



ICE IN THE DESERT

Packets of rough diamonds grouped on the table at a diamond trader's office in Dubai.



SAW 3 705
66.71

By **Sheshana Kedem**
PHOTOGRAPHS BY **ALEX ATTACK**

Behind the





SAW 2 201
170.47

Sparkle

**Inside Dubai's
\$26 Billion
Diamond Trade**





FOR CENTURIES, the Arabian Peninsula has been a trading post on the busy silk and spice route from China in the East to Europe and Africa in the West. And with its location and natural harbors, the ancient avatar of the United Arab Emirates (UAE) also found itself in the middle of that busy route.

Even if you look at regional trade, you will find that the Emirates were trading precious minerals and metals as far back as 3000 B.C., when copper was traded from the eastern Hajjar Mountains to urban areas in the north.

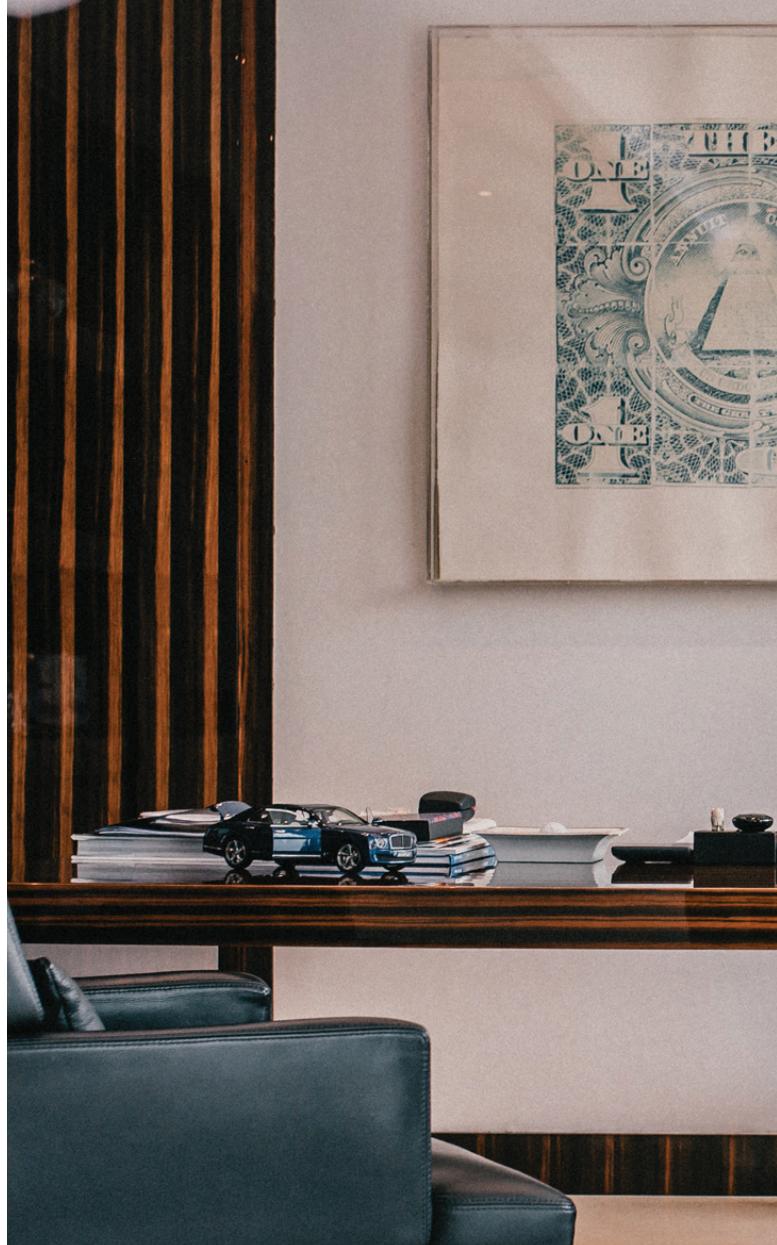
By the 1790s, the UAE became a major pearling center, as Bedouins moved from the Liwa desert (empty quarter) to Abu Dhabi, the shores of their largest export and main source of national income.

And then came the oil era, which gradually ended the pearling trade. But that did not end the country's dealings with all things glittering.

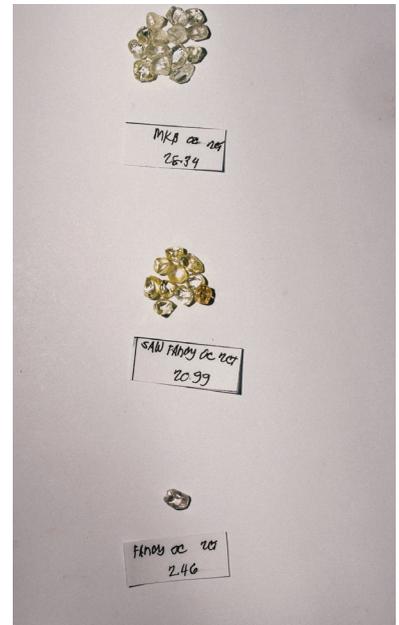


MAKING THE CUT

It was diamonds that the UAE turned to next. Dubai is now the world's second-largest diamond trading hub—and has snatched a chunk of Antwerp's business. The UAE's diamond trade is one of the highest contributors to its GDP, and it all kickstarted in 2002, when Dubai opened the gates to their gleaming Dubai Multi Commodities Center (DMCC).



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GROUPING THE GLITTER

Rough diamonds are washed in boiling labs in the basement of Dubai's Almas Tower and then re-sorted into packages according to a client's specific requirements.



AN EYE FOR BLING

Serge Neiger is the CEO of SBMH, a sight-holder firm, which sorts diamonds to be shipped off to polishing and cutting factories in India and Europe.

The center also houses the Dubai Diamond Exchange (DDE), an impenetrable, entity in the 68-storey Almas (Diamond) Tower.

These days, the tower, a warren of lavishly ornamented trading offices, bustles with traders from around the world selling rough diamonds to factories and polished pieces to retailers from around the world.

In many offices, you can see workers from the West Indian state of Gujarat, busily inspecting and sorting the rough tiny pearl-colored jewels into packages for clients from cutting and polishing factories both in India and Belgium.

The diamond trade is a complex one, and has its long-winded journey. Rough diamonds are pulled from the ground in Africa by mining companies such as De Beers, which are then flogged at pre-set prices to buyers at auctions inside the diamond-producing continent.

They are then shipped off to Antwerp or Dubai for washing and sorting, before landing in factories in Surat, a city in west-

ern India, where over 90% of the world's rough diamonds are cut and polished.

Only diamonds certified with a KP certificate can enter the UAE through two offices—one in the Dubai International Airport and the other in the Almas Tower.

KP stands for the Kimberley Process, which was established in 2003 to prevent “conflict diamonds” from entering the mainstream rough diamond market.

The certificate is meant as a guarantee that the spoils of their trade aren't used to fund violence, human rights abuses, child labor, or environmental destruction.

After the stones arrive in the tower, a silver sail-shaped podium with a cloud-piercing spire, they are treated with chemicals overnight in a basement boiling room, to remove any residue.

The process reveals their clarity before they are delivered to traders in the floors above, says Evgeny Garanin, an executive assistant at Dubai's Kimberley Process Office.

“65% of diamonds come from Africa, and Dubai’s the perfect place for them being sorted. Then they go to India for polishing or to Europe.”

The UAE’s first rough trader in the DMCC was SBMH Diamonds. They are among around 80 companies who are allowed to buy from De Beers, the diamond conglomerate. “They only sell to 80 customers, and those 80 customers are hand-picked for their strength as well as their responsibility to good business practices,” says Serge Neiger, CEO at SBMH.

Such companies are called ‘sight-holders’ as they get to see the goods coming from the mines.

Originally a Belgian company, SBMH relocated its headquarters from Antwerp 11 years ago to the 24th floor of the Almas Tower.

They import their gems from diamond producing countries including Botswana, Angola, Russia, South Africa, Namibia, Canada, and Brazil, and supply manufacturers in India, China, Thailand, Israel, and Belgium.

As one of the largest rough traders in the DMCC, SBMH prepares packages of more than 450 different diamond assortments for over 150 manufacturers.

When diamonds come out of a mine, they’re like a huge bag of M&Ms with the gems in all hues of chocolate, yellow and brown, Neiger explains. It’s companies like SBMH that sort them according to their client’s specific criteria.

Some clients specialize in very high-range diamonds, some specialize in lower range, according to him. Others may specialize in princess cut, or the round cut, for example.

“What we do is prepare those goods for the type of manufacturing,” he says.

The diamonds arrive all mixed up in one package for the Gujarati workers, who with around six months training in diamond sorting, sort them into categories according to the four C’s: color, cut, clarity and carat (weight).

That’s where companies like SBMH come in the value chain, sorting diamonds in a specific way so that the next person on the chain has exactly what he wants.



DUBAI GAINS ITS SPARKLE

Dubai’s total rough diamond trade soared from \$3.03 billion (Dhs11.12 billion) in 2008 to \$25.5 billion in 2015.

Although Belgium remains the diamond capital of the world, Neiger estimates that at least 30% of the rough diamond business has moved from Antwerp to Dubai.

“Over the years, a lot of diamond dealers from Antwerp left for Israel, came here or went back to India. In the last five years, the business of rough and polished diamonds in Antwerp has sunk.”

Some argue that the reasons are more than purely commercial. NGOs on the frontline of the fight against blood diamonds charge that lax border controls free from government oversight are another factor charting Dubai’s prodigious growth.

Alan Martin, director of research at Partnership Africa Canada (PAC), says that while Antwerp really is “no paragon

In The Rough

Dubai’s booming diamond trade by the numbers

- More than 87% of Dubai’s rough diamond exports were to the countries of the European Commission (EC) and India, while Dubai’s exports to China climbed 950%.
- Angola, India, Europe and China account for 85% of Dubai’s total trade volumes.
- The diamond exchange, which operates within the DMCC structure, saw rough imports rise 16% in 2016.
- By volume, the imports increased 13% to 70.1 million carats, and the average price grew 2% to \$89.76 per carat.
- Rough exports by value jumped 29% to \$9.77 billion, with the volume of exports rising 26% to 79.9 million carats.
- The average price of the exports grew 3% to \$122.20 per carat exported \$9.77 billion.



of virtue,” packages shipped to Belgium are comparatively subject to much greater scrutiny.

He tries to make a distinction between how the DMCC and the Antwerp World Diamond Center (AWDC) is mandated and operates.

“One key difference is that when diamonds come into the AWDC, those packages are opened by government valuers, who work in the AWDC, but are civil servants.”

Martin says that these agents of the state are responsible for defending the integrity of the Belgian supply by checking that diamonds aren't from conflict diamond areas on the embargo list like Zimbabwe's Marange diamond fields.

“Their job is to verify that the contents of the package match what's on the certificate,” he says, explaining the process.

“They could actually seize those goods on the spot.”

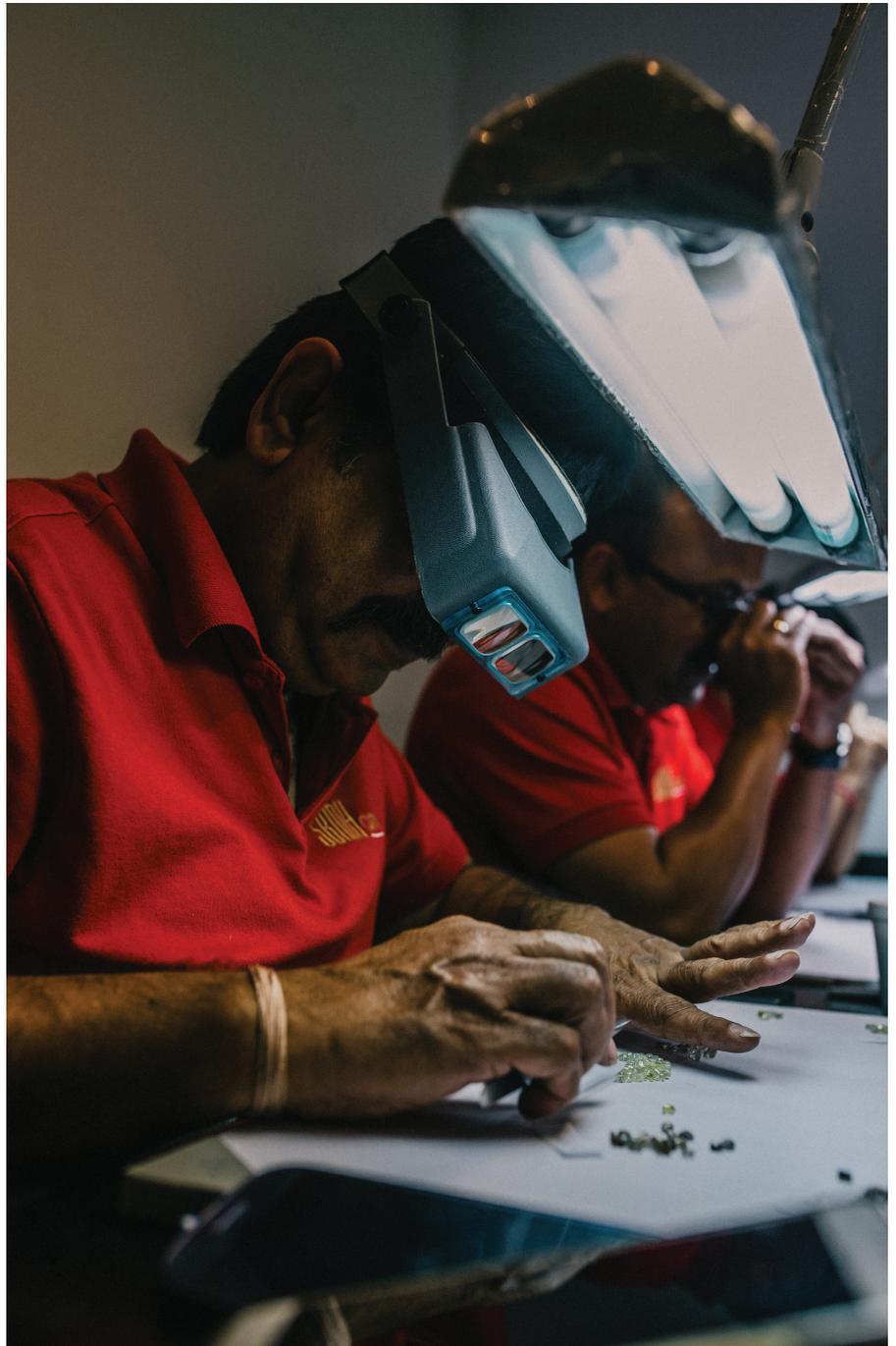
In Dubai, however, he contends that there is no government oversight at all within the DMCC.

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And the people who open the shipments, if they do so at all, do not have any valuation experience and ability to look at the diamonds and say if they actually match the paperwork, he argues.

According to Martin, the UAE contends that they can't afford to hire valuers for this purpose.

“A city as rich as Dubai doesn't have much of an excuse to say we can't afford





COUNTING CARATS

Teams of workers in Almas Tower sorting diamonds according to the four C's: cut, colour, clarity and carat (weight).



MAN WITH A PLAN

Peter Meeus, chairman of the Dubai Diamond Exchange, has been a key figure behind Dubai's diamond domination.

“THE BUSINESS HAS COME FROM SOMEWHERE. THAT OBVIOUSLY HAS UPSET A LOT OF PEOPLE.”

some valuers. They have money,” he stresses. “This is a structural, operational issue, that the DMCC continues to resist in addressing.”

“This is the reason Dubai has shot up in prominence.”

Peter Meeus, the CEO of the Dubai Diamond Exchange, refutes those allegations and says the problem starts with the exporting countries where the diamonds are produced and priced as they leave the country.

“The problem is mainly in diamond producing countries, where the valuation capacity level should be brought to a higher standard.”

He says that when diamonds are imported to the UAE, the Emirates respects the KP certificate awarded to them by the export country.

“When another state...South Africa, Angola, Congo...puts values on a certificate...this is a document that is issued by a sovereign state...we are not questioning that, and so we do not check value at import.”

“There should be a level playing field for all countries in the world. The criticism should not be isolated to only the UAE, because for example, in countries like the US, there is no control at all on imports. Not on value, not on carats.”

As Chair of the Kimberly Process in 2016, the UAE pushed to implement a new valuation system in diamond producing countries, whereby every single diamond exported is priced according to a universal pricing system.

“Currently, everybody does their own thing. Some use their own price lists, some use old data price lists, some use valuers, there is no standard. We proposed a system with a unified methodology but we need to agree on that, of course, first.”

“It would basically, in a nutshell, make diamonds leave African diamond producing countries at the correct market price,” he stresses.

Unfortunately, not every Kimberly Process member agreed to the new system, Meeus says.

The UAE plans to push for a global standard in diamond valuation when Kimberly Process talks open again on May 1 this year.

“Unfortunately, the diamond industry was not ready to engage, which is why we again put our ideas on paper and forwarded it to the Australian (KP) Chair,” he says.

“And when the next Kimberly Process session starts, we will discuss it and stand by our point of view that there should be a level playing field for all importing centers in the world, not just Dubai, so there cannot be unfair competition.”



NOT SO FAST

Dubai’s prodigious rise in the diamond world was fostered by the birth of the diamond exchange cluster in Dubai, and the UAE’s strategic location, says Meeus.

“In those days the global turnover in loose diamonds was marginal, a few million dollars. That changed with the establishment of the Dubai’s

diamond exchange and the construction of Almas Tower, which put all diamond companies under one roof.”

“Dubai is also very well placed between India where most of the polishing of diamonds is done, and Africa, where [65% of] the world’s diamonds come from,” he says.

The UAE is also a tax-haven for the diamond sector, Meeus adds, “and nobody wants to pay taxes.”

Almas is at the center of the Jumeirah Lakes Towers Free Zone, one of Dubai’s tax-free trading hubs, allowing resident companies to make a tidy non-taxable profit.

The UAE diamond trade has also benefitted from a new wave of consumerism from Africa, China, and India, where rising middle classes are ready to spend their new riches on the glittering commodity.

“With the opening up of far eastern markets in China and India in the last 15 years, traders have looked at Dubai as a good hub to do business from,” says Meeus.

However, industry insiders tell *Inc. Arabia* that diamond chiefs in Antwerp were overall displeased with the calculated shift in the rough diamond trade to Dubai.

One polished diamond retailer in Dubai who requested anonymity says that Dubai has gone in strategically and aggressively, with a fantastic product and has been a real pull for companies to move here.

These companies have done very well for themselves, but all that “business has come from somewhere.”

“That obviously has upset a lot of people. They’ve gone from what was a shopping center for a weekend, to a serious rough trading center in a very short period.”

Another research expert in diamond trading practices says that, while Antwerp praises Dubai’s commodities leadership in public, in private the mood is “poisonous.”

Meeus, who served as CEO of the AWDC for seven years, was invited to Dubai as a founding member of the fledgling diamond exchange, he says.

“Peter’s mandate when he left the HRD [Diamond High Council] in Antwerp, was to turn Dubai into a diamond hub, and I have to give the man full credit for doing that. Dubai went from nothing to being [at least] the third largest trading center,” the source says.

“His objective very clearly is to dislodge Antwerp as the main center, and to make Dubai what Antwerp once was. He’s done that very successfully.”

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SHOSHANA KEDEM is a reporter at *Inc. Arabia*