

Developing Gold and Jewellery Sector in Bangladesh: Problem Identification and Policy Recommendation

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Abstract

Gold has always been a traditional business in Bangladesh, like the Indian subcontinent. Due to the proper attention in this sector, the gold and jewellery sector fails to harvest its potential. There is no specific policy and strong base for the development of this sector in the present situation. The raw materials, that is, gold mainly imports illegally. The paper is very much concerned with identifying the existing rules and regulations regarding the availability of gold. It is also a concern to determine the current problems and recommend appropriate policy for developing this sector. With this suggestion, the country can create more employment and GDP. It will also increase the law order situation and the reputation of the custom, law enforcing authority, and the state's overall image. The study's findings are that the market mechanism did not function in this sector. In addition, it can say that the market system leads the industry on the wrong track. The more interesting matter of the sector is - all the imported gold for commercial purposes in Bangladesh is illegal. It should have a positive externality for the producer, which would have more than the optimal output level in the gold and jewellery sector. However, the jewellery production is less than optimal, which is paradoxical to the existing theory of market failure. So, appropriate government intervention became essential. It is the second-best optimality approach for attaining the economic benefit from this sector. The paper suggests importing gold in a systematic legal way.

Keywords Gold and jewellery sectors · Problems and policies · Bangladesh

1. Introduction

Bangladesh is the most important country for producing and using Gems and Jewelry from very early British India and ancient India. Officially, no gold was imported into Bangladesh for commercial and industrial purposes until today,

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except for little importation under baggage rules and supervised bonds. Easy importation of gold is not allowed due to inadequacy of reserve, and jewellery is considered an extremely luxurious good. However, the industrial contribution of jewellery is not considered. Gold is the raw material of the gems, stone, and jewellery sector. This jewellery industry is more employment friendly as around 95% of the jewellery industry consists of small-scale operations (WGC, 2017). Today, though India has almost no raw studded jeweller left within her soil, India still produces 70% of the world's gems in quantity and 45% in value and consumes 29% of gold jewellery. Including Bangladesh, the continent is the original country that discovered gems & jewellers and initiated gem craft. Bangladesh's Gems and Jewellery Industry can achieve a position in the international market. As the government has no gold production opportunity, the raw materials of gold import are essential for the development of the industrial sector of jewellery.

Currently, the gold and jewellery sector is not standing in a very legal and proper way. But, there is a broad scope to create more employment and GDP by taking the right policy for the government of Bangladesh. Among the various strategies for developing this sector, the availability of the raw materials, that is, the availability of gold is essential through the legal channel. As, for an extended period, it was not practised to import gold in a very legal way, the government should take the measure for the availability of gold. As the market system did not function properly, government intervention is essential. It should take the appropriate policy for the development of this sector, which will increase the economic growth and the state's overall image. The paper is given attention to exploring this policy. These are significant issues for the national interest, such as economic growth, employment, law and order, and many others, but little literature is available in this specific sector. There is very little free online literature regarding the gold industry.

2. Literature Review

Very few numbers of literature are available, especially in the case of Bangladesh. Among the few pieces of literature, Yadav (2010) mentions that India is a primary source of imports for the developed countries, mainly because of the surplus or availability of skilled and cheap labour. Though India has managed to keep the world position of gold and jewellery production healthy, it faces serious competition from countries like China, Thailand, and Sri Lanka. Sultana (2015) analysed the essential factors to reveal the jewellery customer psychology. This research was gathered using a questionnaire survey from a new market, Dhaka. By analysing the demographic information, it has been observed that the majority of the customers are females who are housewives. These customers are aged between 34 to 41 years. Moreover, the customers prefer plain gold instead of other fancy jewellery items. Roza (2016) mentions that illegal economic activities are not only associated with higher levels of violent crime but may also increase unforeseen risks and causes other negative unintended consequences for populations.

3. Statement of the Problem

Gold has always been a traditional business in Bangladesh. The artisans of this industry have a long reputation as producers of the most delicate quality gold ornaments and jewellery. But since there is no gold and jewellery policy and hard and fast rule for the import of gold in Bangladesh. The sector has not been able to flourish in a befitting manner. A realistic guideline is required to facilitate importing gold for investment, employment, export and finally, to generate more GDP. Bangladesh Jewellers Association (Bajus) has been demanding an effective gold policy to prevent gold smuggling in Bangladesh.

4. Research Objectives

1. To identify the existing problem and policy recommendations for developing the Gold and Jewelry sector in Bangladesh

Within the main objective of the research, the following issues have been addressed:

-To explore the Strategy for the Sustainable Development of the National Gold and Jeweller Sector

To assess Bangladesh's general rules and regulatory system for the Gold and Jeweller sector, including business-related gold, export, bond, warehousing regulations, tax and tariff measures, domestic and foreign trade, etc.

-To Enumerate prudent regulatory policy options for Bangladesh in the light of case studies on the global trend and best practices followed by India and other neighbouring countries.

Finally, the paper will conclude through the proposal of appropriate gold policy reform regarding the import, export, bond, warehouse tax and tariff measure, and domestic and foreign trade for the sustainable acceleration of investment in the gold and jewellery sector sustain predictably.

5. Methodology of the Study

Existing literature regarding this issue is the primary source of information for conducting the research. So, a literature survey may be an essential method for collecting this research's information or data source. Except for this, Focused Group Discussion (FGD) and Interview method will be applied for collecting information and getting the issue's real field ideas and scenarios.

The focused groups are:

1. Bangladesh Jewelry Manufacturing and Exporter's Association
2. Gold and Jewelry Associations of Bangladesh, Chittagong
3. Gold and Jewelry Associations of Bangladesh, Sylhet
4. Gold and Jewelry Associations of Bangladesh, Rajshahi
5. Officials of General Insurance Companies, Investment Development and Regulatory Authority (IDRA)

Interviewed officials are:

1. Interview of the Officials of Custom Departments (DC, Custom Mr Ziaur Rahaman)
2. Interview of the Officials of Bangladesh Bank (GM Bangladesh Bank, Mr Khurshid Wahab)

6. Internationally Gold and Jewellery -Demand, Supply, and Production

Jewellery is now-a-day is one of the manufacturing industries in the world. It is not considered the currency standard. It has many types of economic activities which generate more contribution to GDP.

The impact on the global economy of gold and jewellery is undeniable. In the form of jewellery, Consumer demand for Gold, coins, or small bars contributed \$110 billion to the global economy in 2012 (World Gold Council report, 2012). As per the report, overall, the gross value added (GVA), including indirect GVA, is estimated to be more than US\$210 billion across those countries in the scope of this analysis. The 15 largest gold-producing countries accounted for about three-quarters of global output. China, Australia, the six most prominent producers, the United States, Russia, Peru, and South Africa, extracted more than half of the Gold mined globally (Source link: <http://www.mining.com/golds-contribution-to-the-global-economy-110-billion-67225/>). Gold mining directly generated US\$78.4 billion of economic output in 2012, which is equal to the GDP of Ecuador or Azerbaijan. In 2012, 13 biggest Gold consuming nations accounted for 75% of Gold used for fabrication and 81% for jewellery, coins, and small bars.

World Gold Production in 2016: South Africa was the world's dominant gold producer until 2006, but other countries with a large surface area recently exceeded South Africa. China, Russia, the USA, Peru, and Australia are the primary producers of Gold. Although, none of these countries has approached South Africa's peak production, which occurred in the 1970s. Per capita, gold demand is the highest in Hong Kong in Asian countries. As India and China are the two largest populated countries, the total market for Gold is significantly high in these two countries.

Table 1: Consumer demand per capita in selected countries (grams)

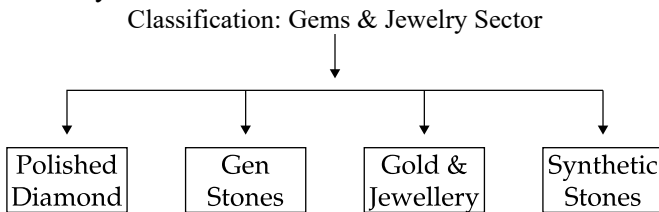
	2010	2011	2012	2013	2014	2015	2016
India	0.8	0.8	0.7	0.8	0.7	0.7	0.5
Sri Lanka	0.0	0.0	0.0	0.0	0.4	0.5	0.5
China	0.5	0.6	0.6	1.0	0.7	0.7	0.7
Hong Kong	3.4	6.2	6.9	11.9	8.5	7.2	5.8
Malaysia	0.6	0.6	0.5	0.7	0.6	0.5	0.4
Singapore	1.9	2.5	2.8	3.9	3.8	3.3	3.0
Thailand	1.1	1.7	1.6	2.3	1.6	1.3	1.2

Source: Metals Focus; GFMS, Thomson Reuters; IMF WEO; World Gold Council

In Bangladesh, 18-36-ton gold is required yearly to satisfy the market demand (Bangladesh Protidin, 27 November 2017, As per TIB Report). But, not a single gram of gold is imported legally for commercial purposes.

7. Gold Jewelry Industry and Its Classification

Traditionally, Bangladesh is the producer of fine-quality gold ornaments and jewellery. The artisans in this trade have long experience in making the finest Jewellery. The estimated number of artisans in Bangladesh ranges between 2-3 lakh (in 1986 from the source file:///C:/Users/Sanjay%20Chakrabarti/Desktop/Gold%20Policy1/Gold%20policy%20Bangladesh.pdf), and it increased the highest in 2010, which was around 40 lakh and again declining due to price escalation of gold in the international market. The experience of the artisans ranged from 1-to 35 years, the mean being nine years. Since its inception in 1971, Bangladesh has not imported any gold. Before independence, the State Bank of Pakistan established a quota for importing gold into the country, but since 1971 same has been cancelled. Yadav (2010) mentions that Diamonds, gems, and Jewellery have been a part of Bangladesh and Indian civilisation since its recorded history. In the Indian economic scenario, the significance of gems and Jewellery industry has been developing in the recent thirty to forty years. In the fiscal year of 1966-67, the export turnover of the Gems & Jewellery industry was just Rs 220 m, representing 3 per cent of total merchandise exports. However, it has grown to become one of India's leading export-oriented industries, recording an export turnover of around Rs 875 bn during 2006-07 and contributing 16 per cent of total exports, making it a significant foreign exchange earner for the country.



1. Polished Diamonds: Bangladesh's Diamond cutting and polishing industry are set up. Few of the sectors are going to be set up in a short time. India is one of the best markets in the world for polished diamonds for its world-class quality diamonds and delicate cutting skills. Over 83 per cent of India's Gem & Jewellery cut and polished diamonds account for exports. Jaipur and Surat are famous as world-class polishing and designing centres. As India is the nearest country to Bangladesh, the government has the same opportunity.
2. Gem Stones: This category refers to stones other than diamonds; these stones come under two basic types: precious and semi-precious. There is a massive demand for these gemstones, especially Sapphire (cobalt), Emerald (Bright

Green), and Ruby (garnet). India's exports of gems have crossed 5000000 carats, this year in the year 2010 (Yadav, 2010)

3. **Gold and Jewelry:** This category represents gold and jewelry manufacturing various ornaments. India consumes 29% of world jewellery alone in the world; in 2007, gold consumption in India was 850 tons, 33% up from the last year.
4. **Synthetic Stones:** Synthetic diamond is produced through chemical or physical processes in a laboratory. Like a naturally occurring diamond, it is composed of a three-dimensional carbon crystal. Synthetic diamonds are also called cultured diamonds. Synthetic diamond is not the same as diamond imitation, which can be made of other materials. This upcoming market is in India, which may be a powerful scope for Bangladesh.

8. Economics of Gold

Gold prices describe the actual state of the economic health of a country. When today's gold prices are high, that signals the economy is not healthy. Investors purchase gold to protect from an economic crisis or inflation. Low gold prices indicate that the economy is in good shape. Investors have many other more profitable investments like stocks, bonds, or real estate. According to a research report from Trinity College, all investors should have at least some gold in their portfolios. The report found that the best reason to buy gold is to hedge against a potential stock market crash. Gold is a haven. A haven protects investors against a possible catastrophe. That's why many investors bought gold during the 2008 financial crisis, especially in the US economy. Many others wanted to protect their investments against a possible US economic collapse. As a result of this extreme economic uncertainty, gold prices more than doubled again, from \$869.75 in 2008 to a record high of \$1,895 on 5 September 2011 (Source link: <https://www.thebalance.com/why-invest-in-gold-3305651>). Many investors want to take advantage of the fluctuation of gold prices and directly invest in gold. Others keep buying gold because they consider it a finite valuable resource with several industrial applications. Many governments and wealthy individuals also hold gold.

8.1 Gold smuggling or illegal gold import and mining

Gold is a highly scarce commodity. The number of gold swimming pools (Lamar, 2009) and almost three-quarters of the world's gold deposits have already been exhausted (WGC, CGA). Increasingly, the world now consumes more gold than ever before, producing 3,000 tons of gold per year, twice what was produced in 1970. The diminishing supply and increasing demand, combined with criminal and armed groups' quest for new sources of illicit revenue, have contributed to a surge in the illegal extraction of gold from increasingly remote and lawless regions (GITOC, 2016). The report also mentioned that in contrast to other goods produced by organised criminal groups, such as cocaine or heroin, illegally mined gold can easily be laundered to conceal its criminal origins. Unlike illicit drugs, illegally

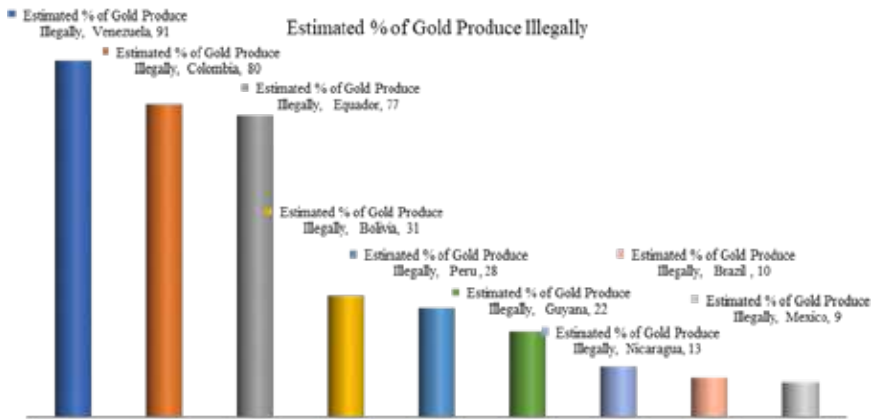
mined gold becomes a legitimate consumer commodity and moves quickly and legally across international borders. Buying illegally produced gold, companies, and central banks over vast stretches of land fomented corruption and impunity (Kepes, 2015). The countries of origin of this gold suffer enormous revenue losses as the gold is smuggled out. They cannot collect the royalties or taxes generally due on this gold. A couple of large purchasing nations have been known to fly in private aircraft with suitcases of cash. They fly back out with dozens of kilos of illegal gold by bribing a functionary who can earn the equivalent of his annual pay in one day. It is not a James Bond movie. It is the illegal gold trade. VICE NEWS, 16 February 2015, reported:

Between July 2013 and December 2014, more than 1,667 pounds (756 kg) of gold were seized from planes and passengers at Bangladesh's airports, worth \$36 million. The involvement of Biman staff in smuggling had further damaged the national air carrier's image at a time when its financial losses were already making headlines. Despite being heavily subsidised, the airline has closed several routes over the past few years. Moinul Khan, director-general of Customs Intelligence and Investigations Directorate (CIID) of Bangladesh, suggested that Biman officials were involved in the smuggling as the gold was recovered from areas of the plane about which only its crew and other airline workers would be aware. No arrests were made, however. In September of 2014, the Hindustan Times reported that about 50 tons of gold had been smuggled into India in just ten days to cater to a surge in demand during the festival of Dushhera. The report said that the gold was trafficked overland via Nepal, Bhutan, Bangladesh and Pakistan to avoid a crackdown by airport customs officials, which had seen 1166 pounds (529kg) of gold seized between April and August 2014. "Besides India, there is a domestic demand in Bangladesh, where gold is used for financing crimes," the senior customs official added. "Also, some local jewellers may be involved in smuggling as there is a persistent demand for gold jewellery in Bangladesh," he said, explaining that gold is not commercially imported into Bangladesh. In August, Bangladesh's Customs Intelligence and Investigation Directorate announced that with smuggling at "an all-time high," the Brussels-based World Customs Organization has agreed to help efforts against identified local and international gold smugglers' syndicates operating in the country. The Dhaka Metropolitan Police said that airline workers, customs and other security officials were also involved in the racket.

Illegal gold production is rampant in Latin America. In several countries, illegal and informal mines account for over 75 per cent of gold produced. In Peru and Colombia—the two largest cocaine producers in the world—the value of illegal gold exports has in recent years surpassed the value of cocaine exports, becoming the largest illicit export from these two countries. Illegally mined gold is "laundered" and exported, with the help of corrupt government officials, to prominent refineries in the United States, Switzerland, Italy, and the United Arab

Emirates, which supply some of the biggest central banks, jewellery companies, and electronics producers in the world. In contrast to other goods produced by organised criminal groups, such as cocaine or heroin, illegally mined gold can easily be laundered to conceal its criminal origins by buying illegal gold; companies and central banks effectively fuel conflict and finance criminal groups that subject workers to forced labour, take over vast stretches of land, and stimulate corruption and impunity (Kepes, 2015).

Figure 1: Estimated % of Gold Produce Illegally



Source: *The Nexus of Illegal Gold Mining Supply Chains Lessons from Latin America*, July 2016, Available at: www.verite.org

There are essential distinctions between informal mining and illegal mining. Illegal gold mining generally refers to gold mining in an environmentally protected area, in open violation of labour or tax rules, or by criminal organisations with no aim of formalising (GITOC, 2015). Workers hired by illegal mining are typically considered criminals rather than potential human trafficking victims. They are more vulnerable to human trafficking as a result of this prohibition. It takes attention away from the real problem: the criminal actors that control vast swaths of territory and contribute to conflict, environmental devastation, and human trafficking. Organised criminal groups, paramilitaries, and guerrillas are heavily involved in illegal gold mining in Peru and Colombia (Kepes, 15), profiting from gold extraction and human trafficking and using gold to launder illicit proceeds.

Smuggling goods (such as gold) involve moving goods illegally into and out of a country. This occurs when gold is unlawfully imported into Bangladesh and exported unlawfully outside of Bangladesh in gold. From a businessman's perspective, smuggling is a hazardous endeavour. Customs can confiscate the entire consignment of goods; there can be no legal insurance for smuggled goods; there is

no legal forum for dispute resolution between parties and no legal protection from the threat of violence. From a purely economic perspective, the risks of engaging in gold smuggling are phenomenal. A rational investor, or someone motivated by self-interest and profit, would only engage in such a risky endeavour if the pay-out was significant.

As of 20 December 2017, one bhorī (11.664g) of 24 karats, or pure gold, cost approximately Tk 34,662 on the international market. In contrast, one bhorī of 22 karat gold was sold at Tk 42,000 in Dhaka. So, this price differential of gold is about 26-30 per cent. Since gold is a heavy and dense metal, someone can smuggle large amounts of it inconspicuously in their luggage. If someone smuggles about 15 kg of gold, they will make a gross profit of about Tk 12 million, conservatively speaking. Given the high demand for gold, smugglers can liquidate it very quickly.

On the other hand, if the neighbouring countries like India's prices become significantly higher than Bangladesh due to tariffs or other reasons, this will instigate illegal gold import and export to India. So, the country should take the strategy to equalise the price of gold to India.

An estimated 700kg of gold is smuggled into India every day. India's Financial Intelligence Unit (FIU) officials say the country has not seen such a sharp rise in contraband gold for two decades (BBC, 14 March, India, URL: <http://www.bbc.com/news/world-asia-india-26511425>).

Table 2: Margins Involves in Gold Import in India

Price of Gold in Dubai	-152.06 UAE Dams/gems
Conversion Rate	-17.60 Rs/Dams (Hawla Rate)
Price of Gold in Dubai	-2676 Rs/gms
Customs Duty@ 10.3%	-266.9 Rs/gms
Price of Gold in India	-3100 Rs/gms
Profit Margin (Gross)	-157 Rs/gms
Profit Margin (Gross)	-1,57,000/Kg
Profit Margin (Gross) without Customs Duty	-423900/Kgs

Source: URL- http://trama.co.in/images/stories/File/GOLD_SMUGGLING_AND_ECONOMIC_IMPACT.pdf

Economic Impact due to Gold smuggling

- Loss of Revenue
- Drop in Remittances
- Growth of parallel Economy and Underworld

Challenges Faced

- Creating Infrastructure to Combat Smuggling
- New Gangs/ Syndicates emerging
- Needs Clarity about policy in Long/Medium Term

Why Gold Smuggling

- To meet the demand for Gold in India

- To circumvent/ avoid Customs Duty
- A part of Hawala Transactions
- Money Laundering
- Combination of reasons cited above

There are no exact statistics on gold smuggling in Bangladesh. Siddiqui (2017, pp 147) mentions that A cumbersome import procedure and high taxes have led the Bangladeshi jewellery industry to rely heavily on smuggled gold. Currently, jewellery can import gold only by opening LC and they are required to pay tax at the rate of 58 per cent, which includes custom duty as a luxury item, supplementary duty, advance income tax, VAT, and advance trade VAT.

8.2 Foreign Exchange Reserves of Bangladesh and Gold Import

There is an indirect relationship between foreign exchange reserves and OFDI. As imports are always larger than exports in Bangladesh, if we calculate the export plus remittance minus imports, we can see that the trend value is always positive in Bangladesh from 2011-to 12. In such a situation, the country has sufficient foreign exchange for importing gold, which is a luxurious good.

Figure 2: Exports+ Remittance- Imports Trend of Bangladesh (Tk. In Crore)



Source: Own Estimation from Bangladesh Bank Data

Figure 3: Foreign Exchange Reserve Trend in Bangladesh



Source: Bangladesh Bank

In Bangladesh, higher forex reserves are viewed, interpreted, and —talked about as one of the essential indicators of the nation’s economic advancement. However, there are both advantages and disadvantages to holding excess reserves. The first advantage is a high level of forex reserves that allow importing essentials such as food. The second is countries maintain sizeable foreign exchange reserves as precautionary holdings. The third is a higher forex reserve is viewed as having some positive impact on sovereign credit ratings. There are a few disadvantages of holding excess reserves. These disadvantages are: First, a country’s reserves held in foreign currencies may depreciate and, as a result, reduce the value of the reserves. Second, in terms of opportunity cost, maintaining higher reserves results in a low rate of return and limits domestic companies from expanding into foreign markets. These reserves could be invested in international financial markets like equities and enjoy a higher rate of return. Finally, the higher accumulation of reserves can lead to inflationary pressures in the domestic economy, influencing the exchange rate and distorting price signals that determine resource allocation (Shah & Associates (unpublished), 2014).

Because of the merits and demerits stated in the preceding sentences, a country should hold a certain adequate/optimal reserve level. There are five traditional rules for determining the adequacy reserve/ optimal reserve level. These are import cover, Short term Debt, Broad Money, Median reserve coverage ratio, and Calvo rule. According to Shah & Associates (2014), Bangladesh has an excess reserve which can be invested in foreign countries.

Table 3: The Traditional Approaches to Reserve Adequacy

SL No.	Methods	Criteria	Reserve Required to fulfil the benchmark criterion (Million US\$)	Existing Reserve \$ 25020 Million As of June 2015, which can cover	Reserve Surpassing the Benchmark by (Million US\$)
1	Import Cover	Three months coverage of Prospective Import	10124.7	More than seven months of import	14895.3
2	Short term Debt	100% cover of Short term debt for one year	1458.1 ²	Around 1240 per cent of Short - term debt	23562
3	Broad Money	20% of Broad Money	20247.3	Around 25 per cent of broad money	4772.9
4	Median reserve coverage ratio	200% of short-term debt and six months of imports	23165.4	More than seven months of import and around 1240 per cent of Short-term debt	1854.6
5	Calvo rule	Government’s external debt repayments falling due in the next 12 months should not exceed its foreign exchange reserves	1372.3	Almost 13 times of external debt repayments falling due in the next 12 months	23647.3

Source: Shah and Associates (2014)

In such a situation, it can be decided that the country has an adequate reserve to import the gold for the jewellery, gems and stone manufacturing industry.

8.3 Gold Price in Bangladesh

The price of gold is set twice a day by The London Gold Market Fixing Ltd. based on the basic economic principles of supply and demand. The world uses these prices to determine the price of gold. In addition to USD, the London Gold Fixing price is calculated in Bangladeshi Taka (BDT) per ounce. The price of gold is changed and calculated every 30 minutes and then updated based on live spot gold price.

Table 4: Gold Price in Bangladesh (Wednesday, 08 November 2017; 07:48 am, Dhaka time and 01:48 am, GMT)

Gold Unit (Per Ounce)	Gold Price in Bangladesh	Gold Price in USD
Gold Gram Carat 24	3,317.49	41.06
Gold Gram Carat 22	3,040.79	37.63
Gold Gram Carat 21	2,902.22	35.92
Gold Gram Carat 18	2,487.32	30.78
Gold Gram Carat 14	1,935.72	23.96
Gold Gram Carat 12	1,658.75	20.53
Gold Gram Carat 10	1,382.29	17.11

Source: Gold Price Trend (<http://www.goldpricetrends.com/gold-price/bangladesh/>)

Figure 4: Fluctuation of Gold Price in Bangladesh



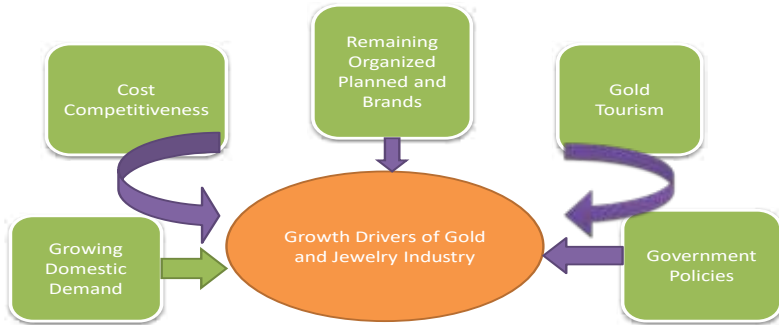
Source: Gold Price Trend (<http://www.goldpricetrends.com/gold-price/bangladesh/>)

The above figure and table show the volatility of the gold price. This price fluctuation is not only for Bangladesh but also in the international arena. It is one of the causes that the insurance company become more hesitant to take the risk during the importation of gold.

8.4 Growth Drivers of Gold and Jewellery Industry

The industry’s growth drivers are factors that induce the growth of that sector efficiently and sustainably. This study has identified various growth drivers of the gems and jewellery industry. A. F. Th introduces this Modelling Tool. van der Heijden in 2005. The drivers of growth in the gems and jewellery industry are listed below:

Figure 5: Growth Drivers of Gold and Jewelry Manufacturing Industry



a. Growing domestic demand: Though the current demand for gold and Jewelry is slightly lower due to the international financial crisis and high price fluctuation of the gold in the national and international market, the domestic and international gold and jewellery demand are upward in trend. The demand for Jewelry in Bangladesh is unique. Though its price elasticity of demand is elastic, one part of the relative inelasticity of gold demand to price is explained by gold’s religious and cultural significance, where gold is purchased for ornamentation and gifting purposes is deeply ingrained in the subcontinental cultural psychology.

Growing spending power: Jewelry demand in India is found to be highly correlated to GDP/capita and not as much to other consumption drivers like private financial consumption expenditure, gross domestic saving, and several high-income households (Source Link: <http://www.ficci.com/s pdocument/20332/indiajewelry-review-2013.pdf>). Though Bangladesh has no rigorous study in this area, as both the country have the same cultural heritage, it can say that the GDP growth would also increase the consumption of gold and jewellery consumption. The earning and spending capacity of the population of any country drives growth. Bangladesh’s per capita and disposable income is growing consistently, and the middle-class population is also rapidly increasing; the poverty level is reducing very fast. Various studies on the expenditure behaviour of Indian consumers predict that rising income levels with population increase will lead to an overall rise in consumer spending and a shift in the consumption basket of consumers from essential products to more luxurious ones. Gems and Jewelry fall in the category of luxury goods.

Increasing female labour: Comparatively, women are more hunker after the Gold and Jewelry. Increasing female labour force participation in the last few decades and resultant financial independence will also contribute significantly to the increasing demand for gems and Jewelry.

Role of jewellery in weddings: Weddings are universally considered one of the most important events in an individual's life and are celebrated in Bangladesh with pomp and show. Gifting jewellery and other precious metals are very traditional for Bangladeshi weddings. The demand for Jewelry, in this case, is therefore wholly priced inelastic; that is, it is purchased irrespective of price fluctuations in the market.

Gold as an investment option: Two types of demand drive the Bangladesh gems and jewellery industry -investment-oriented and consumption-oriented demand. The demand for gold coins, gold bars, and some amount of Jewelry is considered investment-oriented demand.

b. Cost competitiveness: As labour cost is a significant component in production costs, Bangladesh is advantageous globally as the country is highly labour-abundant. The highly fragmented and family-run industry benefits from in-born artisanal skills passed down from generation to generation and an abundance of an informally trained skilled workforce, making labour cheap due to the inherent competition. Family-run businesses in the unorganised sector also do not require extensive infrastructure and investment in fixed assets. Thus, they can maintain lower processing/production costs due to lower indirect expenses.

c. Emerging organised sector and brands: An organised sector lift the industry in terms of best practices, better customer services, better after-sales service, and a better price command. As this sector will organise and the government is interested in formulating the policy, this sector indeed developed a matured industrial industry to contribute to the national output. Better designs and innovative marketing are the factors contributing to the growth of the organised sector. Modern segmentation methods, targeting various consumer segments with specific designs and exclusive ranges and new usage styles attract a new set of consumers and create new markets. Thus, it is essential to gain and sustain momentum in this direction and focus on consumer research & innovation in design.

d. Gold tourism: The World Gold Council, in its "Vision 2020" presented at the India International Bullion Summit 2014, has proposed the setting up a 'Gold Tourism' circuit in the country to boost the production and sales of handcrafted Jewelry made in India. Which certainly impacts the gold and jewellery sector in Bangladesh. Handmade Bangladeshi Jewelry may be favourite among tourists and obtain a better price than machine-made Jewelry. This move is expected to generate immense employment opportunities in the sector.

Industry experts have suggested various ways of promoting the gold tourism

circuit. Using Dubai as a model, where gold is a tourist attraction, it is proposed that Bangladeshi Handcrafted Jewelry can be upgraded similarly. Handicraft hubs like Kolkata, Jaipur, Ahmedabad, and Surat, the country of Bangladesh, also may be developed as tourist destinations for handcrafted Jewelry. Tourists can learn about various gems and Jewelry, while jewellers and artisans can also showcase their skills and products and sell them. The imposition of tight curbs on gold imports into the country resulted in a shortage of gold for jewellers. Industry sources indicate that the country lost many skilled artisans during the past few years. As a result, other areas of work are for their livelihood. Implementing the 'Gold Tourism Circuit' could help bring them back into the industry.

e. Government policies: Government rules and policy interventions play a vital role in the growth of the gems and jewellery industry. The Government of Bangladesh will take every possible initiative to boost this industry. This section sets out some of the policy initiatives that can drive growth in the industry.

Gold monetisation scheme: The government may propose a Gold Monetization scheme in the upcoming budget to mobilise gold held by households and institutions in the country. It is expected to boost the gems and jewellery sector by making gold available as a raw material on loans from banks and reducing reliance on gold imports.

Foreign Trade Policy (FTP): To promote the gems and jewellery sector, including handcrafted Jewelry, the government can take several steps such as providing financial assistance for participation in international fairs, organising buyer-seller meets, etc. the aid of the EPB under the Ministry of Commerce. The government can also announce several measures in the Foreign Trade Policy (FTP) to promote the export of gems and jewellery products.

Foreign Direct Investment: The government allows 100% FDI in any sector except four. There is no bar on FDI gold and jewellery sectors. If the sector gets the formal approval of the raw material imports quickly, this sector has an excellent opportunity for FDI.

Other policies and initiatives: Bangladesh can take policy initiatives like India to develop this sector. India has signed a Memorandum of Understanding (MoU) with Russia to source data on the diamond trade between the two countries. India is the top global processor of diamonds, while Russia is the largest rough diamond producer. In another significant development, the Gems and Jewelry Skill Council of India will train over four million persons by 2022. The sector is facing a shortage of skilled workforce. The council aims to train and skill 4.07 million people by 2022. It will tie up with existing training institutes, including the Gemological Institute of America (GIA) and the Indian Gemological Institute (IGI), and plan to set up new institutes in major diamond cutting and processing centres. Bangladesh can follow the same types of activities.

8.5 Present Rules and Regulations Regarding the Import of Gold and Jewellery and Business or Trade in Bangladesh

- A. In the present Import Policy Order (IPO), there is no restriction on importing gold and Jewelry. This item is not on the negative list of the IPO. That is, officially, it is an importable item.
- B. Section 8. (1) of the “The Foreign Exchange Regulation Act-1947” mentions that “The Government may, by notification in the Official Gazette, order that, subject to such exemptions, if any, as may be contained in the notification, no person shall, except with the general or special permission of the Bangladesh Bank and on payment of the fee, if any, prescribed bring or send into Bangladesh any gold or silver or any currency notes or bank notes or coin whether Bangladesh or foreign.

Explanation: The bringing or sending into any port or place in the territories of Bangladesh of any such article as aforesaid, intended to be taken out of the territories of Bangladesh without being removed from the ship or conveyance in which it is being carried, shall nonetheless be deemed to be bringing or as the case may be sending, into the territories of Bangladesh of that article for this section.

8. (2) of the “The Foreign Exchange Regulation Act-1947” is “No person shall, except with the general or special permission of the Bangladesh Bank or the written permission of a person authorised on this behalf by the Bangladesh Bank, take or send out of Bangladesh any gold, jeweller or precious stones, or Bangladesh currency notes, bank notes or coin or foreign exchange.”

- C. At present, there is no tariff rule for the insurance for importing gold. As per the instruction of the Insurance Development and Regulating Authority (IDRA), Bangladesh Marine Controller of Insurance Rule, Import Tariff section-3 mentions as below:

“3. Scope of the tariff

- i. This tariff applies to all imports into Bangladesh
 - a. By Steamer or Power Vessels
 - b. By mechanised goods carrying vehicles via land routes including rail. Rates as per the tariff.
 - c. By Air: The rates to be charged for imports by Air will be as per air tariff.
- ii. Exclusions: Specie, Bullion, Currency Notes, Securities, Paper of values, Precious stone and Jewelry, Precious Metals, Personal Effects, Postal Dispatches and Bulk Petroleum Oil are excluded from the scope of this tariff. All non-petroleum oil (e.g. Edible oils) in bulk comes within the scope of the tariff.”

This gives us clear information that the insurance company has no option to take the risk of importing gold.

- D. Only 234 grams of Gold can be imported under the Baggage Rules of Bangladesh.

- E. Only Renessa Jewellers import gold under the supervised bond for industrial purposes.
Though gold is not restricted to import, as per the Bangladesh Bank official, no gold has been privately imported for industrial purposes since 30 November 2017, in such a situation, most of the gold is illegal and is used in the gold and jewellery sector, except few of them are imported under the Baggage Rules.
- F. Every Deputy Commissioner provides the gold and jewellery dealing license for purchasing, selling and stocking gold and jewellery under the “The Essential Commodity Control Order-1981”.

The conditions of the license are:

1. The dealer will stock his commodity only in the mentioned area or warehouse. If he/she would like to change the place, he has to inform it to the Director, Market Intelligence and Enforcement.
2. The dealer is bound to show the stock account and all other information as desired by the Director, Market Intelligence and Enforcement or empowered by him.
3. The dealer must carry any order passed by the Market Intelligence and Enforcement Director.
4. The dealer has to keep all records of sell, purchase, stock and counter part of the cash memo for at least one year to show the Market Intelligence and Enforcement.
5. If the licensee fails to follow any rules applicable to him, the Deputy Commissioner would have the power to cancel the license, which would not create any bar to taking any measure as per law.

8.6 Gold Reserve in Bangladesh Bank

Gold Reserves in Bangladesh remained unchanged at 13.97 Tonnes in the second quarter of 2017 from 13.97 Tonnes in the first quarter of 2017. Gold Reserves in Bangladesh averaged 7.63 Tonnes from 2000 until 2017, reaching an all-time high of 13.97 Tonnes in the first quarter of 2017 and a record low of 3.29 Tonnes in the first quarter of 2000 (source: <https://tradingeconomics.com/bangladesh/gold-reserves>). Official gold (including gold deposits and, if appropriate, gold swapped) reserve assets are 586.0159 Million USD as of 29 September 2016, as per the source of Bangladesh Bank.

8.7 Multiplier Effect of Gems and Jewellery Industry

GIS (2015) study on the Indian economy regarding the gems and Jewelry industry (Available at: <http://tari.co.in/wp-content/uploads/2015/11/The-Gems-Jewelry-Industry-For-website.pdf>) has estimated the multiplier effect of the gems and Jewelry industry for all the variables of interest. The results tabulated below show why it is a sector for policymakers to focus on.

Table 5: Multiplier Effect of Gems and Jewelry Industry in India

Multiplier	Estimate
Output	2.68
Value-Added / Income	4.22
Employment	5.20
Tax	3.10

Source: GLJ, 2015

The output multiplier shows that an increase in gems and jewellery demand can increase the economy's overall output by approximately three times. This shows the solid backward linkages of the sector with others, i.e. ancillary industries.

The production process is closely associated with employment, value addition and taxes. In terms of all these variables, the gems and Jewelry industry and its future look promising. The rise in employment across the economy because of an increase of ₹ 1 in demand is more than five times the rise in employment within the sector.

Similarly, rising demand can lead to:

1. Increase in value addition of the economy by more than four times the value-added within the sector; and
2. Increase in indirect tax collections in the economy by three times that of the tax collections from the industry.

The gems and Jewelry industry is one of the fastest-growing in India. It can drive up GDP, increasing employment, gross value added and indirect tax collections. Its growth may well be seen as one of the panaceas to the economy's problems. Though there is no available data regarding this sector, it can be inferred that the multiplier effect scenario may be around the same in the case of Bangladesh.

9. Paradoxical Market Failure in the Gold and Jeweller Sector in Bangladesh

Economists define market failure in terms of a hypothetical, optimally functioning economy. When individuals are free to trade in a competitive marketplace where no externalities in production or consumption exist, the resulting distribution of resources in the economy is Pareto efficient: no person can be made better off without making others worse. In economics, the second-best theory concerns the situation when one or more optimality conditions cannot be satisfied.

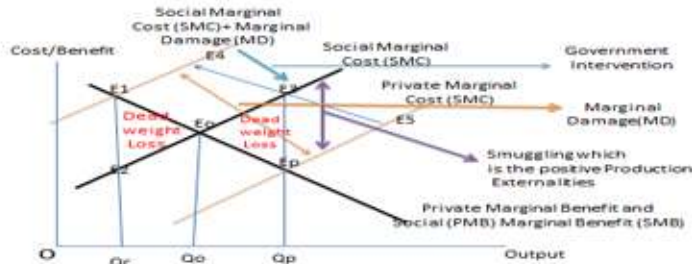
In 1956, economists Richard Lipsey and Kelvin Lancaster demonstrated that if one of an economic model's optimality conditions cannot be satisfied, the next-best solution may include modifying other variables away from their otherwise optimal values. In politics, the theory suggests that if removing one market distortion is impossible, a second (or more) market distortion should be introduced.

In an economy with inevitable uncorrectable market failures in one sector,

attempts to correct market failures in a related area to improve overall economic efficiency may reduce overall economic efficiency. In theory, it may be preferable to let two market imperfections cancel out rather than attempt to remedy one of them. As a result, it may be the best option for the government.

In the case of Bangladesh, the gold and jewelry industry is experiencing a perplexing position. A decrease in the price of gold would result in a surge in the jewelry sector. As a result, more skilled and higher-paying occupations would be created, enhancing Bangladeshi nationals' salaries. Because jewellery would be cheaper in Bangladesh, it might boost the number of international tourists buying finished goods and transporting them back to their home countries. The degree of production, on the other hand, is less than optimal, which is incongruent.

Figure 6: Market Failure in the Gold and Jewelry Sector



Let us explain it graphically. E_1E_p is the private marginal benefit curve and social marginal benefit curve. E_2E_3 is the social marginal cost curve, and Q_0 is the optimal output level in the gold and Jewelry sector. As the economy is enjoying the smuggle raw materials of gold (as Bangladesh never imported any gold for commercial use), so the price of the raw materials would be less than the market. The sector would enjoy the positive externality from the negative point of view. The cost curve would be shifted to E_pE_5 , and the equilibrium output would be Q_p . Due to the overproduction, economic dead weight loss might be equal to the triangle of $\Delta E_3E_0E_p$. However, the actual equilibrium output is less than optimal as the imported finished product of gold and Jewelry is increasing, and the domestic output is reduced, as per the opinion of the Gold and Jewelry Association of Bangladesh. Suppose Q_c domestic production of the gold and Jewelry in Bangladesh and which is less than optimal level instead of overproduction. Again, economic dead weight loss might equal the triangle of $\Delta E_1E_0E_2$. It is happening as the cost curve is shifting from E_pE_5 to E_1E_4 . Now, the question is - how this is happening and why?

Due to the illegal import of gold, the image of the economy is seriously hampered. The international authority is imposing various types of trade and business restrictions. We need 13 types of export documents and seven types of import documents; there are only three types of South Korea, both import and

export.

Table 6: Required Documents for Bangladesh

Export	Import
Bill of Lading	Bill of lading
Commercial Invoice	Cargo release order (Gate Pass)
Customs Export Declaration	Certificate of origin
Packing List	Commercial invoice
Certificate of origin	Customs import declaration
Terminal Handling Receipts	Packing list
Technical standards certificate	Technical standard/Cleanliness certificate
Cargo release order	Terminal handling receipts
Customs Transit Document	Letter of credit
Foreign exchange authorisation	
Pre-shipment inspection - clean report of findings	
Utilised Declaration for garments	
Letter of Credit	

Source: Doing Business index, 2018

Table 7: Required Documents for South Korea

(Export)	(Import)
Bill of lading	Bill of lading
Packing list	Delivery Order
Customs export declaration	Customs import declaration

Source: Doing Business index, 2018

Table 8: Few Indices Ranking of Bangladesh

Name of the Index	Position of Bangladesh	Number of Comparing Countries	Comparing Year
Doing Business Index	176	190	2018
Index of Economic Freedom	137	178	2016
Open Market Index	73	75	2015
Global Competitiveness Index	107	140	2015
Global Enabling Trade Index	115	138	2014
Business Env. Ranking	69	82	2014-18
Knowledge Economy Index	137	146	2012
Human Capital Index,	104	130	2016
Global Innovation Index	117	128	2016
Global Index of Infrastructure	111	140	2014
Technology Index	138		2012

Source: Concern Webportal

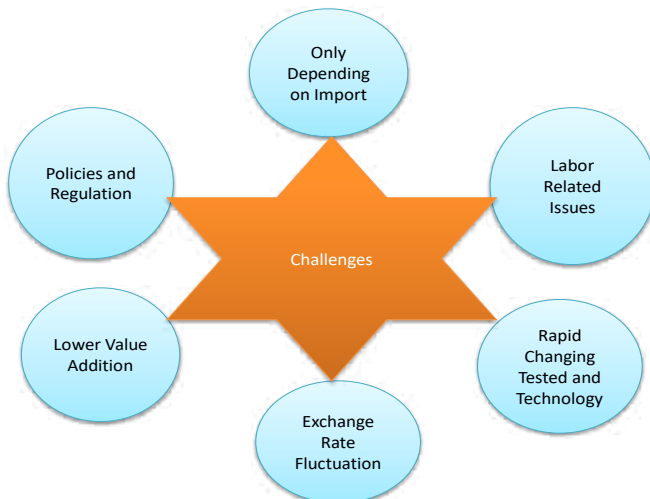
The ranking of the Overall ‘Doing Business Index’ in 2018 for Bangladesh is 178 among the 190 countries in the world. Considering other indices mentioned in the above table gives us clear evidence that the cost competitiveness of production in Bangladesh is in a disadvantageous position. This increased the overall cost of manufacturing, moved the marginal cost curve rightward, and resulted in a less-than-optimal final output. It creates the paradoxical situation of the negative externality instead of the positive externality. Thus, legalising importing gold for investment in the gold and jewelry sector would significantly boost the economy of Bangladesh and increase the tax base. Liberalising the gold policy, furthermore, would help Bangladesh reduce its trade deficit with India (the US \$2.910 billion, 2009-10) because most of the gold bullions and the finished products would likely be exported to India (BD News, 26 December 2014, URL: <https://opinion.bdnews24.com/2014/12/26/the-economics-of-gold-smuggling/>).

10. Challenges of gold and Jewelry industry and recommendations for the development of this sector in the context of market failure

Market failure theories underlie most economic arguments for government intervention in the economy. When markets operate according to standard economic assumptions, no person can be made better except by making someone else worse off. The range of government activity in such a world consequently is constrained. However, when markets fail to operate following the standard model, government policy may improve economic outcomes by enhancing market failure.

The gold and jewelry sector faces specific fundamental and regulatory challenges that limit achieving its full potential. These challenges and the recommendation are analysed as below:

Figure 7: Main challenges issues in Gold and Jewellery industry in Bangladesh



- a. **Mostly dependent on illegally imported gold:** Indigenous availability of raw material plays a crucial role in the growth of any industry. However, the Bangladeshi gems and Jewelry industry is almost entirely dependent on illegally imported and recycled raw materials such as gold, diamond, and other precious and semi-precious stones. An industry or a sector cannot sustain or develop based on illegal raw materials. Various criminal activities are involved in this sector, which is more vulnerable to this industrial sector and civil society. On the other hand, the reputation of customs, police, carrier, and handler was seriously hampered, so the international community could not trust us as a good partner. During the import and export, the trade partner country imposes various types of restrictions on trade, which deteriorate the multiple types of country index, like doing business, corruption perception index, and port quality index in the world. It increases the overall cost of doing business in the economy and reduces the competitiveness of the economy. In such a situation, through the Bangladesh Bank, the government can import gold and sell or purchase it through the scheduled bank and post office at the government-determined price. Except this, gold, stones, and other materials shall be imported through Sonali Bank against Special Import Authorization (SIA) to be issued against the export of Jewelry under this scheme to the extent of 75% of the F.o.b Value of the jewellers exported.
- There may be another style of importing gold, which may be the Advance gold/material supply procedure. The mode of procurement of gold and stones under this procedure shall be as follows:
- i) The authorised exporter may enter into a contract with a foreign buyer to manufacture Jewelry against an advanced supply of gold and stones free of cost by the buyer. The contract should require, among others, the period for supply of gold, the period allowed for the execution of the order, and the amount/rate of making charges of the Jewelry, which shall not be less than 25% of the Value of Jewelry exported.
- b. **Lack of trained labour and unavailability of modern equipment:** Like other industries, the gems and Jewelry industry is also facing many labour-related challenges. These are mainly shortage of skilled labour, poor working conditions, and low salary. Manual methods of cutting, polishing, manufacturing, and designing gems and Jewelry are steadily being substituted with high-end automation using machines and software. Using laser machines, operating computers, and understanding modern techniques require systematic and practical training. As this is not developed in the private sector, the government can stimulate the concerned association to establish an institution like the plastic industry.
- c. **Unattractive wage rate:** Considering the low wages in this industry, it is no surprise that young workers are not attracted to it. Although the market determines the wage rate, the government can play as a catalyst to create

a skilled workforce, developing the research and training institute and international linkage.

- d. **Unhealthy working environment:** Inadequate working conditions and limited compliance with health and safety standards have also led to low interest in the industry. Unorganised and small-scale enterprises that form a significant industry segment are not known to use cutting-edge technology and high-quality materials in their manufacturing processes.
- e. **Highly volatile exchange rate of Taka against the Dollar:** In the last few years, though the taka has been more or less stable against the Dollar, it has been frequently observed that this exchange rate is highly volatile against the Dollar. For smooth economic development and foreign inflows, a stable currency is necessary for developing countries. Hence, it is essential for the gems and Jewelry industry, particularly considering its dependence on illegal imports.
- f. **Highly volatile consumer test:** The industry is highly affected by changing consumer tastes and preferences. In times of such rapid changes, it must face the challenge face-to-face and be attentive to and open to important trends, developments, and new risks. Institutional training and the utilisation of ICT can help to meet this problem.

Low value-added due to traditional test of the domestic consumer: According to industry analysts, consumer behaviour in Bangladesh plays a significant role in the lesser value addition since Bangladeshis choose pure gold Jewelry, which has limited value addition potential due to less artistic labour and design innovation.

- g. Relative to the international market, value addition, particularly in the gold segment of the industry, is low in India (<http://tari.co.in/wp-content/uploads/2015/11/The-Gems-Jewelry-Industry-For-website.pdf>). Gemstone studded Jewelry would naturally add more Value to the product. Limited domestic brands and limited gold recycling are other reasons for a low GVA. To increase value addition, gemstone studded gold Jewelry and more value-added products may be promoted.
- h. **Legacy of illegal gold import:** Still today, after the independence, not a single gram of the gold is privately imported for industrial purposes by taking special permission from the Bangladesh Bank under section 8 (1) of the “Foreign Currency Regulation Act, 1947” except baggage rule. Taxpayer thinks that if they import gold in a legal process, the government would know the money they possess. Then the government would want to see the source of funds, and the government will impose a tax. Then the large numbers of importers may not agree to import gold legally. In such a situation, government importation is essential to streamline the sector or the mainstream industrial sector.
- i. **Legally illegal procedure to import the gold and Jewelry:** Internationally, the HS Code of gold Bar is 71, 71.04, and the HS Code of ornaments is 71.01, but as per the baggage rule of Bangladesh, people can carry gold and Jewelry under HS Code of 98.01. It is a special provision. Under this provision, an importer must

not pay any tax or maintain importing rules and regulations. Recently, a circular is issued that for every 10 grams, 3000.00 taka has to pay as custom duty. But, the only rules are that the importer can import a minimal amount (234 grams) of gold and Jewelry. For commercial use, many entrepreneurs use the passenger to carry the gold for their commercial services. They are paid a small amount of benefit to have this gold or jewellery. There is a legally illegal procedure to import gold and jewellery using the baggage rule. When only the legal framework of this sector is institutionalised, the legally illegal system would be minimised. Under the baggage rule, the amount of tax may be increased to 5000.00. It will reduce the use the imported gold for commercial under the baggage rule.

- j. **Disagreement of banking loan:** Bank has not agreed to provide the loan for the gold and Jewelry sector as there is no capital investment.
- k. **Avoiding hazard importing tendency through the illegal channel:** Gold is imported illegally for an extended period. So, a few importers will not be agreed to legally import gold and take the hazard like opening LC and lengthy import procedures.
- l. **Carrier disagreement to handling precious goods like gold and Jewelry during import and internal carrying:** The carrier would not agree to take the risk of importing gold and Jewelry, as it is riskier due to highly precious goods with consideration of its volume.
- m. **Lack of special provision importing gold and Jewelry for the carrier, custom and the handling authority:** To take the risk of the importing gold, carrier, custom and the handling authority should be more trusted, or there should have a special provision that if any of the authorities fail to hand over the importing gold within the time limit, the amount of the penalty would be automatically transferred to the importer through the banking channel. After a certain period, if the lost importing gold is regained, the penalty would return by deducting the late fee penalty every day to the concerned authority after the handover of the goods.
- n. **Baggage rule and huge importation of finished products:** Under the baggage rule, a lot of finished Jewelry is entering Bangladesh, discouraging domestic manufacturing of the Jewelry sector in Bangladesh. When the sector is developed, the problem will be reduced automatically. When the import duty on the baggage is 5000.00 taka, it will automatically decrease.
- o. **Inadequate implication of law by the District Magistrate:** In Chittagong, there are approximately 5000 gold dealers, but only 1500 licenses are issued by the Deputy Commissioner of Chittagong (Source: President of the Gold and Jewelry Association of Bangladesh, Chittagong), who is the authority to issue the licenses under the commerce ministry's instructions. It indicates that the law is not equally applied to all at present Jewelry businesses people. The scenario is around the same all over the country. The district magistrate should be more concerned with ensuring equality before for law. It will also reduce the entrepreneur's accountability, and more revenue will be collected.

- p. **Mortgage (Bondokhi) license is not equal in all places:** Gold is used as a store of value. Rural people take a loan by mortgaging this gold to the licensed gold and Jewelry businessman, which can play an essential role in circulating money and supplying capital for the rural economy. But, there is no equal treatment in all areas of Bangladesh regarding this area. In Sylhet, there is no provision for the Bondokhi licensing of the gold dealers. On the other hand, this licensing system has no strict rules and regulations. This may be an excellent strategy to use the gold and Jewelry as a Store of Value and utilise this value to get a loan in the rural area. This system should have equal opportunity all over the country for easy access to capital and ensure financial support when it will be necessary.
- q. **Shortage of machine for ensuring the quality of gold and Jewelry in Bangladesh:** For maintaining the standard of quality gold, there is no sufficient machine in Bangladesh. As a result, people are facing harassment. The registered gold and Jewelry association must ensure it in every market where or District Magistrate will monitor the matter.
- r. **Policing harassment due to specific rules regarding the dealing/selling/purchasing of the old gold or recycled gold:** There are no particular rules regarding the dealing/selling/purchasing of the old gold or recycled gold. When any gold manufacturer purchases gold from any individual, it becomes very tough to identify whether the gold is stolen or not or anyhow illegal. Sometimes, it becomes essential for an individual to sell the old gold or use gold for medical or other purposes. Frequently, the law enforcing authority confiscates the gold in the name of illegal, stolen property. It is one of the severe problems in developing the industrial sector of gold and jewelry. The law enforcement should have no capacity to confiscate any gold purchased from any person by any gold and Jewelry business people without the permission of the DM if the businessman is a legal licensee from the DM.
- s. **Absence of proper ministerial action:** This is an industrial matter, so the industry ministry should be concerned about this sector. But, the ministry of commerce, IRD, and Bangladesh Bank are now very loosely concerned regarding the development of this sector. But, the ministry of the industry should have concerned about making the rules and regulations for the development of this sector.
- t. **Bangladesh is used as the illegal route of gold trafficking:** India is the 29% user of jewellery globally due to its traditional reason. Most of the illegally importing gold is reexporting India again illegally, which is the perception of Bangladesh's gold and Jewelry business. So, the custom, BGB, Bangladesh Biman, and all other related sectors have to take serious action to control it. If this continues, Bangladesh will lose its image in the international arena, and this sector will not get the legal framework.

Other Remedial Measures and Policy Recommendations

- a. Suppose the Government would like to formalise the gold and Jewelry sector seriously. In that case, all the gold possessed by the gold and Jewelry entrepreneur should be given legal status through a declaration by physical verification of the Gold and Jewelry.
- b. Ten years' income tax holiday should provide for the newly set up industry if he has all modern equipment and capital machinery is more than 50 lakhs.
- c. Government can import gold through the Bangladesh Bank, which could be available to all business people through the scheduled bank at a current international price.
- d. An in-depth survey is required regarding the number of entrepreneurs, exporters, employment, GDP contribution, legal or illegal import of gold, and the value added of the jewellery sector in Bangladesh to give this sector a legal framework.
- e. A serious study is required to identify why the gold smuggling route through Bangladesh, especially for India.
- f. The only member of the association can be able to do business in this sector.
- g. Ensuring the participation of gold and jewellery manufacturing and exporters' association in the national and international fare and display of their products.
- h. Like the bicycle and other export-oriented industries, a 10 per cent tax incentive package should have for the exporters of the gold and jewellery sector.
- i. Without taking the gold dealing license, nobody can do any business.
- j. There should have specific rules and regulations regarding the old gold selling.

11. Conclusion

Gold is a precious metal and is used as a store of value. Then, it has economic importance, which is the primary issue in this article in Bangladesh. Easy importation of Gold is not allowed due to inadequacy of reserve, and jewellery is considered an extremely luxurious good. It has industrial contribution too. Gold is the raw material of the gems, stone, and jewellery sector. This jewellery industry can generate employment, production, export, and GDP. Though there is a scope of gold import by taking special permission from the Bangladesh Bank, not a single gram of Gold is imported legally except for a few baggage rules and under special supervision. Frequently, the customs and law enforcement authorities forbid and confiscate illegal gold. Perhaps an extended period, Gold is not easily permitted to import, and due to its unavoidable demand, it is entered into the economy illegally.

From the Indian experience, the government of Morarji Desai, importation of Gold mainly became restricted by the Gold Act 1962. It was very harmful to the economy, and finally, in 1968, the Indian Govt banned the law from an economic point of consideration. As Bangladesh's culture and economy are around the same, this experience tells us that the gold import restriction was not a correct decision. Currently, the Gold and Jewellery sector is not standing in very legal and proper

ways. But, there is a broad scope to create more employment and GDP by taking the appropriate policy from the government of Bangladesh. Among the various strategies for developing this sector, the availability of raw materials, that is, the availability of Gold, is essential through the legal channel. As, for an extended period, importing gold was not in a very legal way, the government should take the measure for the availability of Gold. As the market did not function properly, government intervention became essential. The government channel should import Gold for the raw materials of jewellery, and Bangladesh Bank can do it. Then these raw materials could be distributed to the manufacturers and the exporters in the country at a current international price through all scheduled Banks. Except for the availability of Gold in the proper channel, a pragmatic policy is essential for developing the gold and jewellery sector. This article suggests legally importing Gold. Importing Gold will create more employment and GDP. Still, it will also increase the law order situation and the reputation of the custom, law enforcing authority, and the state's overall image.

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Annexe

A. Official Reserve Assets of Bangladesh in USD (As of 29 September. 2016)

A. Official reserve assets	31385.8669
(1) Foreign currency reserves (in convertible foreign currencies)	27633.053
(a) Securities	11064.8732
Of which: issuer headquartered in the reporting country but located abroad	
(b) Total currency and deposits with:	16568.1798
(i) Other national central banks, BIS and IMF	4966.213638
(ii) Banks headquartered in the reporting country	147.9835
Of which: located abroad	147.9835
(iii) Banks headquartered outside the reporting country	11453.9827
Of which: located in the reporting country	
(2) IMF reserve position	
(3) SDRs	1359.0236
(4) Gold (including gold deposits and, if appropriate, gold swapped)	586.0159
-Volume in fine troy ounces	0.4431
(5) Other reserve assets (specify)	1807.7743
-Financial derivatives	
-Loans to nonbank non-residents	
-Other*	1807.7743

Source: *Bangladesh Bank*

B. Top 40 Reported Official Gold Holdings (As of September 2017)

Sl. No.		Tonnes	% of reserves	Sl. No.		Tonnes	% of reserves
1	USA	8,133.5	75%	21	Austria	280.0	54%
2	Germany	3,373.7	70%	22	Belgium	227.4	37%
3	IMF	2,814.0	-	23	Philippines	196.4	10%
4	Italy	2,451.8	67%	24	Venezuela	187.6	75%
5	France	2,435.9	63%	25	Algeria	173.6	6%
6	China	1,842.6	2%	26	Thailand	152.4	3%
7	Russia	1,778.9	17%	27	Singapore	127.4	2%
8	Switzerland	1,040.0	5%	28	Sweden	125.7	8%
9	Japan	765.2	2%	29	South Africa	125.3	11%
10	Netherlands	612.5	66%	30	Mexico	120.5	3%
11	India	557.8	6%	31	Libya	116.6	7%
12	ECB	504.8	29%	32	Greece	112.9	60%
13	Turkey	495.6	18%	33	Korea	104.4	1%
14	Taiwan	423.6	4%	34	Romania	103.7	10%
15	Portugal	382.5	59%	35	BIS	103.0	-
16	Saudi Arabia	322.9	3%	36	Poland	103.0	4%
17	United Kingdom	310.3	9%	37	Iraq	89.8	8%
18	Kazakhstan	289.3	37%	38	Indonesia	80.6	3%
19	Lebanon	286.8	21%	39	Australia	79.9	6%
20	Spain	281.6	18%	40	Kuwait	79.0	9%

Source: IMF IFS, World Gold Council

Note: For information on the methodology behind this data, please see the table of the Latest World Official Gold Reserves at http://www.gold.org/government_affairs/gold_reserves/

C. Few of the Bangladesh Gold Jewelry Manufacturer & Exporter

- i. LILI JEWELLERS, [Since - 1969], Address of jewellery shop, Lili Jewellers, 22, Baitul Mukarram (1st floor), Dhaka-1000, Bangladesh, Phone: 88-02-9555836
- ii. BAITUL JEWELLERS, Guinea Gold Ornament Manufacturer, Address of jewellery shop, Baitul Jewellers, 16, Baitul Mukarram (1st floor), Dhaka – 1000, Bangladesh, Phone: 88-02-9557998, 9565581
- iii. MUKTA JEWELLERS, [Manufacturer of guaranteed Guinea Gold Ornaments.] Address of jewellery shop, Mukta Jewellers, 68, Baitul Mukarram (1st Floor) Dhaka-1000, Bangladesh, Phone : 88-02-9552320
- iv. RINA JEWELLERS, Address of jewellery shop, Rina Jewellers, 72, Baitul Mukarram (1st floor), Dhaka – 1000, Bangladesh, Phone : 88-02-9557044
- v. RAHMAN JEWELLERS, [Gold Ornament Manufacturer & Supplier], Address of jewellery shop, Rahman Jewellers, 72/A, Baitul Mukarram (2nd floor) Dhaka-1000, Bangladesh, Phone : 88-02-9559277
- vi. RS BIKRAMPUR JEWELLERS, Address of jewellery shop, R.S. Bikrampur Jewellers

- 56, Baitul Mukarram (1st Floor), Dhaka - 1000, Bangladesh, Phone : 88-02-9555848
- vii. MIZI JEWELLERS, [A house of Quality Ornament], Address of jewellery shop, Mizi Jewellers, 51, Baitul Mukarram (1st floor), Dhaka-1000, Bangladesh. Phone: 88-02-9559784
 - viii. FAHIM JEWELLERS, Address of jewellery shop, Fahim Jewellers, 5, Baitul Mukarram (1st Floor), Dhaka - 1000, Bangladesh, Phone: 88-02-9555829
 - ix. SHAHANAZ JEWELLERS, [Since-1992], Address of jewellery shop, Shahanaz Jewellers, 17, Baitul Mukarram (1st floor), Dhaka-1000, Bangladesh. Phone : 88-02-9551222, 7160771

D. Gold and Jewellery Associations in Bangladesh

In Bangladesh, especially in Dhaka, there are four types of associations regarding this sector;

- A. Bangladesh Jewelry Manufacturers & Exporters Association, 88, Anarkoli Super Market (4th floor) Siddeshwari, Mouchak, Dhaka-1000, Bangladesh, +88-02-8322314, 01713-009791
- B. Bangladesh Jewellers Sommittee
- C. Bangladesh Poddar (Bullion) Somittee
- D. Bangladesh Jemes Stone Association
- E. Besides this, in every district, there is a Branch Association of the Bangladesh Jewellers Sommittee, which the central committee controls.