



Myanmar Gem Production and Trading After US Lifting of Jade Act 2008

The US launched the first sanction on Myanmar in 1990 due to the country's human rights violations. Tom Lantos Block Burmese JADE (Junta's Anti-Democratic Efforts) or Jade Act 2008 was also enacted. In July 2008, it was signed by President George W. Bush. The law became effective in September 2008 with its essence prohibiting importation of rubies and jadeites as well as articles of jewelry containing rubies and jadeites from Myanmar into the US, whether directly or through third countries. The US believed that such business activities were the dictatorial government's fundraising sources, which partly supported human rights violations in Myanmar. The economic sanctions on Myanmar were not only carried out by the US but they were also implemented by the EU.



However, in 2011, Myanmar's leader began political and economic reforms for the country. Revision of trading regulations and issuance of laws promoting investments also attracted overseas traders and investors. Thus, in 2012, the US started to mitigate economic sanctions, while Jade Act 2008 was still maintained. The EU started lifting some economic sanctions on Myanmar and removed the prohibition on ruby and jadeite importation in 2012. Later in 2013, all of the sanctions were revoked.

Myanmar has fully embarked on democracy after the election in February 2016. Aung San Suu Kyi's National League for Democracy or NLD won the election and formed the government. Upon President Barack Obama's invitation, she visited the US during September 14-16, 2016. Human rights issues were discussed and she urged the US to terminate its economic sanctions over Myanmar. Following the visit, the president announced the removal of the remaining economic sanctions including Jade Act 2008 on October 7, 2016. Moreover, Myanmar has become a new addition onto the list of countries eligible for Generalized System of Preferences (GSP). Hence, over 5,000 export products from Myanmar have been qualified for import duty exemption.

Reactions from the US and Myanmar

As soon as the US' private sector was informed that the economic sanctions over Myanmar had been withdrawn, heads of American private agencies relating to gemstone industry, namely American Gem Trade Association (AGTA), Jewellers of America (JA), and Gemological Institute of America (GIA) met with governmental agencies and Myanmar's gemstone industry leaders to rebuild trade relations and confer on approaches to expand gemstone trading between the US and Myanmar. Additionally, they made recommendations to Myanmar's government on several subjects, including issuing separate licenses for gemstone and jadeite mining, establishing a 10-year plan to rehabilitate old mines, stipulating responsibilities in rehabilitating and improving deteriorated mining areas for new mining operators applying for licenses, developing transparency throughout supply chains, and reconstructing tax system to prevent tax evasion and corruption.

They also offered development aids for Myanmar gemstone industry to boost their competitiveness in the future.

The country itself has started developing its domestic gem and jewelry industry for more competence and transparency. Starting from the early 2017, in order to reorganize gem mining operations, Myanmar government has not renewed licenses for gem mines with expired concession rights in Mogok. However, mines with valid concession rights are allowed to continue their operations. Also, foreigners are not permitted to enter Mogok. The government claimed that some gem mines in Mogok were under anti-government ethnic groups which may pose threat to foreigners' lives. Hence, the indefinite closure of Mogok is necessary. However, insiders of Myanmar's gemstone industry said that the objective behind the restriction forbidding foreigners from entering Mogok is to prepare measures to eliminate monopolized gemstone trading of foreign traders who usually travel to Mogok mines to buy gemstones.

Moreover, Myanmar has specified import duty reduction to raise gemstone inflow. Import duties of rough precious stones, rough semiprecious stones, and rough diamonds have been reduced to 0 percent. The measures have become effective since April 2017. Import duty rates of polished semiprecious and precious stones, and cut or roughly-shaped diamonds have been reduced to 5 and 3 percent respectively. Furthermore, Myanmar government



has a policy to generate value-added for gemstone products. The government has prescribed that only polished colored stones and jadeites are allowed to be exported. It also encourages Myanmar gem business operators to enter foreign markets through taking part in gem and jewelry trade fairs in foreign countries, namely Thailand, Hong Kong and Singapore.

At present, Myanmar government has submitted a draft of Myanmar Gemstone Law, 2017 to the parliament. The law features content regarding further free gemstone trading within the extent of regulations specified by the government such as gem traders must apply for trading licenses from the government and pay taxes as the government specifies. Nevertheless, the draft is being considered and the private sector has contradicted views on many issues in the draft. Therefore, the law has not been set to release soon. Moreover, in order to promote gemstone trading in Myanmar, the government has been contemplating on adding more gemstone auctions hosted in Naypyidaw from twice a year to four times a year. The private sector itself has been cooperating with the government in every aspect. It has also been seeking trading alliances that will help Myanmar's gem and jewelry industry prosper.

Myanmar Gem Trading Following Jade Act 2008 Termination

Before the US enforced Jade Act 2008, over 90 percent of rubies traded in the world were from Myanmar but after the law became effective ruby trading between Myanmar and the US was halted. As a result, ruby trading in the world was subdued and this affected exporters from countries like Thailand, Hong Kong and India be unable to export Myanmar rubies to the US, the

world's largest consumer market for gemstones (particularly rubies). They had to find ruby raw material sources in other countries. However, a Myanmar gemstone trader said that though Jade Act 2008 was enforced, American traders still conducted ruby trading through third countries or middlemen from countries such as Thailand, Singapore and Hong Kong as well as through gem and jewelry trade fairs overseas. Following the withdrawal of Jade Act 2008, ruby trading with the US has become legal and can be carried out openly.

Many see that the removal of Jade Act 2008 will enliven gemstone trading in Myanmar and the global market. However, during the past year, Myanmar government has indefinitely forbidden foreigners from entering Mogok. Since most of gemstone buyers in Mogok have always been made up of traders from various countries, this measure has weakened Myanmar gemstone markets. Additionally, Myanmar traders have been facing restrictions of carrying raw materials off mines and exporting. Permission from the government is required before exporting gemstones. Moreover, Myanmar's export duties for polished gemstones are relatively high. The traders also have



no skills in international marketing. These factors caused ruby supply decrease in the global market. Furthermore, demand for Myanmar rubies has not been high due to the global economic fluctuation. The termination of Jade Act 2008 has not affected jadeite trading as the largest consumer of Myanmar jadeites is China. The recession of jadeite trading was caused by China's economic stagnation.

As it has been one year of the US' termination of Jade Act 2008, The Gem and Jewelry Institute of Thailand (GIT) asked Thai and Myanmar traders to share their views on current Myanmar's gemstone trading situation. Mr. Veerasak Treerojanan, the owner of Veerasak Gems Co., Ltd. who has been conducting gemstone trading with Myanmar for a long time, told GIT, "Since Jade Act 2008 has been revoked for over a year, Myanmar ruby trading has not changed much from before as the economic situation of the trading partner countries has not improved much. Though, many orders were received from the US customers, they were not that many in number. If consumers have more confidence in economic situation, there will be more orders for Myanmar rubies from the US and other trading partner countries."

Mr. Phuket Khunaprapakorn, President of Chanthaburi Gem and Jewelry Traders Association told GIT that after over a year of the US' Jade Act 2008 withdrawal, Myanmar ruby trading in the global market has remained stable because small numbers of rubies were exported to the market and they were of high prices. The global economy is still vulnerable. Hence, some buyers put off buying Myanmar rubies and turned to rubies with lower prices from other sources. However, his company has received orders for Myanmar rubies from customers in the US, Europe, and Asia but not in high numbers. And he thinks that Myanmar ruby trading tends to grow well in the global market.





Mr. Aung Naing Tun of Maniyadanar Gem & Jewellery Co.Op revealed to GIT, “Myanmar ruby trading has gradually grew. Nowadays, European and Asian customers have remained the major customer groups. However, orders for rubies have started to come in from the US customers but in small numbers. Most of the orders were received from participating in Bangkok Gems and Jewelry Fair in Thailand and other trade fairs in Singapore and Hong Kong. I believe that in the future, Myanmar trading will develop further more.”

Nonetheless, with Myanmar’s potentials in gemstone raw materials, particularly rubies, which are beautiful and of good quality, the global market’s demand for Myanmar rubies will remain. Moreover, Myanmar government has been reforming gemstone trading and production in the country, trying to increase manufacturing capacity of gemstone business operators, and encouraging gemstone traders to enter foreign markets. It is likely that Myanmar gemstone trading will expand in the future. Since Myanmar entrepreneurs have just started to enter the global market, they have limited skills in international marketing. Most of their business deals are with long-time customers. Thus, if new buyers build good relations with Myanmar traders by showing sincerity and fairness, they will have an opportunity to obtain Myanmar gemstones, which are recognized as the most valuable gemstones in the world.

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