

**INDO - RUSSIAN COOPERATION IN DIAMOND INDUSTRY: AN
ECONOMIC ANALYSIS**

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ABSTRACT

Diamond industry in India is a very attractive sector if we consider through the eye's of export promotion move of the Indian Government. Russian public sector looks towards the support from the Indian Government in providing some assistance to polish their rough diamond and make it saleable into International market. In India very few states are their who has got the capable hands to polish the rough diamonds and to sale those beautifully decorated sharp edge valuable stones worldwide. Gujarat is one of these states where such hands are available. These persons are directly or indirectly helping the government to make this sector much more competitive and to earn a wealth for our country on one hand and on other providing financial support to their family. This sector in India has a total turnover of US\$ 4 billion. It is consider as an white revolution in Diamond Industry. More than 80 percent of global diamond cutting work takes place in India, and most of the diamonds being cut here are mined in Russia by state-owned Alrosa. However, only 15 percent of rough diamonds that India imports are purchased directly from miners. As a diamond manufacturer we employ 25 000 people. We need a stable supply of rough diamond to ensure stability of the production cycle.

KEY WORDS :

Alrosa, Bilateral, Diamond, Export, Investment, Russia, Trade

Introduction

The relationship between India and erstwhile Soviet Union (USSR) during the era of cold war was highly cordial and enjoyed a strong strategic, military, economic and diplomatic relationship. After the disintegration of the USSR, Russia inherited the close ties being shared with India. Indo-Russian cooperation which is likely to take a boom in the coming years is due to

the solistical cooperation in the Diamond Industry. Crafted in a most adorable way to invest into India, the Russian business has chosen the Diamond Industry to work with a strategic module to gain a good momentum in investment and trade. Traditionally, the Indo-Russian strategic partnership covered the areas of cooperation in defense, civil nuclear energy, anti-terrorism and Space. The latest dimension that has been added now is economic cooperation in Diamond Industry.

Relations with Russia are a key pillar of India's foreign policy and Russia has been a longstanding time-tested partner of India. Since the signing of “Declaration on the India-Russia Strategic Partnership” in October 2000. India-Russia ties have acquired a qualitatively new character with enhanced levels of cooperation in almost all areas of the bilateral relationship including political, security, trade and economy, science and technology and culture. Under the Strategic Partnership, several institutionalized dialogue mechanisms operate at both political and official levels to ensure regular interaction and follow up on cooperation activities. During the visit of Russian President to India in December 2010, the Strategic Partnership was elevated to the level of a “Special and Privileged Strategic Partnership.” Priority areas for expanding bilateral economic cooperation are pharmaceuticals, IT, steel, diamonds, aviation, fertilizers, infrastructure, heavy engineering and food products.

Need for the study

Diamond sector is a very unique Industrial sector which provides a great strength to Indian economy as a whole and a very respectful identity to the craftsmen engaged in polishing the rough diamonds. The use of diamonds as gemstones of decorative value is the most familiar use to most people today. Following points will make it clear that why I choose to study the diamond sector-

- ✓ India is the world leader in diamonds both in quantity and value terms. This pre-eminent position has been achieved through progressive liberalization of Government policies, entrepreneurships and skilled labour. India has achieved global leadership position, in the business of cutting and polishing diamonds due to its price competitiveness and

willingness to work for low margins, with nearly one million people engaged in this sector.

- ✓ Diamonds account for 54% of the total gem and jewellery export basket of the industry and India is world's leading exporter of Cut and Polished Diamonds. 14 out of every 15 diamonds set in jewellery worldwide are processed in India. India has already established itself as "International Diamond Manufacturing Hub". But the Indian Diamond Industry is currently going through a downturn phase. The total exports of cut and polished diamonds during FY 2011-12 and 2012-13 (Apr-Dec) witnessed decline of 17% and 36% respectively.
- ✓ The diamond industry is currently facing a decline and the task of the global diamond community is to revive the demand from the consumer. Diamonds and precious stones contribute not more than 1.3 per cent of Russia's GDP and gems & jewellery sector of India contributes 6% to 7% of country's GDP,
- ✓ Russian economy is buffeted by Western sanctions over the Ukraine crisis and its currency, the ruble, suffering the biggest fall since 1998 due to the drop in global oil prices; Russia being a major oil exporter. The volume of bilateral trade between India and Russia was \$10 billion in 2013 which is \$1 billion less than during the previous year. At present, India's share in total imports into Russia is merely 1%.

Objective of the study

The Indian diamond industry received significant attention in the media recently because of loosing the jobs of hundred thousand workers and economic down turn since last few years. Especially after the recession Diamond Industry of India and Russia is struggling for revival. While we acknowledge the sensitivity and gravity of the issues and the need of reforms to address them, this paper is an attempt to draw useful insights for the field of management with a balanced perspective on the industry. The basic aim is:

1. To analyse the Economic Impact on both the countries from the down turn of 2008-09 which has severely effected the performance of the output of the diamond industries,

Therefore, I tried to find the reason for this turmoil and to suggest some remedial measure which can help in reviving this Industry and .

2. To analyse from the available data about the complementarily trade between Export of cut and polish diamonds to import of rough diamonds from Russia.

Research Methodology

This paper presents summary of findings from the economic analysis conducted on the Indian diamond industry over a period of last five years i.e. April 2009-March 2014. The basic help is taken from Gems and Jewellery Export Promotion Council (GJEPC) which is the apex Governing Body of Indian Diamond industry. Some open ended questionnaire to the respondents across the diamond sector in Gujarat and Madhya Pradesh has helped me to draw few suggestions. This includes the impact of the global turmoil of 2008 on the Indian diamond industry and of its revival after the severe recession.

The secondary sources include consultation of published and unpublished materials, both public and private. Government circulars, census report, books, magazine, articles, reports, newspapers, website etc. I had used Karl Pearson's method of coefficient of Correlation to know the relevancy of trade for Rough Diamonds to that of cut and polish diamonds or vice-versa.

Economic Analysis of Indo-Russian Diamond Industry

More than 80 percent of global diamond cutting work takes place in India, and most of the diamonds being cut here are mined in Russia by state-owned Alrosa. However, only 15 percent of rough diamonds that India imports are purchased directly from miners. Most of the diamonds meant for cutting are reaching India through trade hubs in Antwerp, Dubai, Tel Aviv, London, New York and Hong Kong. The existence of middlemen in diamond trade is becoming an additional burden for diamond manufacturers and jewellery makers and, finally, affects consumer prices as well. The cooperation in diamonds between Russia and India is not limited to rough trade. Having proven expertise in diamond cutting and polishing, India could export not only polished diamonds and ready-made diamond jewelry to Russia, but also its manufacturing skills.

Spotlight on Exports

India is the world's preferred country for gems and jewellery export.

- Indian gems and jewellery are exported across continents.
- In FY 2013–14, the Indian gems and jewellery sector contributed US\$ 34,746.90 million to India's foreign exchange earnings
- Polished diamond export registered an increase of 12.64 per cent at US\$ 19 billion and that the import of rough diamond also registered an increase of 11.98 per cent at US\$ 16 billion in 2013-14 compared to same period in previous year
- The key export destinations for Indian gems and jewellery in 2013-14 were UAE with 35 per cent of export valued at \$12 billion followed by Hong Kong at 28 per cent with value of US\$ nine billion and USA at 14 per cent with export value of US\$ five billion.
- The study also projected that the country's gems and jewellery market could double in the next five years. The growth will be driven by a healthy business environment and the government's investor friendly policies. India is deemed to be the hub of the global jewellery market because of its low costs and availability of high-skilled labour.
- India's gems and jewellery sector has been contributing in a big way to the country's foreign exchange earnings (FEEs). The Government of India has viewed the sector as a thrust area for export promotion. In FY14, India's gems and jewellery sector contributed US\$ 34,746.90 million to the country's FEEs.
- Over 60 per cent of global roughs are cut and polished in India while over 90 per cent of small and medium size rough is processed here. According to data compiled by the GJEPC, total import of rough diamonds declined 25 per cent in dollar terms (16 per cent in rupee value) at \$848 million (Rs 4,152 crore) in July this year as compared to \$1,138 (Rs 4916 crore) in the same month last year.

Micro Economics attached to Diamond Industry:

From the above description one can able to bring in a few important facts about the diamond trade -

- ✓ Firms in the diamond industry are quantity-setting
- ✓ Diamonds are highly heterogeneous, can be thought of as a vector of homogeneous products.
- ✓ Firms cannot perfectly monitor each other as rough diamonds are small, easy to conceal and transport, and, within each price point, highly homogenous—assuming they can be cut to the same specifications,
- ✓ Wholesale and retail demand in the industry is cyclical.
- ✓ Elasticity may also be cyclical.
- ✓ Entry into the industry is limited: one cannot enter the rough diamond market without access to rough diamonds.
- ✓ Periods in the industry are relatively short
- ✓ Tacit collusion is possible and likely: not all firms participate directly in the cartel and some sell only part of their output through Alrosa.

Bilateral Trade in Diamond Industry by India

I. Over all trading of Rough and Cut & Polish Diamond by India across the globe is a steady phenomenon. Referring table 2 and 3 given below India being No 1 exporter of cut & polish diamond has shown its dominance during last five years. Import of rough Diamonds for the purpose of cutting and polish has also increased many folds Due to economic turmoil of 2008-2009 import of rough diamonds has reduced by 18.70%. This has also reflected on the job prospects of Indian crafts men engaged in diamond sector. Since then import of rough diamonds is showing increasing trend. Since last five years import has increased by more than 50%. But export of cut and polish diamonds is not steady. Major export growth is shown in the financial year 2010-2011 which is 28,252 US \$ million an increase by almost 54% than its previous year. Due to Global revival of the economic situation a positive impact on export has been recorded.

Table1: Over all Rough Diamond Trade by India

US \$ in Million

Year	Export	Import	Total	%age Change
2007-2008	567	9797	10364	
2008-2009	776	7960	8736	-15.70%
2009-2010	744	9048	9792	11%
2010-2011	1137	11994	13131	32%
2011-2012	1772	15163	16935	29%
2012-2013	1997	14927	16924	-0.065%
2013-2014	1645	16716	18361	8.49%

Source: Compiled from Various issues of GJEPC

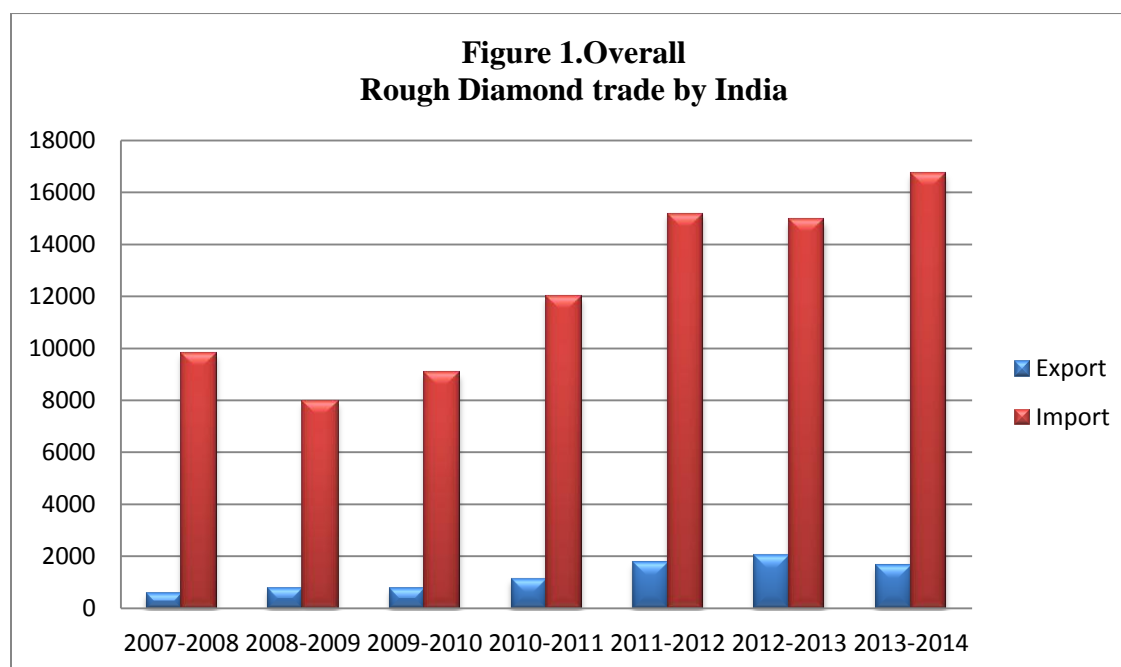
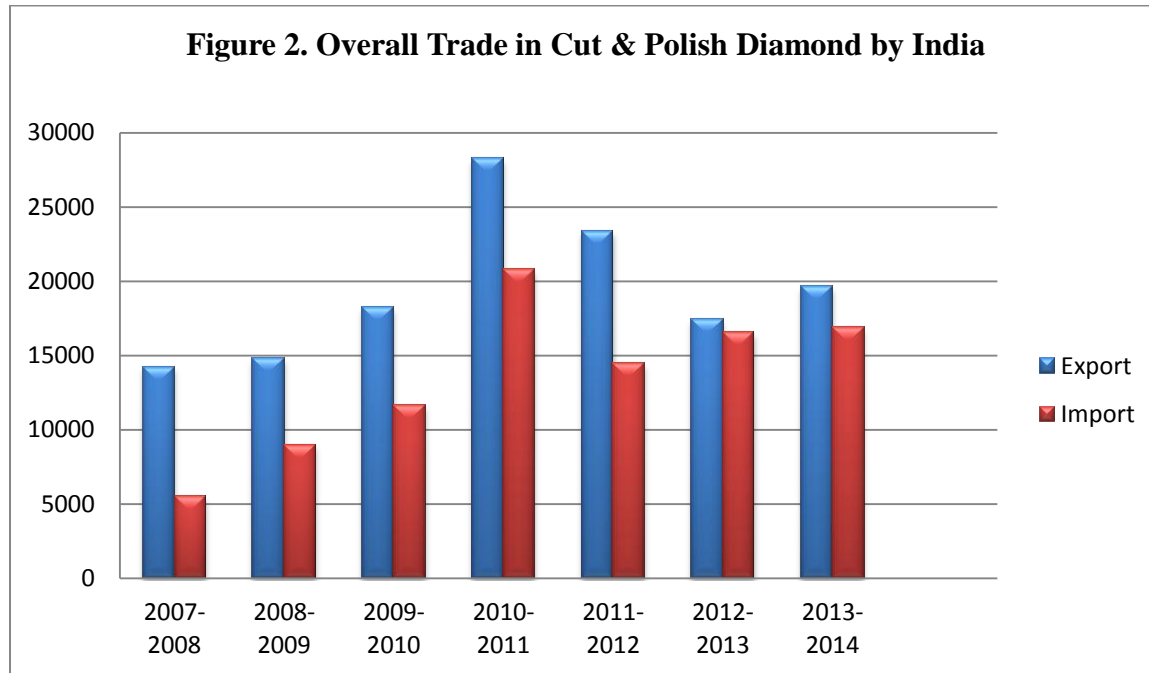


Table 2. Overall Cut and Polish Diamond Trade by India

US \$ in Million

Year	Export	Import	Total	% age Change
2007-2008	14205	5467	19672	
2008-2009	14804	8982	23786	20.91%
2009-2010	18244	11610	29854	25.5%
2010-2011	28252	20808	49060	64.33%
2011-2012	23356	14472	37828	-24%
2012-2013	17430	16541	33971	-10.30%
2013-2014	19635	16890	36525	7%

Source: Compiled from Various issues of GJEPC



- FY14 saw an increase of 12.65 per cent in export of cut and polished diamonds with the segment reaching US\$ 19,635 million. The industry also witnessed a rise of 11.98 per cent in imports of rough diamonds with figures of US\$ 16,716 million. Export of small-cut diamonds, making India one of the key players globally, in 2010-2011 reached \$28.25 billion.
- India imported 163.11 million carats of rough diamonds worth US\$ 16.34 billion and exported 36.46 million carats of polished diamonds valued at US\$ 20.23 billion in 2013. The country exported gems and jewellery worth US\$ 36.04 billion in 2013.

Diamond Trade between India and Russia:

The diamond industry in both countries is highly developed and extremely sought after by nations across the globe. This industry in both India and Russia has attracted a large number of investors over the last few years leading to a phenomenal expansion in its size and scale in both countries. The industry employs 500,000 people and growing 14-16 per cent annually.

Moreover, both countries play a significant role in the global diamond industry, the former being biggest cutting and polishing centre in the world and the latter being the largest rough diamond producer. There is a natural complementarity between India and Russia in the area of trade in rough diamonds. Following points will give us some highlight on the Diamond trade between the two countries:

- Indian diamond industry During FY 2011-12 and 2012-13 (Apr-Dec) exports witnessed decline of 17 percent and 36 percent respectively. Despite a 12 percent increase in last fiscal, when the industry earned \$19.6 million (slightly more than in 2009-10 FY) within the first six months of current fiscal exports declined almost 23 percent, GJEPC data shows.
- At the same time imports of rough diamonds increased 11 percent to \$16.72 million indicating higher activity in the cutting centers despite the sluggish exports. India's exports of cut and polished diamonds have been dropping since 2010.
- So far Alrosa has been selling most of its goods through Antwerp and Dubai trade hubs. Alrosa's 2013 diamond sales totalled 38 million carats of diamonds. Its revenue last year increased 12 percent to \$4.67 billion, according to Alrosa financial reports. The industry has been witnessing a growth in the volume of exports from US\$25.4 billion in the year 2009 to US\$46.36 billion in 2011 thus indicating a net increase of an enormous 82.5%.
- According to Kimberly Process (KP) statistics and Alrosa, Russia's largest mining company reports, Russia's production in 2011 increased 12.3 percent in value to \$2.6 billion. "Russia accounted for 23.5 per cent of the total diamond production in terms of volume, and 25 percent in terms of value, in 2010. Alrosa, the state-owned company, was the largest diamond manufacturer in the world, followed by De Beers, Rio Tinto and BHP Billiton," says the Frost & Sullivan's Outlook of the Russian Diamond Market.
- Russia exported diamonds worth \$1.8 billion, an increase of 7.5 percent over the previous year. However, the volume of export decreased 15 percent from 18.1 million carats in first half 2011 to 15.4 million carats for the same period of 2012. Through rough prices declined by 8-15 percent in the second half of 2012, they still remain too high for

diamonds importers experiencing a liquidity crisis. In 2011-2012, rough diamond imports decreased globally up to 7.1 percent by volume and almost 35 percent by value.

- ✓ Diamond trade is also poised for a boost. Alrosa, a leading Russian diamond miner is looking to working with Indian cutting and polishing industry with Surat and Jaipur being major centers. During recent visit of Russian President Mr. Vladimir Putin it is agreed that both the countries is to take the initiative in pushing forward the working capacity of the diamond industry.
- ✓ Alrosa controls 25% percent of the world output of rough diamond, while the Indian diamond processing industry accounts for 60% by value of global polished diamond output. The company will supply rough diamonds worth \$700 million annually to Indian companies over three years. There is also a proposal for building a diamond hub in Mumbai through bilateral cooperation which can increase Indo-Russia bilateral trade turnover by \$4-5 billion.

Table 3: Complimentary Trade between India and Russia of Diamond

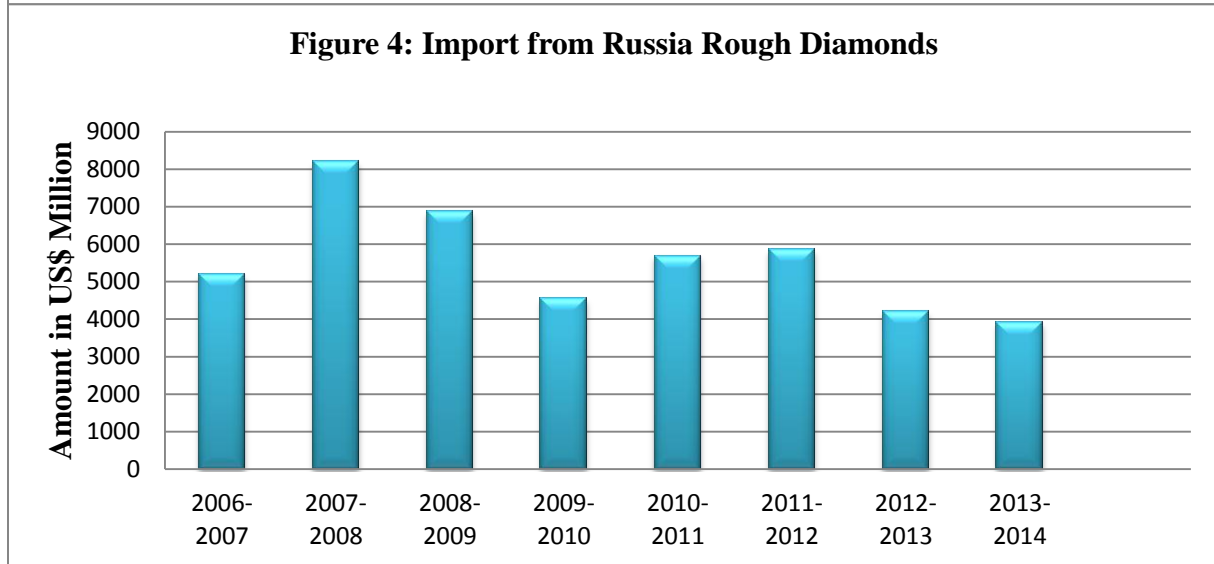
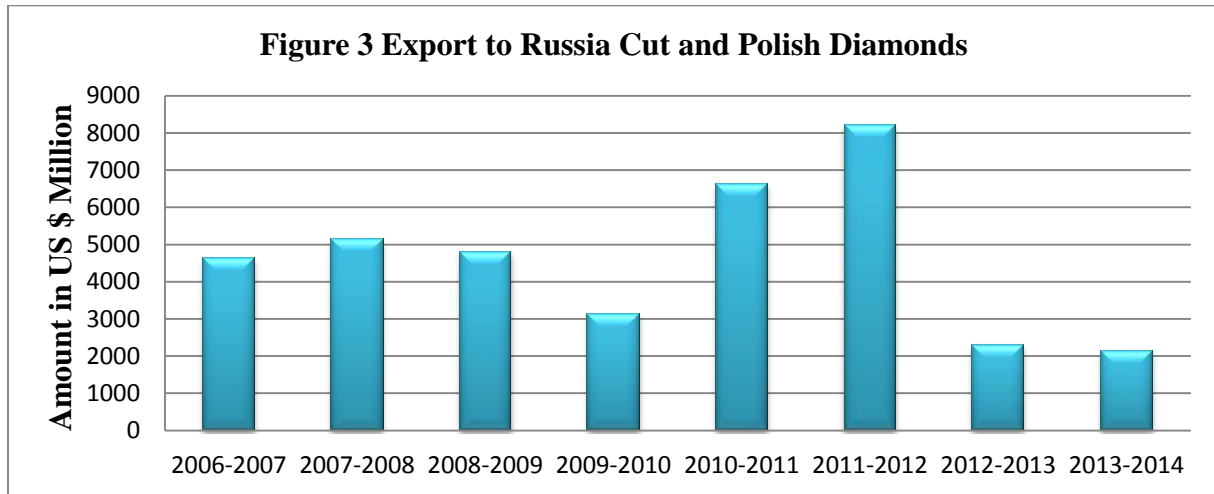
US \$ Million

Year	Cut & Polish Diamonds		Rough Diamonds		Total	
	Export to Russia	% Change in trade	Import from Russia	% change in trade		
2006-2007	4620		5181		9801	
2007-2008	5134	11.12%	8200	58.27%	13334	
2008-2009	4800	-- 6.5%	6870	-16.22%	11670	
2009-2010	3130	-- 34.5%	4540	-34%	7670	
2010-2011	6640	112%	5680	25%	12320	
2011-2012	8200	162%	5860	3.17%	14060	
2012-2013	2290	--72%	4200	-28.32%	6490	

2013-2014	2150	--6.46%	3900	-7.85%	6050	

Source: Data Compiled from Annual Reports of GJEPC

- India's Diamond export to Russia contracted 6.46% in 2013-14 to \$2.15 million, while its import from the country shrank 7.85% to \$3.9 million during the same year. Sales to India stood at \$611.2 million although recorded the growth of just 7 percent. GJEPC believes direct supplies of rough diamonds to India could easily reach the level of \$4 -5 billion. (Please refer table 3)
- Exports to Russia for 2011 increased from US\$ 3.13 million in 2009 to US\$ 8.2million in 2011 indicating net increase of 162%.This increase can largely be attributed to market recovery post the 2008-2009 worldwide recession, besides various combative measures undertaken by the Indian Government as well as the council to boost foreign trade.



Correlation between % change in trade of Cut and Polished diamonds to that of Rough diamonds (2007-08 to 2013-2014)

X = Percentage change in growth Rate of Export of Cut and Polished Diamonds from India.
 Y = Percentage change in growth Rate of Import of Rough Diamonds from Russia.

Table 4: Correlation between Cut and Polish Diamonds to Rough Diamonds for the period 2007-08 to 2013-14

	Cut & Polish	Rough Diamonds				
Year	% Change in	% change in	XY	X ²	Y ²	

	Export* (X)	Import* (Y)				
2007-2008	11	58	638	121	3364	
2008-2009	-- 7	-16	112	49	256	
2009-2010	-- 35	-34	1190	1225	1156	
2010-2011	112	25	2800	12544	625	
2011-2012	162	4	648	26244	16	
2012-2013	--72	-28	2016	5184	784	
2013-2014	--6	-8	48	36	64	
Total	165	1	7452	45403	6265	

Source: Data Compiled from Annual Reports of GJEPC *Rounded up to nearest rupees.

Karl Pearson's Coefficient of Correlation:

$$r = \frac{\sum XY - \frac{\sum X \sum Y}{N}}{\sqrt{\sum X^2 - \frac{(\sum X)^2}{N}}} \frac{\sum Y - \frac{\sum Y^2}{N}}{\sqrt{\sum Y^2 - \frac{(\sum Y)^2}{N}}} = \frac{7452 - \frac{165 \cdot 1}{7}}{\sqrt{45403 - \frac{(165)^2}{7}}} \frac{6265 - \frac{(1)^2}{7}}{\sqrt{6265 - \frac{(1)^2}{7}}}$$

$$r = \frac{7452 - 23.42}{-3677 \cdot 78.86} = \frac{7428}{-289968} = -0.0256$$

Findings and/or Interpretation of the result: It can be concluded that there is a negative correlation between % age change in Export of Cut and Polished Diamonds from India to % age change in Import of Rough Diamonds from Russia. Further it can be mentioned from the available data for the given period that the idea of complimentary trade between Russia and India for rough diamond to cut & polish diamonds does not hold good. It further means that for import of Russian rough diamonds India do not export cut and polished diamonds in a same proportion or quantity as far as the value or price of the diamonds is concerned.

Findings

- Most key skills are transferred on a one-on-one basis and passed on from person to person, based on the trainer's tacit knowledge. The effort is centered in a few clusters and not spread country wide. New workforce entrants are drawn from these regions as well. The training is neither standardized nor systematic with emphasis practice but not on holistic professional development.
- The Indian government is planning to establish a special zone with tax benefits for diamond import and trading in Mumbai, in an effort to develop the city as a rival to Antwerp and Dubai, which are currently the top trading hubs for diamond.
- To further liberalise norms for rough diamond imports, the RBI has lifted restrictions on some mines abroad. Advance remittances can now be given to these mines for such import of roughs.
- Rising import of polished diamonds is a threat to the domestic cutting and polishing industry, employing a million people directly and indirectly. Since polished diamonds require no further value addition, the purpose of promoting SEZs as a manufacturing hubs is often misused, is the argument. The government has promoted these SEZs by offering a number of sops such as on octroi, sales tax and value added tax, to promote the region in question as manufacturing hubs.
- The major world diamond market companies are closed family businesses. The level of their transparency as compared to that of public companies is traditionally low, there being hardly any prospects for the situation to change in the nearest future.
- There is some momentum in the industry of late, due to improved festive sales demand in the domestic and export market, the diamond industry has been facing pressure on margins. Rough diamond prices are increasing but polished diamond prices have not kept pace, due to over supply.
- The raw material i.e. rough diamonds as well as finished product are of high value but, it is of very low weight. Due to this factor, there is no burden on any of the factors of production or mode of transport. The Indian diamond industry has built an image in polishing of diamonds

in lower size and quality stones. This has increased the market share and growth in small sized diamond export.

Today, Indian processors participate in rough diamond auction in Dubai and thus, jobs are shifting from India, the world's largest diamond cutter and polisher, to Dubai, the emerging trading hub in the West Asia.

Financial turmoil of 2008:

The financial turmoil had a dampening effect on global demand and slowed down capital inflows which affected India's export sector. The impact of the crisis was felt most acutely in job oriented sectors which experienced up to a 70 percent fall in their growth rates and affected other segments as well. Following reasons has been brought to notice during question answer sessions with the firms. The reason for this recession is simple:

- ✓ This had a cascading effect on overall economic growth, as India's GDP growth rate fell from 9 percent in 2007-08 to 7.1 percent in 2008-09. The impact of this crisis on the export sector was evident as India's exports which had previously grown at nearly 20 percent between 2002 and 2008 plummeted to a negative 20.3 percent in 2009-10.
- ✓ The price of the rough diamonds was very high before the Diwali season was setting in. The diamond merchants bought roughs at high prices in speculation of high diamond demand for Diwali, Christmas and New Years.
- ✓ The Surat diamond industry has flourished without any serious hurdles since the 1970s. Production usually gathers pace before the Indian festival of Diwali, after which the workers are given a short holiday and they come back for full production for Christmas and New years, given the export orientated nature of the industry.
- ✓ The Lehmann Brothers' crash in September had shaken the confidence of the industry. Yet there was a sense of optimism in the market since the holiday season of Christmas and New Years was approaching; the diamond industry sells the majority of its produce during this time and the hope was that despite the crisis demand will not fall.

- ✓ The crisis ended up staying longer than expected; resultantly the demand of the polished diamonds fell steeply. DTC did not lower their prices of roughs, instead they did was reduced production in mines. Diamonds being luxury goods were the first to be effected by the economic downturn.
- ✓ The factory owners had already bought roughs at high prices and felt its best to hold on to them until the price of the polished diamonds rises again. This meant that the *karigars* no longer had access to the stone, their only source of livelihood.
- ✓ The GJEPC requested the international mine owners to retrench the supply of the diamonds for a while so that Indian companies do not lose their trading licenses and in order to maintain stability in the industry at during this time of crisis.

Problems faced by the Industry:

1. The first and major problem faced by diamond jewellery is the crisis of a fall in demand of the polished diamonds.
2. The second problem faced by the diamond jewellery industry sector is family based business where often there is a problem of work-force which is not much properly organized by many entrepreneurs.
3. The diamond industry is facing the crisis of recession due to decrease in fall of export demand for the cut and polished diamond by major exporting countries. In the past two years alone, sales of polished diamonds from African countries have grown 28 %, even as the overall market has declined.
4. The sector also faces a challenge in the form of integration of synthetic or man-made diamonds. Today, due to technology it is difficult to differentiate the diamond which is natural diamond and which is manmade diamond. It may so happen that the synthetic diamonds are passed on as real diamonds and in the long run, this could affect the credibility of the sector.
5. Currently, China is the second-largest diamond processing centre in the world after India; however, it is slowly catching up and is threatening to displace the Indian gems and jewellery sector from its dominant position in the world.

Suggestions

The Indian government has to create a conducive environment for global participants to invest here whole heartedly:

- **To bring down the risk in extending loans** to diamond and jewellery companies after a series of loan defaults in lately, leading banks in India want the Gems and Jewellery Export Promotion Council (GJEPC) to mediate in recommending the financial standings of diamond companies that seek business loans and credit limit enhancement.
- **Rationalisation in transaction tax:** Gems and jewellery sector has demanded rationalisation in transaction tax to attract foreign participation before commencing trade on international diamond bourse. As per existing norms, transaction tax is levied between 2-3 per cent depending upon types of diamond conceptualised for sale in international diamond bourses in India as against 0.25 per cent presumptive tax levied in the global trading hubs including Israel and Belgium. Over and above, the Maharashtra government has also levied one per cent of value added tax (VAT) on diamond sales. The industry, however, had suggested the government to rationalise turnover tax at one per cent. This could be based on turnover tax or presumptive tax, as the margins in the industry are low and more or less uniform.
- **Diamond Bourses:** The government is to adopt measures to make India an international diamond trading hub. The Indian government has just initiated the proposal with setting up diamond bourses across the country. But, a lot more initiatives need to be taken to make it truly successful; the government intended to establish international diamond bourses.
- **Beneficiation Process:** Most African countries, Canada and Russia currently have some form of beneficiation process in place to ensure that a part of the value and jobs in processing are retained in their respective countries. India should consider ensuring all rough assortments of diamonds, mined in India, should be done in India.

- **Promotion by Brands:** Diamonds, being a luxury product, need constant promotion to ensure its share of wallet of the consumer. Promotion by individual brands or jewellers is done on the regular basis.
- **Training and Skill Development:** Skill development in this industry is fragmented. Being labour intensive, there is an urgent need to train skilled artisans and workers across the industry in a consistent manner. An efficient mechanism to create and deliver training would greatly facilitate this development. An adequately trained workforce is essential for continued growth and will offer high return on training investment since a skilled workforce will further enable the industry's rapid growth. Cost effective.
- **Transparency of Data:** Under the above circumstances generation and regular factual verification of press-portraits of the major diamond market participants combined with expert analysis of the data sources reliability is an urgent necessity. It seems to be next to the only instrument available for bringing the transparency of the market in question to the currently required standard.

Conclusion

This study has given us a lot of in depth understanding about the Indo Russian Diamond Trade in view of its economic standing. The Indian diamond industry has long said that the indirect routing of rough diamonds into India simply adds to cost and increases the complexity of sourcing steady raw material supplies. Direct imports would bring benefits to both Alrosa as well as the Indian cutting industry. The Russian Federation is the largest diamond-producing nation in the world, estimated to have produced a little over 33 million carats in 2013. And, ALROSA accounts for 97 per cent of all Russian production (and, it appears, 27 per cent of global output). The agreement is to ease the flow of trade and statistical data on diamonds between India and Russia.

The bulk of diamond cutting and polishing for the world's use is done in India. India's direct import of roughs was \$767 million from Russia in 2013, a little less than five per cent of India's

total import of roughs. However, processors in this country say they're looking at a target of \$5 billion worth of roughs directly from Russia in a couple of years. "We want India to continue its pressure on Russia for increasing the direct import of rough diamonds. It will soon rise to \$1 bn," said Praveen Shankar Pandya, chairman, Diamond India Ltd and convener of GJEPC.

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