing for jewelry direct ordered from abroad.
- Individuals should note that size-labeling systems for rings may not be the same in other countries.

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 |
| • Association of Gemological Laboratories Japan | TEL: 03-3835-8267 | http://www.agl.jp |
| • World Gold Council Ltd. | TEL: 03-3402-4811 | http://www.gold.org |
| • Platinum Guild International | TEL: 03-3597-0253 | http://www.pgi.co.jp |

12. Appendix

<Bonding Procedure at Customs>

Jewelry transactions generally presuppose that the buyer has an opportunity to directly inspect the merchandise. Normally a Japanese buyer will travel abroad to make purchases, or a foreign supplier will bring merchandise into Japan for prospective purchasers to inspect. Accordingly, jewelry undergoes a unique bonding procedure at customs. Bonding refers to the process wherein an imported product is inspected in a so-called bonded area. These inspections currently take place at the Jewelry Trade Center under the supervision of the Tokyo Customs Office. The benefits of this bonding procedure are as follows:

Simplifies Tax Payments by Foreigners

Suppliers from other countries are freed from the troublesome process of having to pay tariffs and consumption tax on merchandise brought into Japan for inspection, then having to obtain tax refunds on unsold merchandise. Once negotiations are complete, the buyer can pay any taxes owed on the purchased items only.

Advance Inspections

Japanese buyers have the opportunity to inspect ordered merchandise after it arrives in Japan but before they have to submit notification of import. This simplifies the process if any merchandise has to be returned because it does not match the order or because of defects.

Transactions Based on Inspection

The bonding process gives buyers the opportunity to import only the items they like and send back the rest. This saves both time and money spent traveling overseas to examine and purchase jewelry.