

## The Neglected Gem of Penang

By Anna Ong

The gold and jewellery industry has been established in Penang, long before the onset of the present export-oriented industries that provide the drive and push for economic growth of the State. It is believed that the industry had started almost two hundred years ago by the guilds of various ethnic communities, namely the Chinese, Indians and Indian Muslims.

Despite Penang's history in the gold and jewellery industry, Penang does not have the gold resources. In fact, few states in Malaysia are endowed with gold resources. Most of the gold in the country came from the Penjom Mine in the State of Pahang and other small-scale gold mines in the states of Pahang, Kelantan, Terengganu and Perak. Perak, which used to be the major producer of tin ore is claimed to be the next producer of gold in the country<sup>i</sup>.

### *Trade in Gold & Jewellery*

Although Malaysia is a producer of gold, it is a net importer. The production of gold in the country had risen from 3,352 kg in 1998 to 4,221 kg in 2004<sup>ii</sup> but reduced to 2,794 kg in 2009<sup>iii</sup>. Between 1998 and 2004, the compound annual growth rate of imports of gold was 15.3 per cent<sup>iv</sup>. However, between 2004 and 2008, imports of gold dropped significantly from 119,398 kg to 108,968 kg in 2008.<sup>v</sup> Imports of gold dropped further to 64,908 kg in 2009<sup>vi</sup> largely due to the global economic downturn. Although imports dropped in terms of weight, imports of gold and other precious and semi-precious materials have increased in Ringgit terms, i.e. from RM467.1 million in 2005 to RM1.2 billion in 2009.<sup>vii</sup>

Exports of gold increased significantly from 6,287 kg in 1998 to 86,021 kg in 2003.<sup>viii</sup> However, exports of gold began to drop gradually to only 10,804 kg in 2009.<sup>ix</sup>

Gold and jewellery exports from Malaysia comprise jewellery of gold, silver and platinum, other articles of precious metals and imitation jewellery. The exports of jewellery made of gold, silver and platinum account for more than 80 per cent of the total exports for the country. Another 18 per cent of the exports are from other articles of precious metals.<sup>x</sup>

The biggest export market for Malaysia from 2007 – 2009 is the United Arab Emirates (64 per cent) followed by Singapore (17 per cent) and Thailand (5 per cent).<sup>xi</sup> However, for the first two months of 2010, a new market emerged, namely Japan, which accounted for 10 per cent of Malaysia's gold & jewellery exports for that period.<sup>xii</sup> Presently, about 85 per cent of the total exports of Malaysia's gold and jewellery are generated from Penang.<sup>xiii</sup>

### *Characteristics of Penang's Gold & Jewellery Industry*

The Penang Gold & Jewellery industry is represented by various associations. They include the following:

- Malaysian Indian Goldsmith and Jewellers Association (Northern Region)

- Penang Gold and Silver Merchants Association
- Penang Goldsmith Association
- Penang Goldsmith & Jewellers Association
- Penang Muslim Jewellers and Money Changers Association;
- Province of Wellesley Gold & Silver Ornament Merchants Association

Most of the Muslim jewellers operate their business within the Jalan Masjid Kapitan Keling area while the Indian jewellers are mostly concentrated in Little India with a few in Seberang Perai. The members of the other associations mainly comprise ethnic Chinese and they operate around Campbell Street and Komtar area as well as in Seberang Perai.

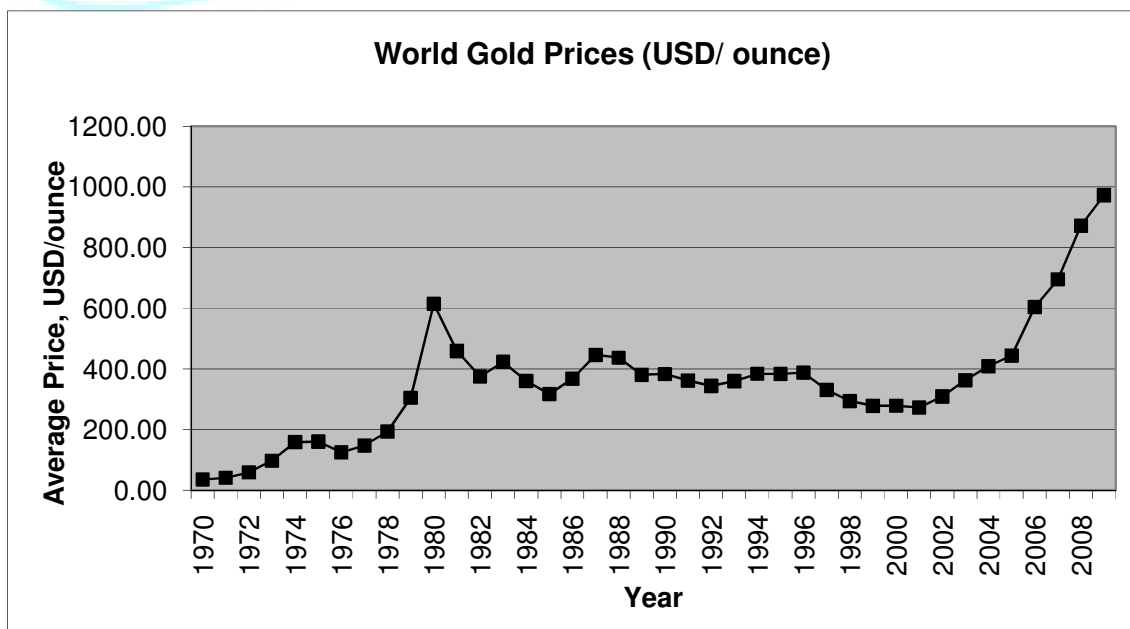
A 2005 survey<sup>xiv</sup> indicated that 96 per cent of the companies surveyed are small and medium enterprises (SMEs). These companies are mainly involved in retail, manufacturing, import & export and / or wholesale although majority of them are in retail.

### *Issues & Challenges*

The gold and jewellery industry is one of the few industries that have strived to survive the past decades without much reliance on government support. However, of late, these companies have begun to face barriers and are finding it difficult to remain vibrant. The issues and challenges can be summarised as follows:

a. Increasing gold prices.

Gold prices have been increasing at a compound annual growth rate of 17 per cent since 2001. This means that the value of capital is shrinking as the same amount of capital could purchase more amount of gold in the past. With shrinking capital, the size of the business also shrinks.



Source: World Gold Council

b. Shortage of skilled workers.

There is a need for workers especially in the areas of creative designing, machine engineering, master goldsmith and gemmology. The difficulty stems from the following reasons:

- Lack of interest and attractiveness of this industry to draw and retain workers; and
- Lack of interest among employers to train their workers fearing that they will be pinched by other companies.

In the past, the lack of formal training centre was alleged as one of the reasons for the shortage of skilled workers. However, in 2008, the Penang Skills Development Centre established the gold & jewellery design programme. This programme was endorsed by the Federation of Gold & Jewellery Association of Malaysia. PSDC invested RM45,000 on the JewelCAD programme software and managed to train 100 students for the Level One of the programme. The fee then was RM2,500 for each student. Eighty per cent of the course fee was subsidised by the SME Corp (known as SMIDEC then) while the remaining 20 per cent or RM500 was to be borne by the companies that sent their employees for training. Nonetheless, for companies that were eligible for the Human Resource Development Fund, they received further deduction from the RM500 that they had to pay. As such, the cost incurred for sending their employees for training was not expensive as it was perceived to be.

Alas, when Level Two of the programme was offered to the gold & jewellery workers, the take-up rate was significantly low that PSDC found it not feasible to continue conducting the programme.

c. Waning interest in gold & jewellery business.

Most of the small-sized gold and jewellery businesses are family-owned. However, there is a waning interest among the children of these entrepreneurs to continue with the family business. This means that the small-sized gold and jewellery business with own in-house craftsmen will be a dying trade if this trend persists.

d. Declining sales.

Several reasons were given by the jewellers for their declining sales. These include the following:

- The Muslim jewellers used to thrive in East Coast markets. Residents from Kota Bahru, Kuantan and Kuala Terengganu used to visit Penang to buy gold and jewellery when there used to be short haul flights between Penang and these destinations. The cessation of these flights resulted in the decline of sales to these markets.
- Gold and jewellery is not a promoted industry in the country. Moreover, it is also not promoted as a tourist attraction in Penang nor the country. Although Jalan Masjid Kapitan Keling is part of the heritage tour package, the operators at the Gold Bazaar do not benefit from this privilege.
- The cobble-paved roads along Jalan Kapitan Kling also discourage motorists from going to that area, thus reducing the prospects of a captive market.

- The lack of parking facilities also discourages potential customers from patronising the gold and jewellery shops, especially those at the Jalan Kapitan Kling and Campbell Street areas.

e. Security issues.

The gold and jewellery companies are concerned about security issues as there are frequent cases of armed robberies. By nature of the size of most of the gold and jewellery companies, many could not afford the cost of hiring security guards, thus making them susceptible to thefts and robberies.

The high cost of transportation with security services also prevents many small gold and jewellery companies from engaging private security and transportation companies. As such, many of the jewellers resort to engage individuals to transport their products or they transport the products themselves. The present lack of flight services between Penang and East Coast towns like Kota Bahru, Kuantan and Kuala Terengganu has also prompted the jewellers to travel by road. This exposes the jewellers to greater threats of robberies and thefts.

*Recommended Solutions*

a. Changing mindsets

There is a need to change the mindsets of the locals in Penang in particular and Malaysia in general. The locals, especially the younger generation need to recognise that the gold and jewellery industry is an art that have been passed down from one generation to another. While it is not easy to be a gold and jewellery designer and craftsman, modern technologies have made it easier, especially with the training programme that was organised by PSDC.

The locals also need to realise that Penang is the biggest exporter of gold and jewellery in Malaysia and Malaysia as a whole has fared quite well as an important exporter of gold and jewellery in the international markets.

Just as our local people have begun to appreciate the heritage buildings and sites in Penang, they should also recognise the legacy of more than a century old art, i.e. the design and manufacture of gold and jewellery.

b. Promotion of gold & jewellery

The promotion of gold & jewellery can be carried out through various avenues, such as:

- Include the gold & jewellery industry as part of the promoted products and services for Penang. The gold & jewellery zones, such as the Gold Bazaar, Campbell Street and Komtar could be included in the tourism promotion maps.
- Promote festivals related to gold and jewellery. One such festival is the 'gold buying day' that falls on May 16 each year in the Indian calendar.
- Organise showcases or jewellery fairs to promote locally produced gold and jewellery. The gold and jewellery fair could be held similarly to the other industry exhibitions. However, there is security precaution, the gold and jewellery fair could be held in 5-star hotels where the security is tighter compared with the shopping

malls or the Penang International Sports Arena (PISA). The Government through Penang Global Tourism could assist in organising such showcases.

- State participation in the international gold and jewellery fairs. The State Government, through investPenang (investPenang in the past has brought local companies to participate in international industrial fairs) could take up booths in the international fairs and bring along local gold and jewellery companies to the fairs to provide them international exposure as well as a platform for networking with international buyers.
- Promote the Branding of Penang's Gold and Jewellery. This requires coordination and cooperation between the Government agencies and the industry to concertedly promote Penang's gold and jewellery industry globally.

c. Infrastructural upgrading

The State Government or the Municipal councils could assist by upgrading the existing infrastructure. These include the provision of adequate parking facilities, upgrading of roads and beautification of the locations where the gold and jewellery businesses are operating.

*Conclusion*

Although the gold and jewellery industry has been around for almost two centuries without much support from the government, it is time for the government to focus on the importance of this industry. The jewellers are anticipated to face more issues once the GST (goods & services tax) and the proposed compulsory hallmarking of precious metals and jewellery have been implemented. While the GST and hallmarking issues fall within the jurisdiction of the Federal Government, the recommendations mentioned above are within the means for the State Government to solve or lighten the burden of the jewellers.

The gold and jewellery industry is an export-earner for Penang and concerted efforts are needed to retain the viability and enhance the vibrancy of this industry. The industry has been a neglected gem of Penang for such a long time and it is in Penang's interest to ensure that the gold and jewellery industry does not become the forsaken legacy of Penang.

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i As stated in a Perak State Government's preliminary report on gold mining potentials in the region. Source [http://www.gold.org/news/2009/08/13/story/12719/perak\\_could\\_become\\_malaysias\\_biggest\\_gold\\_producer/](http://www.gold.org/news/2009/08/13/story/12719/perak_could_become_malaysias_biggest_gold_producer/)

ii Source: Derived from DoS, Monthly Statistical Bulletin & BNM, Monthly Statistical Bulletin.

iii Source: Derived from DoS, Monthly Statistical Bulletin

iv By weight. Source: Derived from DoS, Monthly Statistical Bulletin & BNM, Monthly Statistical Bulletin.

v Source: Derived from DoS, Monthly Statistical Bulletin

vi Source: Derived from DoS, Monthly Statistical Bulletin

vii Source: Derived from DoS, Monthly Statistical Bulletin

viii DoS, Monthly Statistical Bulletin & BNM, Monthly Statistical Bulletin

ix DoS, Monthly Statistical Bulletin

x Derived from Matrade.

xi Derived from Matrade.

xii Derived from Matrade.

xiii The Star, July 29, 2010.

xiv Penang Gold and Jewellery Survey, 2005 by SERI for investPenang.