

# The diamond game

Despite intense competition from Asia, Belgium is still the global hub of the diamond industry after more than 150 years. But why?

WORDS BY DAVID PARRY



Consider the life cycle of a diamond. It starts out in an open-pit mine in Russia, Canada, Botswana or South Africa – the world’s major gem-quality diamond producers. It has been excavated by hand and machine from a place like Mirny Mine in Eastern Siberia, teased out from an excavated 1.2km-wide hole, a pit so large that all airspace above it is closed for fear of helicopters and small planes being sucked in by the strength of its downward air flow.

This rough diamond, hacked and clawed at from birth, is sent to auction in Antwerp where companies and investors frantically bid on its quality. Eye-popping colours like pink and luminous yellow, though hidden by an external mask of rock, fetch the highest tenders. The stone is then carefully shipped to one of the world’s premier labour-intensive cutting centres like Surat in Gujarat, India, to be precision tuned. Once there, the 1.9-carat specimen is sawed, edged and set to maximise its core value: an expert knows from its glint what its clarity, weight and quality is even before reaching for the magnifying eye-piece.

From India it is packaged for an upmarket jewellers in Hong Kong, for example, where it may sit for six months in a display window, gathering dust and the odd lustful glance. Before then it may be rerouted to one of the world’s best diamond-grading laboratories in New York, so its buyer knows its exact worth. Unsold in Hong Kong, it is rerouted back to Antwerp to be revalued and re-examined, before being shipped to another market, this time to a boutique jeweller in Guangzhou, China. Only then, some 18 months after being prized from the ground in a 10-year-long gemstone hunt, it finds its owner.

It’s a mind-boggling, exhaustive process, but one that has a common denominator running through every step of its journey: Antwerp. Despite being a globalised industry – and global means an A to Z of countries from Angola to Zimbabwe, all involved in the diamond game – the Belgian port city reigns supreme, with hundreds of stones leaving it every day. As New York is to the financial markets, so Antwerp is to these brilliant gems.

“There are two anchors that still make Antwerp the centre of the diamond business,” says Dutch diamond expert Ya’akov Almor, the spokesman for the Antwerp World Diamond

Fair. “Eighty percent of rough diamonds come through Antwerp, as do 50 percent of polished goods – that’s huge. The critical mass of companies that do business here is astonishing. Ninety percent of the actual physical diamond work may be done from India or China nowadays, but anyone who is a serious player has to have an office here.”

The influential IGC Group, says Almor, could be taken as the industry benchmark. A global player with a 10-storey head office in central Antwerp, it doesn’t cut a single diamond in Belgium, instead relying on thousands of experts in its factories in Thailand, Laos and Botswana. “Antwerp works very hard to keep the Antwerp brand alive,” he adds.

The reason for Antwerp’s success is down to a quirk of history. During the 16th to 18th centuries, the diamond trade in Europe centred on Bruges and Amsterdam. They were the final stopping points on trade routes that brought diamonds from India through the mercantile republic of Venice and the towns of southern Germany to the coast. Over the years, trade gradually shifted to Antwerp’s port, as the city offered newer and better facilities for exchange. Francois I, once the king of France, even turned his back on his own diamond cutters in Paris, preferring instead to rely on the expertise of the craftsmen in rival Antwerp.

Things really took hold in 1866 with the discovery of the Kimberley deposits in South

Africa – the biggest hoard found at the time – and the subsequent rise of the De Beers brand. All of this large-scale prospecting and mining brought massive supplies of rough diamonds into the hands of the Belgians.

“Even after the Second World War there were still some 30,000 diamond cutters working in Antwerp,” says Almor. He mentions the legendary Gabi Tolkowsky, a flamboyant 76-year-old who crafted some of the world’s most precious stones, including the Golden Jubilee Diamond, the largest cut and faceted diamond in history. “But if there are even 1,000 left then that would be a huge surprise. Out of every 15 diamonds cut today, 14 are cut in India.”

What is clear is that though Antwerp’s sphere of influence has moved beyond Belgium’s borders, the city still remains the industry’s nucleus. Take a trip around the Rijnstraat, Hoveniersstraat or Schupstraat, Antwerp’s diamond quarter adjacent to the main railway station, and you’ll see a glimpse of trading activity from the nearly 2,000 individual dealers that do business there. That’s just a clue as to the number of major mining companies, the dedicated diamond banks and insurance brokers, the forwarders equipped to send the precious parcels to every corner of the world, and the best polishers and high-tech researchers that work behind every closed door. ▶

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## INVESTIGATION



In spite of this activity, according to Valerie Weekers, spokeswoman for the Antwerp World Diamond Centre, 2014 was a tough year for the traders. “The trends emerging in the Antwerp diamond industry are similar to the ones worldwide,” she says. “Rough prices are high, which downsizes the profit margins for the traders. It’s not easy at the moment. The announced wind-down of the Antwerp Diamond Bank weighs heavily on the industry, too, as does the continued uncertainty due to the lack of liquidity and diminishing access to diamond financing and banking services.”

Overall, however, the mood is buoyant. Despite heavy competition from rival diamond hubs – Dubai, in particular, now turns over some US\$20-25 billion in rough diamonds – more goods were exchanged in Antwerp year-on-year. A total of 227.2 million carats of rough and polished diamonds were traded, with a total value of \$58.8 billion, surpassing the 2012 record of \$56.5 billion.

Additionally, in its most recent report from December 2014, Bain & Company estimates that diamonds will become increasingly important as an investment commodity, especially as existing mines are nearing depletion and only a few significant new deposits have been discovered in recent years. Will next year see even bigger growth?

“Traders in diamond hubs worldwide are being confronted with narrowing profit margins,” says Weekers. “This evolution is largely due to strong rough prices, caused

by a combination of natural scarcity and the main mining companies’ solid positions, whereas polished prices haven’t risen at the same pace.” Consequently diamond traders are forced to sell their goods at lower prices, with average profit margins falling. “They’ve dropped steeply,” she adds, “by two to three percent.”

One of the reasons for these narrowing margins is that the clichés – “diamonds are a girl’s best friend” and “diamonds are forever”, the culmination of 70-odd years of marketing from De Beers – hold zero weight with today’s consumers. The message once perpetuated by these advertisers, that a diamond was for life, just doesn’t ring true anymore. Instead, there are ultra-expensive \$37,000 Hermès handbags to covet, jewel-encrusted iPhones to lust after, and a whole new combative field of technology and luxury products that didn’t exist back in the diamond heyday of the 1950s. Indeed, diamonds today are frequently recycled and resold.

According to Almor, the clientele is getting far more discerning, too, hinting at a trend for bigger, showier, rarer pieces. “What is very popular now is large diamonds with natural colour, be it pink, yellow, even brown,” he says. “But they are very hard to come by.” In February, for instance, he was working at the recent Antwerp World Diamond Fair and met a German-Saudi customer who had visited to buy a 15-carat coloured diamond. Instead, she walked away with two. “The numbers were simply flabbergasting,” he adds.

A side issue to all of this is the ongoing perception of conflict, or blood diamonds. The wider public still sees it as a blight on the industry, despite encouraging progress over the past decade. Since the inception of the Kimberley Process Certification Scheme (KPCS), a voluntary partnership between governments, NGOs and the industry to banish conflict diamonds from international trade, Antwerp has fought back – and hard. After 10 years of KPCS, the proportion of conflict diamonds has declined from 15 percent to 0.2 percent. Experts believe it’ll be impossible for that figure to drop any lower.

“For as long as there is conflict funded by revenues from diamonds there will be a problem,” says Ruth Donaldson, founder of heirloom London, a unique jewellery concierge service. “The industry is viewed with both scepticism and approval for how they have addressed the problem. I also think that for communities for whom the options are to work in dangerous conditions, risking death to find these stones to earn a few dollars – or risking starvation because they have no income – there needs to be an alternative to alleviate this absolute poverty for it to truly stop.”

Still, for better or worse, diamonds will always be in the news. People love reading about their lucre: earlier this year the latest million-dollar robbery – this time at London’s jewellery quarter Hatton Garden – hit the headlines. In a Pink Panther-style heist, 72 safe-deposit boxes were taken over the Easter Holiday weekend, once again thrusting diamonds back into the spotlight. “People have always prized diamonds through the centuries because of the way they reflect light, their fire and brilliance,” adds Donaldson. “Stories like these appeal to the imagination.” That is something that will never change. And for that we’ll always have Antwerp. ▲

*The next Antwerp Diamond Trade Fair takes place from 31 January to 2 February 2016. [antwerpdiamondfair.com](http://antwerpdiamondfair.com)*

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