

PROJECT OF DEVELOPING GEM PRODUCTION IN THE REPUBLIC OF ARMENIA

Further developing of diamond cutting can play a leading part in the economic development of the Republic of Armenia.

For our country, which owing to its geographical position very probably can be offended, therefore, requiring to own such a spheres and facilities of production, which are less power consumptive, labor-extensive and easily can be operated in blockades, energetic crises and other outer impediments.

In the last decade the experience of some countries (Israel, Thailand, India, South Korea) sets an example that in a short period of time Armenia can become a competitive and developed country of diamond cutting and exporting provided that state protection and corresponding legislative field is created. It's worth mentioning that in developing countries like Vietnam, North Korea, China, to benefit development of that particular sphere of production diamantaires are redeemed from all taxes and are brought down to minimum in India, Malaysia and Sri-Lanka. In the above mentioned countries all-in manufacturing cost is about \$ 12-15 per carat rough. However, under existing conditions of tax regime manufacturing cost in our republic is \$ 22-25 per carat. 80 per cent of the cost comprises salary, where 36 per cent is social security and 23 per cent income tax.

As a result workers of our republic earn (in cash) less than in those countries where manufacturing cost is \$ 12-15 per carat rough.

Israel's experience can set a good example for us. Throughout many years to be found at war and under siege that small state in a less than decade and without possessing its own rough (of course, at first under special state protection) could create a mighty base of diamond cutting and marketing.

As a result \$ 4-5 billion production is yielded by about 6.000 diamond cutters thus completing the great part of the state budget.

Today, production of Shoghakn State Enterprise with its peculiar cut is accepted and sold in about 35 countries of the world and truly, Armenia can become one of the leading countries of that particular sphere of business.

Shoghakn State Enterprise cooperating with De Beers once in a month regularly takes part in De Beer's sights and buys 120.000 carat rough annually and that in case when none of diamond cutting eight plants of the former USSR, as well as Armenian diamantaires worldwide is a sight holder of De Beers.

Throughout the last 2-3 years a number of private workshops of small yield were created in our republic but a good deal of those were closed right away or still operate a few months in a year .

Shunning state taxes and shunting all state institutions since, under existent tax and customs conditions today to be engaged in business legally is outrageous.

There are all premises for the development of diamond production in our republic.

- ◆ Developing of diamond production is not requiring huge investments.
 - ◆ Shoghakn's facilities for training in the key skills can be used.
 - ◆ Facilities are created in the world diamond market for purchasing rough.
 - ◆ Brokerage houses are founded in Belgium and Russian Federation for polished marketing.
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What `s required for developing of diamond production?

To create such a legislative field in the RA which will provide diamantaires with ample opportunity in a short period of time to give impetus to diamond cutting and exporting.

For that sphere of production 10 per cent rates of income tax is to be fixed.

When calculating income tax through devaluation of national currency, difference resulted from regrading of foreign currency must not be taxed, but only the amount of value difference resulted from exchange.

Social security deductions rate 10 per cent and customs 0.

To establish a government joined State Committee of Gems.

State Committee is to be engaged with the problems of rough purchasing, production managing, polished marketing, up-to-date machinery and know-how investing and security.

To include under the competence of the State Committee all-in workshops and enterprises engaged in production of diamonds in our republic, irrespective of ownership status.

To set up private workshops with a staff of 40-50 workers in the capital or regional centers of the republic, based on Shoghakn's temporary underused means of production.

Later, on the base of above mentioned to settle small workshops in large villages.

By a way of partially payment compensating to the state the cost of privatized main means, simultaneously engaging possible financial capacities of the owner to complete the turnover of production.

Thus, in forthcoming 4-5 years a diamond production with nearly 3000 qualified workers and corresponding facilities may be founded.

Transfer Shoghakn's turnover means i.e. a capital of about \$9mln under the competence of the State Committee, in order to purchase rough extensively and regularly from the world diamond market and Russian Federation.

Using Shoghakn's confidence in the world market lateral source of getting rough can be of use free importing of rough from abroad. Subsequently, polished must be sent back to the owner of rough, getting paid for all-in manufacturing cost per carat rough.

To develop brokerage activity in different countries of abroad.

In the next stage of developing diamond production it is necessary to privatize Shoghakn and divide it into 8-10 private workshops on the base of existent production potentialities.

To invite a conference of Diaspora diamantaires and acquaint them with the project of developing diamond production in the RA and to create premises to cooperate with them. When the above mentioned suggestions are subject of preliminary discussions, Shoghakn is ready to present the complete project of developing diamond production.

General Manager of Shoghakn

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