



Annual  
Report

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**2010**

**Responsible Publisher**

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# WELCOME

Dear reader,

**2010 was a year characterised by monumental shifts, some of them influenced by more immediate economic events and others indicative of long-term trends that will impact fundamentally on the future of the diamond business.**

First and foremost it was a year of recovery, as sales of diamonds emerged from the slump into which they had fallen with the onset of the global financial crisis at the end of the third quarter in 2008. Total turnover of rough and polished diamonds by the Antwerp diamond sector in 2010 equaled \$41.9 billion, which was considerably above the \$30.3 billion figure reported for 2009, when the sector was mired in recession. But it also was only \$3.9 billion below the amount registered in 2008, during which for three quarters of the year imports and exports were running at record levels.

The recovery in the rough diamond market was particularly dramatic, with imports into Antwerp rising 48.7 percent in U.S. dollar terms when compared to 2009, and rough diamond exports rising by 48.5 percent. But to some degree the increases represented a correction, due to the fact that the major mining producers for the most part had cut output to a bare



minimum during the first quarter of 2009, or alternatively maintained production but kept the goods out of the general chain of distribution. As a result of the latter policy, Russia rose above Botswana as world's largest rough diamond producer in 2010.

These shift could all be attributed directly to the global financial crisis and its aftermath, but the rising strength of Asia as a consumer of diamond jewellery was a more evolutionary development, indicating a tectonic change in regional economic strengths. The United States' share of Belgium's polished exports fell from 29 percent in pre-recession 2008 to below 28 percent in 2010. But exports to Hong Kong rose from 20 percent of Belgium's diamond exports in 2008 to almost 23 percent in 2010, while China held a 3.25 percent export market share. In the diamond markets at least, a degree of parity was being achieved between East and West.

**Ari Epstein**  
*AWDC CEO*



**Nishit Parikh**  
*AWDC President*

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# A GLOBAL PERSPECTIVE

## *Stabilisation followed by strong recovery*

After two of the most difficult years in the recorded history of the diamond industry, 2010 saw the long-awaited turnaround. The diamond business has stabilised in the latter part of 2009 and from approximately the end of the first quarter 2010 onwards it began surging forward.

increased its imports of polished stones following the decline seen in 2009.

The havoc caused by the financial slowdown was evident in the surprising 2009 producer figures published in 2010 by the Kimberley Process. Where Botswana had been the number one producer in 2008, with Russia in second place, the statistics showed that a year later Russia was the leading producer and Botswana was only in third place after Canada.



That trend which was evident in Antwerp was mirrored across the global diamond trade — from Israel to Mumbai. Exports of polished goods from the main trading centres rose throughout the year and ended 2010 reasonably close to the peak year of 2008. Even the hard-hit United States, which remained the world's largest and single most important market with around 40 percent of global sales,

The reason for the shifts in the diamond producer tables was that while Botswana's national mining firm, Debswana, half-owned by De Beers, slashed production when it saw demand slumping, in Russia, the state-controlled mining firm Alrosa carried on producing more or less as usual to prevent mass lay-offs of workers. It was aided by the country's Finance Ministry, which provided \$1 billion to the state

minerals repository, the Gokhran, to buy and stockpile rough. The Gokhran started selling off the diamonds in 2010 as the market improved, and, as the country's finance minister told the World Diamond Congress in Moscow in July 2010, turned a tidy profit.



The strength of the recovery was particularly apparent in India where diamantaires complained of a shortage of rough goods. As a result, a number of delegations, of diamond companies and organisation heads, as well as government officials, were sent abroad in bids to tie up deals for the supply of rough diamonds. The most noticeable such deal was signed with Zimbabwe. However, since the stockpiled goods from the controversial Marange fields in the east of Zimbabwe had not received Kimberley Process certification, the arrangement was shelved.

Again in India, there was further evidence of the rise in demand for polished goods when diamond polishing plants, particularly in the processing centre

of Surat, several hours from Mumbai, complained of a shortage of labour. During the severe slowdown in 2009, many diamond plants had fired workers who then went back to working in farming or to textile plants. As a result of having been laid-off suddenly and receiving little if any redundancy money, workers were reluctant to return to the diamond trade. That forced polishing firms to take on new staff who had to be trained, with the resulting expenses further reducing margins.

### *As rough prices soar, polished unable to keep up*

At the onset of the global financial crisis at the end of 2008, there had been much talk about correcting long-standing inequities in the diamond trade, including the slower rate at which polished diamond prices rise when compared to rough diamond prices. But with the start of the market recovery in 2010, it turned out little had changed.

A striking feature of the international diamond trade for a large part of 2010 was the inability of polished prices to rise in tandem with their rough counterparts. Evidence of the phenomenon was largely anecdotal, but average prices of polished diamonds were estimated to have increased by 10 percent in 2010 from a year earlier, while rough diamond prices probably rose about 21 percent by the end of the year.

What was driving the increase in prices was less the demand in the consumer market,

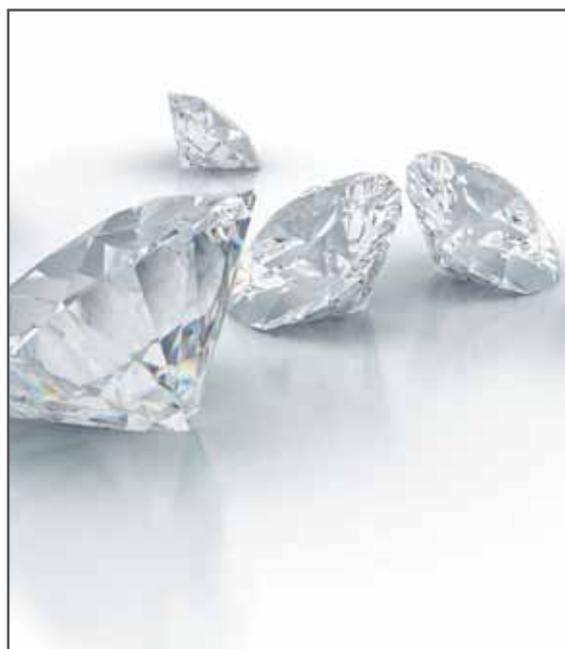
and more the expectation on the part of the industry that a shortage of rough supply was imminent. Many parts of the diamond pipeline ran down stocks through 2009 and when they started to restock in late 2009 and in 2010 they found rough prices had already shot up.

In order to secure goods they had to pay the higher prices which, in turn, led to prices rising further still. Manufacturers bought goods on the expectation that by the time they were polished and ready for sale, typically a period of three to four months, polished prices would have risen. For approximately the first nine months of 2010 that was not the case.

**Meanwhile, on the demand side, low global interest rates enabled manufacturers and investors to buy diamonds. Investors' fears of rising inflation and the flight to gold in 2010 as a safe haven also led investors to put their money in diamonds, particularly in light of the forecast supply shortage. Indeed, some reports spoke of the price of investment diamonds rising by 20 percent in 2010.**

What was clear was that the increase in rough prices outpaced the increase in rough diamonds being released onto the world markets, and that was the result of policies enacted by the rough diamond producers. Indeed, De Beers, the largest single diamond producer, made no secret of the fact that it planned to reduce its annual sales in the coming years to take advantage of rising prices as a result of supply shortages.

Another factor affecting polished prices' inability to keep pace with rough prices was Western jewellery retailers reluctance to squeeze consumers in a very fragile economic climate. And although there was strong demand in China and India, they were not yet large enough markets to be able to raise average polished prices. Although retailers have reported rising diamond jewellery sales, this did not necessarily translate into polished price rises due to the huge bargaining power enjoyed by retail chains.



As the end of the year approached, reports spoke of polished diamond prices starting to break through resistance levels as a result of strong results from the retail market in the United States and steadily rising demand from Asian and emerging markets.

## *Resurgent market kept aloft by cybersales*

The long awaited market recovery in the United States looked at one stage like it might be stymied by an unexpected foe. One of the severest winter storms in recent history threatened to shut down the eastern seaboard, preventing Christmas shoppers from reaching the shopping malls.

The holiday season saw a recovery in spending on jewellery, luxury and furniture, with sales of jewellery climbing 7.2 percent, more than twice the rise seen during the 2009 season. Luxury sales rose by 6.7 percent.

Were it not for the Internet, the U.S. Data may have looked very different. Losses in post-Christmas revenue at brick and mortar stores are estimated at about \$1 billion, with sales at American stores on the day



But was the Internet that came to the rescue. Online sales in the United States during the 56 days leading up to December 26 rose 13 percent to \$30.8 billion, thus achieving the largest holiday-sales growth rate since 2007, when they grew 19 percent, according to Internet-tracking firm comScore. In the north-east of the country in the week before Christmas, sales jumped 17 percent to \$2.45 billion in the week ended December 26.

after Christmas down by 11.2 percent, and sales nationwide 13.9 percent lower for the two-day period.

The extent of the rise in Internet sales appeared to catch many analysts by surprise. Forrester Research forecast a 16 percent jump in online sales to almost \$52 billion, meaning that online sales would thus account for more than 10 percent of total revenue.

## *De Beers sales surge, despite change in management*

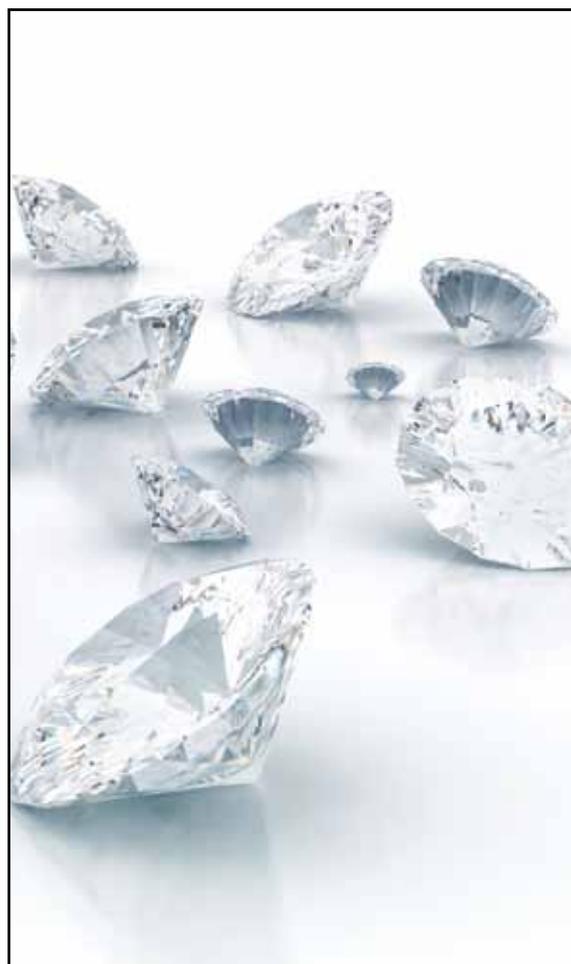
De Beers reported a 53 percent rise on the year in total revenues in 2010 to \$5.88 billion, on the back of increasing demand for diamond jewellery as a result of the economic recovery. Sales of rough diamonds at the Diamond Trading Company rose to \$5.08 billion from \$3.23 billion a year earlier, with production up 34 percent to 33 million carats from 24.6 million carats in 2009.

Much of the recovery was driven by a strong increase in the demand for rough diamonds, which enabled the diamond producer to raise prices by an average of 27 percent over the year, to levels which are above those which prevailed prior to the onset of the economic crisis. De Beers reported net income of \$546 million, compared with a loss of \$743 million in 2009.

The diamond industry was caught by surprise in July with the announcement by De Beers in its financial results for the first half of 2010 that managing director Gareth Penny was to step down as soon as a replacement was found. Penny, for his part, said he had decided the time was right, after steering the company through the global financial crisis and the downturn in 2009, to leave the world's largest diamond producer. Mr. Penny said that a "new captain" should take the company into its next stage.

Mr. Penny was the driving force behind the stringent cost-cutting measures instituted following the onset of the global financial crisis in 2008 that helped the miner start to recover by the following year. Some analysts speculated that Mr. Penny paid the price for shareholder unhappiness at having to provide \$1 billion to help the firm through tough financial times.

De Beers said it felt it had to release the news about Mr. Penny at the same time as the financial results to make it public as soon as possible and to prevent rumours in the industry. Mr. Penny did not want to leave during the downturn and had to



decide whether to stay and take De Beers to the next stage or leave the field to the next person to do it, De Beers said.

Mr. Penny, aged 48, said his decision was based on his preferred style of serving a five-year term, and that he would continue as managing director until the end of the third quarter and would assume a part-time role in the fourth quarter until a replacement was found. By the end of 2010, a replacement had still to be named by the mining firm, however.

De Beers' Chief Financial Officer Stuart Brown and Chief Commercial Officer Bruce Cleaver acted as joint managing directors in the interim, with company officials stressing that it was business as usual.

## *Gold prices rise to record levels*

For jewellery manufacturers, 2010 was a year in which they had to adapt their products to the soaring price of gold in order to keep price points at levels which would continue to attract customers. The increase in the cost of gold led some jewellery manufacturers to cut either the amount of gold or diamonds, or both, while others replaced gold with silver.

The reasons for gold's rise were mostly financial. There was investor anxiety following the enormous amounts of cash being printed by the U.S. Federal Reserve Bank and worries that the U.S. economy

would eventually be hit by high inflation as a result. Meanwhile, others acquired gold because of fears about the financial turbulence in Europe, which started in Greece. Other investors cited worries that the global economic recovery would be slow, and wanted a safe haven for their money.

The price of gold jumped approximately 30 percent in 2010, leading to a trend of using smaller diamonds of lower qualities particularly in the United States and Europe where economic recovery, while tangible, remained fragile. The move to silver jewellery in those two markets was clear, leading silver to show a sixth straight quarterly rise in the final quarter of 2010. Although the price of gold was up almost a third, silver jumped even more, with a 75 percent increase to more than \$29 per ounce.



The rising price of gold also served to cut not just the diamond content in jewellery, but also the gold content. In the United States, purchases of gold jewellery are

estimated to have dropped by more than 30 percent by volume in 2008-2010, while in Europe, manufacturers began mixing gold with steel and ceramics to reduce the gold content and keep prices down. In India, where gold jewellery has for centuries been a standard purchase, hollow bangles were being made to look like solid gold.

loss of sales in the main markets of the world, there was no doubt that emerging countries and regions are playing an increasingly important role. Although demand rose, albeit unevenly, in the United States last year, many diamond and jewellery industry players turned their attention to markets on a steep growth trajectory.



### *New and developing markets outdo veteran markets*

With the United States and Europe still experiencing a slow and uncertain recovery in 2010 and the Japanese market continuing to wallow in an almost two-decade slowdown, the emerging markets played a growing role in the diamond and jewellery trades last year. Although the relatively new diamond markets are still some way off from making up for the

For the main part, this meant China, India, the Gulf states and Russia, although other countries, such as Brazil and South Korea, also started to appear on the industry's radar. China has already surpassed Japan as the world's third-largest consumer of polished diamonds as traditional Western-style associations with diamonds of love and commitment gain ground in the country. In addition, the large international auction houses reported growing numbers of sales of prestigious jewellery items to Chinese buyers during 2010.

In India, the trend continued away from plain gold jewellery, which has a long

tradition in the sub-continent, to diamond-set jewellery. The trend is being boosted by ongoing urbanisation in the huge country as people continue to move from country areas to cities in a bid to raise their quality of life. Similarly, diamond jewellery growth continues to receive a boost from the growing numbers of middle class Indians with rising discretionary spending power.



With the price of oil rising through 2010 as the global recovery gained ground, so spending in oil-exporting countries also rose. Buyers from Russia and the Gulf states began to appear again at international jewellery auctions as well as raising demand for larger diamonds, according to comments from exhibitors at the major trade shows.

Meanwhile, in Brazil, enjoying an economic transformation due to the boom in sales of commodities, rising sales were reported of diamond and other jewellery. And on the

other side of the world, South Korea also came to the fore as a jewellery consuming market thanks to its strong financial position.

### *Marange diamonds issue keeps Zimbabwe in the headlines*

The issue of Zimbabwe, and whether diamonds mined at the controversial Marange deposits should be certified as being compliant with the Kimberley Process, stayed in the headlines all year. The first international meeting to attempt to deal with Zimbabwe was the inter-sessional meeting of the KP in Tel Aviv in June, but the meeting ended in deadlock. Although delegates held intensive discussions regarding its joint work plan and the work carried out by the plan's monitor, Abbey Chikane, they failed to reach agreement despite talks spilling over to the early hours of the day after the meeting officially ended.

The WDC convened a meeting with major KP stakeholders at its annual meeting in St. Petersburg in July for a mini-summit and ended with an announcement that the KP had reached agreement that would allow Zimbabwe to carry out two supervised exports of rough diamonds from its Marange production. The KP would also carry out a review mission to Zimbabwe, to be held together with the first visit to the country by Mr. Chikane. As a result, a

supervised auction was held in August and in September.

In November, Zimbabwe was again the hot topic for the KP at its plenary meeting in Jerusalem. As with its June meeting in Tel Aviv, the KP failed to reach a consensus decision on the resumption of exports of rough diamonds from Marange. Zimbabwe claimed it was in compliance with minimum KP compliance standards, and although many member states agreed, some, including, the United States, did not.

As the year came to a close, it became clear that the issue would be passed on to the next KP chair, the Democratic Republic of Congo.

### *KP discusses voting and administrative changes*

Although the dominant issue on the KP's agenda during 2010 was the issue of Zimbabwe, the international body also discussed other issues such as administrative and procedural changes. Some KP members believed the body's voting system needed overhauling. Meanwhile, the issue of transparency was also raised since the body's closed meetings did little to persuade the media and other observers that decisions were being reached in a fair and open manner. In addition, the Zimbabwe issue put the spotlight on the fact that the original definition of conflict diamonds did not always comply with current crises.

The long-awaited reform of the KP appeared to get underway when the KP's Plenary Meeting in Jerusalem decided to form an Ad Hoc Committee that would prepare recommendations for the establishment of a Kimberley Process Administrative Support Office. The WDC had proposed such a body to enable the KP to provide support to incoming chairs of the body instead of each chair starting operations from scratch.

A sub-working group on trade was also set up with the World Customs Office to advise on the resolution of disputes concerning shipments of non-conflict diamonds to prevent financial damage being caused. The KP also established a Sub-Working Group on Trade to develop mechanisms and prepare recommendations to alleviate occasional obstacles resulting from anomalies in Kimberley Process procedures.

One significant new development was the emphasis placed on the issue of the human rights of people involved in diamond mining into the debate regarding the evolution of the Kimberley Process. The different elements of the Kimberley Process recognised that it was not possible to prevent the certification of diamonds from Marange under the KP's original mandate of stopping diamonds used to fuel civil wars from entering the pipeline. But civil society groups said that ignoring the issue would cause damage to the diamond industry among consumers who were aware via the media of human rights abuses that were reported to have taken place.

## *Diamond firms and the issue of tenders*

The subject of whether selling diamonds at tenders was a fair and equitable way of marketing rough goods was again widely discussed last year. All the large diamond producers, De Beers, BHP Billiton, Rio Tinto, and Russia's Alrosa, together with many medium and junior producers, sell some or all of their goods via tenders.

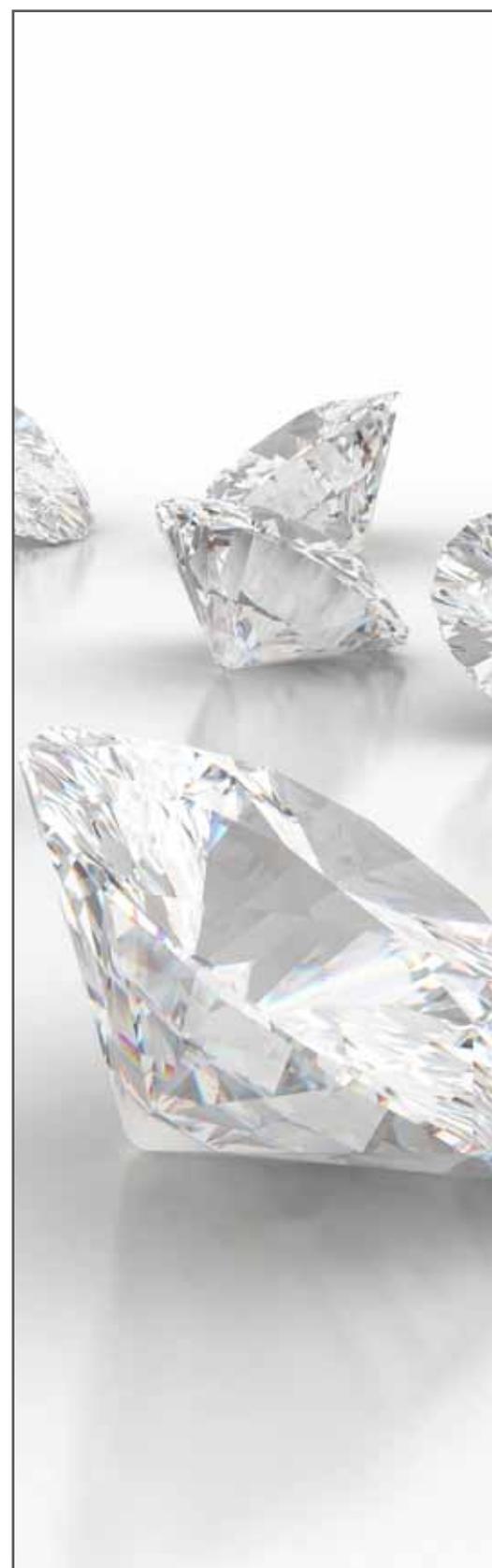
Although producers believe tenders are a fair and transparent way of selling their goods, there is some opposition to the method within the diamond business. Small and medium-size manufacturers, who make up most of the membership of the diamond trade, frequently complain that they operate from a disadvantageous position at tenders.



IMPORT POLISHED						
	2010		2009		Difference	
	Carat	USD	Carat	USD	Carat	USD
January	646.521,72	736.640.794	616.634,51	656.501.018	4,85%	12,21%
February	573.146,06	662.970.085	497.061,43	545.234.331	15,31%	21,59%
March	780.703,18	1.139.545.312	721.032,02	718.425.960	8,28%	58,62%
April	597.001,02	703.011.954	669.696,75	666.732.841	-10,86%	5,44%
May	612.563,04	733.476.586	593.092,26	506.821.816	3,28%	44,72%
June	664.893,47	1.062.947.907	674.663,96	757.397.912	-1,45%	40,34%
July	584.898,45	798.107.142	565.371,35	655.899.917	3,45%	21,68%
August	627.739,61	677.560.872	519.093,99	515.677.560	20,93%	31,39%
September	820.808,88	1.156.445.091	705.432,96	816.238.078	16,36%	41,68%
October	838.142,34	938.095.623	634.718,43	764.025.458	32,05%	22,78%
November	687.148,83	905.790.827	588.321,88	700.584.874	16,80%	29,29%
December	659.915,70	800.360.972	563.879,86	640.798.226	17,03%	24,90%
TOTAL	8.093.482,30	10.314.953.164	7.348.999,40	7.944.337.992	10,13%	29,84%

EXPORT POLISHED						
	2010		2009		Difference	
	Carat	USD	Carat	USD	Carat	USD
January	521.996,01	647.756.131	471.042,64	558.065.636	10,82%	16,07%
February	582.934,00	875.258.724	577.144,31	758.731.543	1,00%	15,36%
March	696.300,58	1.120.077.992	663.244,74	712.881.958	4,98%	57,12%
April	522.574,32	696.277.082	570.420,20	598.985.897	-8,39%	16,24%
May	629.984,75	920.477.776	605.586,61	662.319.457	4,03%	38,98%
June	680.720,06	1.091.555.611	659.261,63	755.382.523	3,25%	44,50%
July	811.035,88	1.119.225.825	778.626,82	958.281.634	4,16%	16,80%
August	267.079,77	353.826.617	240.586,08	282.041.982	11,01%	25,45%
September	808.518,88	1.261.518.911	796.627,60	1.042.495.365	1,49%	21,01%
October	827.942,14	1.048.550.400	645.310,68	785.488.543	28,30%	33,49%
November	711.554,96	949.506.153	583.400,37	739.356.211	21,97%	28,42%
December	734.436,82	1.020.009.539	687.791,42	779.455.246	6,78%	30,86%
TOTAL	7.795.078,17	11.104.040.760	7.279.043,10	8.633.485.994	7,09%	28,62%

EXPORT OF POLISHED DIAMONDS BY COUNTRY					
		Jan-Dec 2010		Difference 2009	
		Carat	USD	Carat	USD
1	U.S.A.	988.376,77	3.098.562.717	-2,62%	30,44%
2	HONG KONG	1.619.093,15	2.530.068.245	10,33%	36,52%
3	ISRAEL	551.382,16	1.209.871.719	3,52%	41,20%
4	INDIA	1.204.191,34	832.007.724	12,15%	52,52%
5	SWITZERLAND	524.919,39	637.394.740	34,99%	21,39%
6	UNIT. ARAB. EM.	811.249,41	613.012.269	-3,31%	1,45%
7	CHINA	270.002,31	360.229.822	1,08%	43,61%
8	UNITED KINGDOM	106.331,04	341.449.538	10,71%	23,27%
9	ITALY	394.377,80	226.794.065	4,77%	6,39%
10	FRANCE	165.241,57	213.568.561	2,36%	14,35%
	Others	1.158.923,81	1.036.840.892		





**IMPORT ROUGH**

	2010		2009		Difference	
	Carat	USD	Carat	USD	Carat	USD
January	11.000.422,13	764.370.809	8.668.341,13	460.512.573	26,90%	65,98%
February	10.500.693,34	781.687.939	4.197.373,00	277.207.154	150,17%	181,99%
March	10.092.295,36	854.102.818	6.898.714,29	446.224.405	46,29%	91,41%
April	10.059.281,48	899.950.086	5.290.827,58	398.338.133	90,13%	125,93%
May	8.740.690,62	705.202.672	5.339.095,43	406.258.665	63,71%	73,58%
June	9.746.550,79	885.690.667	7.808.960,99	657.889.105	24,81%	34,63%
July	8.179.182,00	690.553.392	9.312.252,96	627.747.378	-12,17%	10,00%
August	7.702.624,46	781.764.825	6.600.028,89	515.457.537	16,71%	51,66%
September	5.920.968,96	637.066.428	7.772.539,07	619.189.117	-23,82%	2,89%
October	9.310.131,74	843.106.846	9.024.769,16	746.872.818	3,16%	12,88%
November	9.247.542,29	919.357.855	8.085.768,34	731.695.947	14,37%	25,65%
December	9.268.444,57	706.534.321	6.565.981,35	483.774.600	41,16%	46,05%
<b>TOTAL</b>	<b>109.768.827,74</b>	<b>9.469.388.657</b>	<b>85.564.652,19</b>	<b>6.371.167.433</b>	<b>28,29%</b>	<b>48,63%</b>

**EXPORT ROUGH**

	2010		2009		Difference	
	Carat	USD	Carat	USD	Carat	USD
January	10.442.342,79	816.986.698	4.642.213,04	304.367.147	124,94%	168,42%
February	10.792.318,51	903.986.335	4.083.661,98	344.757.864	164,28%	162,21%
March	13.605.028,42	1.009.686.000	6.119.392,89	440.136.042	122,33%	129,40%
April	10.430.123,09	893.437.421	6.890.389,90	608.816.818	51,37%	46,75%
May	11.010.451,27	857.234.988	6.680.957,54	564.553.110	64,80%	51,84%
June	13.685.138,05	1.200.868.355	10.693.252,52	763.193.512	27,98%	57,35%
July	11.244.839,22	1.003.940.629	11.488.354,23	854.126.010	-2,12%	17,54%
August	6.168.581,66	554.975.305	5.085.091,60	402.391.432	21,31%	37,92%
September	8.862.078,78	837.555.546	9.975.307,29	749.106.529	-11,16%	11,81%
October	9.698.878,59	942.601.154	7.157.364,15	678.086.960	35,51%	39,01%
November	9.441.307,56	833.215.965	11.759.138,41	838.568.857	-19,71%	-0,64%
December	11.450.442,14	1.137.017.214	11.956.129,89	851.664.826	-4,23%	33,51%
<b>TOTAL</b>	<b>126.831.530,08</b>	<b>10.991.505.612</b>	<b>96.531.253,44</b>	<b>7.399.769.107</b>	<b>31,39%</b>	<b>48,54%</b>

**IMPORT OF POLISHED DIAMONDS BY COUNTRY**

		Jan-Dec 2010		Difference 2009	
		Carat	USD	Carat	USD
1	U.S.A.	750.046,92	2.284.451.339	14,95%	32,58%
2	INDIA	3.044.663,14	1.931.660.349	26,73%	55,28%
3	HONG KONG	1.120.984,54	1.717.464.082	1,19%	31,16%
4	ISRAEL	415.121,96	977.905.626	7,13%	32,36%
5	SWITZERLAND	399.511,73	744.330.897	9,47%	24,93%
6	CHINA	815.212,08	651.685.565	2,40%	21,91%
7	UNIT.ARAB.EM.	677.497,75	542.500.589	-11,89%	-8,90%
8	RUSSIA	129.166,25	293.504.213	95,13%	180,16%
9	THAILAND	214.584,00	239.200.165	2,18%	10,90%
10	SRI LANKA	108.424,49	186.339.604	11,42%	11,84%
	Others	421.178,31	747.529.434		

# AN ANTWERP PERSPECTIVE

## *Antwerp stages comeback, ending 2010 close to 2008 levels*

Following two Christmas seasons that ended with a whimper rather than a bang, Antwerp came roaring back in 2010, closing the year out with a total turnover of imports and exports of rough and polished of \$41.9 billion, which was not far off 2008's pre-recession total of \$45.6 billion. In 2009, total turnover was \$30.3 billion, a full 27.7 percent less than the 2010 U.S. dollar total.

But while the buoyant import and export totals do certainly indicate a more optimistic mood in the marketplace, they also to a large reflect a correction that took place during the course of 2010. This was in response to the dramatic measure instituted by the diamond mining companies during the first quarter of 2009 in order to stave off disaster. During that period De Beers, BHP Billiton and Rio Tinto all but shut down production, and Alrosa, which continued mining, channelled its output not into the pipeline but rather to Gokhran the Russian state repository.



As a result there was a dramatic upswing in activity in the rough diamond trade in the first quarter of 2010, when compared to the same period a year earlier. Imports and exports of rough diamonds during the three-month period equalled 66.4 million carats, 91.9 percent more than the 34.6 million carats of rough turnover reported in Antwerp during the first quarter of 2009.

Exports of both rough and polished last year showed that buyers were willing to pay more for diamonds. Polished diamond exports rose in volume terms by 7.1 percent to 7.79 million carats, but rose much more in value terms as they soared 28.6 percent to \$11.1 billion. Similarly, rough exports rose 31.4 percent to 126.8 million carats, while in value terms there was a sharp rise of 48.5 percent to \$11.0 billion.

To what degree the rise in exports was matched by an increase in spending by jewellery consumers is open to speculation. What is certain is that there ongoing restocking of diamond inventories in the manufacturing, wholesale and retail sectors, after businesses had let them run down for more than a year after the financial crisis struck in late 2008.

As the data indicated, buyers were prepared to absorb the rising prices of both rough and polished. Some believed that there was an element of speculation taking place based on concerns that demand for diamonds would continue to be higher than supply.

### *Antwerp focuses attention on fast-growing Chinese market*

A marked characteristic of Antwerp's polished exports data was a noticeable shift from West to East in its export markets. In pre-recession 2008, the United States bought \$3.41 billion of Antwerp's polished diamonds and accounted for 29 percent of its exports. In 2010, however, the exports to the United States were slightly less than \$3.1 billion, representing a 27.9 percent export market share.

Exports to Hong Kong, an increasingly important gateway to the surging Chinese market, were \$2.08 billion in 2008, and accounted for 20 percent of Belgium's diamond exports. But in 2010 year they jumped to \$2.53 billion and were almost 23 percent of overall exports. China, which did not even appear on the list of Belgium's top seven polished diamond export destinations for 2008, was in seventh place for 2010 accounting for 270,002 carats with a value of \$360.2 million and 3.25 percent export market share.

The opening of the six-month-long World Expo in Shanghai, China, brought back vivid memories for Belgians. In 1958 it was Brussels that had played host to the World Expo. For Belgium and for Europe it had been a coming-out celebration following the recovery from World War II a, and it was considered a milestone in the growth of European Economic Community, which was

destined to grow into one of the world's primary trading blocs.

As Brussels did for post-war Europe in 1958, Shanghai in 2010 would mark China's ascendancy to the status of economic superpower. By the end of the year it was fast approaching the position of the world's second largest economy. By 2020, it is forecast that its jewellery market will equal \$38 billion per annum, making it the largest in the world.

diamonds and special cuts in the Diamond Corner of the pavilion.

That was not all. The pavilion featured the ECC Tennis Trophy, made from six kilograms of top-quality gold and set with 1,617 perfectly cut diamonds. There also was a range of remarkable diamonds showing the best that Antwerp has to offer, and every Saturday and Sunday of the Expo, a lucky visitor was awarded an Antwerp-sourced diamond. On the first



More than 25,000 people per day visited the Belgian-EU Pavilion at the Shanghai World Expo, which quickly became one of the most popular and successful sites at the Expo, with visitors keen to see diamonds from Antwerp, along with Belgium's world-famous beers and chocolate.

The displays of Antwerp's diamonds were created with the support of Antwerp diamond dealers, while HRD Antwerp created a stunning display of special

day alone, some 30,000 people sent a text message to enter the lucky draw.

On June 7, there was a special Antwerp Diamond Day as part of an Antwerp Week which was organised in cooperation with the Province of Antwerp and the City of Antwerp. The programme included an educational seminar and lectures by leading scientific authorities on diamond research. Antwerp Governor Cathy Berx travelled to Shanghai especially for the Antwerp Diamond Day and officially

opened the proceedings. She was joined by Ludo Van Campenhout, an Antwerp deputy mayor and the alderman for Diamond Affairs in the Antwerp municipality.



The Expo was only one indicator of Antwerp's increasing focus on the Chinese market. AWDC, which organises the participation of jewellery industry trade fairs on behalf of the Belgian diamond sector, concentrated a major portion of its trade show programme in 2010 on the region, setting up Antwerp Diamond Pavilion at three show in Hong Kong, and one in Shanghai and one in Beijing.

The China International Jewellery Fair in Beijing was a new addition to the AWDC's trade show calendar, with the premiere Antwerp Diamond Pavilion hosting 13 Antwerp diamond companies at the November event.

For AWDC, the biggest show of the year was the September Hong Kong Jewellery and Gem Fair, where some 84 Antwerp diamond companies exhibited in the Antwerp Diamond Pavilion, making it the largest national pavilion at the event.

In recognition of the importance of the Hong Kong show and the Asian market, AWDC was an official sponsor of the Opening Reception at AsiaWorld-Expo on September 14. In addition, AWDC CEO Freddy J. Hanard was one of the guests at a special press conference on September 16, staged by show organisers UBM at the Hong Kong Convention & Exhibition.

Other Antwerp organisations were also investing significant efforts in the Chinese market. HRD Antwerp, the commercial subsidiary of AWDC, inaugurated the Belgium HRD Association China during the Antwerp Week in the Belgium-EU pavilion at the Shanghai World Expo 2010. The association aims to promote networking opportunities between graduates of HRD Antwerp courses. It gives its members a direct link to the Antwerp World Diamond Centre, and provides up-to-date information about diamond industry developments while seeking to improve dialogue between the Chinese and Belgian diamond sectors. It is located on the HRD Antwerp premises in the China Diamond Trading Centre, Shanghai.

### *As Indian market grows, Belgium's crown prince leads mission to Mumbai*

India, too, is a fast-growing diamond consumer market that increasingly captured the attention of the Antwerp diamond sector in 2010. According to data

released the Reserve Bank of India, the country's economy was set to grow in 2010 by 8.4 percent over the previous fiscal year.

The Indian diamond industry is the world's largest producer of polished goods and Antwerp is its largest supplier of rough diamonds, with about 60 percent of Antwerp's rough diamonds head for the Indian subcontinent. But, with its growing standard of living, India is also growing into a major polished diamond importer. During 2010, polished diamond exports from Antwerp to India rose by 52.5 percent to \$832.0 million, making it Antwerp's fourth largest polished export target with a 7.5 percent market share.



The Indian domestic jewellery market is currently worth about \$16 billion, according to a report by Credit Analysis and Research Limited (CARE). The Indian luxury market is valued at around \$3.5 billion annually and forecast to expand to \$30 billion by 2015, said business consultants McKinsey in a report in late 2010. India could overtake Germany as the world's fifth-largest consumer market by 2025, McKinsey added.

In March, HRH Prince Philippe of Belgium led a large delegation of businesspeople to India. A highlight of the visit was an Antwerp Diamond Day held in Mumbai by the AWDC, a workshop and networking event.

Antwerp Diamond Days are part of the AWDC's pro-active approach to promoting diamond trading between Belgium and overseas markets, and the event in Mumbai was aimed at introducing the most important players in the Indian diamond trade to their counterparts from Belgium.

In August, fourteen Antwerp diamond companies exhibited in the Antwerp Diamond Pavilion at the 27th India International Jewellery Show (IIJS) in Mumbai. It was the third consecutive year that an Antwerp Diamond Pavilion featured at the show.

### *Antwerp joins jewellery sector's CSR education campaign with United Nations*

With Corporate Social Responsibility becoming a key concern for jewellery consumers around the world, Antwerp has set in motion a programme that will result in the centre's developing into a key participant in the global CSR community.

The World Jewellery Confederation Education Foundation (WJCEF), a body established in 2008 by CIBJO, the World Jewellery Confederation, in coordination with the United Nations, to instil the principles of Corporate Social Responsibility in the international jewellery industry and trade, inaugurated its first ever Executive Course in Antwerp in June. The three-day course, which brought together senior jewellery industry figures from around the world, emphasises the connection between CSR and the promotion of sustainable economic, social and environmental activity in countries in which the jewellery and gemstones industries are active. Hosting the course in the Belgian diamond centre was HRD Antwerp.

On the first day of the Executive Course, the participants visited Antwerp City Hall, where they were greeted at a special reception by Antwerp's deputy mayor, Philip Heylen.



HRD Antwerp was also a participant in a two-day forum on Corporate Social Responsibility, which was a highlight of UNITAR Week in the United Nations Pavilion at the 2010 Expo in Shanghai. UNITAR, the UN Institute for Training and Research, selected the WJCEF programme as a role model and case study for the

implementation of Corporate Social Responsibility by a business sector.

Joining the programme in Shanghai was Antwerp Deputy Mayor Ludo Van Campenhout. He stressed the city's support for the Belgian diamond sector's desire to play an increasing role in instilling structured CSR practices in the international diamond and jewellery industries.



### *Innovative Antwerp Diamond Trade Fair launched*

The 105-year-old Antwerp Diamond Bourse, Beurs voor Diamanthatel opened the doors of its trading hall in February to welcome a group of jewellers and diamond buyers into its inner sanctum for the first-ever Antwerp Diamond Trade Fair. The by-invitation-only diamond trade fair, the first of its kind, was sponsored by the AWDC.

The three-day fair featured 43 leading Antwerp diamond firms who offered a wide range of polished diamonds to an exclusive group of diamond buyers who were selected from a list of high-end, European jewellery firms.

Around 120 foreign diamond buyers from within the European Community were invited, with clients met at Brussels airport, hosted in Antwerp and provided with top service both during the show and after hours.

The trade fair, which was scheduled to be repeated in an expanded format in 2011, joined a growing number of by-invitation-only events that target high-end diamond, gem and jewellery buyers. For the second Antwerp Diamond Trade Fair the Beurs voor Diamanthatel joined hands with the city's oldest diamond exchange, the Diamantclub van Antwerpen. The 2011 show also would be sponsored by AWDC.

### *Diamonds provide sparkle for Flemish fashion*

Antwerp's diamond sector gave a helping hand to another of the city's most celebrated business sectors, the fashion industry.

Seven prize-winning pieces from the 2009 HRD Awards jewellery design competition joined a display of Flemish clothes design talent during the New York Fashion Week in February. The jewellery,

supplied by the AWDC, offset creations by seven young Flemish men and women's clothes designers during a display called 'Showroom Antwerp,' organised jointly by Flanders House and the Flanders Fashion Institute and supported by Flanders Investment and Trade (FIT).



Belgian-sourced diamonds were also on display at the world-famous Paris fashion week in October, with AWDC lending a helping hand to a featured fashion event, called the Antwerp State of Fashion. The jewellery, displayed by models, came from the HRD Awards Collection.

The Antwerp State of Fashion 2010 was organised in cooperation with Tourism Flanders-Brussels, the representative of the Flemish government in Paris, and HRD Antwerp. The event took place at the prestigious Guy Pieters contemporary art gallery.

# ANTWERP WORLD DIAMOND CENTRE

## *New AWDC board elected, new AWDC president selected*

Members of the Antwerp diamond sector went to the polls in June to elect six new members to the Board of Directors of AWDC. The AWDC constitution calls for six of the organisation's 12-person Board of Directors to be elected by direct election, to ensure that larger, medium and smaller sized companies in the sector are represented. Three directors are appointed by the federation representing the city's four diamond exchanges, one director is appointed by Antwerp's diamond manufacturing associations, and one director is appointed by the employee organisations. The twelfth position, an independent director, is appointed by the new board itself.

In the direct elections, Amit Bhansali, Sohil Jhaveri, Nishit Kothari, Mihir Mehta, Samir Mehta and Nishit Parikh were elected, while Philippe Barsamian, Freddy Inzlicht and Jacky Korn were chosen to represent the diamond exchanges, and Stéphane Fischler to represent the diamond manufacturers. Koen Vandembemt of the University Of Antwerp Management School was



selected by the new board to serve as the independent director.

The first order of business for the new AWDC Board of Directors was to elect a new president to replace Jacky Roth who stepped down after four years heading the organisation. The board elected Nishit Parikh to serve as AWDC president for the 2010-2012 period. Mr. Parikh is the first person of Indian origin to lead the AWDC.

The directors also elected Philippe Barsamian and Stéphane Fischler to serve as vice presidents.

As a tribute to Jacky Roth, the newly elected AWDC board of directors named the outgoing president as its Honorary President. He had served with the organisation since 1982, when was elected a board member of the HRD (Diamond High Council), the umbrella organisation that was restructured into the AWDC in 2006. He was elected HRD president in 2004 and became AWDC president two years later.

### *Senior management changes at AWDC, Ari Epstein appointed new CEO*

Ari Epstein, the former Deputy CEO of AWDC and, before that, head of the Antwerp Diamond Office, replaced Freddy J. Hanard as CEO of the AWDC towards the end of 2010. A lawyer by profession, Mr. Epstein specialised in international taxation and corporate law before joining the AWDC. Mr. Hanard retired on December 31 after four years as the chief executive of the Antwerp diamond sector's primary representative organisation.

Upon his retirement, Mr. Hanard was praised by the Belgian diamond sector

for his calm but decisive management style. A former banker, his knowledge of financial and business issues helped him guide the Antwerp diamond through stormy waters.



### *Antwerp diamond community hosts South Africa president*

A visit by South Africa's President Jacob Zuma to Antwerp in September served to underline the historic ties between the Antwerp diamond sector and one of the world's leading diamond mining countries. President Zuma was the guest

of honour at a gala dinner organised by the AWDC.

More than 300 guests from Belgium's political, economic and diamond elites attended the gala dinner where President Zuma deliver a speech calling on Belgium to consider expanding its investment in his country in all industries, including the diamond trade. The highlight of the evening was a jewellery show with the jewellery items provided by Antwerp diamond traders.

President Zuma was the second South African head of state to visit Antwerp, following that of former president Thabo Mbeki who was the keynote speaker at the AWDC-organised 2004 Antwerp Diamond Conference. Mbeki used that occasion to announce the launch of his government's beneficiation programme which strongly influenced similar policies in neighbouring diamond-producing states.



President Zuma spoke of the importance his government attaches to beneficiation of its raw materials, including diamonds. He invited members of the Antwerp diamond industry to invest in South Africa, and the wider southern African region, in order to develop the diamond industry in South Africa. He said his and other diamond-producing countries could benefit from Antwerp's deep experience and knowledge of the diamond market. South Africa is an important source of rough diamonds for the Antwerp diamond centre, ranking seventh on its list of major exporters.

## *Visit to AWDC by Botswana minister underscores mutual ties*

A visit to the AWDC in August by Botswana's Minister of Energy, Minerals & Water Resources, Ponatshego Kedikilwe, underscored the deep ties that exist between the diamond producing country and the Antwerp diamond community.



Minister Kedikilwe met with the AWDC Board of Directors and members of the Antwerp diamond community, and the two sides pledged to strengthen their mutual relationship. The Botswana official and his delegation also visited the AWDC Diamond Office, the import/export clearing office of diamonds which

is operated together with the Belgian Federal Public Service of Economy and the Belgian Federal Public Service of Finance.

Minister Kedikilwe and AWDC leaders stated their willingness to create closer relations between Antwerp and Botswana through complementary activities. The sides said they were interested in creating comprehensive cooperation between Antwerp and the emerging Botswana diamond centre in the capital city of Gaborone.

## *AWDC trade show websites provide access to Belgian exhibitors*

In a special initiative aimed at giving diamond buyers from around the world direct access to Antwerp diamond companies exhibiting at trade fairs was launched in February, ahead of the Hong Kong International Show in March.

The Antwerp Diamond Trade Fair websites provide users with interactive maps of each trade fair featuring an Antwerp Diamond Pavilion, which show visitors the exact location of Antwerp firms. With a simple click, they are taken to a dedicated page giving a full range of information on the exhibiting firm. This includes a company profile explaining the history of the company and the products and services it can supply. In addition, information, including telephone

numbers, personal email addresses and images of the company representatives who will be staffing the booth at the show are also supplied. In a special feature on the websites entitled “Schedule a meeting with an Antwerp exhibitor”, visitors can select from the list of Belgian exhibitors with whom they wish to meet and fill in personal and company details. They will then be contacted by the exhibiting firm to set an appointment.



The website can also be viewed on the move on mobile phones, enabling visitors to adjust their plans and meetings during the show with just a touch of the screen.

## AWDC co-hosts 2010

### China Diamond

### Conference in Shanghai

The Antwerp World Diamond Centre co-hosted together with the Diamond Administration of China and Shanghai Diamond Exchange the 2010 China Diamond Conference in Shanghai on November 30 and December 1. The diamond conference was previously held in 2001, 2003 and 2007.

The theme of the conference was “The world diamond industry: how to enter the new decade” and was broken down into five sub-themes. These include: the world’s diamond industry in recovery, the new decade of China’s diamond industry, the market in the future and consumer confidence, world diamond centres in the future and the new policy of the diamond producing countries.

Around 400 people from across the global diamond industry took part in the gathering.

## *‘Antwerp Loves Diamonds’ brand launched in China*

Recognising the importance of the rapidly growing Chinese diamond jewellery market, Antwerp and China took further steps during 2010 to expand their relationship. The AWDC announced the

launch of its 'Diamonds Love Antwerp' quality label in China where Antwerp's diamonds will be promoted on the Chinese market via a unique partnership with the Shanghai Diamond Exchange (SDE).

The diamonds are exported from the Antwerp Diamond Office to the SDE which issues the Diamonds Love Antwerp Card as a trademark for quality. Antwerp aims to develop the diamond culture in China and bring high-quality, polished diamonds to China.

The agreement between the SDE and the AWDC was signed during the Antwerp Diamond Day held at the Shanghai World Expo 2010.