



European Federation of Jewellery

Position paper on trade relationships with Third countries

The EFJ advocates reciprocity in the trade relationships with Third countries in order to unlock the export potential of the European jewellery sector.





Key points:

- ❖ The export potential of the EU jewellery sector is **hampered by high customs duties and non-tariff trade barriers**. Both of them currently prevent European jewels from reaching over 60% of potential consumers in the world.
- ❖ The European Federation of Jewellery (EFJ) calls for the **reciprocity in the access to Third country markets**.
- ❖ The EFJ strongly supports an **ambitious European trade policy** with the negotiations of free trade agreements with countries and regional areas. Both OECD and non OECD countries should be covered.
- ❖ The **jewellery sector should be systematically included** in EU trade negotiations.
- ❖ The adoption of measures allowing **free market access** would strengthen the competitiveness of the European jewellery sector.

Jewellery is one of the flagships of creative European industries and the European know how is recognized worldwide. **Largely based on small and medium-sized enterprises, it generates €30 billion in sales annually.** €6.3 billion of the jewels imported in the EU territory are manufactured in Third countries, mainly Switzerland¹, Thailand, India and China. According to the Eurostat data, in 2015, the EU ranked 5th for the exports of jewellery products and silversmith behind India, US, China and Hong-Kong. In 2016, the EU imported €6.3 billion in jewellery products and exported €10.7 billion. It is worth noticing that the EU trade balance for jewellery products is generally positive but imports from countries who apply high custom duties such as China and India are growing rapidly² and that the trade balance with these countries as well as with Brazil was negative in 2016 according to Eurostat.

The growth of the European jewellery sector on the International scene and its trade potential are clearly hindered by the lack of reciprocity in the trade relationships with non EU countries. It is even impossible to penetrate some countries as such trade obstacles are numerous. In concrete terms, it is estimated that **current customs duties and non-tariff trade barriers prevent European jewels from reaching over 60% of potential consumers in the world.**

This analysis of lack of reciprocity is truth for both the OECD and non OECD countries.

For non OECD countries, the access to their market is highly hampered by the application of **high customs duties, taxes on luxury goods and the difficulties to get authorisations and licenses**. For instance, to trade with China, a European exporter has to pay a custom duty of 20% on gold and silver articles and of 35% for platinum and other metal articles. Moreover, the exporter has to pay a luxury tax amounting to 20% of the price of the product. On top of this, non-tariff barriers which differ from one province to another are applied such as the engraving of the weight of stones inside the rings. **The loss of competitiveness of the European sector regarding the non OECD countries is twofold:**

¹ It should be considered that Switzerland is also one of the main importer of jewellery products from the EU as many brands have their headquarters there. It is thus probable that many products exported from Switzerland to the EU are in fact manufactured by EU countries.

² From 2013 to 2016 the imports from India went from €4 billion to €6 billion while the imports from China went from €3.7 billion to €4.3 billion: <https://trademap.org/Index.aspx>



first, it is extremely **difficult to reach their domestic market**; second, they have **become new producers** and as a result, **new competitors in several exporting countries**. In the US, Canada, Japan and the European countries, they have already acquired significant market shares. This is due to favorable conditions that they benefit for accessing rich markets, namely lower production costs, better supply conditions for gems, pearls and accessory products as well as attractive trade conditions. Countries which benefit from the Generalised System of Preferences can export almost freely to the EU and some EU export markets like the US.

For OECD countries, customs duties applied to EU exports are generally higher than the European import duties. Despite the different rounds of negotiations under the World Trade Organisation, we can notice a deterioration of the situation. For instance, with the US, which represent 30% of the Italian exports, the difference between the two duties amounted to 2,7% in 1995 while it is now 3% - US import duties: 5,5% / EU import duties: 2,5% -.

Comparison between customs duties

Country	Import duties on EU products	EU import duties
Brazil	18%	2,5%
Russia	10%-18%	2,5%
India	15%	2,5%
China	20%-35%	2,5%
US	5,5%	2,5%

Source: (Taric: 71.13 and 71.14) – Link: <http://madb.europa.eu/madb/indexPubli.htm>

Concrete examples showing the impact of the difference between customs duties on the final price of a bracelet

A European 2000 € bracelet exported to the following countries will cost:

US	2110,00€
China	2400 -2700,00€
Russia	2240,00€

The mentioned prices can further increase if the country applies other barriers such as luxury taxes (e.g. China).

While a 2000 \$ bracelet produced in one of these countries, once imported to Europe, will cost:

US	2050,00\$
China	2050,00\$
Russia	2050,00\$

For **jewellery products made of gold**, the price of the raw material is high compared to the added value brought by the manufacturing part. As a result, custom duties from 5% on the final product



shrink drastically the gain of European companies. And in a worse scenario with customs duties above 10%, the legal trade of gold jewellery products is highly compromised.

Table illustrating the impact of import duties on gold jewellery products

Posts	Price in euro/gram
Fine gold per gram	36
Fine gold content per product having a fineness of 585 or 14ct (fine gold price x % of gold content in an article of 585/1000 or 14ct)	21.06
Manufacturing (average)	2
Price after manufacturing	23.06
US import duties 5,5 (average)	1.27
Impact of the customs duties on the company's added value (manufacturing part)	63% (1.27x100/2)

For European manufacturers and especially SMEs, all these trade obstacles make difficult and even often impossible to penetrate some markets and, when they trade, to operate without economic loss. Unlike famous brands, SMEs can hardly include these additional costs in their final price because they can't value their name in the same way.

As underlined by the President of the European Commission, Jean-Claude Juncker, in its State of the Union speech³ delivered in September 2017 in the European Parliament, "Europe is open for business. But there must be reciprocity. We have to get what we give. Trade is not something abstract. Trade is about jobs, creating new opportunities for Europe's businesses big and small."

The European Federation of Jewellery (EFJ) fully agrees with Mr Juncker and strongly supports the current EU ambitious trade agenda with the negotiations of free trade agreements with both countries and regional areas. This proactivity is an opportunity to achieve reciprocity in the access to Third countries markets. **Furthermore, the EFJ calls on the EU for the systematic inclusion of the jewellery sector in the trade negotiations with Third countries.**

The elimination of tariff and non-tariff barriers to trade for jewellery products will bring multiple benefits:

- More markets opened to European products;
- Increased competitiveness for the European jewellery sector;
- Fairer competition among producing countries;
- More jobs in the EU;
- Promotion of the European know how.

³ PRESIDENT JEAN-CLAUDE JUNCKER'S State of the Union Address 2017:
http://europa.eu/rapid/press-release_SPEECH-17-3165_en.htm



The European Federation of Jewellery (EFJ) was founded in 2013 to represent the jewellery sector at the European level.

EFJ members:

- ❖ **UFBJOP** - Union Française de la Bijouterie, Joaillerie, Orfèvrerie, des Pierres et des Perles (France)
- ❖ **ARS NOBILIS** – Fédération Belge du Bijou et de la Montre (Belgium)
- ❖ **AORP** - Associação de Ourivesaria e Relojoaria de Portugal (Portugal)
- ❖ **FEDERORAFI** - Federazione Nazionale Orafi Argentieri Gioiellieri Fabbricanti (Italy)
- ❖ **AWDC** - Antwerp World Diamond Centre (Belgium)

February 2018