BTC TRADE FOR DEVELOPMENT

EUROPEAN AND BELGIAN MARKET FOR (SUSTAINABLE) GOLD

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In the long-term, the EU is expected to import more gold jewellery (from low-cost countries), instead of gold. This is because EU precious jewellery manufacturing is on the decline, and increasingly being replaced by production in low-cost developing countries.

This, however, is only a long-term forecast. EU jewellery manufacturing is still significant, which means that exporting gold to this region still provides opportunities. Moreover, EU gold jewellery exports currently far exceed imports. In contrast, since the EU hardly mines any gold, the region is almost fully dependent on imports for its jewellery industry.

➢ *Short-term influence: the economic crisis*
The long-term provision is currently being disrupted by the global economic crisis. Instead of an expected increase in gold jewellery imports, a decline is witnessed. In times of economic downturn, people cut back their spending on luxury items, like jewellery. Moreover, the increasing price of gold makes current jewellery pieces rather expensive.

At the same time, gold imports are increasing, not because of the use in jewellery, but because of the increasing demand for investment gold. People look for safe investments during the economic crisis, especially in Europe.

Gold production

➢ *The EU: an insignificant producer of mined gold*
Europe is a relatively small producer of gold, accounting for about 1.2% of the global gold production, with Turkey being the largest producer (42% of European production). This means that the EU (excluding Turkey of course), is highly dependent on imports of gold for its market. Global mine production of gold amounted to 2.6 thousand tonnes in 2009. Leading world producers of gold are China, Australia, the USA, South Africa and Russia. The picture was different 10 years ago, when South Africa still dominated the world's gold supply.

Switzerland, although not a producer, plays a crucial role in the gold supply to the EU, being the main trading centre for gold, with several refining facilities present in the country. Within the EU, Italy and Germany are the largest producers of unwrought or semi-manufactured gold.

➢ *Trend: increasing use of recycled gold*
An important trend is the increasing share of recycled gold in the global gold supply. In 2009, 42% of the total global gold supply was recycled gold, and this share showed a growing trend during recent years. Although being good for the environment, the recycling trend forms a threat to gold mining countries.

➢ *EU precious jewellery manufacturing on the decline*
The EU is still an important manufacturer of precious jewellery, accounting for an estimated one fifth of global jewellery production. However, production shows a strongly decreasing trend. Between 2005 and 2009, EU precious jewellery production declined by an annual average of 6%, and compared to 10 years ago, total production has declined by 50%. The underlying development for this trend is the outsourcing of production to low-cost production countries, and the emergence of India, China and Turkey as jewellery producers.

Gold consumption

➢ *From jewellery to investment gold*
An important trend in the market is the shift from gold used for jewellery to investment gold. In the first quarter of 2010, investment gold accounted for 26% of global gold demand, while this was only 4.3% in the year 2000. Europe accounts for about 40% of the world demand for investment gold, with most of the

demand coming from Switzerland. This growing demand can be explained by the global economic crisis, which made Europeans increasingly look for safe investments, like gold.

The declining demand for gold for the production of jewellery is a logical consequence of the declining EU production of precious jewellery. Moreover, with the global economic crisis and the strongly increased gold price, demand for gold jewellery is currently low. Global demand for gold jewellery is expected to be stimulated by developing countries, such as India and China.

➢ *Gold jewellery: precious stones and trendy colours*
An important trend in the market for precious jewellery is the increasing importance of design. Consumers increasingly look for unique design jewellery in trendy colours. New colours for gold include: red, rose, yellow, orange, green, grey and black. Furthermore, diamonds, stones and pearls are increasingly used in gold jewellery. Besides being trendy, this also makes the jewellery more affordable since less gold is used.

EU gold trade

➢ *Economic crisis causes a dip in gold jewellery imports*
EU imports of gold remained relatively stable in terms of volume, but increased substantially in terms of value, in the last 5 years. Between 2005 and 2009, EU imports of gold increased by an annual average of 21% in value, while at the same time, imports of gold jewellery declined. In times of economic downturn, people cut back their spending on luxury items first, of which gold jewellery is a good example. In addition, the rising price of gold has made gold jewellery even more expensive. The leading EU importers of gold are Italy, Germany and Austria, while the leading EU importers of gold jewellery are the UK, France, Italy and Germany.

➢ *Switzerland dominates the gold supply to the EU*
Switzerland is the major European trading centre for gold, like Belgium is for diamonds. Consequently, Switzerland accounted for almost half of the gold imports by the EU, and is also the leading supplier of gold jewellery to the EU. Italy is the largest EU importer of gold directly from developing countries (DCs), accounting for almost 60% of the total EU gold imports from DCs. Leading DC suppliers of gold to the EU are South Africa, Surinam and Peru. When looking at gold jewellery, the UK is the largest EU importer from DCs, accounting for 30% of the total EU imports from DCs. Leading DC suppliers of gold jewellery to the EU are India, Thailand, China and Turkey.

➢ *Trade balance: high gold jewellery exports*
The EU exports twice as much gold jewellery as it imports, indicating that a significant part of EU production is exported. However, due to the emergence of low-cost countries, production and exports are declining. The main gold jewellery exporters in the EU are Italy, the UK and France. In contrast, EU imports of gold are higher than the exports, which is logical since the EU has few gold mines present. Therefore, gold exports mainly concern re-exports.

Distribution channels

➢ *From gold supplier to jewellery consumer*
The main distribution channels for gold meant for the EU gold jewellery market are: supplier of mined gold → refinery → bullion trader → jewellery manufacturer → importer and/or wholesaler → retailer → consumer. Retail channels of gold jewellery can be divided into jewellery galleries, department stores and gift shops. Which channel would be most suitable to you mostly depends on your production volume and export experience.

➢ *Distribution trends*
Four distribution trends are discussed. The first one is the diversification of the retail channels, meaning that non-specialist retailers, such as department stores, have emerged as sales channels of gold jewellery. The second trend is the emergence of new gold jewellery producers like India, China and Turkey, which are low-cost production countries. Vertical integration is the third trend discussed, while the fourth trend is outsourcing by EU manufacturers.

Price developments

➢ *The gold price breaks record after record*

During recent years, the gold price broke record after record, and is currently still on the rise. However, the gold price increased especially in US Dollars. In Euro, the price remained rather stable in 2010, at between € 900 and € 1,000 (per ounce), being the result of the declined Euro/USD exchange rate. EU consumer prices of jewellery show an increasing trend between 2005 and 2010.

Fair and sustainable gold

Standards

The following 9 organisations and initiatives for sustainable gold mining are discussed, of which the focus is on the ARM & FLO certification:

- Alliance for Responsible Mining (ARM) → To enhance equity and wellbeing in artisanal and small-scale mining (ASM) communities through improved social, environmental and labour practices, good governance and the implementation of ecosystem restoration practices.

- Fairtrade Labelling Organization International (FLO) → A group of 24 organizations working to secure a better deal for producers.

- ARM & FLO: Fairtrade and Fairmined gold → The Fairtrade and Fairmined certification is the first-ever independent certification mark for gold.

- Oro Verde (Green Gold) → The Oro Verde Programme applies a two-track approach of supporting indigenous mining communities while restoring vital ecosystems.

- The Communities and Small-scale Mining (CASM) initiative → The mission of CASM is to reduce poverty by supporting integrated sustainable development of communities affected by, or involved in, artisanal and small-scale mining in developing countries.

- Solidaridad → Solidaridad is an international network organisation with more than 20 years of experience in creating fair and sustainable supply chains from producer to consumer.

- CRED Jewellery → Based in the UK, they claim to be the first Fair Trade jewellery retailer. CRED was one of the founding members of the ARM and as such played a role in the development of the Fairtrade mark.

- Fair Jewellery Action → Fair Jewellery Action (FJA) is a human rights and environmental justice network within the jewellery sector.

- Responsible Jewellery Council → An international not-for-profit organisation bringing together over 260 member companies across the jewellery supply chain.

Opportunities and bottlenecks

➢ *Fair Trade opportunities in Western Europe*

The biggest EU markets for Fair Trade products are generally strong in Western Europe, with the UK being the frontrunner, while Eastern Europe is a negligible market for Fair Trade. As surveyed by the FLO and ARM, possible jewellery pieces for the European Fair Trade market include wedding rings, dress rings, necklaces, earrings and bracelets. Best opportunities for Fair Trade jewellery lie around holidays, especially Christmas, as they are often used as gifts.

➢ *Fair Trade especially for small-scale miners*

Around 10-15 million small-scale and artisanal miners are involved in gold mining, and another estimated 60 million people are involved indirectly. They account for approximately 90% of the total labour force involved in this sector. Especially small-scale and artisanal miners would benefit from fairly traded gold, as within the current supply chain they lose a lot of margin to middle men and traders, in order to get their gold to refiners and the end-market. A separate supply chain for Fair Trade gold would enable them to capture their fair share of profit.

- *Fair Trade gold: a separate supply chain*

The main problem with Fair Trade gold is that it goes to the same refiners as regular gold, while it should be kept separate throughout the whole supply chain. Establishing a separate supply chain comes at a cost: the unit cost of the Fair Trade gold becomes higher since it concerns smaller batches and a license fee for the use of the Fairtrade / Fairmined label needs to be paid. Important, regarding the higher cost price, is that traders should not capture part of the premium that is paid to the gold miners.

- *Certification as reputation risk management*

Miners and other players in the gold supply chain should realise that becoming Fairtrade certified is also a means of reputation risk management. The mining industry has quite a bad reputation worldwide, making it important to build a good reputation for your company. Certification is a means to show the consumer that your gold is produced sustainably.

- *Recycling: a good solution for the environment?*

An opportunity for sustainable gold is the increasing use of recycled gold. However, many barriers prevent recycled gold to take over mined gold production (completely). If a country has gold deposits available, it would be difficult to prevent its mining, since gold is one of the most valuable materials on our planet. Moreover, if the production of small-scale miners would be replaced by recycled gold, their source of income would disappear.

- *Ecological gold: a viable option?*

It would also be possible to produce ecological gold, meaning that no chemicals are used in its extraction, and it involves strict ecological restoration of the environment. However, it is the question whether producing gold without chemicals is efficient enough to do on a large scale.

- *Certification as a first step*

For consumers it is difficult to find out about the origins of the gold jewellery they buy, if not monitored by a third independent party. Particularly for larger retailers, it is often not possible to visit production sites, and to make their supply chain that transparent to consumers (or themselves). By becoming Fairtrade/Fairmined certified, gold producers can take a step in the direction of entering the European sustainable gold market.

The Belgian gold market

Belgium could be a potentially interesting market for Fair Trade gold jewellery, although the market remains quite small-sized compared to other West European markets. Belgium is the main trading centre for diamonds in the world, which also leads to a relatively high consumption of diamond-set jewellery. An interesting fact is that Belgium has the highest share of gold imported from developing countries (DCs) in the EU: 52% in 2009. As holds for the EU in general, Belgian gold jewellery imports are declining due to the economic crisis, but they are expected to increase in the future, replacing the declining Belgian production of gold jewellery.

1. Introduction

Trade for Development Centre

The Trade for Development Centre is a programme managed by the Belgian Development Agency (BTC). The Trade for Development Centre aims at promoting fair trade and sustainable trade with developing countries, as well as Aid for Trade.

The Trade for Development Centre aims to:

- Increase professionalism of smallholders in developing countries as well as improve their access to markets
- Disseminate information and increase people's awareness of the various forms of Fair and Sustainable Trade and Aid for Trade.
- Set up an exchange platform on issues of Aid for Trade, Fair Trade and Sustainable Trade

More information:

- BTC: http://www.btcctb.org
- TDC: http://www.befair.be

The market for sustainable gold

Driven by a growing demand from consumers for ethically sourced products, the global mining industry is under increasing pressure to show greater social and environmental responsibility. Ethically sourced gold means that mining ensures environmental sustainability, contributes to local sustainable development and poverty reduction, as well as respect the basic human rights of communities and workers.

Source: Ingle & Rhode, the ethical jeweller (UK)

The Fairtrade and Fairmined gold standards recently launched by Fairtrade Labelling Organizations International (FLO) and the Alliance for Responsible Mining (ARM) mark a major milestone in the advancement and promotion of sustainable and Fair Trade in the gold jewellery industry. It also offers an opportunity to upscale the market for sustainable gold jewellery in terms of increasing the supply to meet (future) growing demand.

This report explores the market for gold and gold jewellery in the EU and more specifically in Belgium. As sustainable gold is a relatively new concept, and is still small-scale business compared to the overall gold industry, clear-cut information on the demand-side is still very limited. Therefore this report focuses on the total gold jewellery market, but also pays attention to the Fair Trade market when possible.

Product classifications

The research focuses on the following groups of gold products:

1. Jewellery made of gold only
2. Jewellery made of gold and diamonds
3. Jewellery made of gold and other precious stones and pearls

In order to create gold jewellery that is strong and long lasting, but also to change its colour according to different consumer preferences, it is combined with other metals, called alloys. There are hundreds of possible alloys and mixtures possible, but in general the addition of silver will color gold white, and the addition of copper will color it red. A mix of copper and silver gives the range of yellow gold alloys that the public is accustomed to seeing in the marketplace.

The trade data and part of the production data discussed in the respective chapters are derived from two sets of statistical databases provided by Eurostat, the statistical body of the EU. The products for which data are available in these databases and their respective classification codes are presented in Table 1.1

Table 1.1 HS and Prodcom codes for gold and gold jewellery

HS code	Prodcom code	Description
710811	24412030	Gold in powder, unwrought
710812		Other unwrought gold
710813	24412050	Gold in other semi-manufactured forms
710820	24412070	Monetary gold
711319	32121330*	Jewellery of other precious metals than silver
	32121100	Pearls, precious and semi-precious stones, worked but not set
	08992100	Precious and semi-processed stones, unworked

* This group contains all precious metals
Source: Eurostat

Methodology

This market research was carried out by means of:

- desk research, in combination with
- interviews with representatives of Fairtrade organisations, other standards organisation, jewellery companies / importers, experts and other organisations active in the field of sustainable gold (such as Solidaridad).

Structure of the report

The report starts and ends with Fair Trade gold, giving an overview of organisations which have introduced or promoted sustainable (gold) mining, and focuses on the need for sustainable gold, as well as opportunities and bottlenecks. Chapters 3 to 5 provide mainly market information, including data on production, consumption, imports and exports of gold and gold jewellery by the EU. Chapter 6 highlights the most common distribution channels, whereas Chapters 7, 8 and 9 discuss legislation, prices and promotion respectively. Finally, the last Chapter deals with the aforementioned elements in relation to Belgium.

2. Standards

Below is an overview of organisations which have played an important role of introducing and promoting sustainable (gold) mining. A particular focus is on the Fairtrade and Fairmined mark for gold. The organisations and initiatives discussed are:

1. Alliance for Responsible Mining (ARM)
2. Fairtrade Labelling Organization International (FLO)
3. ARM & FLO: Fairtrade and Fairmined gold
4. Oro Verde (Green Gold)
5. CASM: The Communities and Small-scale Mining (CASM) initiative
6. Solidaridad
7. CRED Jewellery
8. Fair Jewellery Action
9. Responsible Jewellery Council

1. Alliance for Responsible Mining (ARM)

The Alliance for Responsible Mining (ARM) is an independent, global-scale, pioneering initiative established in 2004 to enhance equity and wellbeing in artisanal and small-scale mining (ASM) communities, through improved social, environmental and labour practices, good governance and the implementation of ecosystem restoration practices. ARM is committed to social justice and environmental responsibility as the values driving the transformation of ASM.

Alliance for Responsible Mining

ARM is rooted in a bottom-up approach, and the management has consistently worked to include miners in the decision making and standards setting process. Miners, NGOs, academics and industry players are all represented on the Board of Directors. ARM has also supported the development of national and regional producer organisations to link miners and encourage learning amongst them. This principle of collective decision was also influenced by the way of working of one of its founding organisations, Oro Verde, which has been producing a responsible and traceable supply chain of gold much longer.

ARM activities are focused on 3 strategic areas of work:
- standard setting,
- producer support, and
- communications

Regarding the first strategic area of work, standard setting, ARM focuses on Fair Trade standards, which provide a market niche for small-scale producers all over the world. ARM develops standards following the ISEAL Code of Good Practice for standard setting.

Furthermore, ARM is currently engaged with FLO in the development and field testing of the Fairtrade and Fairmined standard for gold from artisanal and small-scale mining, including associated precious metals.

More information: http://www.communitymining.org

2. Fairtrade Labelling Organization International (FLO)

The FLO is a group of 24 organizations, working to secure a better deal for producers. They are owners of the FAIRTRADE Mark, which is the product label which certifies that international Fairtrade standards have been met.

The FLO is the organisation that coordinates Fairtrade labelling at an international level. From their offices, in Bonn, Germany, the organisation:
- Sets international Fairtrade standards
- Organises support for producers around the world
- Develops global Fairtrade strategy
- Promotes trade justice internationally

The FAIRTRADE Certification Mark is an independent consumer label which appears on products to signify that Fairtrade standards have been met. When you buy products with this Mark, disadvantaged producers get a better deal. For Fairtrade certified goods, producers receive prices aimed at covering the cost of sustainable production. They also get an additional sum, called the Fairtrade Premium, for social, environmental and economic development.

For a product to display the FAIRTRADE Certification Mark it must meet international Fairtrade Standards. These standards are established by FLO and are set in accordance to the requirements of the ISEAL Code of Good Practice in standards setting. The standards are the result of broad consultations of different stakeholders and external experts.

Producer organizations supplying Fairtrade Products are then certified against these standards by FLO-CERT, a separate certification body, owned by FLO, which carries out regular audits and inspections.

More information: http://www.fairtrade.net

3. ARM & FLO: Fairtrade and Fairmined gold

The Fairtrade and Fairmined certification is the first-ever independent certification mark for gold. It was recently developed by the Fair Trade Labelling Organizations International (FLO) and the Alliance for Responsible Mining (ARM) in order to address social, environmental and economic development in artisanal and small-scale mining communities.

The system was designed to ensure that artisanal and small-scale miners earn better prices for their gold. The new Fairtrade and Fairmined Gold Standards mean that interested businesses can use the FAIRTRADE and FAIRMINED Marks on certified gold products such as jewellery, commemorative coins, ingots, medals, trophies and religious artefacts. An industry market survey by FLO/ARM of 96 companies across eleven countries identified consumer products such as wedding rings, dress rings, necklaces, earrings and bracelets as potential products.

The Fairtrade and Fairmined standard means that:

1. Miners will get a better price for their gold, with increased security of the Fairtrade guaranteed minimum price. The Fairtrade minimum price for the pure gold content in unrefined gold is set at 95% of the London Bullion Market Association’s (LBMA) fixing at the FOB export point.
2. Miners will receive a Fairtrade social premium, calculated as 10% of the applicable LBMA fixing. For Ecological Gold, gold that has been extracted without the use of chemicals and with strict ecological restoration requirements, an additional ecological premium, calculated as 5% of the applicable LBMA fixing on top of the Fairtrade premium must be paid.
3. Miners have the opportunity to empower themselves through their organisation. They form groups to give themselves better bargaining power with traders, to get a fairer return for their produce, and gain greater control over the jewellery supply chain. Though the price of gold is widely known in gold mining communities, miners often receive less owing to the number of middle-men between the miner and exporter. Once everyone takes their percentage, the miner may receive as little as 70% of the LBMA. Fairtrade and Fairmined certification will provide miners the chance to ask for pre-financing from prospective buyers, and provide miners with a minimum price for their product creating more competition in local markets and so improving trading relations to the benefit of the miner.
4. Certified miners must use safe and responsible practices for management of toxic chemicals in gold recovery, such as mercury and cyanide. Chemicals have to be reduced to a minimum, and where possible eliminated over the years. Miners earn an additional ecological premium when they recover gold through gravity only.
5. The Fairtrade and Fairmined gold will not contribute to conflict or violence. On the contrary, where certified organisations are located in conflict areas, increased economic stability, traceability and transparency from sale of their certified gold may help contribute to peace-building.

Currently ARM and FLO are pilot testing the Fairtrade / Fairmined gold standard at nine mining operations in Bolivia, Colombia, Ecuador and Peru. This standard has been developed in extensive consultation with miners and practitioner-researchers in all the pilot regions, as well as in Mongolia, Madagascar, Tanzania, Uganda and Mozambique.
More information: http://communitymining.org/index.php/en/fairtrade-and-fairmined-standard

4. Oro Verde (Green Gold)

The Oro Verde Programme applies a two-track approach of supporting indigenous mining communities while restoring vital ecosystems. They work with several communities in Chocó, Colombia, and their approach is based on a bottom-up certification program that differentiates responsibly mined gold and platinum, so they can be sold as green and fair metals in specialised market niches. The intention is to improve mining practices and miners' access to global markets. Currently the programme is being implemented by mining families in 12 Afro-Colombian communities in the municipalities of Condoto and Tadó.

The certification scheme for the socially and environmentally sustainable extraction of precious metals is based on the compliance with 10 criteria, which were developed by the Oro Verde Programme in association with the mining communities (represented by the Community Councils) and under the guidance of experts in different areas.

Oro Verde's 10 certification criteria are:

1. There is no ecological disruption. This state being defined by changes to an ecosystem that places it beyond a possibility of recovery.
2. No toxic chemicals like mercury and cyanide are used in the extraction process.
3. The mined areas gain ecological stability within three years.
4. Topsoil removed from the site is replaced during the exploitation process.
5. Tailings and pooling do not exceed the local ecosystem capacity for rehabilitation.
6. The silt load into stream, river or lake systems is controlled in quantity and frequency, such that the native aquatic ecosystem is not disrupted.
7. The mining operations are conducted with the agreement of the local Community Councils.
8. The origin of gold and platinum (for royalty purposes) is declared in favour of the corresponding municipality.
9. In forested areas mining activities do not exceed 10% of a hectare in rotation periods of two years.
10. Local, regional and national regulations are followed.

Oro Verde was one of the founders of the Alliance for Responsible Mining (ARM).

More information: http://www.greengold-oroverde.org

5. CASM: The Communities and Small-scale Mining (CASM) initiative

The Communities and Small-scale Mining (CASM) initiative was launched in 2001, in response to a need for integrated, multi-disciplinary solutions to the complex social and environmental challenges facing ASM communities, and improved coordination between stakeholders working in this sector.

CASM is a global networking and coordination facility, currently chaired by the UK's Department for International Development, and is housed at the World Bank headquarters in Washington, D.C. The mission of CASM is to reduce poverty by supporting integrated sustainable development of communities affected by or involved in artisanal and small-scale mining in developing countries. It aims to achieve this mission by:

- mitigating or eliminating the negative environmental, social and cultural effects of artisanal and small-scale mining on affected communities;
- reducing the occupational health and safety risks to the miners;
- improving the policy environment and institutional arrangements governing small-scale mining;
- increasing the productivity and improving the livelihoods of miners;
- working to allow communities alternative livelihoods through effective integrated use of their natural resource capital by conservation of biodiversity in affected areas.

CASM provides support to, and mobilises practical expertise from, its global network of members. Its activities range from ASM initiatives in many countries working with companies, governments, civil society and, of course, miners themselves through engagement in international development policy dialogues. CASM's engagement in capacity building and community level projects with country partners and miners has helped CASM in its important advocacy role to communicate to international forums and development agencies the potentially positive development influence that ASM can have, based on evidence provided by practical experience.

To ensure CASM is addressing the priorities identified by its developing country partners, CASM has established three regional networks: in Asia, China and Africa.

More information: http://www.artisanalmining.org

6. Solidaridad

Solidaridad is an international network organisation, with more than 20 years of experience in creating fair and sustainable supply chains from producer to consumer. Solidaridad believes that fair and sustainable trade reduces poverty and helps to preserve people's environment.

In 2009, Solidaridad launched an expanded Gold Programme to benefit communities and the environment in the gold supply chain, and to bring greater accountability to the mining industry. Solidaridad supports the new FLO-ARM Fairtrade/Fairmined standard, and underlines the significant potential which this standard offers to the mining industry.

However, Solidaridad realises that the vast majority of communities that should benefit from Fairtrade simply lack the capacity to become certified. Therefore, a major focus of the Gold Programme in 2010 is to help mining communities adopt greener, fairer practices so they can achieve certification. On the other end of the value chain, Solidaridad is assisting jewellers to purchase this gold and contribute to meaningful development.

In addition, Solidaridad is working with jewellers to identify new approaches to sustainable gold sourcing for mainstream market actors; those for whom Fair Trade may not be an option now due to limited supply or other factors.

More information: http://www.solidaridadnetwork.org/gold

7. CRED Jewellery

Based in the UK, they claim to be the first Fair Trade jewellery retailer. CRED was one of the founding members of the Alliance for Responsible Mining and as such played a role in the development of the Fairtrade mark. CRED designs and offers jewellery that is certified as socially and environmentally responsible. More specifically, what they understand as a certified product is that:

- Employment is freely chosen
- Working conditions are safe and hygienic
- Child labour is not used
- Living wages are paid
- Working hours are not excessive
- No discrimination is practised
- Regular employment is provided
- No harsh or inhumane treatment is allowed

CRED jewellery is linked to Oro Verde (their source for Fair Trade gold and platinum), ARM (founding members) and FJA (mutual (co-)founder Greg Valerio).

More information: http://www.credjewellery.com

8. Fair Jewellery Action

Fair Jewellery Action (FJA) is a human rights and environmental justice network within the jewellery sector. FJA promotes ethical and Fair Trade jewellery businesses by advocating traceability and transparency in the jewellery supply chain. FJA's objective is to direct more of the economic impact of the jewellery sector toward the regenerating of local economies in small-scale artisan producer communities, supporting of cultural integrity and environmental sustainability.

Through its communications platform and standard setting activities, FJA aims to function as a driving force to consumers, making ethically and fairly traded jewellery the only moral choice. It supports jewellers by connecting them with the source of their material and enabling them to see the social, environmental and market advantage of providing ethical products.

In addition, recognising that small-scale mining strengthens communities and has the potential to redeem economies in the third world, FJA will support mining projects enabling miners and their products to reach Fair Trade certification.

FJA is a programme launched advocating Fair Trade jewellers and ethical jewellery in the UK and the USA. In the UK, FJA will operate within the trust of the CRED Foundation (see CRED Jewellery)

More information: http://www.fairjewelry.org

9. Responsible Jewellery Council

The Responsible Jewellery Council is an international not-for-profit organisation bringing together over 260 member companies across the jewellery supply chain. The Council aims to build 'a community of confidence' across every step of the diamond and gold jewellery supply chain in all geographies, and among businesses large and small.

The Council is governed by a Board of Directors, elected by Members and managed by a small team of professional staff operating out of four countries. It seeks to work with a wide range of stakeholders in defining and implementing responsible jewellery practices through the RJC's certification system.

The Council has launched this certification system after a three-year development. It applies to all members, businesses that contribute to the diamond and gold jewellery supply chain, from mine to retailer. Under the RJC system, all Commercial Members of the RJC are required to be audited by accredited, third party auditors to verify their conformance with the RJC, Code of Practices, and become certified under the RJC System.

The RJC began operating its certification system in December 2009. Current RJC Members as of 31 December 2009 are required to undergo independent verification by December 2011, or December 2012 if they have Mining Facilities. Companies that join the RJC from 2010 will need to undergo independent verification within two years of becoming Members.

More information: http://www.responsiblejewellery.com

3. Production

Since there are very few gold mines in the EU, the region is dependent on imports of gold for further refining and manufacturing of jewellery. Currently the largest producers of gold are China, Australia, the USA, South Africa, Russia and Peru. Furthermore, the use of recycled gold shows a growing trend. However, EU manufacturing of gold jewellery is declining due to the trend of outsourcing (parts of) production to low-cost countries, with the aim of reducing production costs.

3.1. Gold

A remarkable fact about gold is that it is virtually indestructible. Therefore, almost all gold that has ever been mined is still somewhere in the world in some form (World Gold Council, 2003). This also means that gold production is dependent on market growth, especially since gold is increasingly being recycled.

Global mine production of gold amounted to 2.6 thousand tonnes in 2009 (Goldsheetlinks.com, 2010). The largest producer is China accounting for 12% of global production, followed by Australia (8.6%), the USA (8.1%) and South Africa (7.7%). According to the European Association of Mining Industries, Europe is responsible for only 1.2% of the global gold production, with Turkey being the largest producer (42% of total European production), followed by Sweden (20%), Bulgaria (16%), Finland (16%), Poland (3.4%), Romania (1.9%) and Slovakia (0.8%).

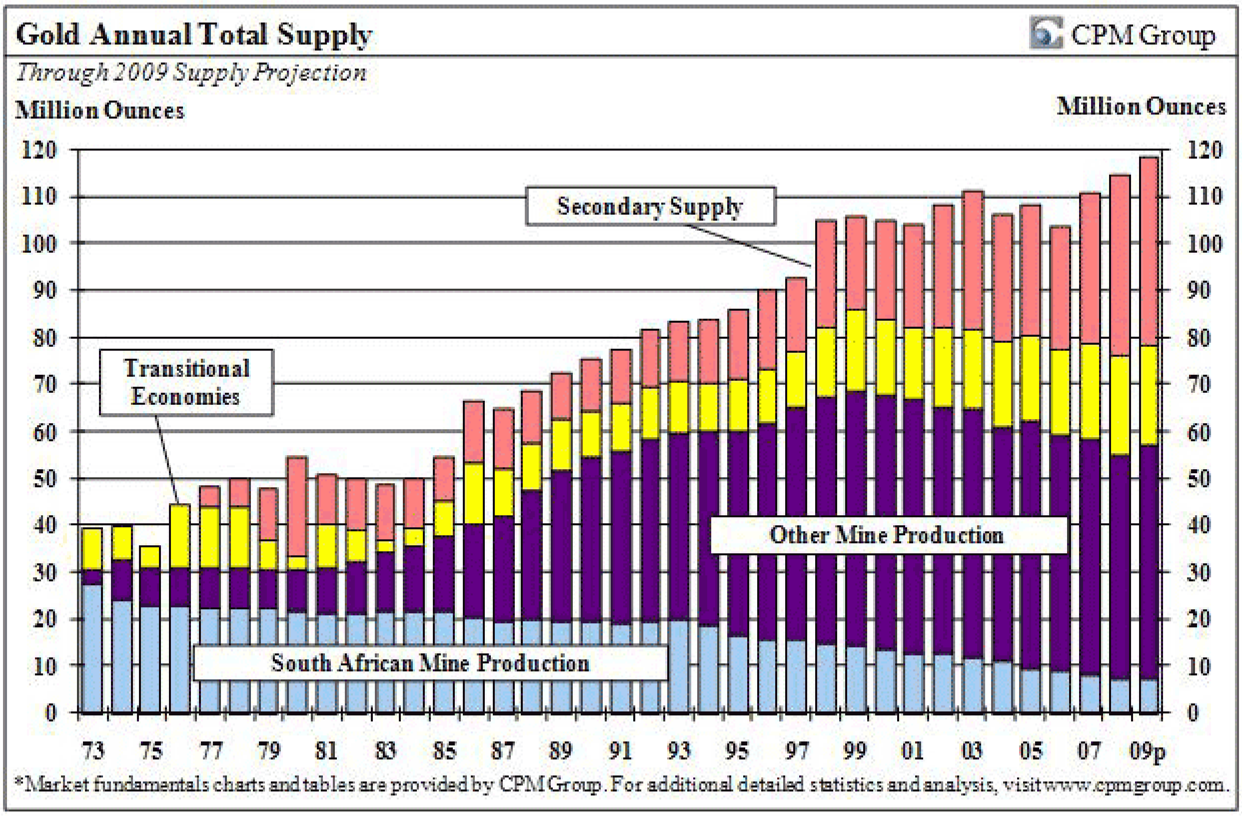
Table 3.1. Mine production of gold, 2009

Total	***2,572 tonnes***
China	11.8%
Australia	8.6%
USA	8.1%
South Africa	7.7%
Russia	7.7%
Peru	6.8%
Indonesia	4.0%
Canada	3.6%
Ghana	3.4%
Uzbekistan	3.0%

Source: http://www.goldsheetlinks.com

Ten years ago the picture was different, since back then South Africa was still the largest producer of gold in the world, while China was still relatively small. However, since the best gold deposits in South Africa are depleting, production has been on the decline. Australia and the USA were also larger producers back then. Over the years, China emerged as a gold producer and is now the largest producer worldwide. Russia also saw an increase in its share in global gold production over the past ten years, but used to be the second largest producer two decades ago. Peru, Ghana and Tanzania also increased their gold mine production during the past 20 years, and their production has now become more stable.

Figure 3.1



Source: adapted from Kitco.com

Little gold can be found in the EU, which consequently leads to a low production of the precious metal. However, some countries do have gold refineries, with which they can process the (imported) gold for the manufacturing of e.g. jewellery or gold bars. In 2009, production of unwrought gold in the EU amounted to € 5.2 billion (768 tonnes), of which Italy produced 53% and Germany 18% (Eurostat prodcom, 2010). EU production of other semi-manufactured gold amounted to € 1.5 billion (178 tonnes), of which again Italy and Germany produced the most. Switzerland is an important gold refiner and manufacturer in the world, and therefore the biggest supplier of both gold and gold jewellery to the EU.

The main gold producing companies in the world are the following:

- Barrick Gold Corporation (Canada)
- Newmont Mining Corporation (USA)
- AngloGold Ashanti (with headquarters in South Africa)
- Freeport-McMoran Copper & Gold Inc. (USA)
- GoldCorp Inc. (Canada)

Other big companies located in developing countries are Harmony (South Africa), Gold Fields Inc. (South Africa) and Lihir Gold Ltd. (Papua New Guinea). About 85% of gold mining happens through these large scale mining companies, while the remaining 15% concerns small-scale and artisanal companies. Small-scale miners make up 90% of the labour in gold extraction (FLO and ARM, 2010) and about 13 million people work at such mining companies. These miners often work directly with quicksilver which is very unhealthy (since they breathe in quicksilver damps) and the environment, which suffers from the waste (Solidaridad, 2010).

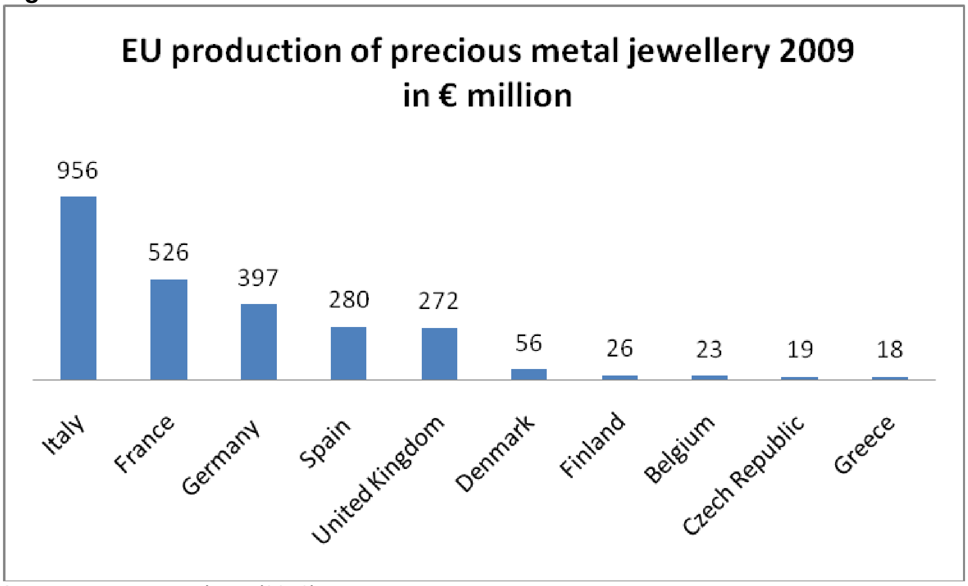
In 2009, of the total world supply of gold, 42% was recycled gold (1.7 thousand tonnes) and 58% came from mine production (World Gold Council, 2010). In 2008, recycled gold accounted for 37% of total supply, while in 2000 only 600 tonnes of gold were recycled; indicating that the use of recycled gold is a growing trend.

Although it is good for the environment, the recycling trend forms a threat for mined gold producers. The production of mined gold is dependent on global demand for gold, as well as on the discovery of new gold mines. For example, South African production is declining because its gold deposits are depleting, while China's production is soaring due to new gold deposit discoveries.

3.2. Gold jewellery

In 2009, the EU produced € 2.7 billion worth of jewellery made of precious metals; an average annual decline of almost 6% compared to 2005. Most of the leading EU producing countries show a decline in production. In contrast, several Nordic and East European countries show an increase in production. This can be explained by the trend of outsourcing production to nearby countries. Italy and Germany, for example have relocated some of their precious jewellery production to Romania and Bulgaria. EU producers also outsource parts of their jewellery production to low-cost countries like Turkey and North African countries (Morocco, Tunisia, and Egypt). Compared to 10 years ago production of precious jewellery in the EU has declined by approximately 50%.

Figure 3.2



Source: Eurostat Prodcom (2010)

Other producers which supply the EU with gold jewellery are Switzerland, India, Thailand, Hong Kong, the USA and China. India, China and Turkey are new and emerging jewellery producers. The EU still accounts for an estimated one fifth of global jewellery production, but this share is expected to decline in the coming years.

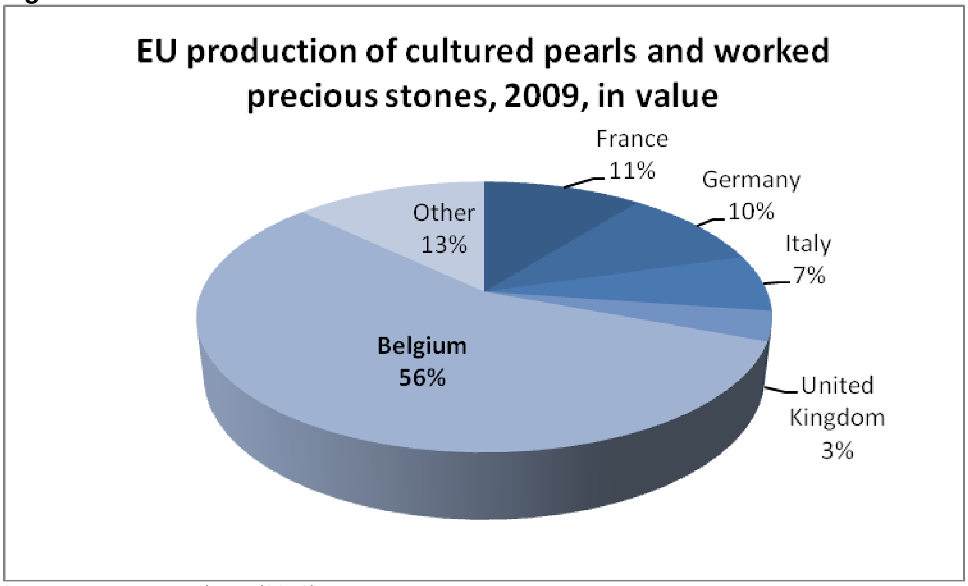
Table 3.2 Production of precious metal jewellery in the EU

	Production in € million, 2009	Average annual change 2005-2009
Total EU	***2,718***	***-5.9%***
Italy	956	-4.9%
France	526	-10%
Germany	397	-5.1%
Spain	280	-8.9%
United Kingdom	272	-6.1%
Denmark	56	3.5%
Finland	26	5.6%
Belgium	23	n.a.
Czech Republic	19	13%*
Greece	18	-12%

* Between 2007-2009
Source: Eurostat Prodcom (2010)

EU production of unworked (or roughly shaped) precious and semi-precious stones amounted to 3.2 thousand tonnes, worth € 900 thousand in 2009. Furthermore, the EU produced € 216 million worth of cultured pearls and worked (but not set) precious and semi-precious stones that year. Compared to 2005, production declined by an annual average of 11%. Belgium accounts for 56% of the EU production of cultured pearls and worked precious stones, followed by France (11%), Germany (10%), Italy (6.8%) and the UK (3.5%). Although Belgium is still by far the largest producer, production has declined from € 431 million in 2000 to € 122 million in 2009.

Figure 3.3



Source: Eurostat Prodcom (2010)

Table 3.3 presents major gold jewellery manufacturers in the most important production countries in the EU. These companies could be possible trading partners for refined gold, but could also form a threat to other gold jewellery producers.

Table 3.3 Gold jewellery manufacturers

Country	Company	Website
Italy	Bulgari Balestra Unoaerre Chimento	http://en.bulgari.com http://www.balestra.it http://www.unoaerre.com http://www.chimento.it
France	Stern Maty Baccarat	http://www.hstern.net http://www.maty.com http://www.baccarat.fr
Germany	Gerhard D. Wempe Zettl Ernst Schmuckwaren Heinrich Lausch Schwahn	http://www.wempe.com http://www.zettl.de http://www.ernst-schmuckwaren.de http://www.lausch-schmuck.de http://www.juwelier-schwahn.de
Spain	Tous Luxenter Jose Lopez Garcia Perlas Orquidea	http://www.tous.es http://www.luxenter.com http://www.joselopezgarcia.com http://www.perlasorquidea.com
UK	Abbeycrest Alfred Terry Kestrel Dominic Walmsley	http://www.abbeycrest.co.uk http://www.alfredterry.com http://www.kestreljewellery.com http://www.dominicwalmsley.com

3.3. More information

- Goldsheetlinks - http://www.goldsheetlinks.com
- World Gold Council - http://www.gold.org
- Eurostat - http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home
- Database with jewellery manufacturers - http://www.boci.org

4. Consumption

At first glance, the EU market for gold seems to provide more opportunities for developing countries (DCs) than the import market for gold jewellery. This is because the EU does not mine significant amounts of gold itself, but in contrast does manufacture a great amount of gold jewellery (exports even exceed imports). Therefore, EU demand for gold for the manufacturing of jewellery is significant and provides opportunities for gold mining countries. However, note that precious jewellery manufacturing is on the decline, and is increasingly being outsourced to low-cost production countries and will be replaced by imports of gold jewellery. Therefore, in the longer term imports of gold jewellery could grow at the expense of gold imports (for the production of jewellery in the EU).

On the other hand, the current global economic crisis has disturbed the picture, at least in the short term. Due to it people are cutting back their spending on luxurious jewellery items. At the same time, demand for investment gold is increasing, and is capturing a share at the expense of jewellery in the gold market. Moreover, important trends in precious jewellery consumption are the increasing use of diamonds, precious stones and pearls at the expense of gold content, and the growing variety of colours used, where the gold is alloyed with other materials to create a different colour. Therewith, companies are able to produce more fashionable and, at the same time, more affordable jewellery pieces. Together with the fluctuating gold price, the future of the EU gold and gold jewellery market is difficult to predict.

4.1. Gold

The gold market

Global demand for gold amounted to 3.5 thousand tonnes in 2009, worth US$ 109 billion. Compared to 2005, global consumption declined by an annual average of 1.9%, with a slight peak in 2008. Compared to 10 years ago consumption declined in total by 8%, but more important is that the end-use of the material has shifted quite drastically, from jewellery towards investments (World Gold Council, 2010), as can be seen in Table 4.1.

Table 4.1 World demand for gold

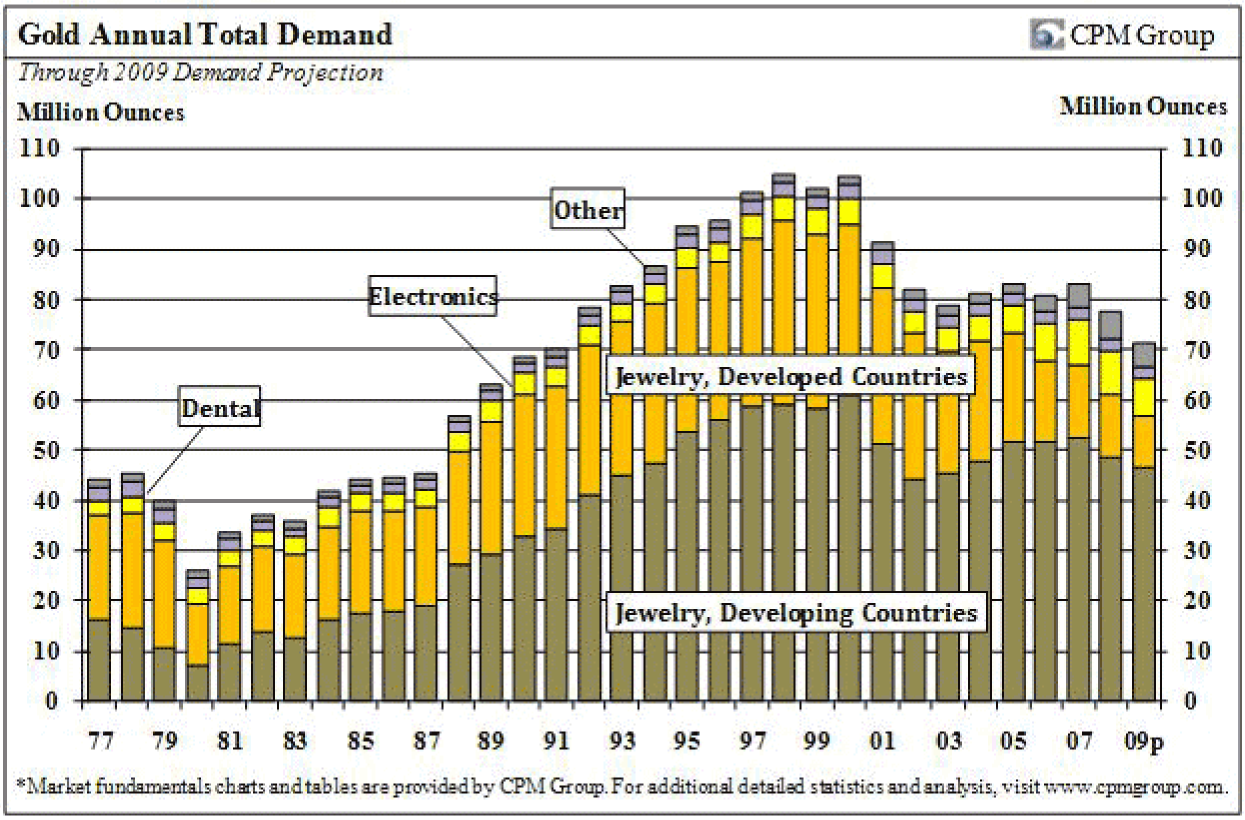
	2000		2009		2010 Q1	
	tonnes	% share	tonnes	% share	tonnes	% share
Total	***3,822***	***100%***	***3,480***	***100%***	***782***	***100%***
Jewellery	3,205	84%	1,759	51%	474	61%
Net retail investments	166	4.3%	731	21%	201	26%
ETFs* and similar	-	0%	617	18%	4	0.5%
Industrial and dental	451	12%	373	11%	103	13%

* Exchange Traded Funds
Source: GFMS, World Gold Council (2010)

As a result of the economic crisis, people have started looking for stable and reliable investments, such as gold. Particularly in Europe, investment demand for gold has grown strongly in recent years, with a peak in the second half of 2008 and the beginning of 2009. In 2009, European demand for physical gold products (gold bars and coins) for investment amounted to 293 tonnes, or 40% of world demand, and demand continued to increase in the first half of 2010 (World Gold Council, 2010). About 80% of this investment demand comes from Switzerland and Germany, although part of it also goes to investors in other European countries.

At the same time, the price of gold increased strongly, with a steady increase since 2009. Therefore, the price of gold jewellery increased as well, leading to a drop in consumption; especially since the economic crisis. However, India and China are still driving global demand for gold jewellery. Moreover, seasonal demand for gold jewellery is expected to be high in the second half of 2010.

Figure 4.1



Source: adapted from Kitco.com

Fair Trade gold

The market for Fair Trade gold is still in its infancy stage. However, consumers' concerns regarding the sustainability of the gold jewellery they buy has grown, providing opportunities for Fairtrade certified gold to be used in jewellery pieces. In the beginning of 2010, the Fairtrade and Fairmined Gold Standards were launched, making Fairtrade certified gold available. When made of Fairtrade gold, companies can use the marks FAIRTRADE and FAIRMINED on their jewellery pieces. As surveyed by the FLO (Fairtrade Labelling Organisation) and ARM (Alliance for Responsible Mining), possible jewellery pieces for the European market include wedding rings, dress rings, necklaces, earrings and bracelets. Best opportunities for Fair Trade jewellery lie around holidays, especially Christmas, as they are often used as gifts.

The biggest EU markets for Fair Trade products are in Western Europe, with the UK being in the frontline. The UK is even the largest Fair Trade market worldwide, with total sales amounting to € 897 million in 2009, or more than a quarter of the global market (BioFach Newsletter, 2010).

Figure 4.2

Source: Fairtrade Labelling Organisation (2010)

France is the second largest EU market, which was valued at € 288 million in 2009. Other interesting markets are Germany and Scandinavia, with Sweden and Finland showing strong growth rates in the consumption of Fairtrade certified products. The Belgian market amounted to € 56 million in 2009; an increase of 23% compared to the previous year (FLO, 2010). European countries, where consumers have a lower purchasing power, are less interesting for selling Fair Trade jewellery. Particularly in Eastern Europe, the Fair Trade market is still very limited.

4.2. Gold jewellery

The gold jewellery market

In 2009, global gold jewellery demand amounted to 1.8 thousand tonnes (worth US$ 56 million), indicating an average annual decline of 12% compared to 2004. Until the second quarter of 2010, demand for jewellery kept on the decline, at least in terms of volume. Due to the rising gold price, demand increased in terms of value between 2009 and the first half of 2010 in most countries.

India is the world's largest gold jewellery market, and remained quite stable during the crisis, although compared to a couple of years ago demand was relatively small. Other large markets are the Middle East, China, the USA and Turkey. In the EU, the largest markets can be found in Western Europe.

Table 4.2. Demand for gold for the production of jewellery, in tonnes

	2004	2008	2010 Q2	Average annual change 2004-2008
World	***2,878***	***2,152***	***409***	***-7.0%***
Middle East	528	435	61	-4.7%
India	526	294	123	-14%
USA	379	291	26	-6.4%
China	265	233	75	-3.2%
Turkey	129	116	16	-2.6%
EU	581	472	n.a.	-5.1%
Italy	87	70	6.2	-5.3%
Germany	59	43	n.a.	-7.6%
UK	55	42	5.2	-6.5%
Spain	39	32	n.a.	-4.8%
France	21	18	n.a.	-3.8%

Source: GFMS, World Gold Council (2010)

When looking at the total market for precious jewellery in the EU, the largest consumers are Italy (23% of total EU consumption), France (16%), the UK (16%) and Germany (14%). While consumption in these

Western countries shows a decline between 2004 and 2008, consumption in smaller markets such as Eastern Europe, the Nordic countries and the Baltic States is on the rise.

Table 4.3. Consumption of precious jewellery in the EU, 2008, in € million

	2008	Average annual change 2004-2008
Total EU	***20,167***	***-0.7%***
Italy	4,676	-1.9%
France	3.236	-0.7%
UK	3,324	-1.3%
Germany	2,832	-1.3%
Spain	1,257	-1.7%
Greece	992	1.4%
The Netherlands	775	2.5%
Belgium	419	-1.4%
Sweden	395	2.0%
Austria	389	0.9%
Poland	319	2.1%
Portugal	305	-0.4%
Denmark	254	2.0%
Ireland	203	1.9%
Finland	202	2.1%
Czech Republic	95	2.2%
Romania	92	7.0%
Cyprus	91	2.6%
Luxembourg	71	1.8%
Hungary	54	-0.5%
Bulgaria	41	7.2%
Malta	37	3.7%
Slovenia	36	2.2%
Slovakia	28	6.2%
Lithuania	23	3.6%
Latvia	13	4.2%
Estonia	8	3.4%

Source: Euromonitor, CBI (2009)

Structural trends in consumer patterns show that consumers increasingly spend money on other aspects of jewellery than just its gold content, such as diamonds, or intangible aspects like brand names (GFMS, 2009). In the short term, due to the economic crisis, people spend less on luxury items such as gold jewellery. Instead, people buy more silver, costume jewellery, lightweight or hollow gold items.

In the EU, the most popular gold content in jewellery is 18, 14 and 9 carat CBI, 2009). However, the focus of gold jewellery is nowadays more on design than on gold content, as jewellery is less used as investment. EU consumers are increasingly interested in new colours of their jewellery, like gold with shades of red, rose, yellow, orange, green, grey and even black. This trend at the same time leads to a declining trend in white gold consumption. Designers are increasingly creative in making fashionable jewellery with less gold, which also makes it more affordable. This is done by adding precious stones or pearls to create fashionable items, while diminishing the amount of gold used.

Diamonds, stones and pearls

In 2008, EU diamond jewellery retail sales accounted for approximately 23% of the global consumption value (CBI, 2009). Italy, the UK and Germany are the largest markets for it. Like with gold jewellery, diamonds are offered in a growing number of colours, like black, brown, yellow and rose or pink. Melee diamonds are small diamonds between 0.0025 and 0.22 carat. Diamonds of one carat or more are mostly sold in the form of round brilliants, ovals and marquise cut.

Precious and semi-precious gemstones are increasingly used in jewellery, because of their wide colour availablity, their sparkling effect, and the value that they express while using a lower gold content. In relation to this the use of larger stones is a growing trend, like citrines, quartz, amethysts, chrysophases and tourmalines (CBI, 2009). Colourful gemstones that are popular in the EU are tourmaline, aquamarine, topaz, citrine, amethysts, rhodolite, garnet, onyx, rubies, sapphires, emeralds, beryl, coral beads, turquoise, quartz and zircons (CBI, 2009). These stones are often set in 18 carat gold and white gold, or in other precious metal jewellery.

Pearls are mostly used in rings, earrings and colliers. The same trend of design and colour variety can be seen in the market for pearls as in the other jewellery markets. Colours in demand are grey, blue and pink, but also gold, purple and peach. Pearls of 10-14mm in size are still the most popular in the EU, but freshwater cultured pearls are somewhat larger, 16-23 mm. Pearls used in the heart of a collier can be up to 18 mm. Note that the size of colliers has become longer, varying from 47 up to 80 cm. East-European markets are increasingly interested in pearls from the Southern Seas (CBI, 2009).

4.3. More information

- World Gold Council - http://www.gold.org
- CBI - http://www.cbi.eu
- GFMS - http://www.gfms.co.uk
- Fairtrade Labelling Organisation (FLO) – http://www.fairtrade.net
- Alliance for Responsible Mining (ARM) - http://www.communitymining.org

5. Trade

The EU is almost fully dependent on imports for its gold market, because hardly any gold mines are present in the region. The global economic crisis has had a short-term effect on EU imports, of both gold and gold jewellery. Due to the crisis, investment demand for gold grew immensely in Europe, since people were looking for safety investments. In contrast, people are cutting back their spending on luxury items like jewellery, resulting in a decline in imports of gold jewellery. In the long run, however, imports of gold jewellery are expected to increase, in order to supplement declining EU gold jewellery manufacturing, which is increasingly being outsourced to low-cost countries.

This Chapter provides insight into the developments of gold imports and exports by the EU, including which countries are the largest importers and exporters, the suppliers of gold and gold jewellery to the EU, and the role of developing countries (DCs).

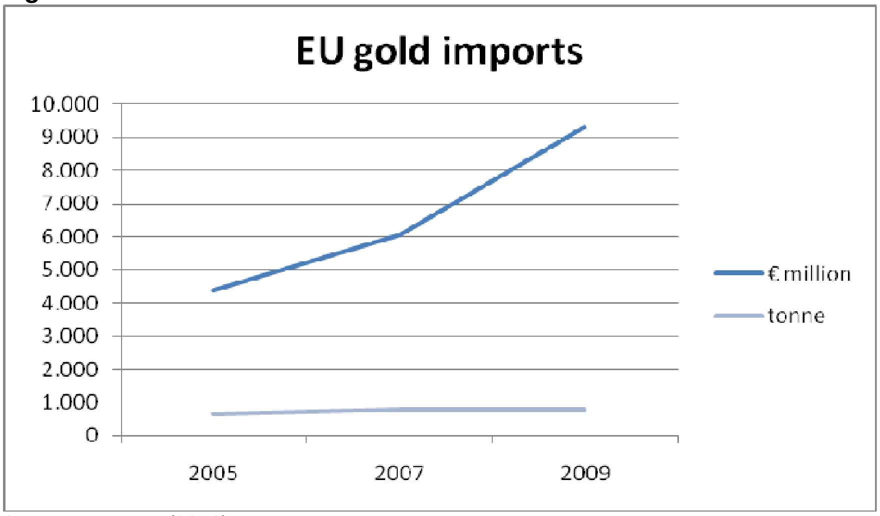
5.1. Imports

EU gold imports

In 2009, the EU imported € 9.3 billion worth of gold: an average annual increase of 21% compared to 2005 (Eurostat, 2010). Imports consisted for 78% of unwrought gold (other than powder) and 21% other semi-manufactured gold, while monetary and powder gold were less important.

In the first half of 2010, the EU already imported € 6.2 billion of gold (ITC, 2010). This strong increase can be explained by the increased popularity of gold as an investment. Investment demand for gold accounted for only 5% of the total demand for gold in 2007, while this reached 33% in 2009 (Polyus Group, 2010). This can be explained by the current economic crisis which started in 2008; people look for safety and therefore invest in gold. In addition, the price of gold increased, leading to a higher import value. In terms of volume, EU gold imports increased by an annual average of 4.3 since 2005.

Figure 5.1



Source: Eurostat (2010)

At the same time, imports of gold jewellery declined by an annual average of 5.2% between 2005 and 2009, to € 3.5 billion in 2009, which can be explained by the strongly increasing gold price since the economic crisis started. In times of economic downturn, people cut back their spending on luxury items first, which includes jewellery.

Table 5.1 Leading EU importers of gold

	Import value 2009, in € million	Average annual change 2005-2009	Main suppliers, and their share in total imports
EU total	***9,312***	***21%***	***Switzerland (48%), Germany (12%), South Africa (9.3%)***
Italy	2,514	-2.2%	Switzerland (37%), South Africa (21%)
Germany	2,235	141%	Switzerland (59%), South Africa (11%), Austria (8.6%)
Austria	1,973	66%	Switzerland (98%)
The Netherlands	841	59%	Germany (97%)
United Kingdom	599	23%	Italy (25%), Switzerland (17%), South Africa (15%), USA (12%), Hong Kong (11%)
Belgium	426	42%	Surinam (35%), France (17%), Burkina Faso (10%), Portugal (8.9%), Aruba (5.5%)
France	275	3.8%	Italy (59%), Switzerland (15%), Germany (14%)
Luxembourg	113	115%	Germany (96%)
Spain	95	-30%	Portugal (39%), Switzerland (24%), UK (17%), Italy (15%)
Czech Republic	46	62%	Austria (40%), Slovakia (25%), Switzerland (21%)
Sweden	30	23%	Norway (68%), Germany (16%)
Slovakia	25	127%	Italy (34%), Hungary (21%), Czech Republic (21%)
Malta	22	6.4%	Singapore (57%), Switzerland (43%)
Portugal	22	-22%	France (57%), Germany (16%), UK (13%)
Poland	17	27%	Germany (39%), Switzerland (36%)

Source: Eurostat (2010)

The leading EU importers of gold are Italy (27% of total EU imports), Germany (24%) and Austria (21%). Gold imports by Italy declined by an annual average of 2.2% between 2005 and 2009, while imports by Germany and Austria increased by 141% and 66% respectively in the same period. Other emerging importers are The Netherlands, Belgium, Luxembourg, Czech Republic and Slovakia.

Table 5.2 Leading EU importers of gold jewellery*

	Import value 2009, in € million	Average annual change 2005-2009	Main suppliers, and their share in total imports
EU total	***3,547***	***-5.2%***	***Switzerland (16%), Italy (14%), France (12%)***
United Kingdom	1,182	-13%	France (25%), India (12%), USA (11%), Switzerland (11%)
France	854	4.1%	Switzerland (22%), Italy (20%), UK (11%), Germany (9%)
Italy	423	2.9%	Switzerland (34%), France (10%)
Germany	366	-1.0%	Switzerland (26%), Thailand (14%), Italy (13%)
Spain	123	-15%	Italy (38%), India (12%), Turkey (9%)
Belgium	92	-2.9%	Italy (18%), India (17%), France (11%), China (9%)
Austria	90	7.6%	Germany (45%), Italy (13%), Turkey (10%), Switzerland (10%)
Poland	60	7.7%	Italy (41%), Turkey (25%), China (10%)
Greece	59	13%	Italy (41%), Hong Kong (13%)
The Netherlands	49	-5.3%	Germany (16%), China (11%), Thailand (10%), Italy (10%)
Denmark	45	15%	Thailand (69%)
Czech Republic	34	2.3%	Turkey (32%), Italy (25%), Germany (11%), Hong Kong (10%)
Sweden	32	-13%	Italy (26%), India (24%)

	Import value 2009, in € million	Average annual change 2005-2009	Main suppliers, and their share in total imports
Ireland	30	-5.8%	UK (63%), USA (11%)
Portugal	16	-14%	Italy (26%), Spain (25%), Turkey (14%), France (11%)

* Data concern precious jewellery other than silver
Source: Eurostat (2010)

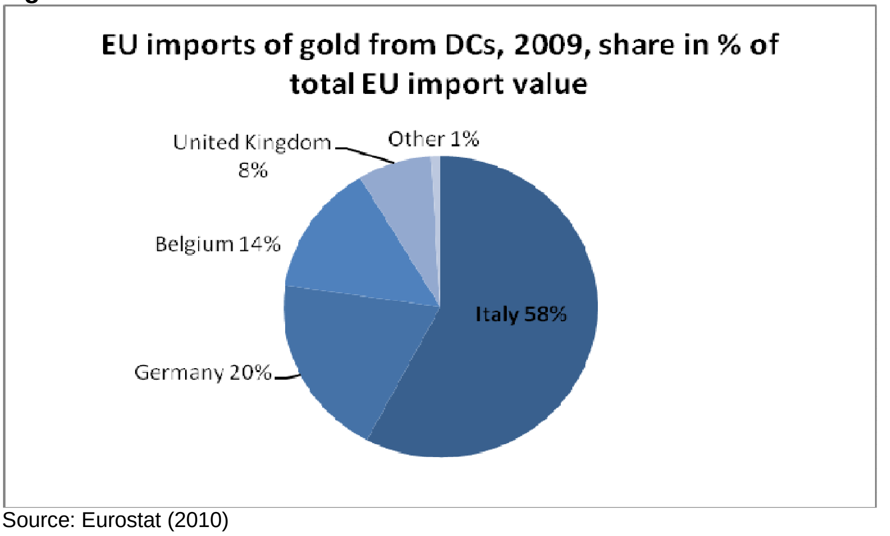
Gold jewellery is mainly imported by the UK (33% of total EU imports in 2009), followed by France (24%), Italy (12%) and Germany (10%). The UK witnessed an average annual decline of 13% in its imports between 2005 and 2009, while imports by France and Italy increased in this period. Belgium accounted for 2.6% of total EU gold jewellery imports, and shows an average annual decline of 2.9% in imports during the review period.

It is difficult to forecast what will happen to the gold market in the longer term, that is: after the economic downturn. However, if the gold price stabilises and/or declines, demand for gold jewellery is expected to grow again, which will lead to growing imports. Moreover, the declining manufacturing of precious jewellery in the EU will probably lead to a growth in imports of gold jewellery. Particularly for low-cost countries, DCs and also East-European countries, manufacturing opportunities exist. However, at the same time, the lower decline in EU jewellery manufacturing will lead to fewer imports of gold for the industry. Moreover, the trend for design jewellery, with less gold but more precious stones or pearls, could also point to a decline in the import volume of gold for jewellery production.

Suppliers of gold to the EU and the role of DCs

Developing countries (DCs) accounted for 17% of the total EU imports of gold in 2009 (or € 1.6 billion), but even though imports from DCs increased by 5.1% annually, their share declined compared to 2005, when they still accounted for 29% of total EU imports. Instead, imports from Switzerland and Germany, the two leading suppliers of gold to the EU, increased substantially, meaning that the role of re-exports is becoming more important.

Figure 5.2



Source: Eurostat (2010)

Switzerland hosts several of the world's largest gold refineries, processing an estimated 40% of all newly mined gold (http://www.beurz.com, 2008). Switzerland makes jewellery, but also gold bars from the imported unwrought gold, the latter of which has become a booming business due to the recent growth in demand. Moreover, Zürich, the capital of Switzerland, is the main gold trading centre in the world. A remarkable fact is that the world's largest gold producer, China, does not appear in the top EU suppliers list, probably because their gold enters the EU through Swiss refineries.

Table 5.3 Suppliers of gold and gold jewellery to the EU in 2009

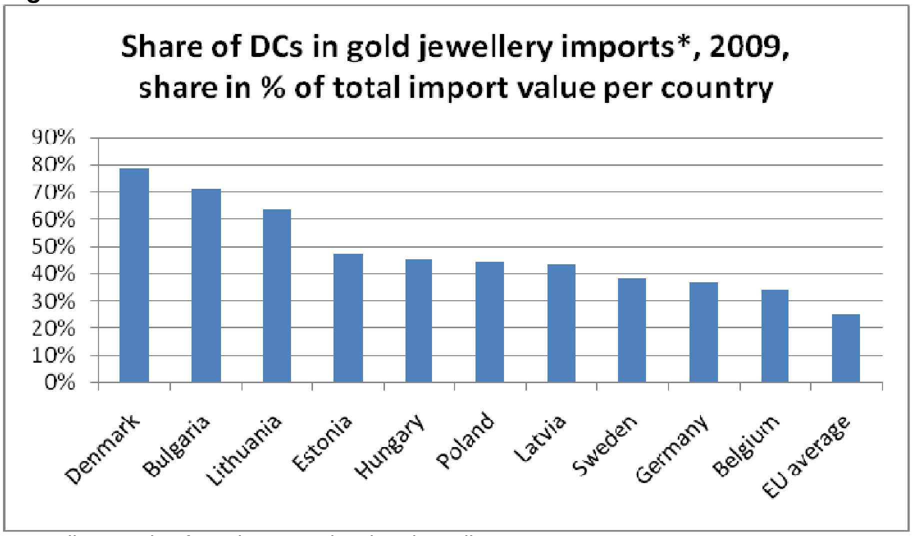
Top 10 suppliers of gold	Top 10 suppliers of gold jewellery*
1. Switzerland (48%)	1. Switzerland (16%)
2. Germany (12%)	2. Italy (14%)
3. South Africa (9.3%)	3. France (12%)
4. Italy (3.9%)	4. India (7.1%)
5. France (3.6%)	5. Thailand (6.7%)
6. Austria (2.9%)	6. Hong Kong (6.6%)
7. UK (2.4%)	7. USA (6.4%)
8. Surinam (1.6%)	8. Germany (5.0%)
9. USA (1.3%)	9. China (4.1%)
10. Peru (1.1%)	10. Turkey (4.1%)

* Jewellery made of precious metals other than silver
Source: Eurostat (2010)

Regarding gold jewellery, the share of DCs in EU imports remained rather stable, at 25% (or € 884 million), although imports from DCs decreased by an annual average of 5.4% in the period 2005-2009. The decline in imports from DCs was mainly caused by a decline in imports from Thailand (8.0% annually), China (5.0%) and Turkey (5.2%).

While Italy is by far the largest EU importer of gold from DCs (the country accounts for 58% of total EU imports of gold from DCs in value), the UK tops the list of EU importers of gold jewellery from DCs. The UK accounted for 30% of the total EU import value of gold jewellery from DCs in 2009, followed by France (16%), Germany (15%) and Italy (14%). However, when looking at the share of DCs in imports per country, a different picture appears (see the figure below), where East European and Nordic countries, as well as the Baltic States, appear to import the largest share of their gold jewellery from DCs.

Figure 5.3



* Jewellery made of precious metals other than silver
Source: Eurostat (2010)

The UK is a major importer of gold jewellery and sources from France (25%), India (12%), the USA (11%) and Switzerland (11%). However, except for France, imports from these countries decreased in the period 2005-2009. France itself is also a major importer of gold jewellery, and imports mainly from Switzerland, Italy, the UK and Germany, and to a lesser extent from Hong Kong, China, Thailand, India and Vietnam.

5.2. Exports

EU gold exports

In 2009, the EU exported € 7.5 billion worth of gold; an average annual increase of 28% compared to 2005. The exports consisted of 76% unwrought gold (other than powder), and 24% other semi-manufactured forms of gold. The leading EU exporters are Italy (29% of total EU exports), Germany (22%) and The Netherlands (11%). The main countries of destination are Switzerland (40%), the UK (11%) and Germany (10%).

Compared to 10 years ago, the role of the UK as leading exporter of gold declined, and continued to decline in the period 2005-2009. In 2000, the UK still exported € 2.1 billion of gold. On the other hand, Italy emerged as an exporter, with exports amounting to € 244 million back in 2000. The Netherlands also emerged, since it only exported € 39 million of gold in the year 2000. Germany also witnessed an increase in exports, although not as substantially as Italy or The Netherlands.

Table 5.3 Leading EU exporters of gold, 2009

	Exports of gold, in € million	Average annual change 2005-2009
EU total	***3,743***	***28%***
Italy	2,146	43%
Germany	1,678	109%
The Netherlands	827	65%
Belgium	575	22%
United Kingdom	485	-20%
Austria	442	46%
France	371	17%
Spain	346	51%
Sweden	333	12%
Portugal	100	195%
Finland	46	356%
Slovakia	32	84%
Czech Republic	29	31%
Poland	22	31%
Luxembourg	17	2.1%

Source: Eurostat (2010)

EU exports of gold jewellery amounted to € 6.4 billion in 2009, indicating the EU exports twice as much gold jewellery as it imports. Compared to 2005, exports remained rather stable in terms of value, but declined by an annual average of 30% in terms of volume, due to the increased price of gold. Another reason for the declining exports is the declining production of precious jewellery in the EU, which is increasingly being outsourced to low-cost production countries. The leading EU exporters are Italy (43%), the UK (29%) and France (16%). The main countries of destination are Switzerland (16%), U.A. Emirates (12%) and France (11%).

Table 5.4 Leading EU exporters of gold jewellery*, 2009

	Exports of gold jewellery, in € million	Average annual change 2005-2009
EU total	***6,409***	***-0.3%***
Italy	2,756	-5.2%
United Kingdom	1,845	6.0%
France	1,011	6.4%
Germany	393	-1.0%
Spain	121	-6.0%
Belgium	67	-4.0%
Austria	51	20%
Denmark	37	13%
Greece	27	12%
The Netherlands	16	-2.3%
Poland	15	-9.4%
Portugal	15	14%
Czech Republic	12	11%

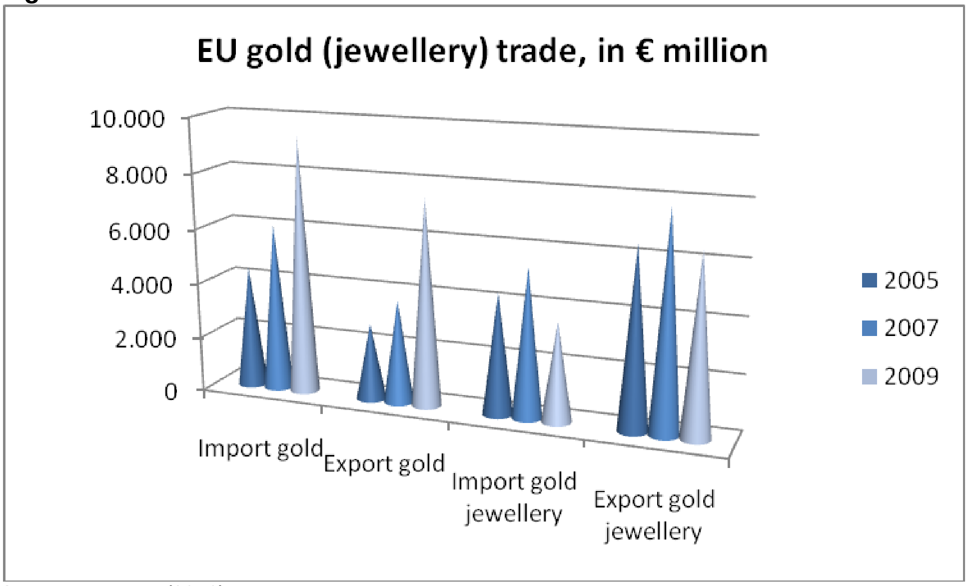
Ireland	10	4.3%
Sweden	7.2	-19%

* Jewellery made of precious metals other than silver
Source: Eurostat (2010)

Trade balance

When comparing exports to imports, it becomes clear that the EU exports more gold jewellery than it imports, indicating that the EU exports a significant part of its production. For gold, the opposite holds true since the EU does not produce much gold itself. Therefore, gold exports mostly concern re-export between European countries, where Switzerland plays an important role as trading centre.

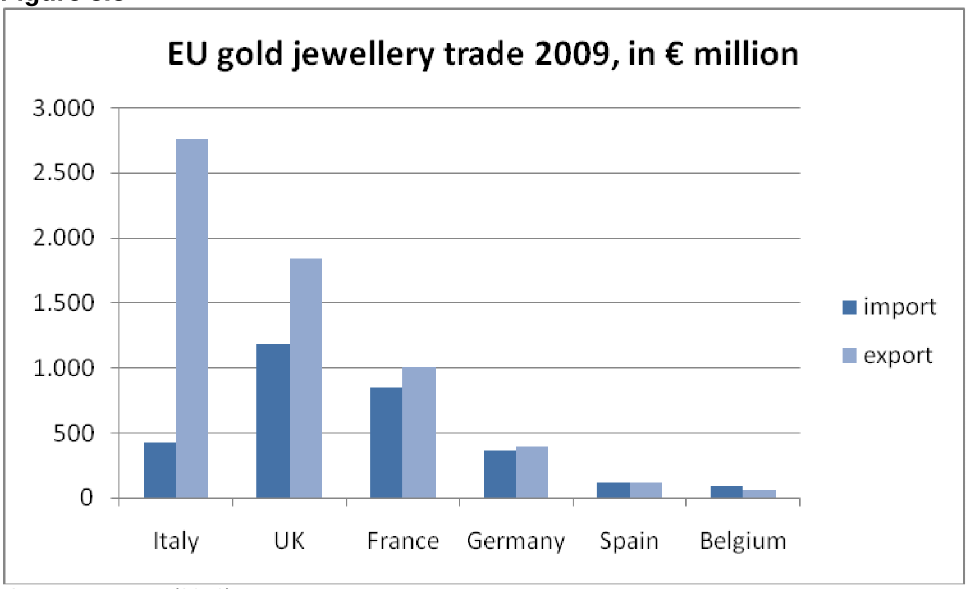
Figure 5.4



Source: Eurostat (2010)

However, a different picture appears when considering the individual EU member states. Italy, by far the largest EU producer of precious metal jewellery, shows the biggest difference between export and import, while smaller producers like Belgium have higher imports than exports of gold jewellery.

Figure 5.5



Source: Eurostat (2010)

Developments that could influence future EU exports of gold and gold jewellery are the declining EU jewellery manufacturing (in favour of low-cost country producers), demand in countries outside the EU (in Asia and the USA for example), and the price of gold.

5.3. More information

- Eurostat - http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home
- ITC trade map - http://www.intracen.org

6. Distribution channels

If you are a producer of gold, you should make sure it reaches a refiner, which in turn supplies your gold further down the value chain. If you produce gold jewellery, you need to get your product into a retail shop in the EU. This Chapter explains the gold trade structure for the EU jewellery market, gold distribution trends, and insight on interesting trading partners.

6.1. Trade structure

Distribution channels

Unwrought gold needs to be refined before it can be used for the production of jewellery, or other fabrication purposes such as cast bars, coins, dental use, industrial use, or the gold exchange traded fund. Refining can take place locally or in another country. When exporting to a foreign gold refinery, the producers can use an importer, agent or broker as an intermediary, or supply the refiner directly. In the case of export to the EU, Switzerland plays an important role in gold refining, and is an important trading centre for gold. Almost half of the gold imported by the EU enters the region through Switzerland. The biggest EU importers, sourcing directly from developing countries are Italy, Germany, Belgium and the UK.

Figure 6.1 Distribution channels of gold to the EU jewellery market

After refining, the gold goes, in the form of bullion bars of at least 99.5% pure gold, to a jewellery manufacturer (or other industry). Within the EU, Italy, France, the UK, Germany and Spain are the countries with the highest demand for gold for the production of jewellery. However, gold jewellery is also produced in other countries, and from there imported into the EU. Large jewellery manufacturers are, for example, India, China, Thailand, Hong Kong and Turkey.

From the manufacturer, the gold jewellery can go directly to a retailer in the EU, or could first pass a wholesaler and/or trader. In many EU countries, the traditional route of manufacturer - importer/wholesaler – retailer is still the most important, especially in Southern and Eastern Europe, where many small retailers are present. In West-European markets, buying groups of retailers also exist, which can import directly from manufacturers, and keep jewellery pieces in stock. The leading EU importers of gold jewellery are the UK, France, Italy and Germany.

Retail channels

Several types of retailers sell gold jewellery in the EU. Specialist retailers include precious jewellers and jewellery galleries, while non-specialist retailers include department stores and gift shops / duty-free. Besides, consumers also buy their jewellery directly from home via the internet.

Precious jewellers sell mainstream designed jewellery and watches made of gold, silver and platinum, and mostly target a broad consumer group. Competition is becoming fiercer for specialist retailers, due to more demanding consumers and competition from department stores. Jewellery galleries concern gold and silver smiths that make and sell their own jewellery collections. They are mostly present in Southern countries like Italy, France and Spain, but are also found in other EU countries.

Non-specialist retailers have more buying power and can therefore offer lower prices. Department stores buy larger volumes of precious jewellery directly from manufacturers, and align their purchases with the different seasons and most recent fashion trends. They emerged as a sales channel during recent years (CBI, 2009) and sell various types of jewellery to a wide public. They are mostly present in Germany, The Netherlands and Spain. Furthermore, precious jewellery is also sold in gift shops and duty-free shops at airports. The jewellery sold at these retailers is usually bought from more specialised importers and is often sold in special gift packaging.

EU consumers increasingly buy their jewellery on the Internet, though this trend is not very visible for gold and exclusive jewellery. Mail order catalogues are more popular for these products, and are also focused on lower-priced gold jewellery pieces. When buying from home people usually choose among known brands in order to be on the safe side.

Choose your entry channel

You, as an exporter, should decide which entry channel is the most suitable to you. Suppliers of mined gold need to decide whether to supply a refiner directly, or via a trader, and whether to supply a local refiner (if present), one in a neighbouring country (which could be South Africa), or one in Europe (like in Switzerland). In the same line of reasoning, a gold jewellery producer can supply a retailer directly, or via a trader or wholesaler.

Your choice depends mostly on your production volume, and on your export experience. As shown in the table presented below, an agent can be suitable for the less experienced exporters, while direct trade with a retailer requires some volume and experience. Each channel can also have drawbacks, so each exporter needs to evaluate the most appropriate one for his or her situation.

Table 6.1 Features of the distribution channels

Agent / broker	Importer	Wholesaler	Retailer
• Have market knowledge and strong relations with EU buyers. • Well-informed on trends and segments. • Useful for less-experienced exporters. Agents are familiar with sales and administration. • Retailers and wholesalers often use a buying agent (present in your country). • Drawback: agents charge a considerable commission. • You are dependent on your agent's reliability and expertise. • Due to EU legislation it is difficult to bypass agents once they have established a relationship with buyers for you.	• There are smaller and larger importers; select the most suitable one in terms of production volume. • Familiar with local markets, and suppliers and buyers all over the world. • Can supply information, assistance and guidance. • Main trade channel for ethnic and Fair Trade products. • You can avoid trade-related risks when using an importer. • However, working with traders can mean losing marketing control. • Importers can demand a long period of exclusivity.	• Fears its position, due to direct trade by retailers, and growing buying groups. • Play a larger role in costume jewellery than precious jewellery. • Like the importer, knowledgeable on trends, local markets and buyers. • You can avoid trade-related risks when using a wholesaler. • Can supply information, assistance and guidance. • However, working with wholesalers can mean losing marketing control.	• Retailers increasingly import directly from manufacturers; department stores are an emerging distribution channel. • Buying groups of retailers function as a buying agent, and buy larger volumes to obtain a discount. • Emerging retailers like department stores buy in larger volumes. • Require more investment in product design, especially for the middle and high market segments. • Direct trade increases your risk in doing business. • Check for your target market, which type of retailer is most suitable.

Note that the shorter the distribution chain, the higher the margin that is left for each player involved. An importer or wholesaler usually adds a 30-50% margin to the price, so skipping this channel would save some costs on distribution. On the other hand, direct trade means more risks for the exporter.

Table 6.2 Price margins for jewellery trade

Distribution channel	Margin
Agent/broker	6-12%
Importer/wholesaler	30-50%
Retailer	95-120%

More information

- Responsible Jewellery Council – http://www.resposiblejewellery.com
- Roundtable Africa - http://www.roundtableafrica.net - article on gold value chains for Tanzania and Zambia available at their website.
- CBI – http://www.cbi.eu

6.2. Distribution trends

Several trends can be distinguished, which influence the distribution of gold to the jewellery market in the EU. As an exporter you should monitor these trends in order to know which channels are emerging and which ones are threatened by the developments. Note that the gold jewellery market is a global one, where trends on a global basis lead to developments in EU distribution.

➢ *Diversification of retail channels*

Retail channels have diversified during recent years, with non-specialist sales channels emerging in the EU precious jewellery market. Department stores recently emerged in the market, selling a wide variety of gold jewellery to a broad public. Especially in West European markets, these retailers increasingly sell jewellery. Department stores buy larger volumes of precious jewellery directly from manufacturers, thereby threatening the traditional position of wholesalers and importers. However, note that currently most of the gold (jewellery) trade still follows the traditional route to the end-consumer.

➢ *Emerging gold suppliers*

The emergence of India, China and Turkey as gold suppliers and jewellery manufacturers is changing the competitive environment of the global and EU gold jewellery markets. These countries are low-cost production countries, where labour costs especially are relatively low, putting more pressure on companies' cost structure and margins. This leads to players in the distribution chain looking for ways to diminish their costs and keep a sufficient margin.

➢ *Vertical integration*

Another ongoing trend is the vertical integration of retailers and suppliers, being a response to the highly fragmented jewellery industry in the EU and the growing price pressure on companies globally. Labour costs are low in the emerging gold supplying countries China and India, which increasingly supply the global jewellery market. Moreover, the price of gold increased and consumers become more demanding in terms of price and design. Therefore, mining companies, jewellery manufacturers, as well as retailers, look for more control in their value chain, with integration as a result. Examples of vertical integration are mining companies that take over jewellery manufacturers and retailers, or retailers that start their own production or outsource jewellery production to low-cost countries (CBI, 2009).

➢ *Outsourcing to low-cost countries*

Another response to the increasing competition and price pressure in the jewellery industry, is that EU companies outsource (part of) their production to low-cost production countries. They are preferably countries that are located nearby in order to avoid high transportation costs. As a consequence, jewellery manufacturing in Western Europe shows a decreasing trend.

6.3. Interesting EU trading partners

EU importers of gold and gold jewellery

Producers of mined gold should look for a refinery that imports gold, of which some examples are presented in Table 6.3. More refiners (also outside the EU) can be found for example at the website of The London Bullion Market Association, as presented under 'Useful Sources.'

Table 6.3 EU importers of gold (gold refineries)

Country	Company	Website
Italy	Chimet	http://www.chimet.com
Germany	Allgemeine Gold- und Silberscheideanstalt	http://www.allgemeine-gold.de
Belgium	Umicore	http://www.umicore.com/en
The Netherlands	Schöne Edelmetaal	http://www.schone.nl

Some importers of gold jewellery are presented in Table 6.4, although more of them can be found through company search databases on the Internet, or through associations, as presented under 'Useful Sources.'

Table 6.4 EU importers of gold jewellery

Country	Company	Website
UK	List of jewellery agents Signet Group (specialist retailer) Goldsmiths Group (specialist retailer) British wholesalers database	http://www.stjustin.co.uk/handmade-jewellery-agents.asp http://www.signetgroupplc.com http://www.goldsmiths.co.uk http://www.a2zjewellery.co.uk
France	French wholesalers database	http://www.france-jewel.com
Germany	Gallay (wholesaler) Tricolour Jewellery (importer) Agents database	http://www.schmuckzone.de http://www.tricolourjewellery.com http://www.cdh.de
Spain	El Corte Ingles (department store) Agents database	http://elcorteingles.es http://www.cgac.es

Useful sources for finding trading partners

- The London Bullion Market Association - http://www.lbma.org.uk/pages/index.cfm?page_id=29&title=gold_list – list of gold refiners
- Kompass - http://www.kompass.com – company search database
- Europages – http://www.europages.net – company search database
- German Jewellery and Watches Association – http://www.bv-juweliere.de
- French jewellery wholesalers directory – http://www.lespagesazur.com
- Federation of Italian Jewellery and watchmakers' Wholesalers – http://www.federgrossrafi.it
- The Italian Jewellery Retailers Association – http://www.fndettorafi.it
- The British Jewellery and giftware Federation – http://www.bjgf.org.uk
- The Jewellery Distributor's Association of the UK – http://www.jda.org.uk

6.4. Fair Trade

Small-scale and artisanal miners would especially benefit from fairly traded gold, since with the current supply chain they lose a lot of margin to middle men and traders, in order to get their gold to refiners and the end-market. A separate supply chain for Fair Trade gold would enable them to capture their fair share of the profit. However, the main problem is that most gold currently goes to the same refiners, while the Fair Trade gold should be kept separate from the regular gold throughout the whole chain. This comes at a cost: the unit cost of the Fair Trade gold becomes higher since it concerns smaller batches (in other words, economies of scale are lost) and a license fee for the use of the Fairtrade / Fairmined label needs to be paid. Please refer to Chapter 10 for more information on the possibilities for Fair Trade gold.

The first importer of Fairtrade / Fairmined gold is S & P Trading in Paris, France. The best way to sell the produced Fair Trade gold jewellery in the EU is through an importer in the country of destination. This importer is then evaluated by a Fair Trade organisation in the country, and takes care of selling the products. If the jewellery is produced in a developing country, the importer can also send a designer to give advice on design, so that the produced pieces are suitable to sell on the EU market.

Table 6.5 Fair Trade importers of jewellery

Country	Company	Website
UK	Padma Trading – importer of design jewellery from India Global Crafts Patchouli Fair Something Different Wholesale	http://www.wholesale-trader-uk.co.uk/html/padma.html http://www.globalcraftsb2b.co.uk http://www.patchoulifair.co.uk http://www.somethingdifferentwholesale.co.uk
France	Solidarmonde Artisanat S.E.L. Andines	http://www.solidarmonde.fr http://www.artisanatsel.com http://www.andines.com
Germany	Gepa	http://www.gepa.de/p
Belgium	Oxfam-Magasins du monde	http://www.oxfammagasinsdumonde.be
The Netherlands	Fair Trade Original	http://fairtrade.nl

Since the Fairtrade and Fairmined standards are only recently launched, examples of Fair Trade jewellery are difficult to find. Nevertheless some examples of pre-certified jewellery can be found, where the producer is still in the process of getting certified. An example is Harriet Kelsall in the UK (http://www.hkjewellery.co.uk/web/page/fair-trade-gold), which has jewellery made from Fair Trade gold from Artisan Small Scale miners (ASMs) in Colombia. Another example is Ingle & Rhode in the UK, using Fair Trade gold from the EcoAndina Foundation in Argentina and Oro Verde in Colombia for their jewellery (http://www.ingleandrhode.co.uk/fair-trade-gold).

More information

- Alliance for Responsible Mining (ARM) - http://www.communitymining.org
- A Fair Trade hub - http://www.fair-trade-hub.com/fair-trade-directory.html
- Intracen - http://www.intracen.org – provides a list of Fair Trade importers and other players.
- The British Association For Fair Trade Shops - http://www.bafts.org.uk/find-fair-trade-shops - provides a list of retailers in the UK.
- Thewholesaler.co.uk - http://www.thewholesaler.co.uk/trade/distributor/Fair_trade_wholesale_suppliers_in_the_UK - provides a list of Fair Trade importers/wholesalers in the UK.

7. Legislation

When exporting gold jewellery to the European Union, there are two important aspects a supplier needs to keep in mind: 1. Hallmarking, 2. The Value Added Tax (VAT) rate applied in each EU member state.

7.1. Hallmarking gold

The validity of the caratage stamped on each piece of gold jewellery is often guaranteed by an official hallmarking system. A hallmark is a mark or number of marks, made on gold, silver or platinum jewellery or plate to guarantee that its quality and caratage is up to the correct legal standard.

Over time, countries have developed their own regulations and requirements on precious metals control, depending on local traditions and industrial developments, which determine fineness, sampling, testing, marking and technical requirements. Fineness ranges from 333/1000 to 999/1000 (8-24 carat).

Some European countries require compulsory control and hallmarking of every gold article by an independent body, some have a voluntary hallmarking system, while others only require prescribed marking by the manufacturer.

The different European laws on precious metals and title diversity called for a solution to the problems arising from trade in jewellery between countries with different systems. This came in 1975 with the Convention on the Control and Marking of Articles of Precious Metals, which introduced a Common Control Mark (CCM). Each member country agrees to allow goods marked with the CCM mark to be imported without further testing and marking, if such articles would normally qualify for a domestic mark.

Currently the following countries are member of the Hallmarking Convention:

1. Austria	8. Israel	14. Portugal
2. Cyprus	9. Latvia	15. Slovakia
3. Czech Republic	10. Lithuania	16. Slovenia
4. Denmark	11. Netherlands	17. Sweden
5. Finland	12. Norway	18. Switzerland
6. Hungary	13. Poland	19. United Kingdom
7. Ireland		

Two other countries are presently in the process of acceding (Sri Lanka and Ukraine) while others have shown an interest (e.g. Italy, Spain, etc.). A number of other countries (e.g. Romania) follow the work carried out by the Standing Committee on a regular basis.

In addition to the mutual allowance among Convention members, the member states of the European Union must also accept, without needing to re-hallmark, other European national hallmarks which provide a guarantee to consumers equivalent to their domestic marks.

7.2. VAT

Despite the fact that fiscal borders between EU countries were officially removed as of 1 January 1993, in practice, harmonisation of VAT (Value Added Tax) rates has not yet been achieved. The rates in the different countries range from 15% in Luxembourg and Cyprus to 25% in Denmark, Hungary and Sweden.

Table 7.1 VAT rates in the EU

EU member	VAT rate (%)	EU member	VAT rate	EU member	VAT rate
Austria	20	Germany	19	Netherlands	19
Belgium	21	Greece	23	Poland	22
Bulgaria	20	Hungary	25	Portugal	17
Cyprus	15	Ireland	21	Romania	24
Czech Republic	20	Italy	20	Slovakia	19
Denmark	25	Latvia	21	Slovenia	20
Estonia	20	Lithuania	21	Spain	18
Finland	23	Luxembourg	15	Sweden	25
France	19.6	Malta	18	UK	17.5

Source: European Commission website:
http://ec.europa.eu/taxation_customs/resources/documents/taxation/vat/how_vat_works/rates/vat_rates_en.pdf

7.3. More information

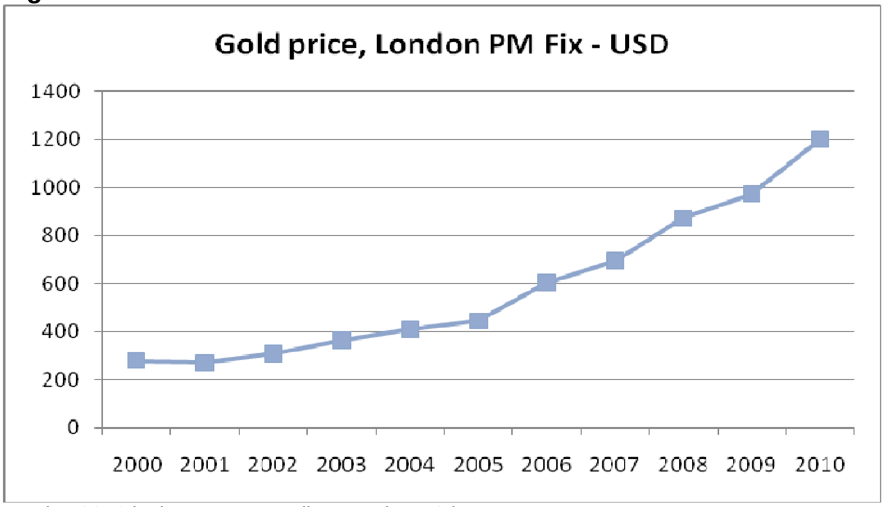
- Gold Avenue Encyclodaedia on hallmarking - http://info.goldavenue.com/Info_site/in_jewe/in_je_hall.htm
- Hallmarking convention - http://www.hallmarkingconvention.org
- European Commission: Taxation and Customs Union - http://ec.europa.eu/taxation_customs/index_en.htm

8. Price

Price developments

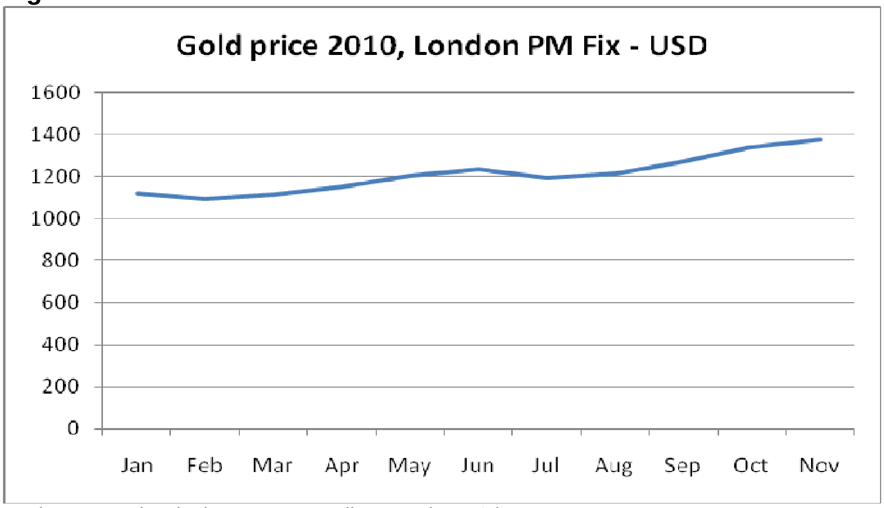
During recent years, the gold price broke record after record, and is currently still increasing. Although at the start of the second half of 2010 prices appeared to be decreasing, after the summer the gold price increased again and reached a new record-high (see Figure 8.2). However, note that this concerns the gold price in US Dollars, while in Euro, the price remained rather stable in 2010, between € 900 and € 1,000 (per ounce), being the result of the declined Euro/USD exchange rate.

Figure 8.1



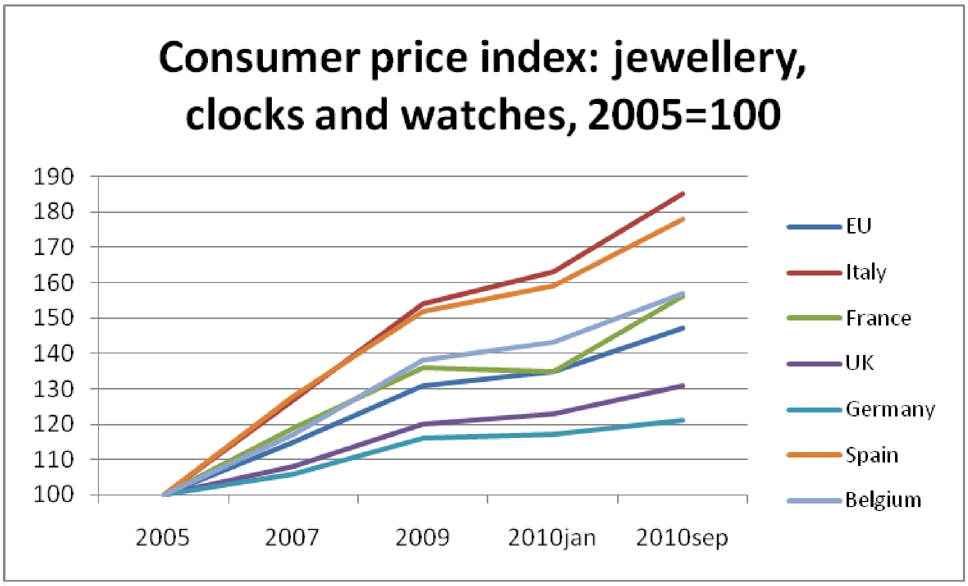
* Price 2010 is the average until November 10th
Source: Kitco.com

Figure 8.2



* Price November is the average until November 10th
Source: Kitco.com

As a consequence, the EU import price of gold also increased, especially as from 2007, while the imported volume remained rather stable between 2005 and 2009. Similarly, the consumer price of jewellery also increased in this period. According to Eurostat (2010), the HICP (harmonized consumer price index) of jewellery, clocks and watches for the EU stood at 131 in 2009, meaning that retail prices were 31% higher than in 2005. In 2010, the index increased to 147, as recorded in September.



Source: Eurostat

Of the large jewellery markets, Italy and Spain show the strongest price increases, while Germany and the UK show a lower price increase than the EU average. The strongest price increases, however, were witnessed in Bulgaria and Estonia. Switzerlands's price index remained extremely stable compared to the EU: the Swiss index stood at 107 in September 2010.

Table 8.1 Retail prices of gold jewellery

Country	Company	Website
UK	Goldsmiths	http://www.goldsmiths.co.uk
France	TrésOr	http://www.tresor-bijoux.fr
Spain	El Corte Inglés	http://www.elcorteingles.es
Belgium	Juwelen.be	http://www.juwelen.be
The Netherlands	Lucardi Siebel Juweliers	http://www.lucardi.nl http://www.siebeljuweliers.nl

Fair Trade prices

According to the Fairtrade and Fairmined standards (by FLO and ARM), the miners of Fair Trade gold will receive a guaranteed minimum price, which for the pure gold content in unrefined gold is set at "95% of the London Bullion Market Association's (LBMA) fixing at the FOB export point". Besides, miners receive a premium of 10% of this LBMA fixing for community and business development. For Fair Trade Ecological gold (extracted without the use of chemicals), an extra premium of 5% is paid to the miners.

As explained earlier, Fair Trade gold will be more expensive than regular gold since unit production costs are higher and a license fee needs to be paid. In the end, the extra price that a jewellery manufacturer is estimated to pay is 15-17% (Fair Jewelry Action, 2010). However, note that the end-consumer price does not need to be 10% higher (if the premium is 10%), since the traders along the value chain should not capture part of this premium. Only the extra costs in absolute terms should be added to the consumer price.

More information

- Kitco - http://www.kitco.com
- Gold Price - http://www.goldprice.org
- Eurostat - http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home
- London Bullion Market Association's (LBMA) fixing - http://www.lbma.org.uk/pages/index.cfm

9. Promotion

Promotion is a particularly important aspect for manufacturers of gold jewellery, since the design of jewellery is becoming increasingly important. Buyers should therefore have a good idea of what your pieces look like, which can be shown at a trade fair for example, or through advertising in magazines. Maybe even more important is a website, with clear pictures of your jewellery collection.

9.1. Trade fairs and trade press

Many trade fairs are country-specific, but some have an international reputation, which include the first four fairs presented in Table 9.1. Table 9.2 presents some examples of trade press regarding jewellery. More links for Belgium can be found in Chapter 11.

Table 9.1 Trade fairs in Europe

Country	Trade fair	Next date	Website
Belgium	Aurum Rings & Things	March, September, 2011	http://www.aurumvzw.be/index.html
Denmark	Gold, Silver, Watches	August 25-28, 2011	http://www.gsu.dk
France	Eclat du Mode	January 21-24, 2011	http://www.bijorhca.com
Germany	Inhorgenta	February 25-28, 2011	http://www.inhorgenta.com
Germany	Midora Leipzig	September 3-5, 2011	http://www.midora.de
Hungary	Carat	March, 2011	http://www.karat.hungexpo.hu
Italy	Macef	January 27-30, 2011	http://www.fmi.it/macef
Italy	Vicenza Oro	January, May, September 2011	http://www.vicenzaoro.org
Portugal	Mostra Eurojoia	May, 2011	http://www.exposalao.pt
Spain	Iberjoya	February 3-7, 2011	http://www.iberjoya.es
Switzerland	Baselworld	March 24-31, 2011	http://www.baselworld.com
UK	Jewellery London	September 4-7, 2011	http://www.jewellerylondon.com
UK	Spring Fair and Autumn Fair	February 6-10, 2011	http://www.springfair.com

Next to holding a stand at a trade fair, it is equally interesting to walk around and see what competitors are doing, the prices they ask, the type of consumers they attract, what the latest trends are and so on. Therefore, if your resources are insufficient for a stand at a trade fair, you could also just visit one! Furthermore, also note that repetitive presence at trade fairs makes buyers recognize you, and see you as a more reliable trading partner.

Table 9.2 Trade press in Europe

Country	Name magazine	Website
Germany	GZ	http://www.gz-online.de
Germany	Schmuck magazine	http://www.schmuckmagazin.de
France	Le Bijoutier	http://www.le-bijoutier-horloger.com
UK	The Jeweller	http://www.thejewellermagazine.com
Spain	Jewellery Duplex	http://www.grupoduplex.com
Netherlands	De Juwelier	http://www.gpmedia.nl
Belgium	Prestige Magazine	http://www.arsnobilis.be
Austria	Der Juwelier	http://www.derjuwelier.at
Sweden	Aurum	http://www.tidochsmycken.se
Poland	Polish Jewellery	http://www.polishjewellery.com

9.2. Useful sources

- Eventseye - http://www.eventseye.com/fairs/trade-shows-by-keywords.html
- PR Web - http://www.prweb.com/pressreleasetips.php
- Internet Based Moms - http://www.internetbasedmoms.com/press-releases

10. Fair and sustainable

Fair and sustainable gold: what would be the benefits? Are there opportunities to sell it? And what are the main bottlenecks? This Chapter sheds some light on the discussion regarding these issues. Sustainable gold not only refers to Fair Trade, but also to environmental issues. Recycling and ecological gold are possibilities to consider for benefitting the environment.

10.1. The call for sustainable gold

Around 10-15 million small-scale and artisanal miners are involved in gold mining, and another estimated 60 million people are involved indirectly. Although accounting for only 15% of the total worldwide gold mining, small-scale miners make up 90% of the total labour force working in this sector (FLO and ARM, 2010). The workers are spread among 50 developing countries. Small-scale and artisanal miners would especially benefit from fairly traded gold, since with the current supply chain they lose a lot of margin to middle men and traders, in order to get their gold to refiners and the end-market. Another main problem is the use of quicksilver, which harms the workers, as well as the environment. The people breathe-in quicksilver damps, making them nauseous, while the environment suffers from the waste.

Next to improving the situation of the small-scale miners, the large industrial players in the gold industry could improve on environmental issues as well. Large-scale gold mining leaves behind destroyed natural reserves, and the cyanide used for hard rock mining leaks into the ground water, rivers and eventually the sea (Solidaridad, 2010).

South American gold rush is an ecological disaster

"Recent increases in the value of gold have resulted in disastrous environmental consequences in Peru and Venezuela, resulting in rainforest deforestation and mercury contamination."

"The mercury used for gold mining, which is not recycled or disposed of properly and in turn contaminates the water, is poisoning fish and the local people who eat them."

Source: http://www.greenfudge.org (2010)

10.2. Opportunities and bottlenecks

This section presents the opinions of several experts on Fair Trade gold and gold jewellery, and hence also shows some diverse views regarding the possibilities for sustainable gold. Issues discussed include costs, time, transparency and reputation building, as well as the possibilities for recycled gold, ecological gold, and the necessity of certification.

Is it all about the money?

As mentioned before, the most important drawback of fair and sustainable gold is that it comes at a cost. The whole Fair Trade gold value chain, including refining and jewellery manufacturing, has to be kept separate from the regular supply chain, when willing to offer Fair Trade gold jewellery. The smaller Fair Trade production batches are relatively more expensive to produce than regular gold jewellery. Moreover, the license fee for Fairtrade brings additional costs.

It could be a good option to start with supplying the smaller refiners, or the refiners that already supply customized batches of gold to their customers. These companies are already familiar with producing smaller batches, which would make it easier to also include a batch for Fair Trade gold. Moreover, production volumes are currently still low. It will probably take around 2-3 years before the Fair Trade gold production volume is large enough to supply the larger miners.

FAIRTRADE

Next to a costly procedure, becoming Fairtrade certified is also a time-consuming matter. The implementation of the newly developed standards is a time-consuming process for FLO. Moreover, for producers it also takes time before they comply with all the required criteria. It can take up to one year before the certified gold finally reaches the market.

Another discussed issue regarding the gold supply chain is its lack of transparency. Buyers of gold often do not know where the gold comes from. Making the chain transparent is a costly matter. For example, transparency would improve if the buyer sources directly from a mining company, but would also make transportation costs higher for the buyer, and he would need shipping insurance.

Therefore, the final consumers have to be willing to pay relatively more for their gold jewellery, in order to be produced in a fair and sustainable manner. Especially in West European markets, with the UK being the frontrunner, these consumers are expected to exist. Jewellers in, for example the UK and Denmark, have already shown their interest in taking Fair Trade gold jewellery into their assortment. Fair Trade sales have shown continuous growth for several years now on a global basis. However, note that Fair Trade gold jewellery is a luxury product, which is expected, and already proved, to face difficulties during the current economic crisis.

Important regarding the higher cost price is that traders do not capture part of the premium that is paid to the gold miners. This means that if producers receive a 10% premium on their Fair Trade gold, this does not mean that the final consumer has to pay 10% more, as long as players along the value chain do not make a profit on the Fair Trade premium. Only the absolute extra costs of the gold should be passed on to the consumer, which, after value addition, is not that much compared to the final price of the piece.

Miners and other players in the gold supply chain should realise that becoming Fairtrade certified is also a means of reputation risk management. In general, the mining industry has quite a bad reputation worldwide, meaning that showing the market that your gold is sustainably produced is important in order to brush up the business's image. In this way, you could see the costs of obtaining certification not just as an extra cost, but also as an investment in the future of your company and industry.

Recycling

An opportunity for sustainable gold is the increasing use of recycled gold. Most of the recycled gold comes from old jewellery pieces. Already over 40% of the world gold supply comes from recycled gold, which is a promising development for the environment. However, many barriers prevent recycled gold to take over mined gold production (completely). Demand for gold is still strong, and gold is easy to sell since it is a commodity. If a country has gold deposits available, it is difficult to prevent their mining, since gold is one of the most valuable resources on the planet.

But maybe even more important in the light of this discussion: if the production of small-scale miners would be replaced by recycled gold, their source of income would disappear. Therefore, a better solution for them would be to make the gold mining more sustainable, in terms of working conditions and the environment, especially when assuming that gold mining will keep on taking place anyway.

Furthermore, FLO is also looking into options to develop Fairtrade standards for recycled gold, but this is currently not possible. It is a complicated issue; for example, it needs to be determined how a premium can be generated for the producers.

Ecological gold

Green Gold
An Investment in the conservation of Biodiversity

It would also be possible to produce ecological gold, meaning no chemicals are used in its production, and involving strict ecological restoration of the environment. The Certified Green Gold Program of Oro Verde is the first program for ecological gold. However, the question remains whether producing gold without chemicals is efficient enough. Production takes longer, is lower in terms of volume, and in some cases, the miners are not even able to make a profit.

"Ecological gold is like cycling from Amsterdam to Paris"

However, in some cases it is easier to use ecological methods than in others. If the gold is to be obtained from mud for example, it is easier than if the gold has to be taken out of hard rocks. In the latter case, it is difficult to avoid the use of chemicals like cyanide. However, in that case, the miners could get training in order to be able to use these chemicals in a responsible way, where people are not exposed to dangerous substances, and the environment is protected as much as possible. In the long-term, alternatives could be found, making ecological gold mining more efficient, and which could be transferred to the small-scale and artisanal miners.

Certification as a first step

Is certification necessary? At least for consumers it is difficult to find out about the origins of the jewellery they buy if not monitored by a third independent party. Gold traditionally has an emotional connection to jewellery. There is a need for physical transparency of the sustainability of the gold jewellery that consumers buy. Therefore, certification by a third party can be very important in this sector. Of course, it is also possible to avoid certification, if jewellers, for example, directly source from a miner, and also visit the production site. They, in turn, can assure the consumer that they have a sustainable supply chain of gold. But for larger retailers, it is often not possible to visit production sites, and to make their supply chain that transparent.

"Certification is costly and time-consuming, but the risk is too high not to have it"

From the producers' side, only sending out the message that the gold production is sustainable is probably not enough, since there are often many loopholes in the company's transparency towards the customer. Certification can assure the consumer that production is sustainable. Certification costs a lot of time and resources. But in this sector, where the mining industry is already struggling with its reputation, it might be the only way forward.

Gold miners in developing countries are advised the following two initial steps in their process of becoming a sustainable gold producer:

1 Become certified

By becoming Fairtrade/Fairmined certified, gold producers can take a first step into the direction of entering the European Fair Trade market. Organisations like Solidaridad or ARM (presented in Chapter 2) already have initiatives in assisting small-scale miners in becoming certified, and to assist them in complying with the demanded criteria.

2 Long-term change management

It is important to realise that changing the production method into a sustainable one is a long-term process, which involves change management within the producer organisations. Producer support management still needs to be developed further, but producers also need to be pro-active in their own network, and determine what their needs and wants are. In this way, producers can participate in taking the sustainable production of gold to a higher level.

11. Belgium

This Chapter focuses on the market for gold and gold jewellery in Belgium. It discusses the different subjects dealt with throughout this survey, but with a focus on the Belgian market.

Belgium could be a potentially interesting market for Fair Trade gold jewellery, although the market remains quite small-sized compared to other West European markets. Belgium is the world's main trading centre for diamonds, which also leads to a relatively high consumption of diamond set jewellery. An interesting fact is that Belgium has the highest share of gold imported from developing countries (DCs) in the EU: 52% in 2009. Like the rest of the EU, Belgian gold jewellery imports are declining, due to the economic crisis, but they are expected to increase in the future, replacing the declining Belgian production of gold jewellery.

11.1. The gold (jewellery) market in Belgium

Belgian consumer preferences

In 2008, Belgium was the eighth largest EU market for precious jewellery, accounting for 2.1% of total EU consumption that year. Total retail sales of jewellery amounted to € 511 million in 2008 in Belgium (CBI, 2009), 82% of which concerned precious jewellery. Retail sales of precious jewellery, other than silver, are estimated at € 360 million. However, in 2008 sales of precious jewellery declined by an annual average of 1.4% compared to 2004.

Belgians generally have a preference for diamond and gold jewellery, which is related to Belgium's key position in the diamond trade. The gold jewellery most bought is of 18 carat or higher. However, the trend is towards silver jewellery, which is a cheaper alternative. Especially during the current global economic crisis, Belgians have been spending less on luxury jewellery items.

Fair Trade

Belgium accounted for 1.7% of the world market for Fairtrade certified products in 2009, with sales amounting to € 56 million (FLO, 2010). Compared to 2008, Fairtrade sales grew by 23% in Belgium. Together with the Belgians' general preference for gold (and diamond set) jewellery, Belgium is expected to provide significant opportunities for Fair Trade gold.

11.2. Precious jewellery production in Belgium

There are no gold mines present in Belgium, so the Belgian precious jewellery industry relies on imports for the manufacturing of gold jewellery. The Belgian jewellery industry is, however, small compared to other EU countries. Belgium mostly focuses on the production of medium to high-end jewellery products, including gold and silver, often in combination with diamonds.

The turnover of Belgian precious jewellery production amounted to € 23 million in 2009 (Eurostat, 2010), or 26 thousand pieces, most of which concerned diamonds or diamond set jewellery (CBI, 2009). Belgium accounted for only 0.8% of total EU precious jewellery production. However, the country is by far the largest EU producer of cultured pearls and (semi-) precious stones, accounting for 57% of the total EU production in 2009. Compared to 2000, Belgian production of pearls and precious stones declined by 72%. Belgian manufacturers increasingly focus on the high-end of the jewellery market, and also outsource (part of) their production to low-cost countries.

Antwerp – diamond trading centre

- More than 80% of the global diamond consumption passes through Antwerp
- Belgium's share in global supply of rough diamonds is 80%
- Belgium's share in global supply of polished diamonds is 50%
- Total Belgian employment in diamond trade and industry: 27,000 people

Source: http://www.certified-gems.com

Interesting manufacturers in Belgium:

- Van Ranst - http://www.vanranst.be – precious jewellery manufacturer
- Wouters & Hendrix - http://www.wouters-hendrix.com – high quality jewellery
- Dioro - http://www.dioro.be – gold smith
- Sheetal Group - http://www.sheetalgroup.com – diamonds manufacturer

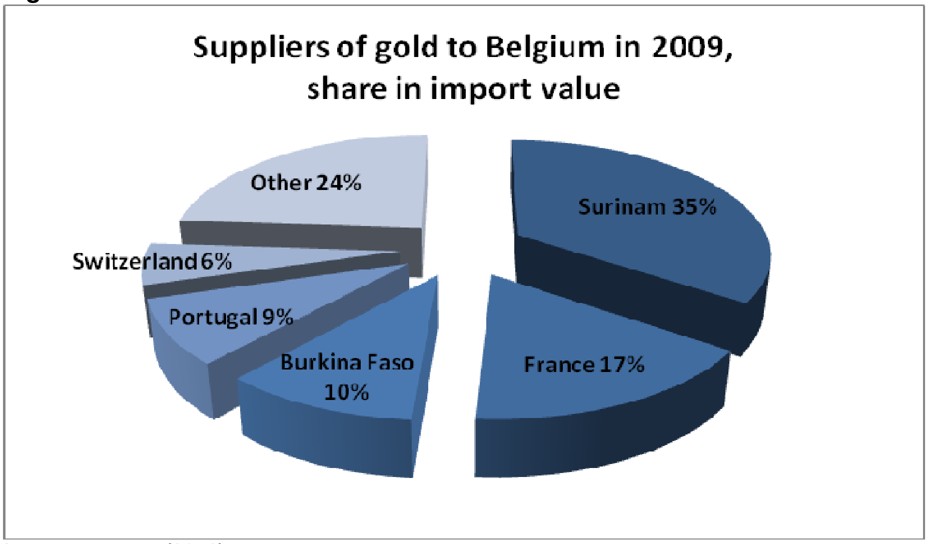
11.3. Gold trade by Belgium

Imports

Belgium is the sixth largest EU importer of gold, and accounted for 4.6% of the total EU gold imports in 2009. In the same year, Belgium imported 13 tonnes of gold worth € 426 million. Compared to 2005 this signifies an average annual increase of 42% in value and 3% in volume. Total Belgian gold imports consisted for 97% of other semi-manufactured gold (which excludes unwrought gold and gold powder).

Developing countries play a major role in Belgian gold trade, accounting for 52% of the total Belgian gold imports in 2009, while the EU average lies at 17%. This means that Belgium has the highest share in imports from DC's in the EU. However, in 2005 DCs still accounted for 79% of the Belgian gold imports, meaning that although imports from DCs increased, they lost share in Belgian imports, mostly to Switzerland and France.

Figure 11.1

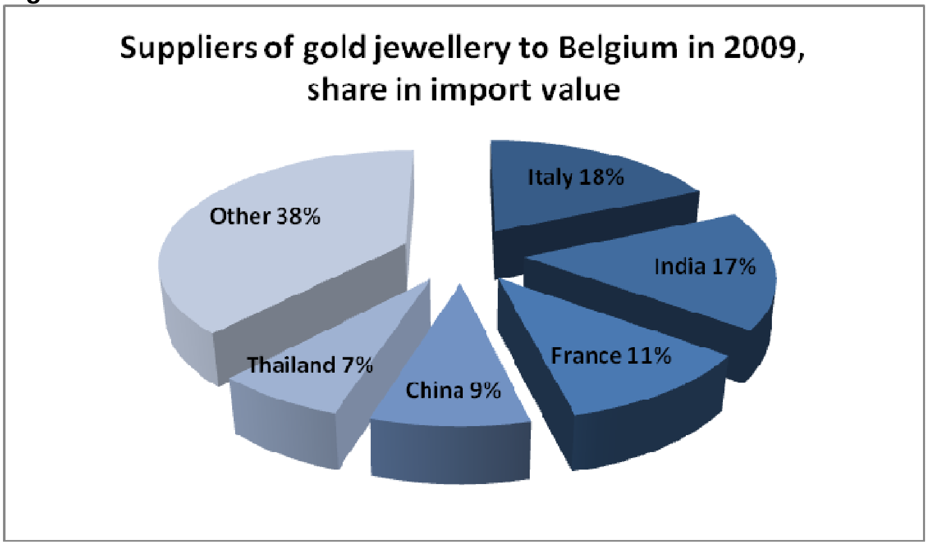


Source: Eurostat (2010)

Burkina Faso emerged as a gold supplier to Belgium and its share grew by an annual average of 141% between 2005 and 2009. Other emerging suppliers were Switzerland (235% annual growth in imports by Belgium), Portugal, Aruba, but also Guinea (128%) and Senegal (265%).

Regarding gold jewellery, Belgium is the sixth largest EU importer, with imports amounting to € 92 million in 2009. Compared to 2005, this signifies an average annual decline of 2.9% in value and 47% in volume. Developing countries accounted for 34% of Belgian gold jewellery imports, which was higher than the EU average of 25%. Moreover, the share of DCs increased compared to 2005, when they still accounted for 31% of Belgian imports.

Figure 11.2



* Jewellery made of precious metals other than silver
Source: Eurostat (2010)

Exports

Belgium is the fourth largest EU exporter of gold, with exports amounting to € 575 million in 2009; an average annual increase of 22% compared to 2005. Exports consisted for 97% of unwrought gold (other than powder). This can be explained by the presence of the company Umicore Precious Metals Refining, which operates the world's largest precious metal recycling facilities, and is located in Antwerp (http://www.preciousmetals.umicore.com/PMR). The company's production capacity of gold is over 100 tonnes per year. Belgium mainly exported the gold to neighbouring countries, The Netherlands and Germany.

Regarding gold jewellery, Belgium was the sixth largest exporter in the EU in 2009, with an export value of € 67 million. Compared to 2005, exports declined by an annual average of 4%. The main countries of destination were France, The Netherlands, the USA and the UK.

Trade channels

The trade structure of gold for the jewellery market in Belgium is the same as for the EU in general, as presented in Chapter 6. Exporters of gold jewellery could best address a wholesaler or trader (an agent for example), which in turn supplies the retailers in Belgium.

The gold jewellery market in Belgium is mostly supplied by specialist retailers, although non-specialist retailers are also increasingly present. There are relatively many international retailers on the Belgium market, from The Netherlands, Germany and France.

Table 11.1 Trade channels in Belgium

Type	Company	Website
Importer	Little Buddha	http://www.little-buddha.be
Agent	Federation of Commercial Agents	http://www.bfh-fbr.be
Wholesaler	JWC	http://www.jwc.be
Retailer	Venizi	http://www.venizi.com
Online shop	Juwelen.be	http://www.juwelen.be
Fair Trade importer	Oxfam-Magasins du monde	http://www.oxfammagasinsdumonde.be

Other players can also be found on http://www.aurumvzw.be/exposanten.html, presenting exhibitors of the Aurum Rings & Things trade fair, on http://blognlbelgobijoux.be, or in the company search databases presented in Chapter 6.

Trade promotion

A good way to find traders in Belgium is through trade fairs, in Belgium or in other countries. The main trade fairs in Belgium are:

- Aurum Rings & Things - http://www.aurumvzw.be/index.html - juwellery trade fair
- Trade Mart - http://www.trademart.be – fashion and design exhibition
- Millionaire Fair - http://www.millionairefair.com – high-end trade fair
- Wij Trouwen – http://www.wij-trouwen.be – wedding fair
- Stone Expo - http://www.stone-expo.be – trade fair for natural stone, ceramics and quartz

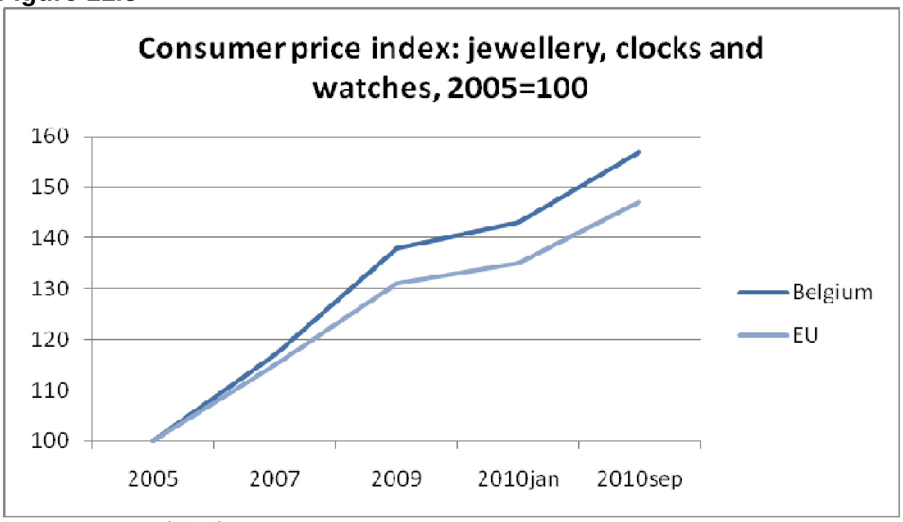
Interesting trade press includes:

- Prestige Magazine - http://www.arsnobilis.be
- Belgo Bijoux and Census magazines - http://www.blogfrbelgobijoux.be/census
- ADL Magazine - http://www.adlgroup.net/adx/Downloads/ADL_Mediakit.pdf - diamond and jewellery industry

11.4. Prices in Belgium

The price of gold is determined on an international basis. End-consumer prices, however, can differ per country. In Belgium, the average consumer price of jewellery, clocks and watches was 57% higher in September 2010 than in 2005. Consumer prices increased more in Belgium than in the overall EU average.

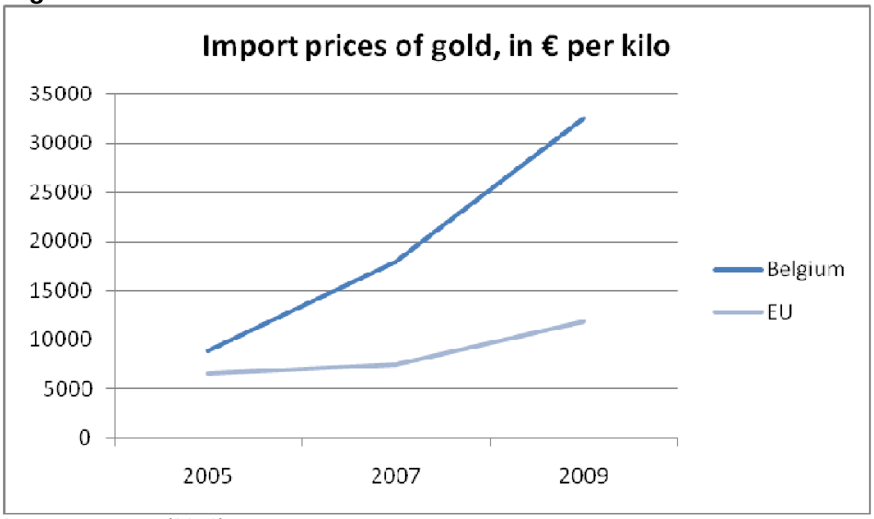
Figure 11.3



Source: Eurostat (2010)

Due to the strongly increasing gold price, the Belgian import price of gold also increased substantially, especially as of 2007. The import price increased even more strongly than the EU average.

Figure 11.4



Source: Eurostat (2010)

11.5. More information on Belgium

- Juwelen.be - http://www.juwelen.be – presents some retail prices of jewellery in Belgium
- Eurostat -- http://epp.eurostat.ec.europa.eu
- Statistics Belgium - http://statbel.fgov.be
- Professional Federation for Jewellery and Watch making in Belgium – http://www.arsnobilis.be
- Hallmarking - http://info.goldavenue.com/Info_site/in_jewe/in_je_hall.htm