

Israel woos yuan with diamonds

YOUNG CHINESE CONSUMERS WITH DISPOSABLE INCOME AND TASTE FOR CARATS SIGNAL GROWTH TO TEL AVIV

By SUDESHNA SARKAR

As the head of the Smart Middle East Forum and chair of the Leadership Empowerment Society, Eli Avidar's usual schedule is never less than busy. But now, it borders on the hectic as the 48-year-old, who is also managing director of the Israel Diamond Institute Group of Companies (IDI), a non-profit, public interest company in Tel Aviv representing all organizations and institutions involved in Israel's diamond industry, gets ready for a special event.

It is the Hong Kong International Jewellery Show to be held from March 5-9 and from his office in Ramat Gan, the city located east of the Israeli capital and known as the "Diamond district", Avidar, a former consul-general to Hong Kong, is planning the largest ever attendance of Israeli exhibitors.

"The Hong Kong March (fair) is one of the most important trade shows of the year for the Israeli diamond industry," Avidar tells *China Daily Asia Weekly*. "This year, we will have 92 companies exhibiting in the Israel Diamond Pavilion, up from 70 companies last year. Our pavilion has expanded by 25 percent, making it the largest pavilion we have ever had."

With Hong Kong being the gateway to doing business in Asia, the Israeli contingent, he says, will focus on finding new customers in new and developing markets in Asia, as well as enhancing relations with existing customers in Hong Kong, the Chinese mainland, and elsewhere in Asian markets.

"We offer them all the advantages of doing business with Israel — the stability of the Israeli diamond industry, as well as goods of the greatest variety, best quality and most attractive prices," he says. "I am a strong believer in the Chinese market, and in the future of the Chinese economy as an important growth engine for the Israeli diamond industry."

After the US, Asia is the second largest market for Israel's polished diamonds, accounting for nearly 35 percent of exports. In 2011, exports to

Hong Kong amounted to \$1.9 billion.

"We have been working with Hong Kong for many years and enjoy excellent ties with the diamond and jewelry sector there," Avidar says. "Hong Kong is our second largest export market." The IDI participates in all the trade shows in Hong Kong throughout the year.

The Year of the Dragon was hard on the diamond industry worldwide and Israel was no exception.

"In 2011 we experienced the best year ever for the Israeli diamond industry, which had totally rebounded from the effects of the world economic crisis in 2008," Avidar says musingly. "However, during 2012, there was renewed instability in the world economy: Problems in Europe, slow growth in China and India, and a flat economy in the US took their toll on the diamond industry worldwide, Israel included."

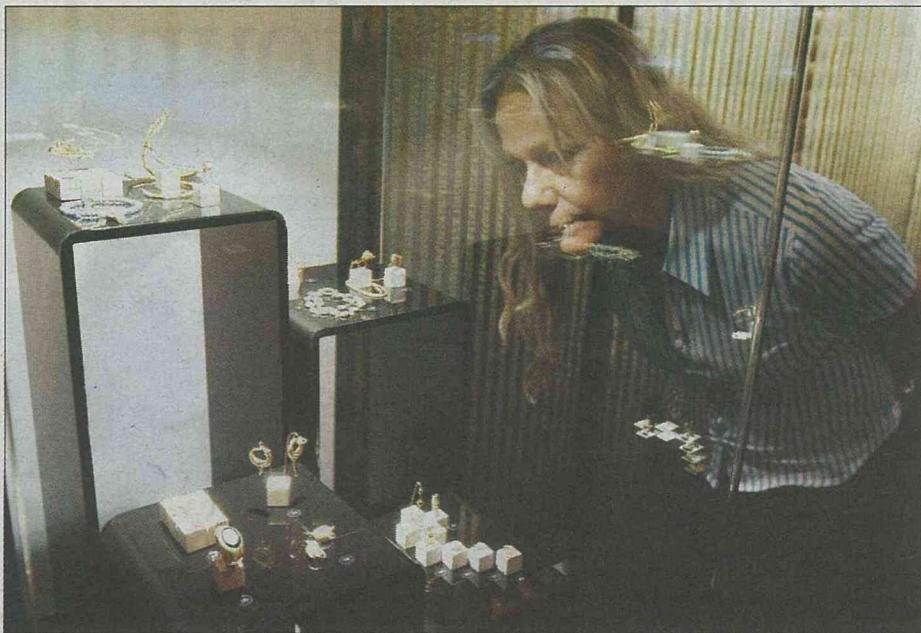
According to Shmuel Mordechai, Israel's diamond controller in the Ministry of Industry, Trade and Labor, net polished diamond exports amounted to \$5.6 billion in 2012 against \$7.2 billion in 2011. Though it indicated a 23 percent decline, Mordechai says after a dip in the first two quarters, there was steady improvement in the third and fourth quarters. Rough diamond exports totaled \$2.8 billion in 2012, a 20 percent drop compared to \$3.5 billion in 2011.

Polished diamond imports shrank by 25 percent to \$4.27 billion from \$5.68 billion in 2011. The import of rough diamonds also dropped by 13 percent to \$3.8 billion from \$4.4 billion in 2011.

While the US remained Israel's largest market for polished diamonds, with 36 percent market share, Hong Kong was the second largest with 28 percent. Belgium accounted for 8 percent, Switzerland and the UK 5 percent each and the rest of the world 18 percent.

Mordechai says Israel's diamond trade is likely to continue to improve in 2013 and return to the levels of 2011, a record year.

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COURTESY OF IDI

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mond cutting, a traditional Jewish craft, flourished as early as the 15th century. However, later decades saw intense competition from India and China, which enjoyed an advantage due to cheaper labor costs.

The competition saw a reorganization of the cutting and polishing industry with Israeli companies setting up bases around the world. While Voice of America reported in January that the number of cutters and polishers in Israel had dropped from 20,000 in the 1980s to about 2,000, an IDI spokesperson says though currently there is less manufacturing in Israel, the industry "maintains a huge manufacturing capacity abroad, employing 35,000 workers around the world."

"Despite (the drop in the first nine months of 2012), we saw a marked positive trend from the third quarter on, which to some degree corrected the downward trend at the beginning of the year," Avidar says. "For 2013 our expectations are very positive. All indicators show that the

An exhibition at the Israel diamond industry complex in Tel Aviv of rare and ancient jewelry. While the Israeli diamond industry was established in the 1930s, diamond cutting, a traditional Jewish craft, flourished as early as the 15th century.

Israeli diamond industry is standing on solid ground, and sales in December and January were excellent. At the last exhibition in India in early January, which is a new show (the UBM Mumbai Jewellery and Gem Fair held from Jan 5-7), the results were very encouraging for our exhibitors.

"The US economy has shown marked improvement and the Chinese market is rebounding. We expect that consumer demand for diamonds will grow significantly in 2013."

The Chinese consumer is expected to have a key role.

"As a relatively new market, the Chinese luxury market has attracted a huge influx of goods, all competing for the consumer yuan," Avidar says. "Chinese consumers are only beginning to appreciate diamonds and diamond jewelry, since diamonds have not traditionally been part of their culture. A lot is being done to educate the Chinese consumer about diamonds — as a symbol of love and as an investment. And we are seeing a great response."

"As more and more young Chinese consumers have great disposable income they are developing a taste for diamond jewelry. The Chinese consumers have been responsible for a great deal of our export growth in recent years."

IDI declared 2007 the "Year of China." "We launched (IDI's) Chinese language portal site in June 2007, at the same time as we opened the IDI Hong Kong representative office," Avidar says. "The B2B (business-to-business) site enables us to develop our relationships with clients throughout China, and to provide them with information and service in their own language. We have seen continuous growth in the number of

visitors to our Chinese website over the years."

Besides the representative office in Hong Kong, IDI plans to open one in Mumbai. The offices are tailored to enable smaller and medium-sized Israeli companies to do business in these locations, just as if they had their own offices there. Besides the UBM fair, IDI is organizing a national pavilion at the IJJS Signature in Mumbai from Feb 22-25, featuring some of the country's leading diamond companies.

Every year, IDI attends three shows in India in response to the interest in the Indian market within the Israeli industry.

"We (also) have very strong cooperative relations with the Shanghai Diamond Exchange, which is a member of the World Federation of Diamond Bourses, and counts several Israeli companies among its members," Avidar adds. "We are interested in developing mutually beneficial relationships with Chinese organizations."

"To attest to the importance the Israeli industry attributes to the Chinese market, this year for the first time IDI is organizing a national pavilion at Jewelry Shanghai (from May 10-13), with 17 exhibitors. This is after several years when IDI had only an image booth at the show."

From March 17-20, the Israel Diamond Exchange will be hosting a "US Diamond Week in Israel" and in July, it is time for the 10th edition of Israel's only diamond and jewelry show, Jovella.

"Jovella will be held from July 2-3," says Avidar. "It is hoping to attract a large number of diamond and jewelry buyers from abroad, including from China. In the past we have had many US and European buyers and are now interested in also attracting B2B buyers from Asia."