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GLITTER AND GRIT OF INDIA'S GEMS AND JEWELLERY INDUSTRY

Mapping Trade Diversification and Supply Chains Agility amidst Shifting Global Trade Dynamics

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GLITTER AND GRIT OF INDIA'S GEMS AND JEWELLERY INDUSTRY

Mapping Trade Diversification and Supply Chains Agility amidst Shifting Global Trade Dynamics

CONTENTS

Abstract

The paper analyses India's Gems and Jewellery (G&J) exports from 2016 to 2024 using several trade indicators such as Herfindahl–Hirschman Index (HHI), the Concentration Ratio (CR4), Revealed Comparative Advantage (RCA), Relative Export Performance and Trade Intensity Index to examine patterns of diversification and competitiveness. The study encompasses six key HSN products: cut and polished diamonds, synthetic diamonds, gold jewellery, silver jewellery, imitation jewellery, and coloured gemstones. Although India reaches distant markets and the concentration of top importers is declining, it remains concentrated in a few destinations. The 2025 USA tariff shock underscores the importance of product and market diversification, as well as the need to lengthen supply chains through trading hubs. New market opportunities are emerging across Europe, the Middle East, Asia, and Latin America, where demand and India's relative advantage are increasing. India's long-term resilience will depend on innovation, market expansion and its abundant artisan strength.

1. Introduction

The Government of India has undertaken a significant initiative to streamline trade governance through the Guidebook on Mapping of Harmonised System of Nomenclature (HSN) Codes, prepared by the Department for Promotion of Industry and Internal Trade (DPIIT) in 2025.[1] In trade parlance, every product is categorised under an HSN (Harmonised System of Nomenclature) Code. The Guidebook maps 12,167 HSN codes to 31 ministries and departments, aiming to strengthen India’s role in global value chains, trade negotiations and enhance the ease of doing business under its Make in India policy.[2]

This paper, which analyses India’s Gems and Jewellery(G&J) sector from 2016 to 2024, complements this government effort by mapping HSN codes of G&J products to measure export concentration and diversification. The pillars of ‘Manufacture in India’, ‘Strengthen Brand India’, and ‘Make for the World’ resonate deeply with the essence of G&J sector. Using indices such as the Herfindahl–Hirschman Index (HHI), Concentration Ratio (CR), and Trade Intensity Index among others, the analysis investigates whether India is reducing its reliance on traditional markets such as the United States and diversifying towards Europe, the Middle East, and Southeast Asia.

The paper examines how the USA tends to hurt critical exports from developing countries, making it imperative for India’s labour-intensive industry to reduce its overdependence on the USA. The trade diversion and venturing into new markets strategy devised in the paper holds importance in overcoming the tariff imposed by the USA in 2025. Most research on diversion focuses on China and East Asia; India’s potential trade reallocation remains underexplored.[3] This paper is an attempt to bridge that gap.

Situated within the framework of HSN codes, the findings align with the government’s broader push for data-driven policymaking to aid central and state governments, manufacturers, exporters, and councils and contribute to India’s long-term vision of Viksit Bharat@2047.[1]

2. Digging into the Treasure Trove of India and the World

The gems and jewellery industry occupies a unique position in India’s economy, both as a traditional craft and as a modern export engine providing substantial foreign exchange earnings and employment opportunities.[4]

What shines the brightest in India’s gems and jewellery export basket is unmistakably cut and polished diamonds (HS 710239), followed closely by articles of gold jewellery (HS 711319), as shown in Figure 2.1. It reflects a long-standing pattern where India’s comparative advantage lies heavily in diamonds and jewellery articles, supported by its modern cutting centres and an abundant pool of skilled artisans.[5]

The remaining categories, such as synthetic diamonds (HS 710491) and silver jewellery (HS 711311), among others, suggest efforts at diversification. However, when compared to the world’s exports as shown in Figure 2.2, India's exports exhibit a high degree of product concentration.

While products apart from cut and polished diamonds (HS 710239), and articles of gold jewellery (HS 711319) – hold just 17% in India's export basket in 2024, the portion of the same in the world's G&J basket is 51% when HS 7108 exports are excluded from the world’s total pool. The removal of HS 7108 is justified by the fact that India is a net importer of the same, which can distort the export analysis

Figure 2.1

Figure 2.2

Data Source: ITC Trade Map

Note: Excludes HS 7108

In 2024, the global export of G&J reached $945.24 billion, representing a 2.4% increase from 2023, when the total trade was $923.48 billion. Over the past five years, trade in this sector has grown at an average annual rate of 8.62%.

According to the Gem & Jewellery Export Promotion Council (GJEPC), India's share in global exports stood at 3.2% in 2024, making it the 8th largest exporter in the world. India holds a dominant position in significant segments of G&J, as shown in Figure 2.3.

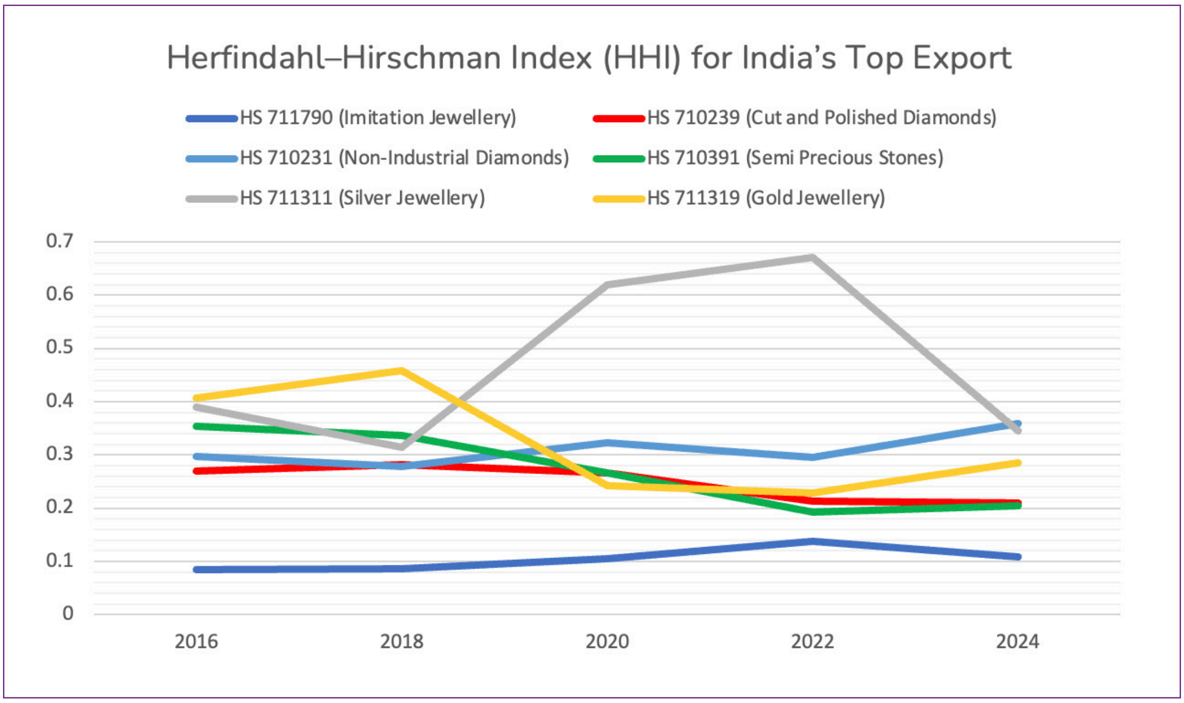
Figure 2.3

HS Codes	Commodities	World Exports (US$ billion)	India's Exports (US$ billion)	India's Share (%)	India's Ranking
711319	Gold Jewellery	121.67	11.10	9.1	3rd
710239	Cut & Polished Diamonds	54.86	13.70	25	1st
711311	Silver Jewellery	8.25	1.17	14.2	2nd
7103	Coloured Gem Stones	11.64	0.46	4	5th
7117	Imitation Jewellery	10.25	0.14	1.4	12th
7104	Synthetic Diamonds/Stones	4.55	1.40	30.8	1st

Source: GJEPC for 2024

The sector accounts for 9% of India's total exports, amounting to ₹ 3 trillion (approximately US$35.98 billion) in FY23. Meanwhile, gems and jewellery imports into the country accounted for 4% of total imports, amounting to Rs. 2.1 trillion (US$ 25.19 billion) in FY23. The sector contributes ~7% to the country's Gross Domestic Product (GDP). In terms of employment, it engages more than five million workers in the country. By contributing 10-12% of the total merchandise exports, India's gems and jewellery sector holds the third largest commodity share.

Figure 3.1



Data Source: WITS, World Bank

3. From Concentration to Diversity: Mapping Market Dynamics

The paper employs the HHI (Herfindahl–Hirschman Index) and CR4 (Concentration Ratio) as well as geographical trade distance indicators to capture both the structural and spatial evolution of India's export markets. The CR4 and HHI indicate the extent to which Indian export products are concentrated in a few key countries, while the geographical indicators help to assess the geographical spread of India's trade. The findings suggest that while India still relies on a handful of strong markets, there has been a gradual shift towards greater diversification over the last decade, as other regions have begun to take a larger share of India's exports. This spread across regions highlights India's ongoing strategy to diversify and widen its export landscape. [6]

3.1 HHI - Herfindahl–Hirschman Index

The literature on export diversification underscores its importance in achieving long-term economic resilience. For developing economies, diversification is often measured using indices such as the Herfindahl-Hirschman Index (HHI). [7] As per the World Bank, the Herfindahl–Hirschman Index (HHI) is a measure of the dispersion of trade value across an exporter's partners. A county with a preponderance of trade value concentrated in a very few markets will have an index value close to 1. Thus, it is an indicator of the exporter's dependency on its trading partners and the danger it could face should its partners increase trade barriers. Measured over time, a fall in the index may be an indication of diversification in the exporter's trading partnerships. [8]

Looking at Figure 3.1, India's top export products show a decrease in market concentration from 2016 to 2024, except for non-industrial diamonds and imitation jewellery. However, the latter's HHI has remained the lowest throughout the period. Silver jewellery recorded the highest HHI, peaking in 2022 before experiencing a drastic decline in 2024, highlighting a higher dependence on a narrow set of markets compared to other products in the graph. In contrast, HHI of coloured gemstones, diamonds and gold jewellery significantly declined, pointing to relatively better diversification.

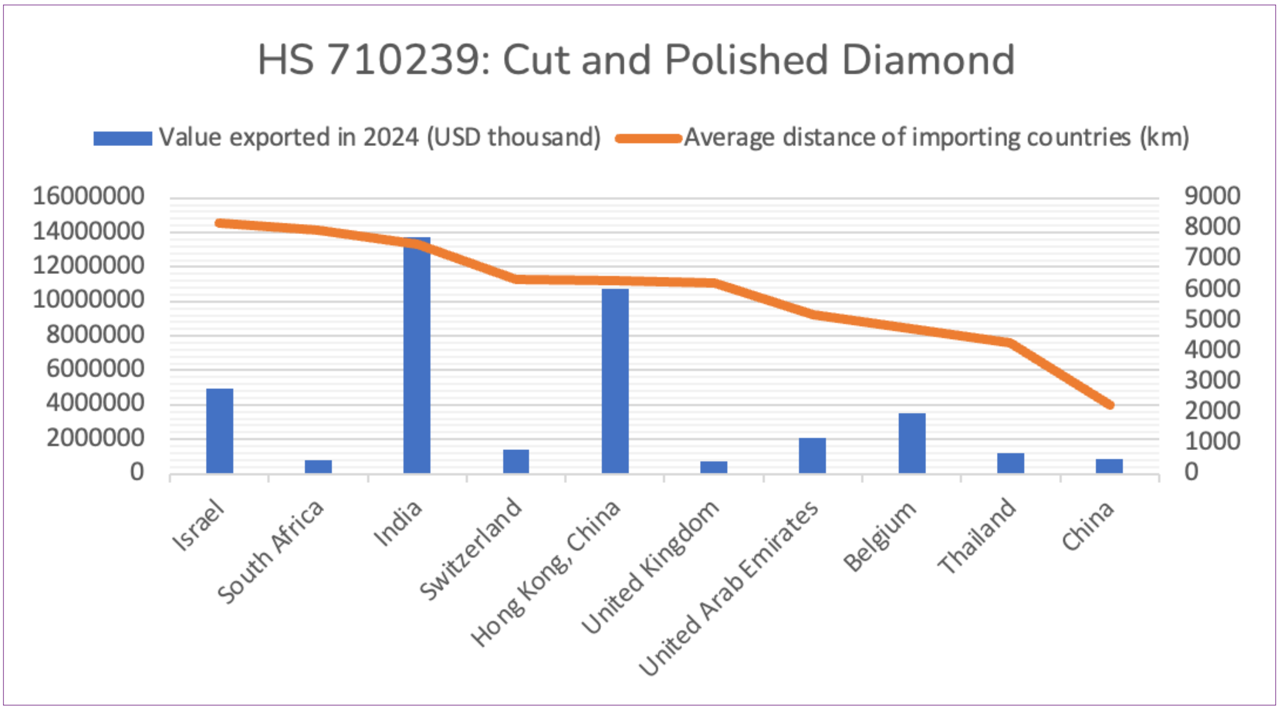
Overall, the data indicates that while specific segments like silver jewellery (HS 711311) and non-industrial diamonds (HS 710231) remain relatively more vulnerable to concentration risks, others such as cut and polished diamonds (HS 710239), articles of gold jewellery (HS 711319), imitation jewellery (HS 711790) and coloured gemstones (HS 710391) are better diversified, thereby have the potential to cushion India's gems and jewellery sector against external shocks.

3.2 Geographical Reach Trade Indicator

The indicator measures the average distance of importing countries for different bijou products. For most products, India's average distance is higher than the global average and its top competitors, indicating that India is reaching far-off markets more effectively than its competitors. This presents an excellent opportunity to expand exports further and explore new regions. In Figure 3.2 and subsequent others, the left axis represents the export value of countries in 2024 (in USD) for the product, while the right axis shows the average distance (in kilometres) of the importing countries from the exporting country.

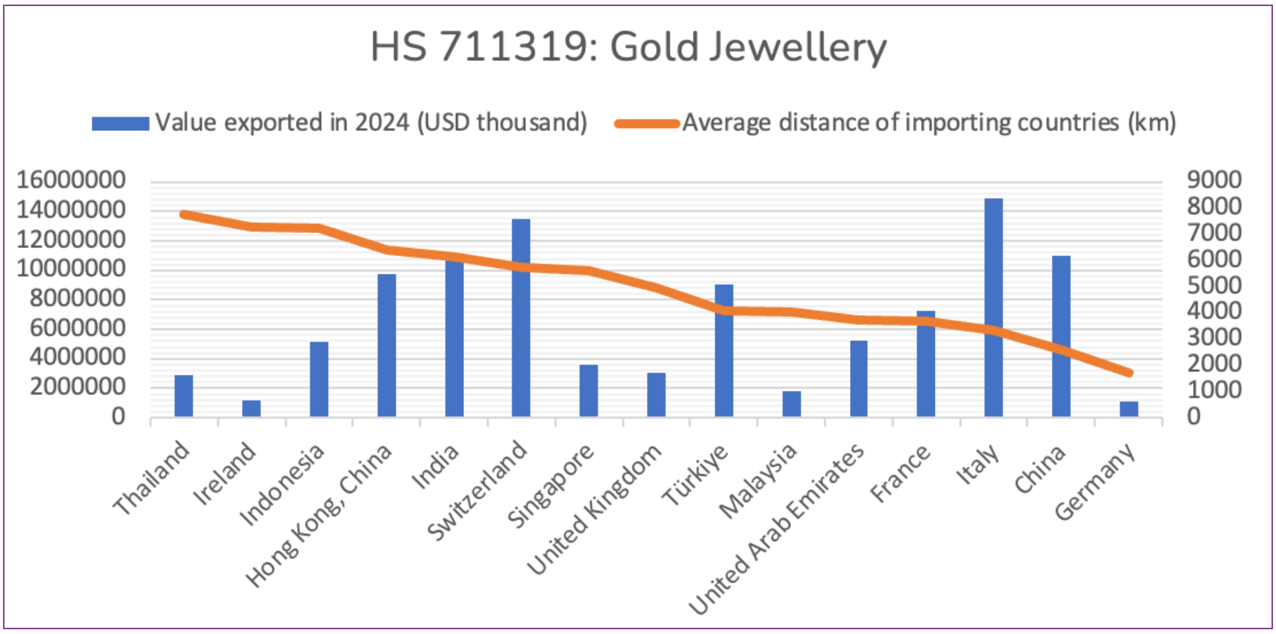
The data reflects that India not only maintains the highest global market share in cut and polished diamond exports but also enjoys a diversified geographical reach. This indicates India's mature integration into global diamond value chains and its capacity to serve long-distance markets. There is competition from Israel and Hong Kong, However, Israel is more of a trading hub, rather than a manufacturing hub. [9] Hong Kong's jewellery industry primarily export oriented and a re-export hub of India and Mainland china's products. [10]

Figure 3.2



Data Source: ITC Trade Map

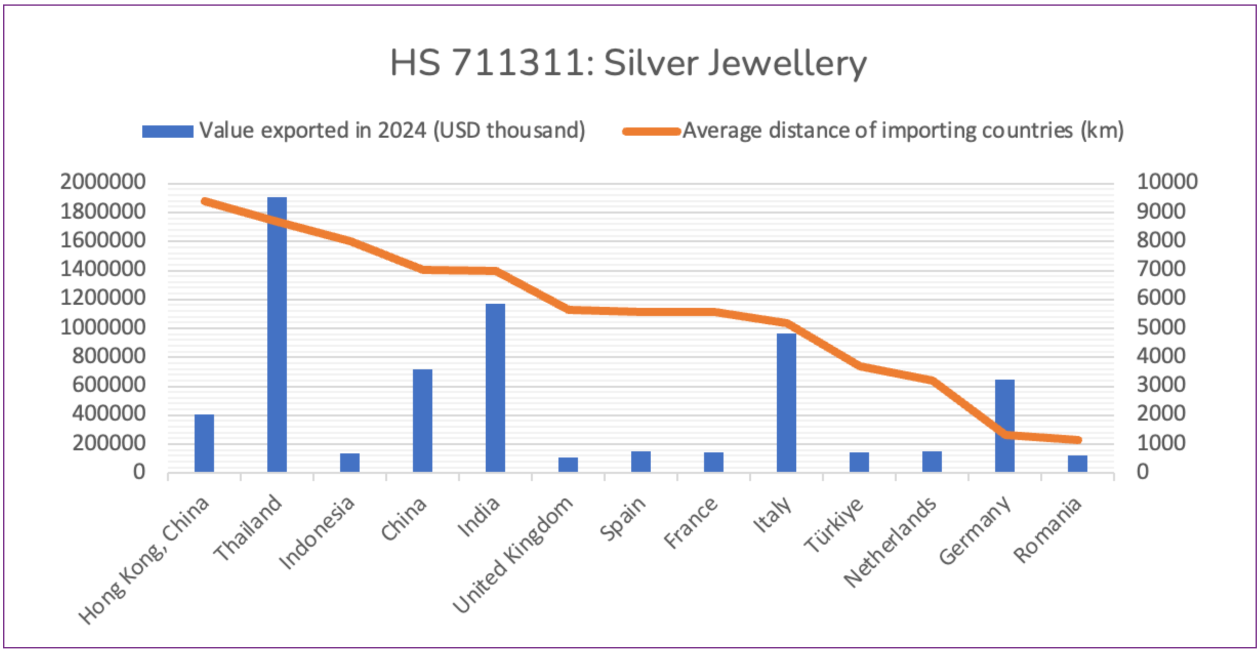
Figure 3.3



Data Source: ITC Trade Map

Most of India's gold jewellery exports cater to the demands of the South Asian population settled overseas. However, the global jewellery market also includes the demands of the Caucasian customer, who prefers lightweight machine-made jewellery rather than handmade jewellery. It may be noted that countries such as Turkey, Thailand, and China are aspiring to become larger players in this segment, as should India. [11] India's gold jewellery exports exhibit a distinct pattern compared to those of European exporters and Asian exporters. European countries, such as Italy and Switzerland, record higher export values, but their average distance to importing countries is significantly lower, meaning that most of their trade likely occurs within nearby Caucasian markets. In contrast, Asian exporters such as India, Thailand, Indonesia and Hong Kong trade with more distant markets, yet their export values are lower. This reflects differences in market structure, demand, and pricing levels.

Figure 3.4



Data Source: ITC Trade Map

The silver jewellery market shows strong competition among several Asian exporters. The exports are concentrated in a few key destinations, reflected in its high HHI (Herfindahl–Hirschman Index) as shown earlier. India's silvery jewellery export market is less diversified and depends heavily on a limited trading partners located in comparatively closer periphery. In contrast, Thailand's larger export volume and broader market reach suggest a more competitive and diversified structure. Overall, while India remains an important player in silver jewellery exports, it faces strong regional competition and needs to expand to new markets to reduce concentration risks.

Figure 3.5

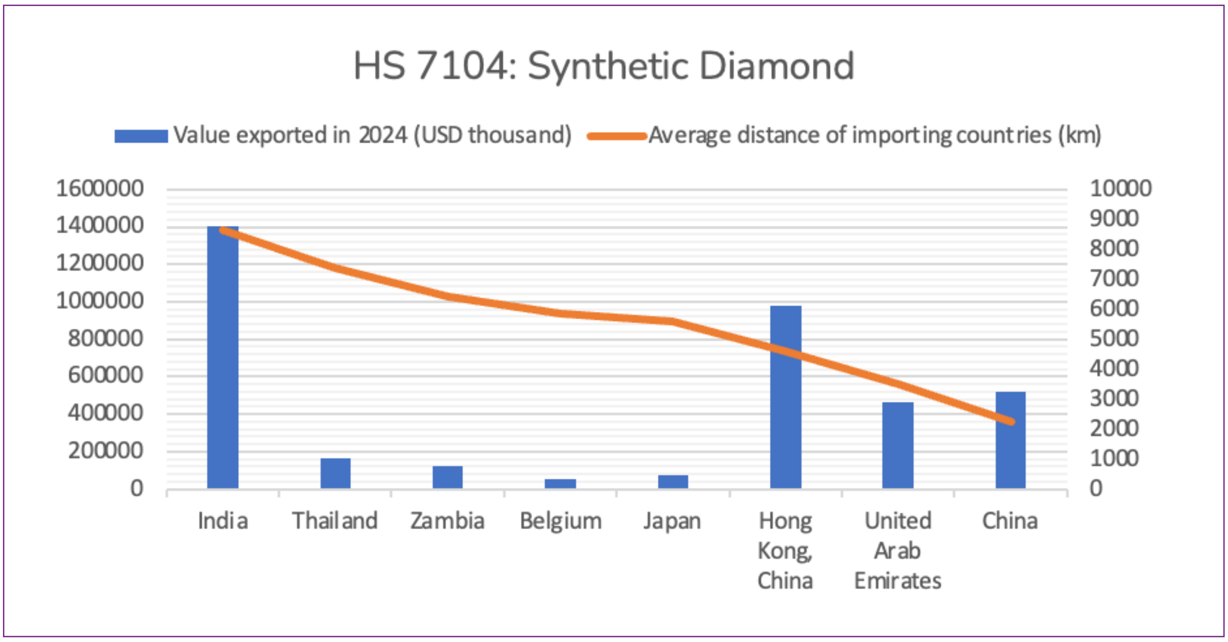
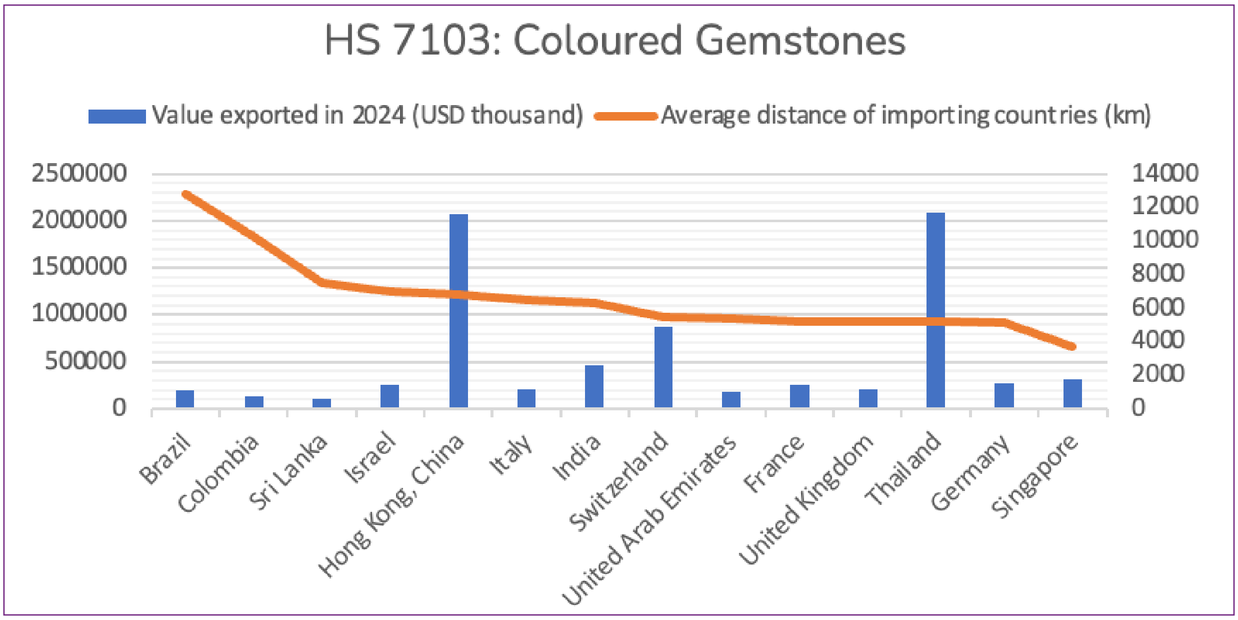


Figure 3.6

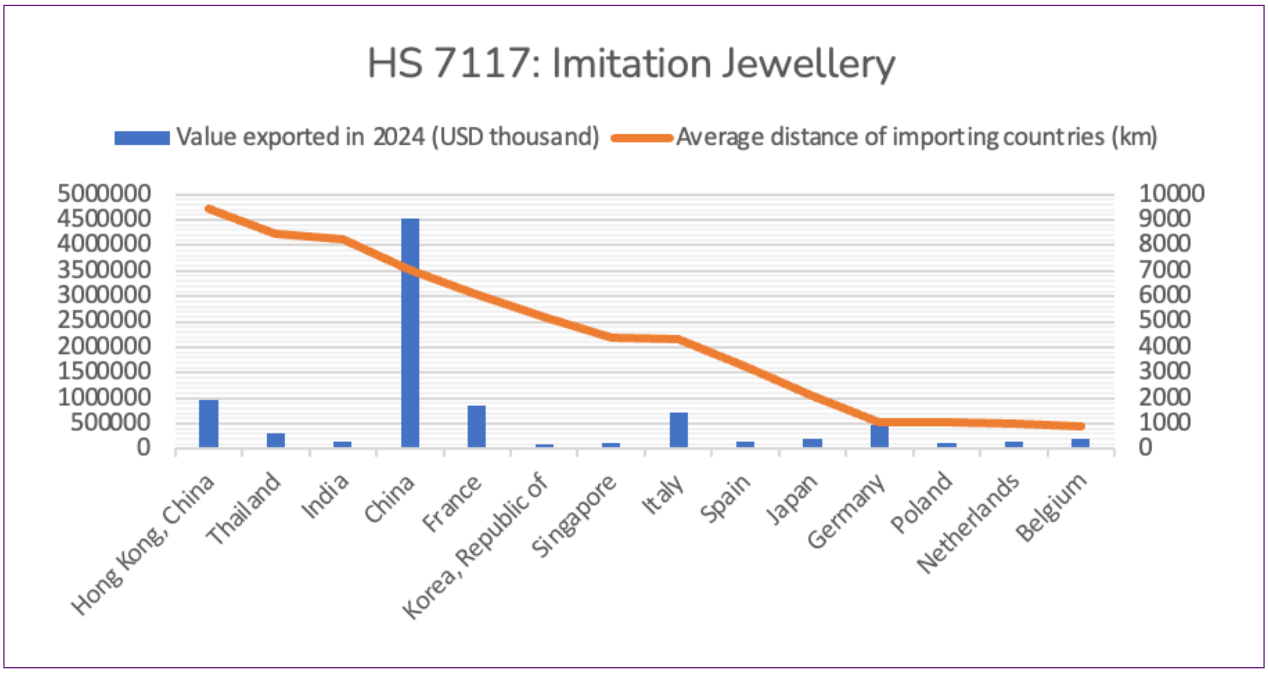


Data Source: ITC Trade Map

India remains unbeatable in synthetic diamond exports, holding a commanding lead far ahead of all other countries. Its export value is several times higher than that of Thailand, Hong Kong, or China, showing India's global dominance in production capacity and technological edge. This leadership reflects India's well-established cutting and polishing industry and its strong integration into global supply chains.

India's exports of coloured gemstones remain moderate compared to major players like Thailand and Switzerland, which lead the market with much higher values. India's average export distance is shorter, showing its trade is mainly focused yet diversified (low HHI) into nearby regional markets rather than distant.

Figure 3.7



Data Source: ITC Trade Map

China dominates the export value of imitation jewellery, holding the largest share in global trade. Despite India's low overall trade value, its low HHI indicates that these exports are spread across many countries rather than concentrated in a few. In other terms, China leads in volume and market strength, while India has a wider reach but limited depth, exporting smaller quantities to many far-off destinations. This gives India diversity in markets but less influence on global trade value.

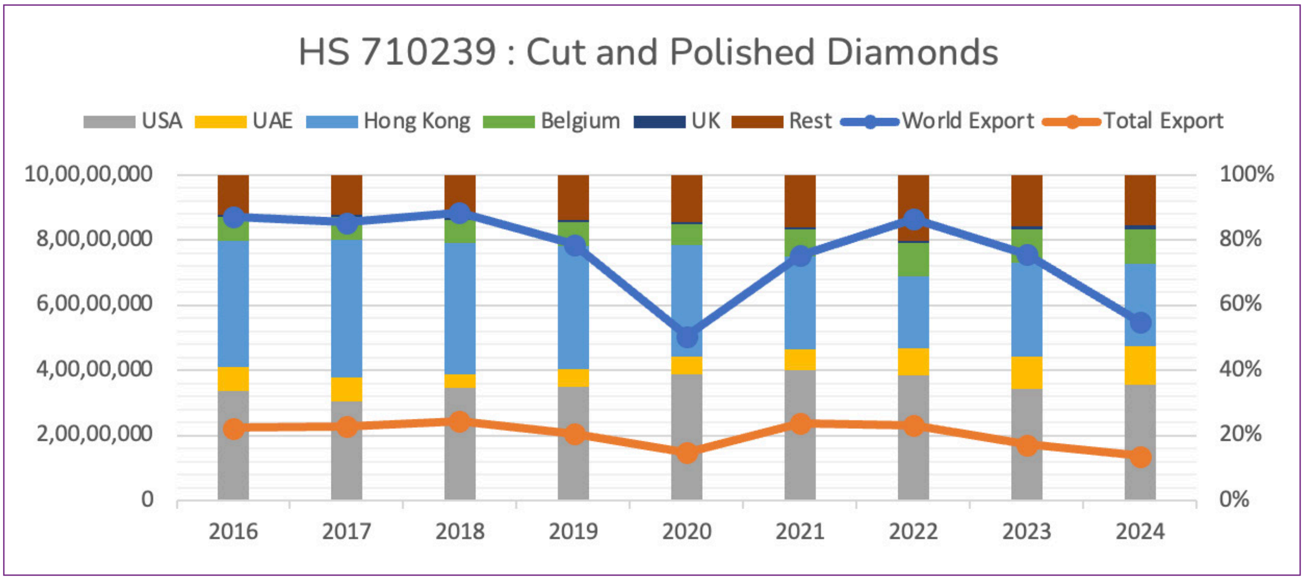
The overall picture from the HHI and distance measures is that while some categories exhibit healthy diversification across far-flung markets, others remain tied to either a handful of destinations or nearby regions. The combination of both indicators explains that strength lies in categories with diversified buyers spread across longer distances. At the same time, risks persist in jewellery products where dependence on a few nearby or distant markets remains high. This mix of strengths and vulnerabilities underscores the need to examine more closely where concentration lies. To address this, the next chapter of the paper turns to the Concentration Ratio (CR4), which identifies the top four importing countries for each product. By doing so, it sheds light on the precise markets driving concentration and helps explain which destinations dominate India's gems and jewellery exports.

3.3 Export Concentration - CR4

The world and India's trade may look steady, but beneath the surface, countries are constantly shifting places. There is a lot of movement in that distribution as nations climb and descend the export concentration ladder.

The Concentration Ratio indicates the total share of k countries that have the largest shares in the exports of a commodity group. It is denoted by CR(k) and calculated. In most applications, CR (4), CR (8) or CR (16) are used; the selection of k is arbitrary. [12] In Figure 3.8 and subsequent others, the left axis measures the export value of India and the world for the product (in USD), while the right axis shows the percentage share of different importing countries in India's total exports of that product.

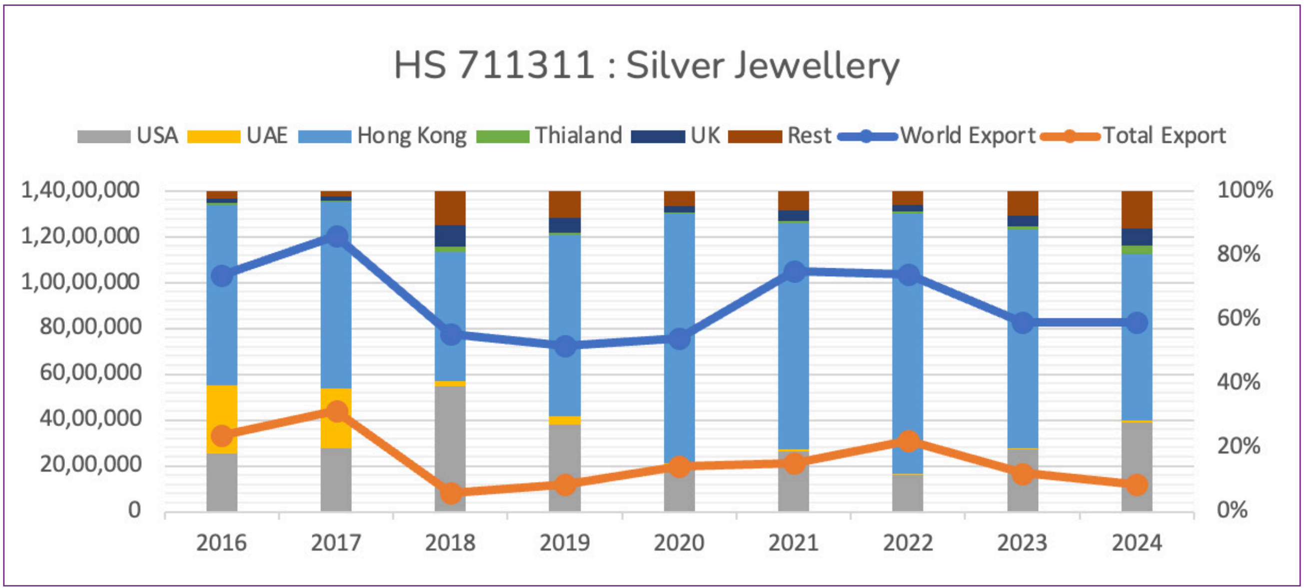
Figure 3.8



Data Source: ITC Trade Map

The export pattern for cut and polished diamonds (HS 710239) in Figure 3.8 reflects a gradual but encouraging shift towards diversification. In 2016, the top four importing countries together accounted for nearly 87% of India's exports, but by 2024 their combined share had declined to around 83%. The structure of dependence on a concentrated group of buyers remains essentially unchanged from 2016-24. It remains concentrated in the markets of the USA, Hong Kong, the UAE, and Belgium. While the bulk of trade is still concentrated in a few major destinations, the change signals that newer and smaller markets are slowly expanding their role in India's diamond exports.

Figure 3.9

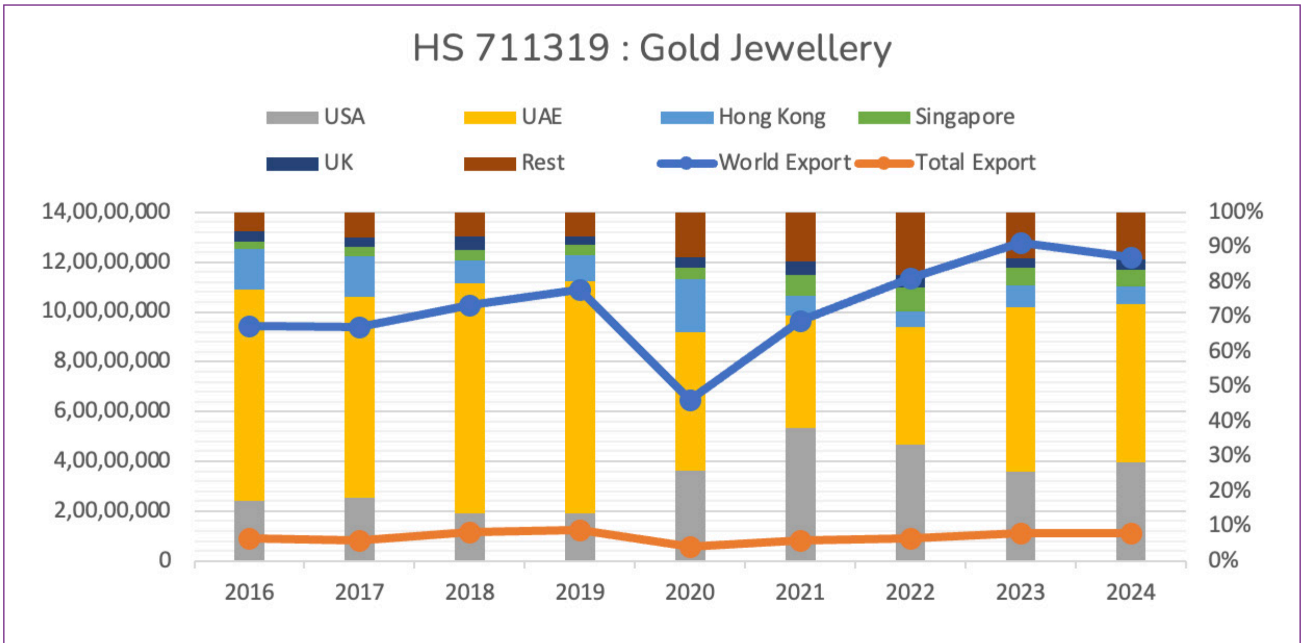


Data Source: ITC Trade Map

India's silver jewellery (HS 711311) exports to global markets are overwhelmingly driven by Hong Kong, with the UAE market nearly disappearing. While the United States remains an important destination, the increase in the presence of other regions in the trade basket from the 2016 level indicates that India is gradually reducing its reliance on a few geographies. The share of the top four import destinations has declined from 97% in 2016 to 87% in 2024. In 2016, the four countries that comprised 97% were Hong Kong, the UK, the USA, and the UAE. In 2024, Thailand replaced the UAE.

The role of the UAE has clearly diminished since 2017–2018. Earlier, the UAE acted as a central re-export hub for Indian jewellery. [13] Therefore, the fall in its share points to a redirection of trade routes and the strengthening of direct links with end markets such as the USA and ASEAN. This shift underlines a structural change: India is gradually reducing its dependence on intermediary markets and establishing a more diversified and direct export footprint.

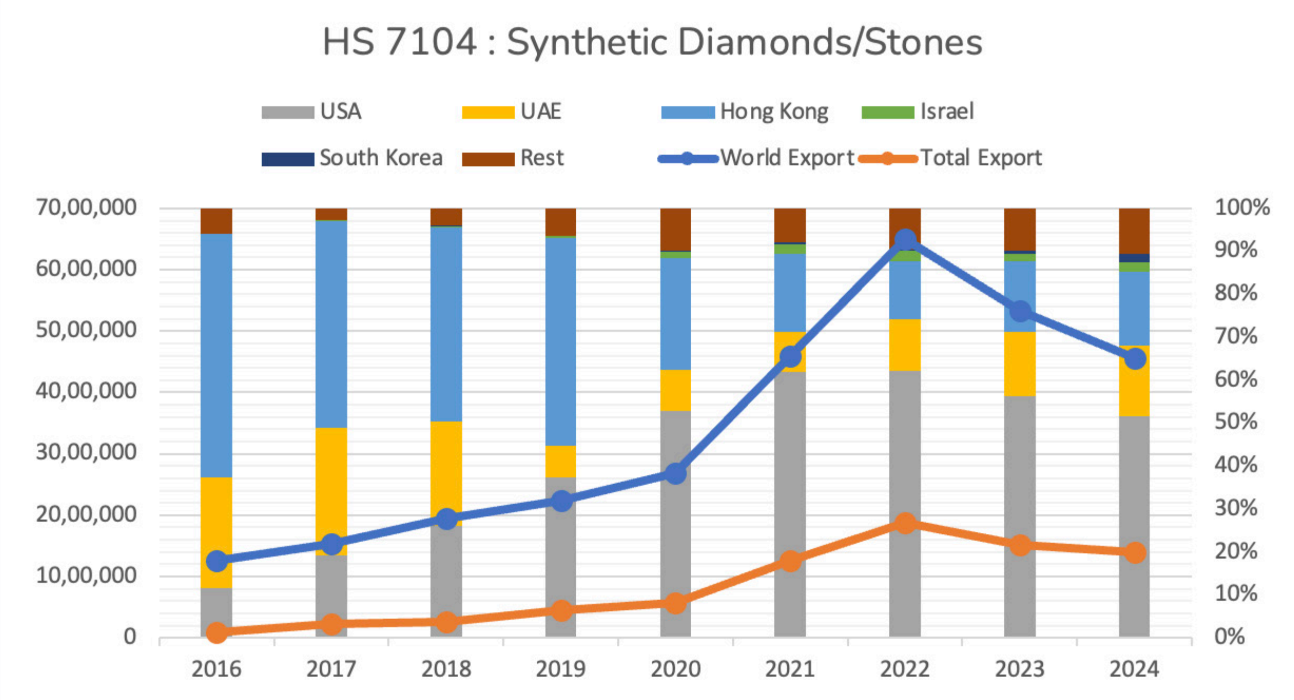
Figure 3.10



Data Source: ITC Trade Map

For gold jewellery, the share of the top four import destinations has declined from 92% in 2016 to 83% in 2024. India's gold jewellery exports continue to move towards reducing concentration in a few key import markets. With the UAE continuing to play a central role as the dominant destination, Singapore replaced the UK as the fourth country in the concentration ratio by 2024. The gradual rise of smaller markets is bringing modest diversification.

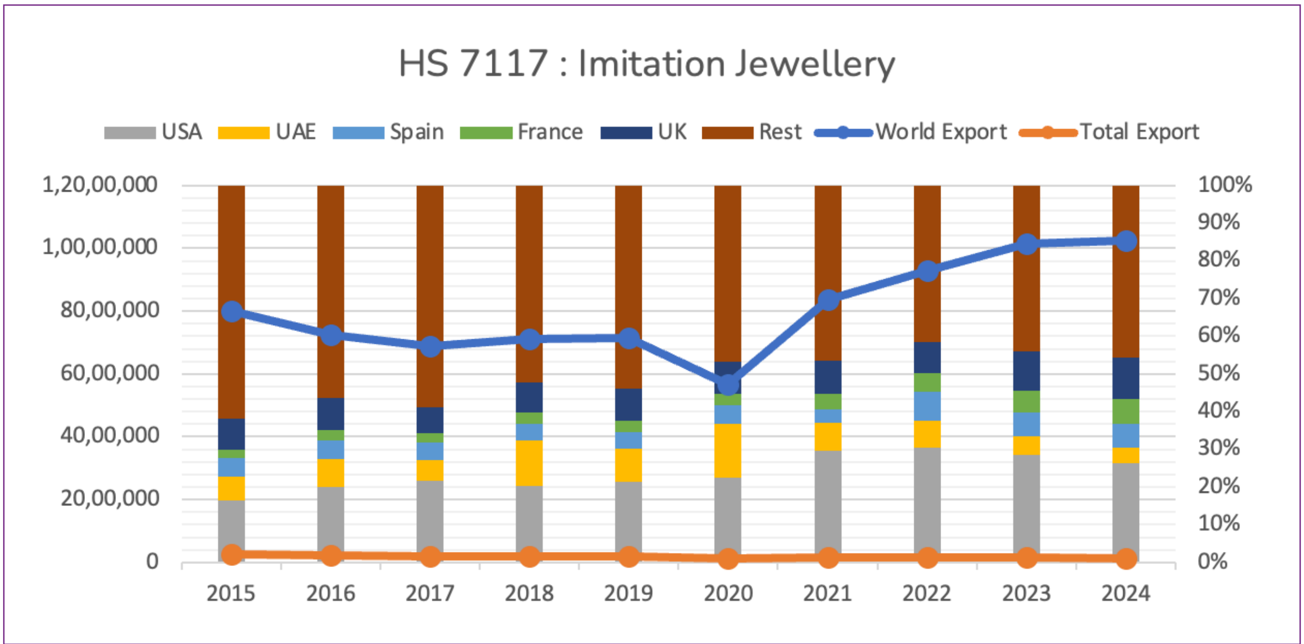
Figure 3.11



Data Source: ITC Trade Map

As shown in Figure 3.11, the share of the top four import destinations declined from 93% in 2016 to 87% in 2024, comprising the USA, Hong Kong, the UAE, and Israel in the latter year. The rise in the USA's share in synthetic diamond is unmatched, unlike in the previous three products.

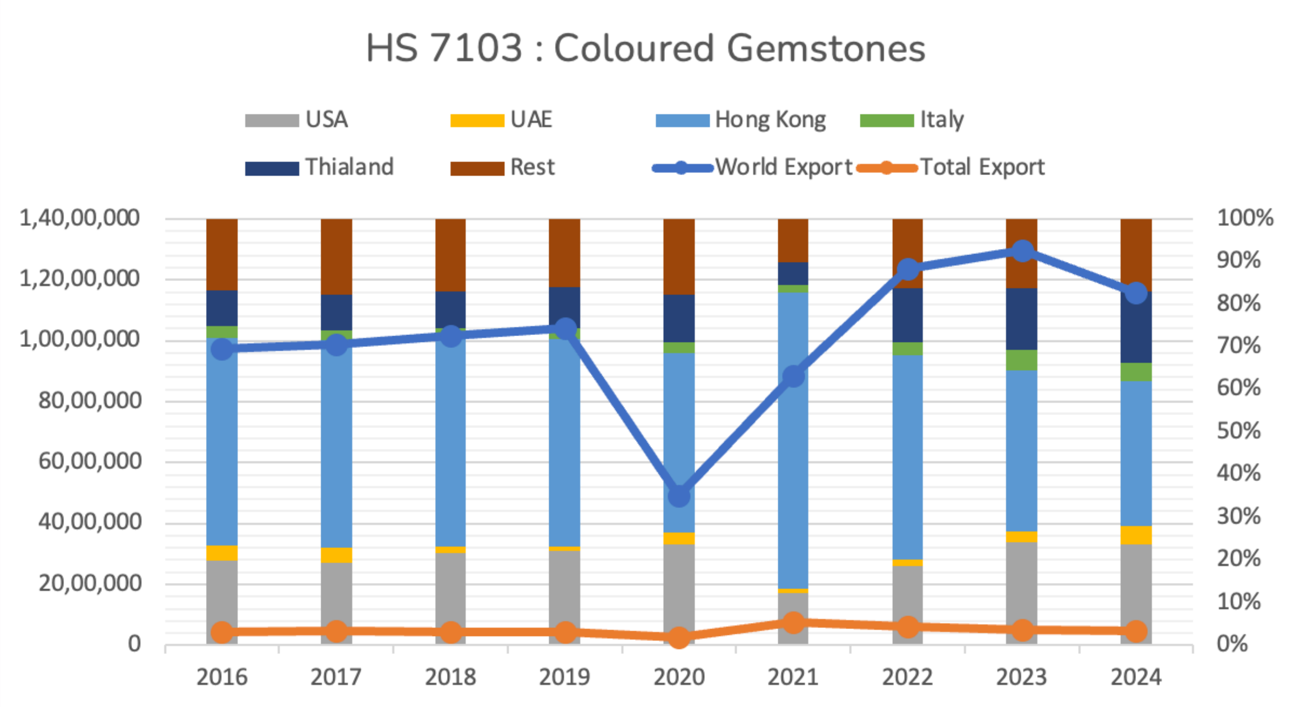
Figure 3.12



Data Source: ITC Trade Map

For imitation jewellery, the share of the top four import destinations has risen from 42% in 2016 to 50% in 2024, with a significant portion going to the USA, as shown in Figure 3.8. This is reflected in the product's lowest HHI amongst all other products in Figure 3.12.

Figure 3.13



Data Source: ITC Trade Map

As shown in Figure 3.13, for coloured gemstones, the share of the top four import destinations has declined from 2016's 80% to 78% in 2024. The USA, Hong Kong, Italy, and Thailand are the CR4 countries in 2024. UAE is gaining its lost though small ground from 2021.

Export diversification has been a gradual and episodic process, but it is achievable. Diversified growth experience over the last decade can further change the face of India's exports in the challenging global times. The entry and growth of other destinations—though modest—indicate that Indian exporters are starting to tap into a broader market. The trend is significant because even small reductions in dependence on the largest markets enhance resilience against external shocks, such as tariff hikes or shifts in consumer demand.

If this trajectory continues, it could provide greater stability to the sector and strengthen India's position in the global value chain. Domestic policy priorities and the import policies of partner countries partly shape the trajectory observed in HHI, CR4, and geographical indicators.

In the future, these trends will continue to depend on the trade tariff structure of importing countries, as tariff hikes on luxury goods reduce competitiveness, although global demand diversification partly cushions the impact. [3]

The tariff elasticity of exported products, especially in key markets like the United States, plays an important role here. The USA has remained one of India's most consistent trading partners, but its position as a prime importer is now at risk, with an exposure of nearly $10 billion in 2024. A series of shocks has already hit the industry, yet the imposition of a steep 50% tariff is unprecedented in trade history. This development warrants a closer examination of USA trade policy towards India's labour-intensive sectors, which now stand at a critical juncture.

4. The USA Policy

The United States' trade policy often harms critical exports from developing countries.

The withdrawal of Generalised System of Preferences (GSP) benefits for key jewellery products in 2007, 2008, and 2009 resulted in the attraction of an MFN rate of around 5-6% at US customs territories and a decline in exports of various high-volume jewellery products from India. [14]

In June 2021, the United States proposed imposing additional duties of up to 25% on a list of 42 Indian products, including seventeen from Chapter 71 – Gems and Jewellery. [15] These 17 items, covering key jewellery categories, were targeted to offset the revenues India collected through its digital services tax on USA non-resident technology firms. However, the tariff hike was suspended for 180 days while negotiations continued under the OECD/G20 framework on global digital taxation.[15], [16] By November 2021, India and the USA reached a bilateral understanding that India would phase out its equalisation levy once the multilateral tax agreement came into effect.17 Consequently, the proposed tariffs on gems and jewellery were indefinitely suspended, ensuring uninterrupted access for Indian exports to the USA market.

The G7 nations introduced a prohibition on the import of non-industrial diamonds mined, processed or produced in Russia as part of the 12th round of sanctions in 2024.[18] Such steps tend to hurt those lower in the supply chain, such as India.[18], [19]

United States (USA) President Trump issued an Executive Order on 6 August 2025, imposing an additional 25% ad valorem duty on certain imports from India due to its indirect importation of Russian oil, increasing the cumulative additional tariff on Indian goods to 50% ad valorem.[20] It can squeeze margins and threaten its global competitiveness, unlike rival suppliers, it gives other countries' exporters an unnatural chance to seize USA market share at India's expense.

Tariffs are neither an effective nor an efficient intervention. The United States and net foreign trade deficit in goods and services have featured in the same sentence since 1976. Therefore, the universal imposition of reciprocal tariffs need not improve the trade balance, nor will they necessarily create manufacturing jobs in the USA. They will raise prices to consumers and penalise export firms, which are exceptionally dynamic and productive. [21]

When the USA withdrew India's Generalised System of Preferences (GSP) benefits in 2007, gold jewellery exports plummeted 50% from $2.21 billion to $1.01 billion within a year, recovering only after 15 years. [22]

Despite the hostile policy, the G&J sector has remained resilient in securing the USA Market. The United States remains a cornerstone of Indian products' demand. With its high purchasing power, large consumer base, and status as the world's leading jewellery market, the USA should not be overlooked.

The trade diversion strategy outlined in the following subchapter could emerge as one of the viable ways for India to sustain its export growth until an FTA is signed between India and the USA. The concept of trade diversion originates from Viner's (1950) customs union theory. Recent empirical work confirms that when tariffs target one country, exporters often reroute goods through alternative markets or intermediaries. Bown and Irwin (2019) showed evidence of Chinese exporters rerouting products through Vietnam and Mexico during the USA–China trade war. India, as a global exporter in multiple product lines, faces both risks (loss of USA market share) and opportunities (gaining share if competitors are targeted and targeting favourable re-export hubs).[3]

Hence, even under a 50% tariff regime, India has strong incentives to retain its presence, which will ensure that its dominance in diamonds and jewellery remains intact even under tariff pressure.

4.1 India's Supply Chains Agility - REP and RCA

As noted in Development Economics by Debraj Ray, Chart 10 in Parente and Prescott (1993) illustrates countries that experienced varying changes in income relative to the United States between 1960 and 1985. Building on that framework, this paper applies a similar approach to the gems and jewellery sector — not to compare per capita income, but to assess relative export performance. Here, the comparison focuses on how the exports of other competing countries to the United States grew in comparison to India during the period 2015–2024. The average growth rate of a variable if we know its value at two different times can be estimated through the formula: [23]

$$g = \frac{\ln\left(\frac{Xt}{X0}\right)}{t} \qquad \text{(i)}$$

and when measuring it relative to India (relative export performance), the formula can be extended to·

$$g = \frac{\ln\left(\frac{Xi,2024/XIND,2024}{Xi,2015/XIND,2015}\right)}{t} \qquad \text{(ii)}$$

Where:

- g is the annualized growth rate of country i's exports to the USA relative to India over the period,
- Xi,t represents exports in G&J from country i to the United States in year t,
- XIND,t represents India's exports in G&J to the United States in year t,
- t is the number of years (here, 10 years from 2015 to 2024).

This transformation allows for direct comparison of how a country's export share to the USA has changed relative to India's. A positive value of g indicates that country i has increased its export share to the USA market faster than India, implying competitive gains, whereas a negative g implies a relative decline. Between 2015 and 2024, India's gems and jewellery exports to the USA have grown steadily; however, several other countries have outpaced India in the pace of growing their share of the American market, while some have seen their export growth rate to the USA market shrink relative to India.

A 50% tariff imposed on Indian G&J exports could result in these high-growth countries as the most likely beneficiaries. They are already expanding rapidly and would be well-positioned to capture the demand that India might lose. Meanwhile, countries with a shrinking growth rate relative to India are unlikely to be the first beneficiaries unless they make significant changes to become more competitive and have favourable tariffs. These faster-growing countries with import tariffs more competitive than for India can be potential partners or benchmarks, and India can explore utilising them as re-export hubs to expand its market presence and improve competitiveness.

The increasing volatility of international markets, variability in demand, changes in tariff rates, and the risk of supply chain disruptions all require the design of supply chains to be more cost-efficient, agile, and resilient. To meet such demands, hub economies have emerged, providing integrated services solutions to supply chain management and addressing various needs for logistics, distribution, business, and financial services. [24]

Some countries known for their re-exporting activities include Hong Kong, Singapore, the United Arab Emirates (UAE), the Netherlands, Belgium, Switzerland, and Panama. [25] Indian jewellery is re-exported to many other destinations across Africa, the Middle East and Europe – through hubs such as Dubai and Singapore.[26]

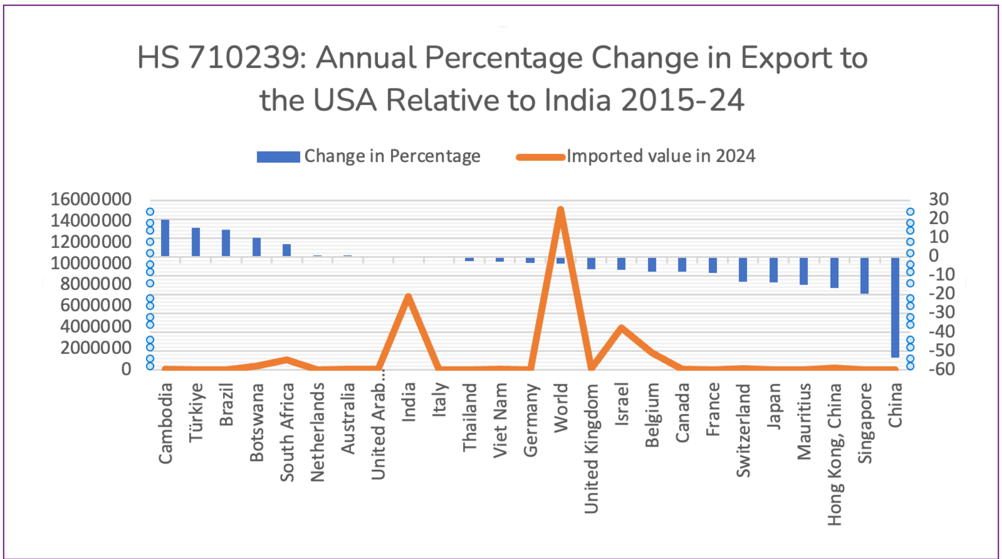
In Figure 4.1 and subsequent graphs of relative export performance, the left axis represents the total value of U.S. imports (in USD) of the product from India, competing countries, and the world in 2024, while the right axis shows how much faster or slower other countries' exports to the U.S. have grown compared to India's exports during 2015–2024.

When coupled with revealed comparative advantage, this analysis can highlight countries with lower RCA than India, indicating where India has a stronger export position and potential to partner with them as re-export hubs. It shows where India risks losing competitiveness in the USA market and where new opportunities exist to expand exports. Revealed Comparative Advantage (RCA) is a simple way to measure whether a country is especially good at exporting a particular product compared to the world average. If the RCA value is above 1, it means the country is relatively strong in that product; if it is below 1, the country is weaker in that product's exports. A product with high RCA is competitive and can be exported to countries with low RCA. The RCA index was developed by Balassa (1965). [27]

$$RCAij = \frac{(Xij\ /Xit\ )}{(Xwj\ /Xwt\ )} \qquad \text{(iii)*}$$

The RCA of the product for 2024, forms a downward flow, showing how exports move from countries with high RCA at the top to those with lower RCA at the bottom. Tariff or no tariff, countries lying below India are favourable markets for its products.

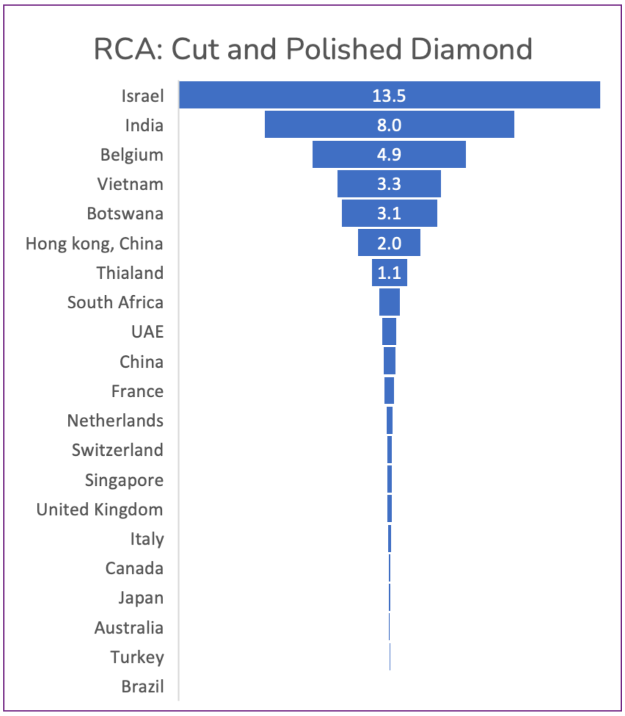
Figure 4.1



While India's exports to the United States remain dominant, Figure 4.1 reveals that several countries, such as the Netherlands, Turkey, Brazil, Australia and the UAE, grew their diamond exports to the USA at a faster annual rate than India between 2015 and 2024.

Figure 4.2 highlights that countries like Israel and Belgium — traditional rivals — are either facing stagnation or a mixed trajectory. Israel's RCA surges higher than India's, but its rate of growth of exports to the USA has declined relative to India's. This divergence suggests structural disadvantages or a repositioning of their industries. India, therefore, stands to benefit from the space these competitors are leaving behind. The UAE stands out as a special case: its RCA remains under 1, indicating weak local competitiveness, yet its rate of export growth to the USA surpasses that of India. The UAE offers a particularly attractive channel due to the India-UAE CEPA agreement, which grants Indian goods preferential tariff treatment.

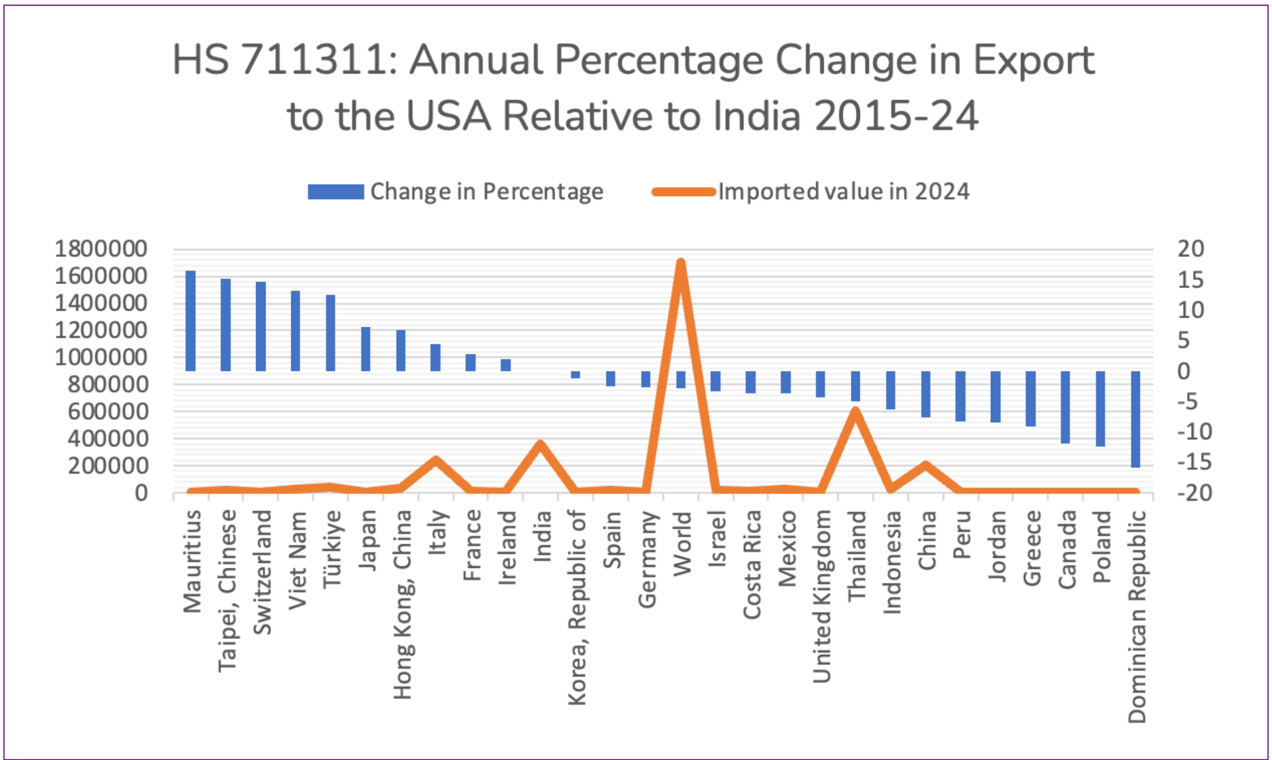
Figure 4.2



Data Source: ITC Trade Map. Calculation done in Excel.

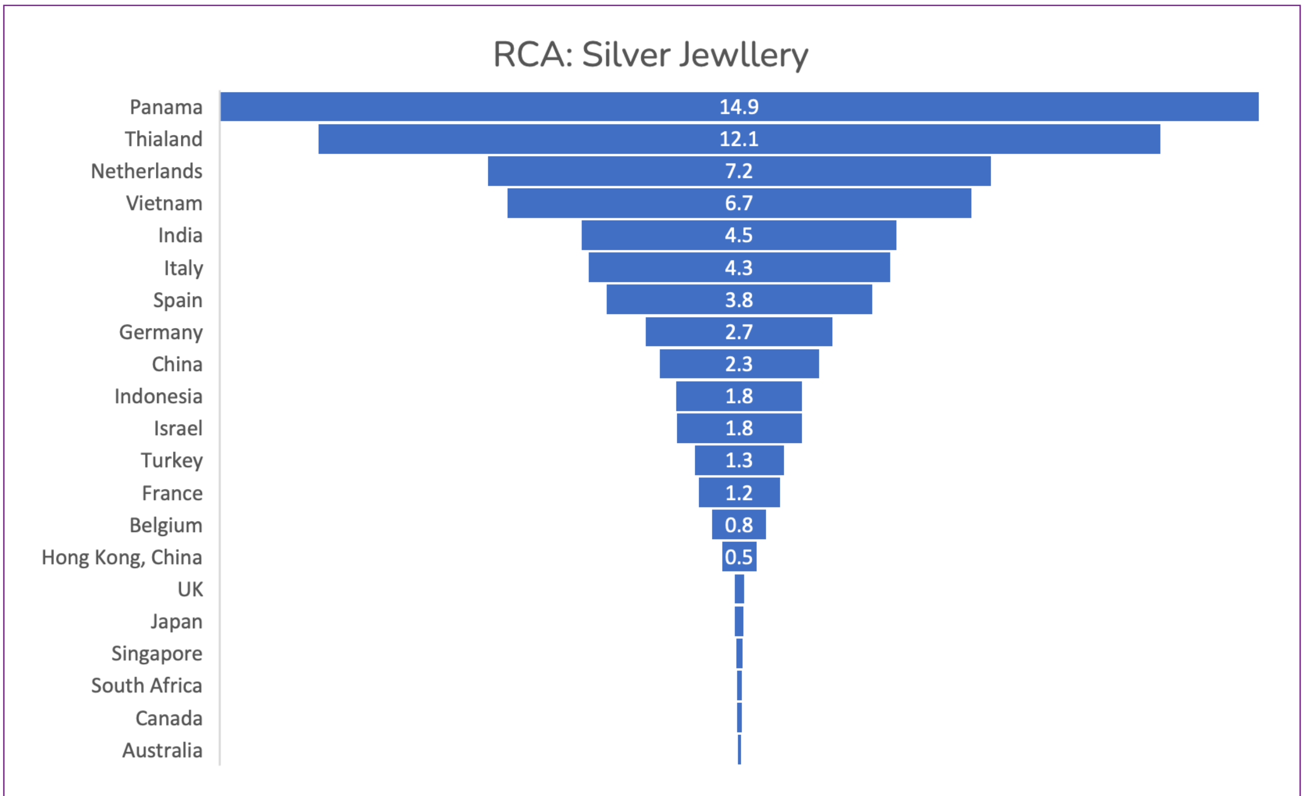
**Where Xij = India's exports of product j; Xwj = World exports of product j; Xit = India's total exports and Xwt = World total exports.*

Figure 4.3



Data Source: ITC Trade Map. Calculation done in Excel.

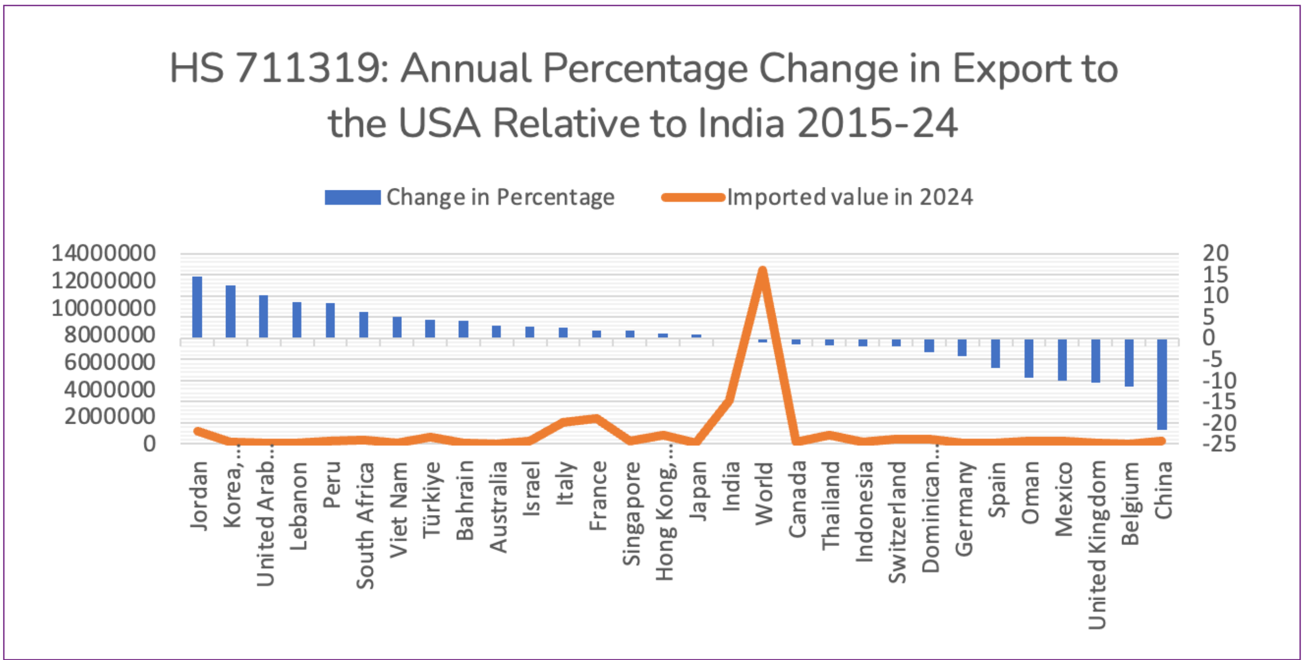
Figure 4.4



Data Source: ITC Trade Map. Calculation done in Excel.

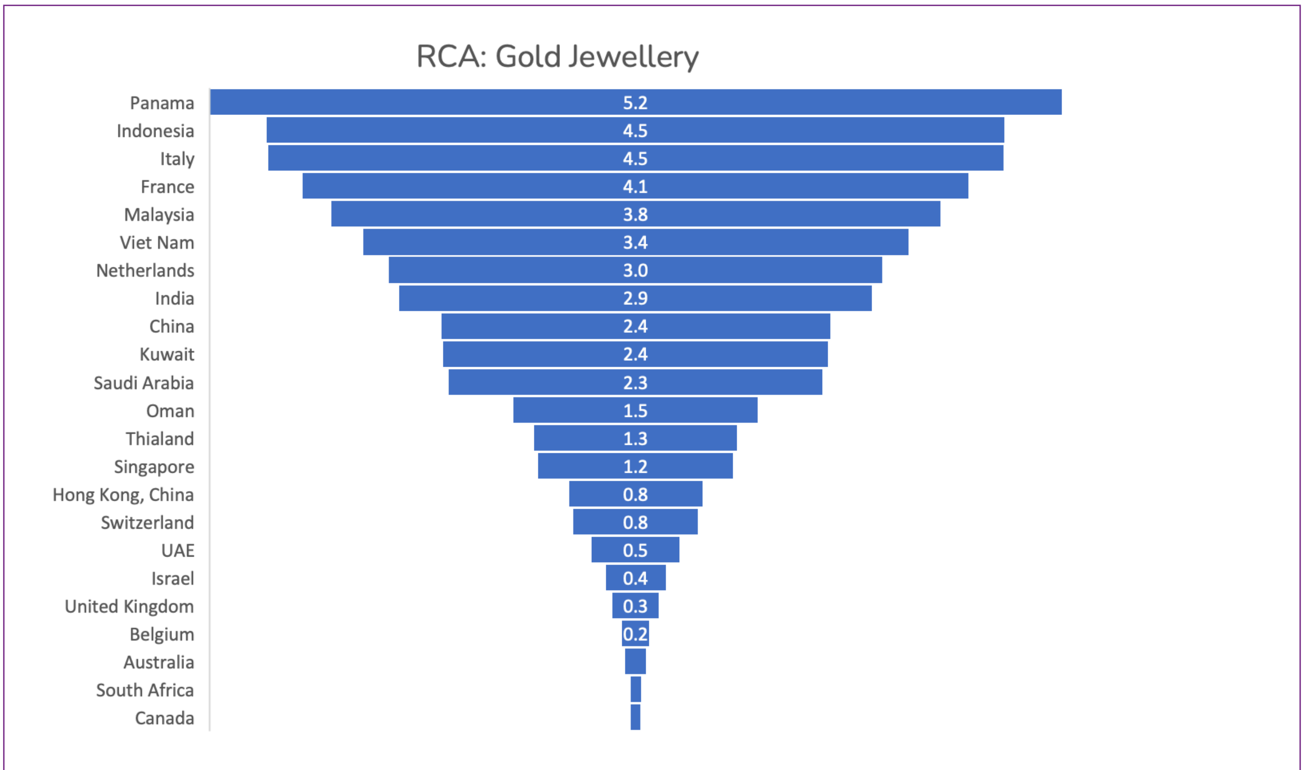
In Figure 4.3, countries such as Switzerland, Vietnam, Turkey, and Hong Kong recorded a faster annual growth in silver jewellery exports to the USA than India during 2015–24. When combined with the RCA graph in Figure 4.4, if these countries have a lower RCA than India, they represent favourable markets for India's re-export and trade expansion. Otherwise, India may face stronger competition from them in the USA market, for example, Vietnam.

Figure 4.5



Data Source: ITC Trade Map. Calculation done in Excel.

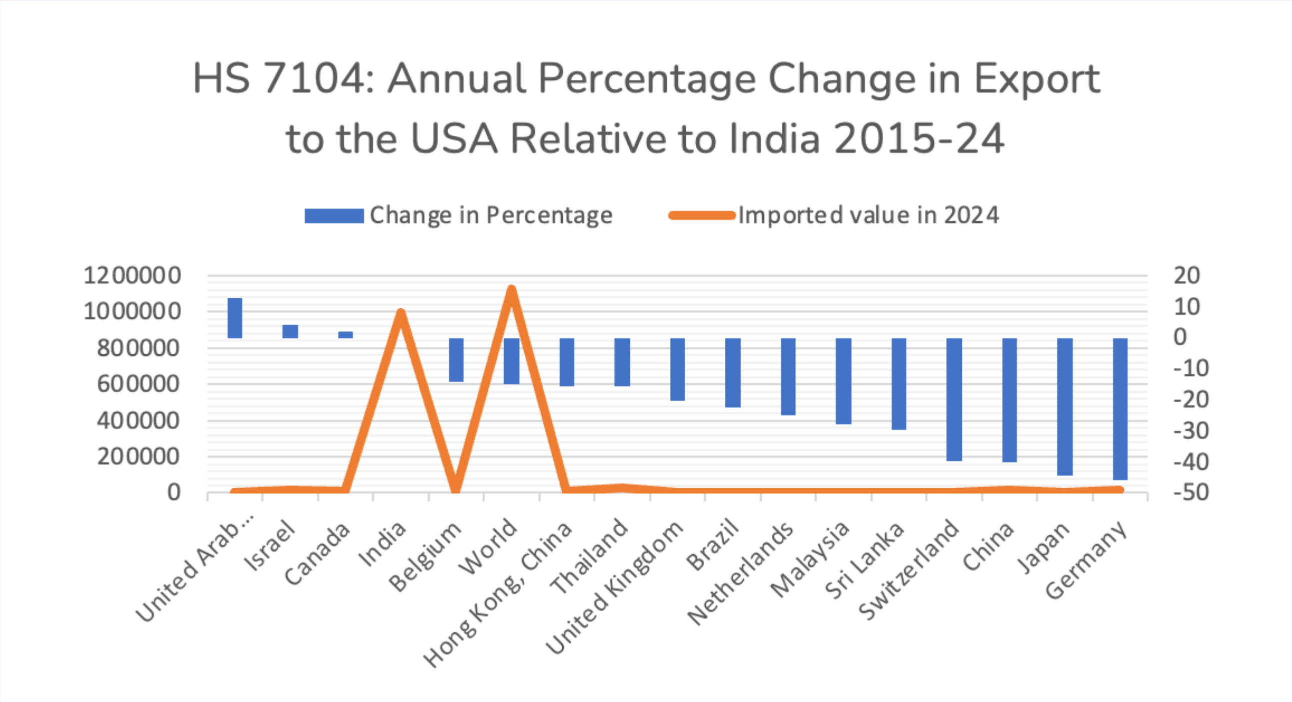
Figure 4.6



Data Source: ITC Trade Map. Calculation done in Excel.

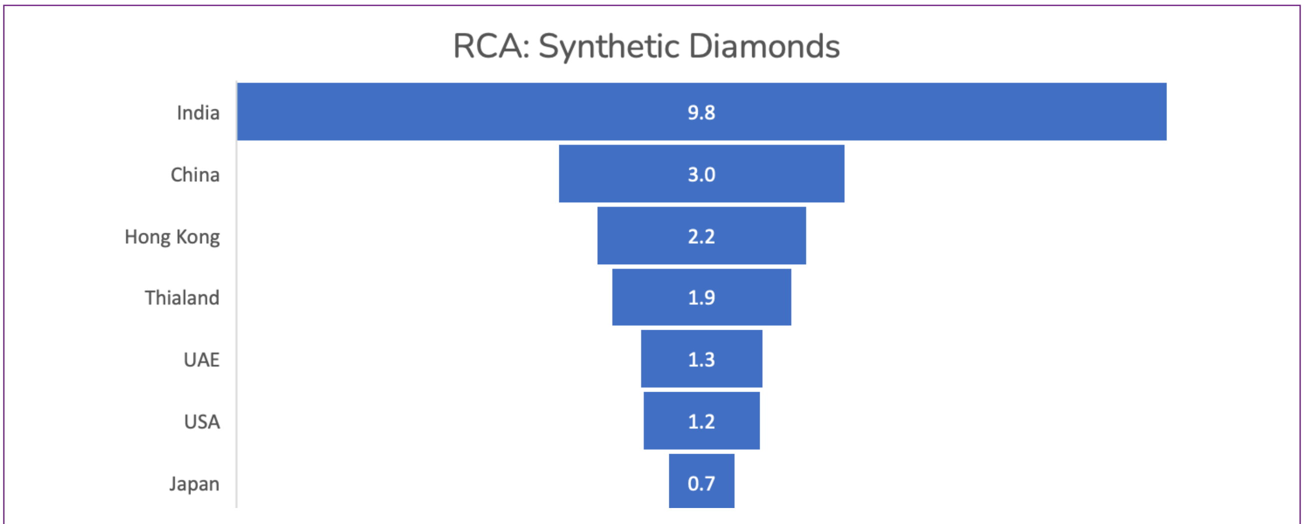
Since countries with a lower RCA and a stronger rate of export growth provide opportunities for Indian goods, such as gold jewellery. The export market for this product in the USA is crowded and poses high competition to India. In contrast, the UAE, Hong Kong, and Singapore emerge as key trading hubs for Indian exports. In terms of RCA, many ASEAN nations surpass India in terms of trade flow structure whereas Indian gold jewellery products are set to thrive in the Middle East, as countries like Oman, Kuwait, and Saudi Arabia have a lower RCA than India, making a case for demand-pull trade in those regions.

Figure 4.7



Data Source: ITC Trade Map. Calculation done in Excel.

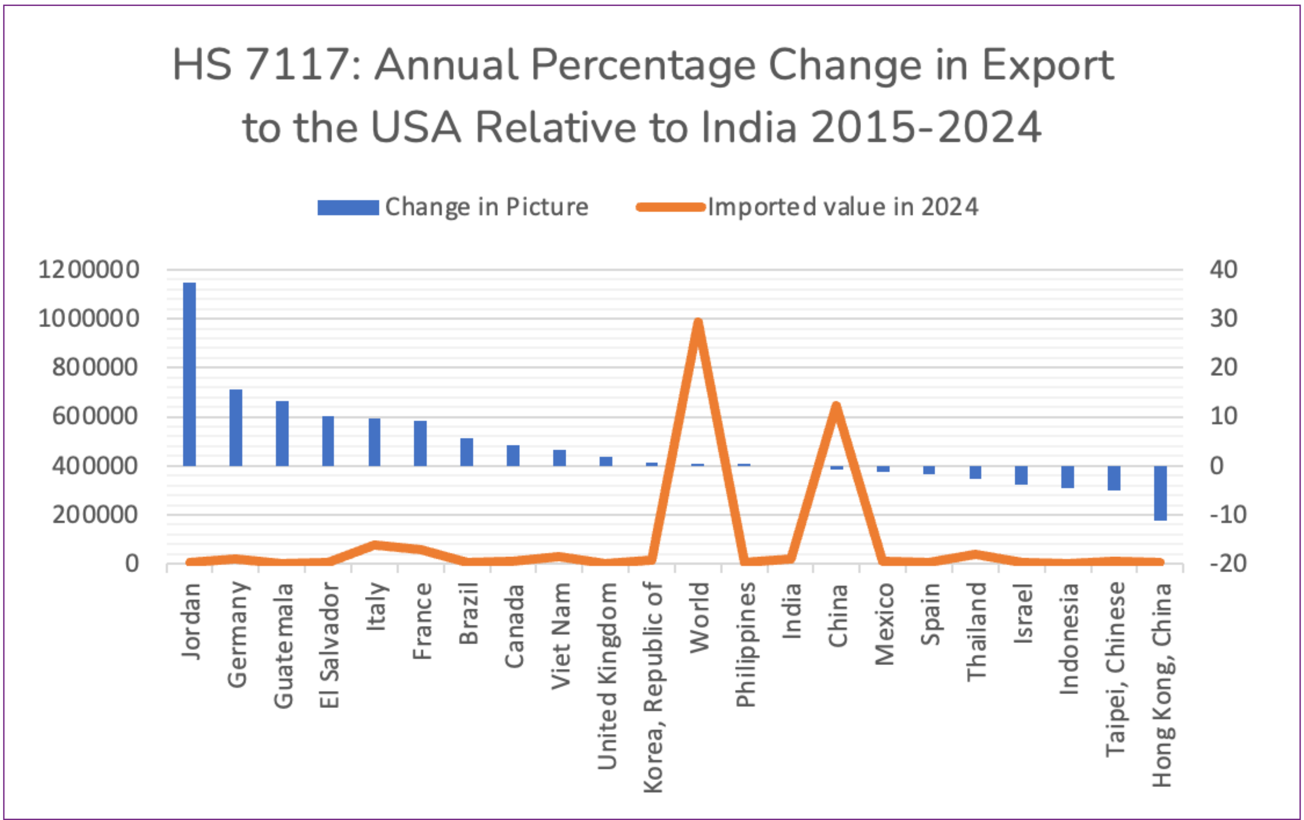
Figure 4.8



Data Source: ITC Trade Map. Calculation done in Excel.

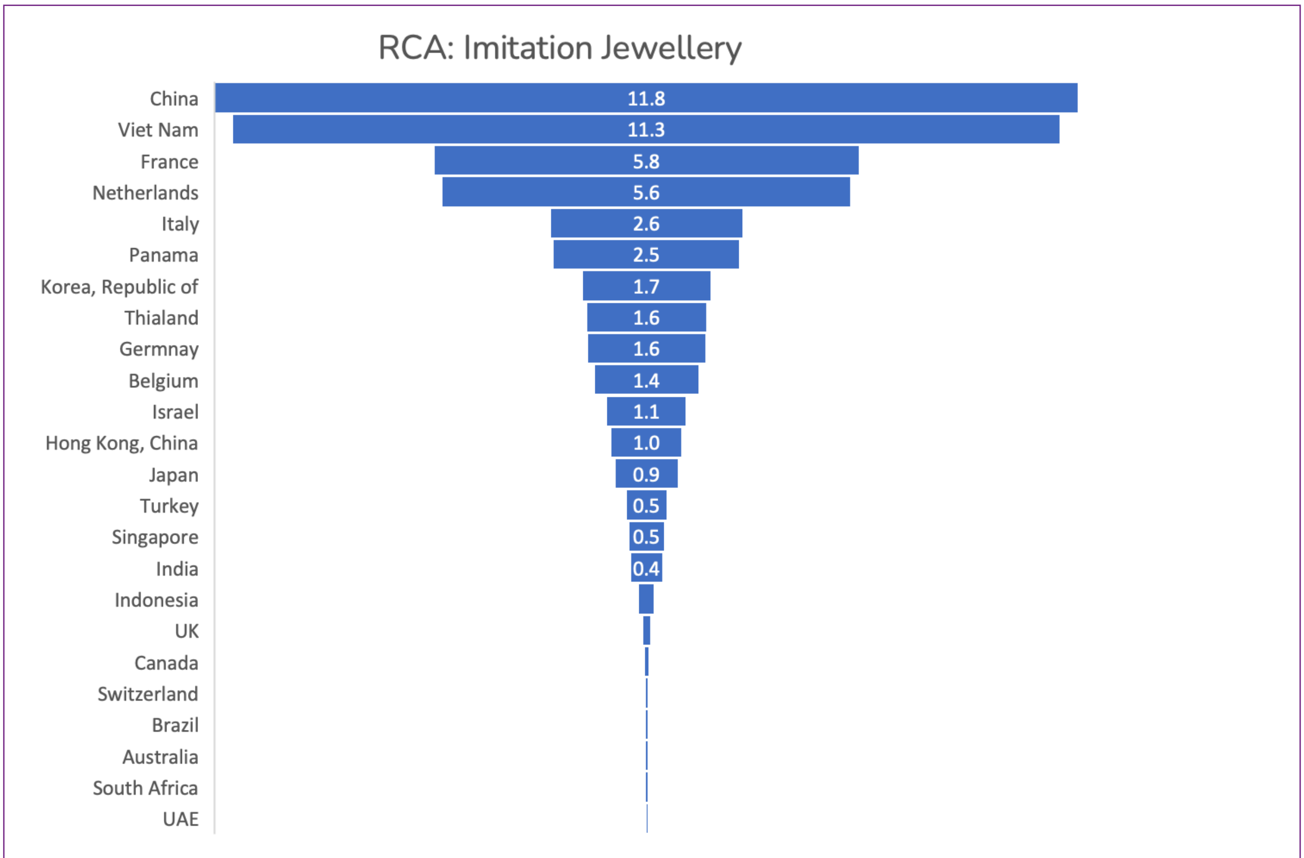
India has a significant export advantage in synthetic diamonds. It can expand its exports to the Canadian, Israeli, and UAE markets, particularly where domestic competitiveness is low and import dependence is high.

Figure 4.9



Data Source: ITC Trade Map. Calculation done in Excel.

Figure 4.10



Data Source: ITC Trade Map. Calculation done in Excel.

India is yet to be a key exporter of imitation jewellery. The countries to the left of India in Figure 4.9 show a higher rate of export growth compared to India, indicating their stronger export performance to the USA relative to India. It is important to note that this is the only product amongst the six examined in the paper, showing growth rates where the World is placed on the left of India. In other words, the total world export to the USA grew faster relative to India. Countries with a lower RCA than India, located to the left of India, would be favourable for export because they indicate a weaker comparative advantage in imitation jewellery compared to India. To mention a few, the UAE, Canada, and Brazil. However, India still faces tough competition, as it ranks at the lower end of the competitive advantage spectrum.

Figure 4.11

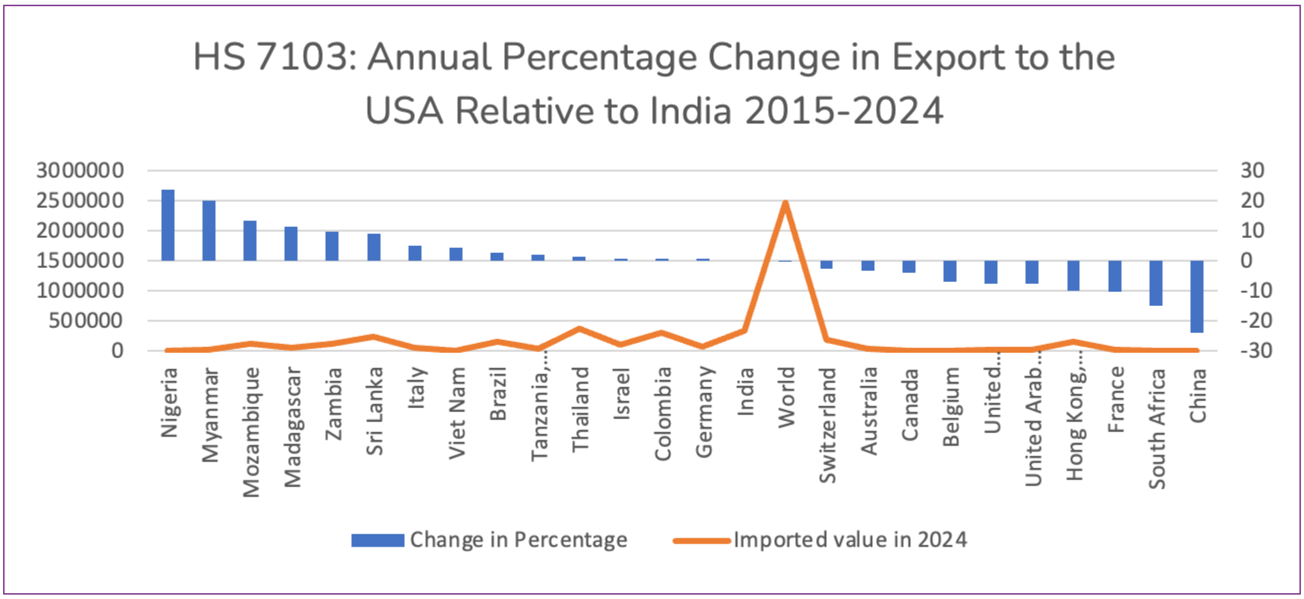
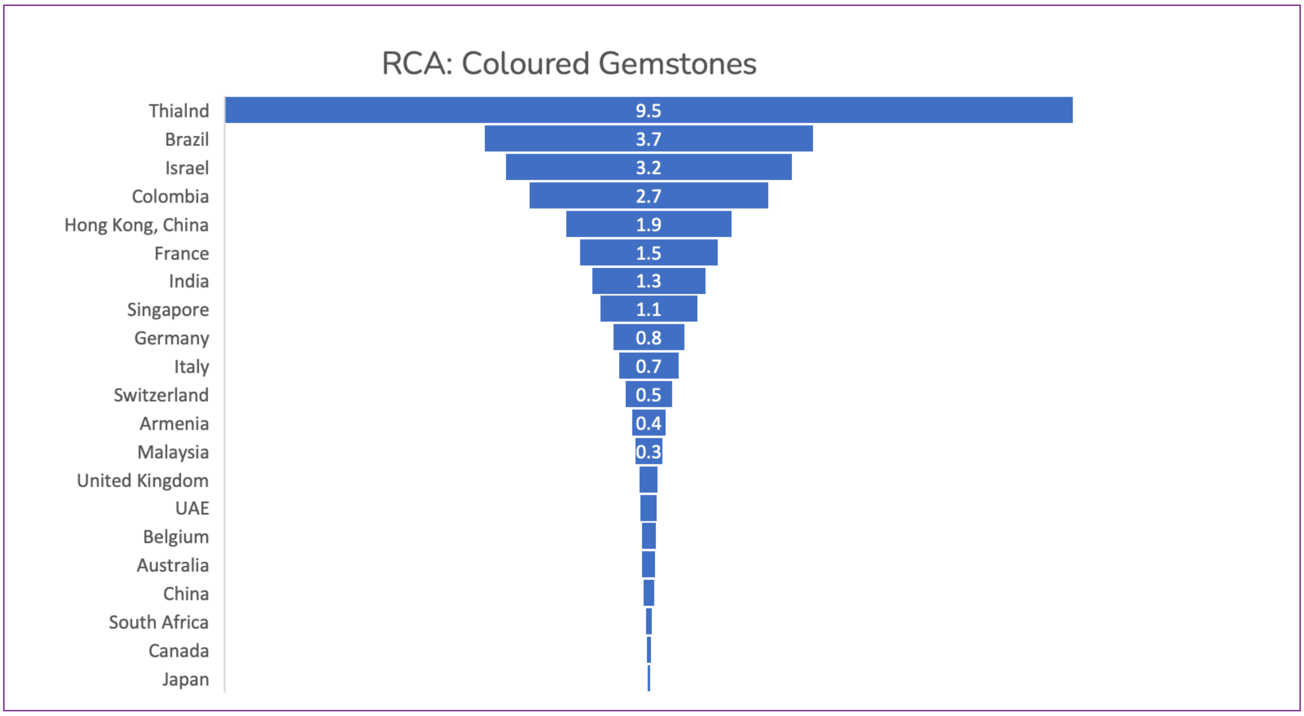


Figure 4.12



Data Source: ITC Trade Map. Calculation done in Excel.

India faces intense competition from the countries to its left in Figure 4.11. These countries not only show stronger export growth relative to India but also have higher RCA values than India, indicating that they have a stronger comparative advantage in the coloured gemstone market. Hence, in the USA market, India is competing with countries that have a better market position in the coloured gemstone industry. However, a host of countries, such as the United Kingdom, Singapore, the UAE, Australia, South Africa, and Canada, offer potential markets for the expansion of Indian coloured gemstones if India can steer clear of the competition in this market from countries with a higher RCA than India.

To examine the second strategy of India's export diversification beyond the United States, the Trade Intensity Index (TII) is used to assess India's bilateral export relationships with other major trading partners. The TII provides insight into whether India is exporting more or less to a particular country than would be expected, based on that country's overall share in world imports.

5. Trade Intensity Index

The concept of the trade intensity index was first introduced by Kojima (1964) to assess whether two countries trade more or less intensively than would be expected from their global trade shares. A value greater than one indicates a stronger-than-expected trade relationship, while a value below one points to weaker trade intensity. [27]

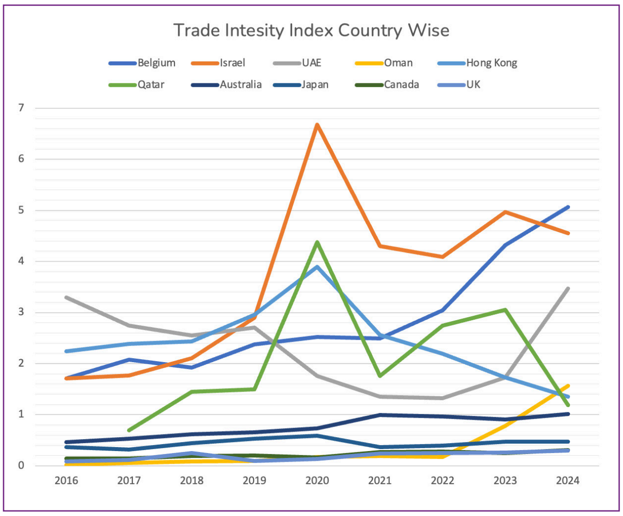
$$\text{Export Intensity Index between India and its trading partner} = \frac{(XIG / XI)}{((MG / (MW - MI))} \quad \text{(iv)}$$

Where *XIG*= India's Export to the Country; *XI*= India's total Export;

MG= Total Import of the Country; *MW*= Total World imports and *MI*= Total Imports of India.

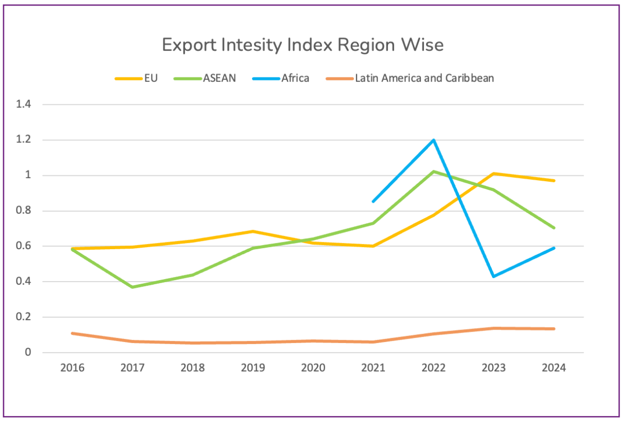
The value of trade intensity index lies between zero to infinity. If the TII value is zero, it means there is no bilateral trade. [27] An index of more (less) than one indicates a bilateral trade flow that is larger (smaller) than expected, given the partner country's importance in world trade. [28]

Figure 5.1



Data Source: ITC Trade Map. Calculation done in Excel.

Figure 5.2



Data Source: ITC Trade Map. Calculation done in Excel.

The countries selected for this analysis – the UAE, Israel, Belgium, the UK, Japan, Australia, and others – represent strategic and emerging markets for India's gems and jewellery exports. These regions have been chosen based on a combination of trade patterns, market potential, and policy-driven opportunities.

First, the UAE and the UK are key trade partners with which India has already signed comprehensive Free Trade Agreements (FTAs). These agreements create favourable conditions for exports by reducing tariffs, improving customs procedures, and enhancing market access.

Other countries, such as Japan, Australia, and Canada, represent existing markets where India's exports can gain higher traction. These countries are important from a diversification standpoint, as expanding into newer regions can help reduce dependency on a few core markets.

However, some developed countries were selected not only based on trade relations and strategic market presence but also because of key economic factors that make them ideal destinations for India's gems and jewellery exports. The choice reflects a combination of high per capita income that encourages discretionary spending on luxury items, urbanisation and a mature market structure.

The Trade Intensity Index for HS71, which represents India's exports of gems and jewellery, reflects a noticeable change in trade patterns from 2016 to 2024. Over this period, several countries have strengthened their trading relationships with India, indicating growth and expanding opportunities in the sector.

Countries such as the UAE, Israel, and Belgium, among others, have seen an increase in trade intensity. This shows that India's gems and jewellery exports are becoming more important to these regions. Belgium's gradual upward trend reflects a growing connection with European markets.

Other regions, such as Japan, Australia, Canada, and the UK, although still lower in trade intensity compared to the top partners, show slight improvements and abundant opportunities.

Between 2016 and 2024, the EU and ASEAN exhibited a steady and near-consistent increase in export intensity, indicating a growing demand and deeper trade relations. This suggests that they remain a stable and reliable market for Indian exports. But since all values are below one, it highlights significant untapped potential in these regions.

6. Policy Suggestions

The Ministry of Commerce and Industry has entrusted the export targets of US$75 billion and US$100 billion to be achieved by 2030 & 2047, respectively. [29] To achieve this ambitious export target, the paper suggests a comprehensive export strategy embedded with three key stones to strengthen the gem and jewellery sector of India.

6.1. Tariff Mitigation: USA-Specific Strategy

Import Tariff Reduction and Trade Negotiation

The policy can prioritise sector-specific negotiations with the USA to reduce tariffs on items imported from the USA, especially those that are raw materials for G&J's export industry. It can facilitate the restoration of favourable trade terms, ensuring that Indian products remain competitive in the USA market.

Establishing Logistics Facilities in North America

In the context of ongoing global economic uncertainty and rising geopolitical tensions, a strong and resilient Canada-India bilateral relationship is essential. [30] A Smarter, Canada-based North American supply chain strategy that helps reduce landed costs, preserve working capital, and stay agile in the face of trade volatility, without needing large volumes of inventory, would be useful. Rather than sending goods through the USA and triggering tariffs on arrival, goods can be shipped straight from India into Canada. This is especially beneficial for direct-to-consumer (DTC) businesses and e-commerce brands looking for efficient, tariff-free entry into North America. [31]

Lengthening of Supply Chains

In light of the USA tariff imposition, shipments In light of the USA tariff imposition, shipments through countries with favourable trade agreements with the U.S., such as the UAE and Hong Kong, for specific products can be an effective strategy, as previously discussed in the paper. India features in the top 10 countries whose products Hong Kong re-exports in 2024.32 Establishing processing hubs or joint ventures in these nations can enable Indian jewellery

to qualify for lower tariff entry into the USA market. Major exporters should be encouraged to consult USA legal experts to assess the regulatory and compliance aspects of rerouting exports through hubs such as Dubai, Turkey, and Hong Kong, where new operational units are being planned.

6.2. Strategic Trade Realignment via FTAs

Expanding Free Trade Agreements

India has already signed Free Trade Agreements (FTAs) with several countries, including the UAE and the UK, which have facilitated tariff reductions and increased market access. To further bolster exports, India should fast-track FTAs with other potential markets such as the EU and the Middle East. These agreements can provide Indian exporters with preferential access, reducing trade barriers and enhancing competitiveness.

The paper supports the Government's "Focus Product – Focus Country" approach, which involves identifying specific products (or sectors) and markets abroad, and devising targeted strategies for penetration, scale-up, or consolidation. In line with this, the Government can create a Market Access Initiative Scheme to bolster India's entry into new markets.

Strengthening Existing FTAs

Beyond new agreements, it is crucial to fully implement and leverage existing FTAs, as in the case of ASEAN. This includes ensuring that Indian exporters are aware of and can utilise the benefits provided, such as reduced tariffs and simplified customs procedures, and export under the FTA's low tariff rather than the MFN tariff. Regular engagement with trade partners can help address any issues and optimise the advantages of these agreements.

6.3. Industry-Specific Initiatives

Policy and Scheme Support

The Government needs to sustain its efforts to boost India's export competitiveness in global markets. The announcement of the restoration of benefits under the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme for exports made by Advance Authorisation (AA) holders, Export-Oriented Units (EOUs), and units operating in Special Economic Zones (SEZs) is crucial in this regard.[33]

The export-oriented jewellery units in Mumbai's SantaCruz Electronics Export Processing Zone (SEEPZ) and other jewellery SEZs have sought relaxation to produce jewellery for the domestic market. [34], [29] The former contributes 53% of India's studded jewellery exports and 31% of India's total jewellery exports. [35] It has been a long-standing demand of SEZs that they be allowed to sell in the domestic tariff area on a duty-foregone basis instead of paying import duty on the items. The Commerce Department has proposed to the Finance Ministry that this should be allowed through a notification, as an amendment of the SEZ Act may take long. [36] A study on its potential impact can be worth examining as a contingency solution.

Credit Support to the Industry

The abrupt tariff increase can strain exporters' cash flows. Introduction of credit support mechanisms, such as low-interest loans and extended repayment periods, to provide short-term relief to affected businesses. Additionally, offering moratoriums on existing loans can help companies navigate the financial challenges posed by the tariff hike.

Beyond the Indian Diaspora and Foreign Tourists

The Indian diaspora represents a significant consumer base for Indian jewellery, particularly in Western countries. Despite its rich heritage in jewellery craftsmanship and being regarded as a global hub for the production, processing, and export of gems and jewellery, India remains a medium player in the low-value segment.[37] Therefore, tailoring products to appeal to the world's demographic can enhance demand.

Although Section 15 of the IGST Act provides for GST refunds to foreign tourists, the refund system under the Tourist Refund Scheme (TRS) has not been implemented in practice, leaving no functional mechanism for such claims. [38], [39], [40] The GJEPC has been suggesting to the Government that, while refunding GST, the incidence of Customs duty incurred must be refunded back to the foreign tourist, pointing to the lack of a mechanism covering Customs duty on precious metals used in jewellery. [35] A comparative study on this can aid the Government's evidence-based decision-making strategy.

One District, One Product

India's jewellery is not just a commodity but a cultural asset. This must reflect in global marketing. Initiatives such as "One District, One Product" can position gems and jewellery as flagship exports from specific districts. [41] The ODOP Initiative has identified a total of 1102 products from 761 districts across the country. Approximately 20 districts have categories of products that can be classified under the G&J category.

Brand Building and Ethical Practices

Investing in brand development is essential for creating a distinct identity in the global market. The GJPEC's role has been crucial in this regard. It has been continuously working to develop the sector. The council's primary focus areas include promoting Brand INDIA through participation in International Jewellery shows; facilitating better interaction on trade-related issues between the industry and the Government of India.[14]

Emphasising ethical sourcing, sustainable practices, and transparency can appeal to increasingly conscientious consumers. Certifications and affiliations with global ethical standards can enhance brand credibility and consumer trust. Supporting innovation can position India as a leader in sustainable and ethical diamond production.

Development and Human Capital

According to a study commissioned by the GJEPC to the National Council of Applied Economic Research (NCAER), 2021, the share of the G&J sector in the value of output of manufacturing is 2.3 per cent as compared to corresponding figures of 1.0 per cent for leather and 1.8 per cent for wearing apparel. Textiles, as a whole, account for a share of 8.4 per cent. However, the output multiplier for the G&J sector is 4.0308, which is much higher than the corresponding figures of 2.1689 and 2.4687 for the leather and textiles sectors, respectively. The employment multiplier for the G&J sector is 3.9105, which is slightly higher than the corresponding figure for the leather sector (3.0187) and lower than that for the textiles sector (5.2746). A high output multiplier signifies stronger backwards linkages of the sector with other sectors of the economy. It implies that an increased demand and subsequently, increased output in this sector triggers activities in other sectors of the economy, much faster than that caused by sectors with comparatively lower multiplier values. [42]

The gems and jewellery industry employs millions of semi-skilled workers. To maintain competitiveness, it is vital to invest in skill development programs that enhance productivity and craftsmanship. Additionally, providing social security benefits and improving working conditions can ensure a sustainable and motivated workforce.

The Centre's flagship scheme, PM Vishwakarma, launched for the welfare of traditional craftspeople and artisans in the country, has seen almost 1 lakh registrations from goldsmiths since its inception.

The Gem and Jewellery Skill Council of India plays a vital role in this regard. For example, a fashion Jewellery manufacturing organisation with a turnover of RS 100 Cr will have artisans to the tune of 1500-2000. The average ratio of male to female workforce is 1:3. Growth will boost the employment opportunities for women artisans. As this industry grows, the number of manufacturers will look at artisans working from home for activities like threading and handwork. This will help women artisans to work from the comfort of their homes and also be an earning member of the house. [43]

Stakeholder Engagement

India's gems and jewellery industry got a significant boost when NITI Aayog, the government's premier policy think-tank, partnered with GJEPC to undertake a landmark study focused on unlocking the industry's next phase of growth. [44] More such collaborations with think tanks and research institutions are needed to deepen policy understanding and anticipate global trade shifts.

7. Conclusion

India's gems and jewellery industry, a cornerstone of its export economy, faces significant challenges and opportunities in the current global trade landscape. It is imperative to adopt a multifaceted policy approach to sustain and enhance India's dominant position in the worldwide market.

The analysis reveals that, while product concentration has remained relatively stable, there has been significant progress in diversifying export markets for those products over the past decade. The decline in market concentration, as reflected in HHI and CR4, indicates that exporters have begun to reduce their overdependence on a few destinations and are actively exploring new opportunities. It is an encouraging sign, as it demonstrates that India is not only retaining its traditional strengths but also expanding its global footprint in a careful and deliberate manner.

However, the diversification is episodic. Looking ahead, this diversification is not only desirable but also necessary as there is persistent dependence on specific major markets, particularly the United States, where the imposition of steep tariffs poses risks to India's competitiveness. India must move with greater urgency to build resilience against external shocks, which the paper argues should have been largely predictable, particularly in light of the changing trade policies of one of India's major trade partners, the United States.

The application of relative export performance measures confirms that several emerging suppliers increased their share in the USA market more rapidly than India did between 2015 and 2024, underscoring the rise in competition and export opportunities to the trading hubs. A key challenge will be preventing the entry of Indian exports back into the domestic market as imports from the trading hubs.

The evidence suggests that India's strategy must therefore ride on two parallel tracks: holding on to critical high-value markets through negotiation, value addition, and hub-based trade routes for specific products, while deepening access to alternative destinations in Europe, the Middle East, and Asia through FTAs and bringing reform in the industry.

The G&J manufacturing industry’s low gestation period, coupled with low capital costs and India’s favourable labour costs, allows easy entry into the sector; hence, it has a large number of small-scale players. [45] While these characteristics enhance the sector’s resilience to external shocks, allowing firms to swiftly adjust to changes in global demand, trade policies, or macroeconomic conditions, they still require robust government support.

The sector's future lies in leveraging India's skilled workforce and reputation for craftsmanship to expand the range of products manufactured for emerging markets.

In many ways, we are entering a phase of globalisation where bilateralism will shape opportunities more than multilateralism. By embracing this shift and broadening its base of trusted trade partners, India can ensure that its gems and jewellery sector not only weathers external challenges but also retains its place as a global leader well into the future. •

By Aditi Sharma

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