

COUNTRY FOCUS

Mongolia ready for new investments, P12-13

ON THE CUTTING EDGE

Ace diamantaire on trade's bright future, P24

CHINADAILY

中國日報

ASIA
WEEKLY

FEBRUARY 22-28, 2013

VOL 4 • NO 7

www.chinadailyapac.com

Published by China Daily Asia Pacific Limited



A sparkling investment

AS THE DIAMOND TRADE'S PIVOT SHIFTS TO THE EAST FROM WEST, ITS FUTURE CONTINUES TO SHINE

By SUDESHNA SARKAR in Hong Kong
sarkar@chinadailyapac.com

The global diamond industry is going through a historic transformation," says Peter Meeus, chairman of Dubai Diamond Exchange. "The center of gravity (is) shifting significantly eastwards to Africa, the Middle East, India and China.

"Africa has the rough diamonds... Asia polishes, and Dubai has the trade links to both the producing countries in Africa and the major consumers in the Americas, Europe and Asia."

The 2012 Global Diamond Industry Report released in December echoes Meeus, in a way.

"China and India are at the forefront of diamond demand growth," says the annual bellwether diamond industry report by global business consulting firm Bain & Company and Antwerp World Diamond Centre.

It attributes the phenomenon to the strong economic progress in both countries in 2010-11, when China's economy grew by 9 percent and India's by 7 percent.

Though the US still remains the world's largest diamond market with \$27 billion in revenues, the financial crisis that erupted in 2008 caused diamond jewelry sales to dip by 18 percent in 2009 and 2012 revenues were only slightly

above those of 2000. In Europe, sales fell slightly from 2010 to 2011, and in Japan, once the second biggest luxury market after the US, they shrank 6 percent in the same period.

"As wealth increases in both (China and India), diamond sales are skyrocketing," the report adds. "China (including Hong Kong) is now the world's second largest diamond jewelry market after the US, with demand growing 18 percent from 2010 to 2011. India is the third largest, with growth of 17 percent."

While Africa remains the biggest producer of rough diamonds, China, Australia and India too have yielded lesser amounts with Canada and Russia being the two significant Western producers. India has become the largest cutter and polisher of rough diamonds, accounting for nearly 72 percent purchase of rough diamonds.

"Gem and jewelry exports are a major foreign exchange earner for India," says Vipul Shah, chairman of India's Gem and Jewellery Export Promotion Council. "In 2012, the export of cut and pol-

ished diamonds was worth over \$17 billion, despite a nearly 37 percent decline compared to the previous year. India continues to be the highest importer for US, with exports standing at \$6.1 billion, contributing 23.4 percent to the US's import basket in the jewelry category."

While India occupies the top spot, other polishing industries are growing in Tel Aviv, Dubai, Bangkok, Beijing and Shanghai. And China is the biggest buyer of polished diamonds after the US.

"China is a significant consumer market for diamonds," says Russell Shor, senior industry analyst at the Gemological Institute of America (GIA), the setters of globally accepted standards used to evaluate gemstone quality. "It is currently the world's second largest — with \$7.8 billion (approximately 8 to 9 percent of the world market). A vast majority of this growth is happening in the third-tier cities inland. China also has around 80 diamond manufacturers, who employ about 60,000 employees."

Diamond sales have a strong sex angle. Besides the ascending middle

class with greater purchase power, sales are also driven by women.

"The ladies have a fascination for diamonds," says Lawrence Ma, president of the Diamond Federation of Hong Kong (DFHK). "Diamond rings are increasingly in demand for weddings, engagements and celebratory presents. In the US and Japan, for example, diamond rings account for 85 percent of all engagement and wedding rings. But in China, they account for 10 to 15 percent. So there is much room for growth."

So remarkable is the phenomenon that the Bain report dwells on it at length.

"Diamonds have strong emotional and spiritual resonance for Chinese women, who associate them with eternity and high status," it says. "Chinese women like highly visible diamond jewelry, preferring rings, necklaces and pendants to earrings."

"About 90 percent of India's affluent women own diamonds. Women have well-developed tastes in diamonds, valuing a stone's clarity ahead of its cut, size and color."

Retail jewelry outlets are mushrooming in Asia, adding more impetus to sales. In addition, the well-heeled Asian tourist is now the mainstay of the retail market in the US and Europe as well. "Several retailers report that these shoppers are among their most enthusiastic purchasers and the source of many of their largest diamond sales," the report says.

However, 2012 still proved a "challenging year," says Ephraim Zion, managing director of Dehres, a third-generation family-owned business based in Hong Kong. "As China and India's economy began to slow down last year, demand for diamonds and jewelry was affected and sales declined nearly 15 percent."



Cover Story

A cut above the rest,

page 3

India hopes for more sparkle,

page 4

Israel woos yuan with diamonds,

page 5

UAE's new-found trade shines,

page 6

SEE "JEWELS" P6