CHAPTER III

EMERGING DIMENSIONS OF INTERNATIONAL COMPETITION

Competition in the sphere of diamond cutting and polishing as well as trade is sought to be kept at bay by the Central Selling Organisation through (a) demarcation and allocation of supplies of roughs among different centres; and (b) development of specialisation in the processing of large, medium and small diamonds. In spite of this, some amount of competition, though indirect, exists between one centre of production and another. The competition which is avoided at the stage of processing comes to surface at the international trading arena. It is in this context that the developments leading to the emergence of the present day principal supplying or trading centres of diamonds in the world, more particularly Israel and Belgium constitute success stories and examples worth emulating by centres like India.

This Chapter is divided into two Sections. While Section I encompasses salient features of the industries in Israel and Belgium, Section II embodies information about

1/ Department of the Diamond Trading Company Ltd., London also known as Syndicate in trade circles. It is the Trading Division of South Africa's De Beers Consolidated Mines Ltd.
the new and recent developments which have direct or indirect bearing on the diamond industry in India. These developments fall in the areas of discovery of new diamond mines; additional and diversified availability of raw material in different parts of the world; improvements in techniques and tools of cutting and polishing aimed at achieving higher per carat yield and productivity; emergence of new processing centres; and application of improved marketing strategies.

SECTION I

SUCCESS STORIES OF LEADING CENTRES

DIAMOND INDUSTRY IN ISRAEL

That Israel is a world famous diamond producing and exporting country is not a matter of change but the result of continuous, sustained and collective efforts of the Government as also of the industry. Like the Indian diamond sector, the industry in Israel also depends entirely on imported roughs. The pre-eminent position attained by Israel is attributed to numerous factors important ones of which constitute complete understanding on the part of the Government machinery and the active support it has lent to the industry at the various stages of production, financing and marketing. The other
major factors for Israel's becoming the top exporter in the world include the expertise of the diamantaires who at one time were themselves cutters and polishers, the educated manpower strength which understands the cutting and polishing in proper as well as exact geometrical proportions thereby improving the quality of the product, and the aggressive marketing policies pursued by it. These features are discussed in detail in the paragraphs that follow.

Initial Advantage

The greatest advantage available to the diamond industry and trade in Israel is that the industry itself is older than the State. The formation of the State and the Government were helped by the leading diamantaires some of whom were instrumental in policy formulation of the Government. It was then natural that the policies relating to diamond exports were based on complete understanding especially when diamonds happen to be number one exchange earner for the country. The representatives of the Israeli industry directly or indirectly connected with the Government and the economy of the State, therefore, played a major role in getting due place for this industry in the industrialisation and economic development of the country.
Governmental Assistance

Governmental support for the diamond industry came handy in more than one way for its development and growth. At a time when the industry was unable to get adequate number of artisans and workers, latent subsidy is reported to have been made available by the Government to induce the workers to stick to this industry and to attract new talent. For quite some time in the initial stages of its development, the industry continued to get credit facilities at a cheap rate of interest of six per cent when the normal bank rates were substantially higher.

Diamantaires are advanced Bank finance against the trust receipts for 30 days on trade of roughs and for 120 days for processing for re-export. Such a facility has helped the industry overcome any financial stringency. Exports can also be effected against trust receipts issued by the Israeli banks. The banks have also specialised staff, appraisers and evaluators for the benefit of the trade. There are three banks which have almost exclusively looked after the credit requirements of the diamond industry and trade in Israel.
Maintenance of dollar accounts by the diamantaires is another facility that goes a long way in making their product more competitive in the international markets especially when competition for standardised product like diamonds is very tense.

Pre-shipment and post-shipment finance to the industry has continued to be made available to the extent of 100 per cent when the situation so demanded. The banks in Israel have been advancing credit on the basis of personal knowledge. The limits available to the industry have been fairly high. It has been only with effect from 1st April 1981 that credit limits have been curtailed by about $300 million.

Again until the exchange control situation eased around 1977, the industry was officially entitled to premium on the foreign exchange earned by the Israeli diamond merchants. The industry in Israel has been free from prejudices and accusations of smuggling and other malpractices associated with diamond business in other production and trading centres.

Realising the peculiarities of the diamond trade and its special business characteristics in the export
markets, the Israeli Government had even kept the industry free from stringent rules and regulations of book keeping. This was done to accommodate the requirements of the foreign buyers who often wanted inflated or under-valued invoices. The Government of Israel has been more concerned about the simple procedure of turnover tax. On account of the mutual trust and confidence between the industry & trade and the Government, the former has been fair inasmuch as such irregularities were not kept a secret from the Government for the purposes of tax and proper accounting. The basic principle in accommodating the requests of foreign buyers has been 'complete customer satisfaction'. The authorities have remained conscious of the fact that if the foreign buyers are not happy with their counterparts in Israel, the importers would look to other sources of supplies where such manipulations were possible. Practices like this, though unethical, have found support from the Government of Israel in the overall interest of the trade and the country, more so when the business community has kept the authorities fully informed. Of late, the Government has become little strict in the matter of proper book keeping.
The patronage enjoyed by the diamond industry in Israel and the confidence reposed in it by the State are evident from the official statement of the Director General of the Ministry of Industry, Trade and Tourism of Israel in the following words: The Israel Government views the diamond industry as one of the central factors in the economy. To ensure the continuation and development of this industry, Israel must remain a world centre for the commerce in diamonds. It, therefore, follows that the Israeli centre must remain strong both as regards marketing and as regards production of diamonds.

Coordination with DTC and Antwerp

One of the major factors responsible for elevating the status or development and expansion of the Israeli diamond industry is the close association of the Central Selling Organisation and Antwerp, particularly the Jewish fraternity located in London and Belgium in the matter of availability of roughs, which constitutes the kingpin for this industry. At times the Diamond Trading Company has supplied larger quantities of quality roughs to Israel out of the stocks held by it.

Role of Industry

The role and contribution of the local industry has by no means been insignificant. The industry in Israel has made constant efforts to keep the cost of production low with the means of research and development to meet the fierce competition in the international markets. The Governmental assistance in research and development has also been supporting the efforts of the industry. The fear of falling behind other centres of production has kept the industry on constant move for bringing about improvements in the processing techniques and tools of production.

The inflationary trend, one of the highest in this country, and the resultant high growth rate in wage level has compelled the industry to introduce semi-automatic machines like the piematic polishers developed by one of the subsidiaries of the De Beers Consolidated Mines Ltd. While undertaking this drastic measure to replace labour, the industry has kept in view the long-term perspective lest it is taken unawares by other production centres.

Division of labour has played an important role in developing specialisation in the techniques of processing, each artisan or worker looking after part
of the job, like one aspect of the diamond cutting. The industry has attained predominant position in the world production of melees and fancies.

**Vertical Integration**

Vertical integration of processing is yet another factor that has contributed to the establishment of a sound production base with large workshops capable of reaping the economies of scale. Coordinated functions at the processing and marketing levels have helped the industry exercise control on factors which otherwise would have been outside its reach. In turn, these factors have stabilised the position of the trade which works on small margin on profit compared to other centres but benefits by large turnover.

**Upgradation of Skills**

In the field of upgradation of skills the Israeli industry has adopted a far sighted policy and has moved in the direction of harnessing the technological innovations and developments to suit its requirements. Mechanisation and modernisation within permissible limits have been the positive features of accelerated growth of the diamond industry and trade of Israel.
Training Facilities

As a specialised area of processing activity requiring a fair degree of knowledge of geometry for accurate and proportionate cuts, professionalised training has been accorded due emphasis in Israel. Systematic training, therefore, forms an integral part of the development of diamond industry for which provision was made along with research and development facilities right in the initial stage of its development.

Quite a number of training institutions and schools aimed at turning out artisans deft in their skills in cleaving, sawing, bruting, faceting, assorting, grading and evaluation of diamonds have been in operation almost since the inception of the cutting and polishing industry. Bar Ilan University, one of Israel's most prestigious institutions of higher learning, located in the famous diamond trading Ramat Gan area, conducts a full fledged degree course in diamond technology and gemmology.

Sales Strategies

The aggressive salesmanship and improvements in marketing strategies in consonance with the overall
global developments are in evidence in ample measure in the Israeli diamond industry and trade. The effort of the diamantaires is to reach the door steps of the buyers either in person or through consignment sales with the idea of scoring over other competing countries.

Product Range

Availability of wide range of goods including even those which are not locally processed in Israel renders it easier for the foreign buyers to make their purchases from one place. Convenience of buying different categories of diamonds from small brilliants or eight cut to baguettes, marquise, fancies and large stones in all shapes and sizes obviates the necessity of visiting other centres by diamantaires from other countries for whom time is as precious as diamonds.

Simplified Procedures

There are minimum amount of formalities involved and the entire transaction can be conveniently completed within the Diamond Exchange building. Purchases having been made from any one of the licensed exporters, numbering about 800, the transaction receives official authorization from the Diamond Control Office.
in the Exchange Building itself. Next process relating to Customs control, arranged by the seller is also completed quickly by the same Government office. The buyer has the option of removing the packet of diamonds (a) personally taking them abroad after declaring at the Customs, (b) through special postal services which are available adjacent to the Customs Control Department, and (c) through air freight with the assistance of one of the agents located in the Exchange building.

Similar facilities are available for the import of rough diamonds arriving by air freight, air mail or carried personally. The only formality is to declare them at the airport to Customs authorities and have them released through the Import-Export Department of the Diamond Control Office in the Diamond Exchange Building.

There are no customs duties or taxes on roughs. The importer is required to pledge to return in foreign exchange - in return for Israeli currency - the value added after the diamonds are cut and polished. The value added content, however, is determined by the Diamond Control office.
Courier Service

For the convenience of the foreign buyers and to provide security to the local trade, the Government of Israel has accepted the principle of courier service which is quite prompt and efficient. Besides, it eliminates the risk involved in transportation through other modes. Exports through courier service at times have moved at the rate of $5 million per day.

Diamond Exchanges

One of the major factors in the growth of the Israeli diamond industry and trade is establishment of two diamond exchanges—one in 1958 and the other in 1980—in Ramat Gan Area of Tel Aviv. The twenty-eight storey Diamond Exchange built in 1980 is considered to be the most modern and world's largest structure solely built for diamond trade. This Exchange has become the focus of attraction for diamond dealers throughout the world and serves as a monument to the growing diamond industry of this top exporting country in the diamond world. These Exchanges inter alia include:

1) vast trading bourse
2) administrative wings
3) office of the Diamond Controller
4) Israel Diamond Institute
v) offices of the Diamond Manufacturers Association and other industry bodies,
vi) Banks
vii) Import-Export Control office
viii) Customs offices
ix) Special Postal Services
x) General Post Office
xi) Club Room Restaurants, Service Shops and
xii) Sales Outlets of firms of Israel and other countries dealing in diamonds

Modern electronic devices and a large number of properly trained security staff ensure physical security in the Diamond Exchange premises.

Institutional Infrastructure

A strong institutional infrastructure organised on systematic and scientific lines with clearly defined objectives of each component organ provides active support to the diamond industry in Israel. The different institutions support and supplement the activities falling within the spheres of each other. The institutional infrastructure comprises (a) Israel Diamond Institute, (b) Diamond Control Office, (c) Diamond Exchange, and (d) Israel Diamond Manufacturers Association.

Israel Diamond Institute: The Israel Diamond Institute is a Government institution and is represented by the
concerned departments, manufacturers, merchants, banks and the General Federation of Labour. The principal objectives of this institution inter alia include:

a) conduct of research into ways of effecting qualitative improvements in diamond processing;

b) undertaking research in merchandising;

c) provide systematic training to workers and artisans;

d) development of export markets; and

e) directing and coordinating the efforts of various segments of the industry.

The Institute serves as an apex body to promote the interests of the Israel diamond industry. It is also a source of constant contact and direction for persons as well as firms in foreign markets seeking business with the Israeli diamond industry.

Diamond Control Office: The Diamond Control Office is a part of the Ministry of Commerce & Industry and is responsible for the issue of licences for all trading in diamonds and all imports as well as exports are approved by this office. This organisation, headed by Diamond Controller, is also assigned the task of promoting and developing polished diamonds, fine jewellery, coloured stones and diamond tool industries.
The Diamond Controller also deals with policy matters concerning the supply of raw materials, grant of credit and other aspects relating to growth of these areas.

The Diamond Controller's Office maintains a separate jewellery development division which provides advice and direction to Israel Gold Jewellery producers and designers. It also holds annual competitions to promote original jewellery designs. Services of eminent and renowned experts are also arranged by this Department to advise local jewellery manufacturers and designers.

Government licence is required in order to deal in diamonds on a continuing business in Israel. The licences are issued to bonafide traders or producers in accordance with very simple procedures. Applications for licences are handled by the Diamond Controller.

**Israel Diamond Manufacturers Association:** On the production side, the role of the Israel Diamond Manufacturers Association has assumed considerable importance. This association comprises representatives of almost all major cutting and polishing plants. Among its other promotional activities the positive role of
the Association encompasses collective bargaining with trade unions, relations with Government as well as other institutions in matters concerning (a) taxation, (b) import-export regulations, (c) licensing, (d) bank credit, and (e) import of roughs. The Association also represents employers in the settlement of labour problems.

In the areas of other socio-economic activities of the State, the Association represents the industry in Government bodies such as the Social Security Fund, State Employment Offices, and organises programmes for encouraging the recruitment of additional manpower to the trade in association with the Ministry of Labour.

This body is member of the International Association of Diamond Manufacturers. One of its important contributions lies in the field of conducting negotiations with the Diamond Trading Company for the supply of roughs including matters pertaining to (a) quantities, (b) composition of parcels, (c) quality of goods, and (d) amount of each variety.

Gemmological Institute of Israel: Comparatively of recent origin, the Israel Government has set up a Gemmological Institute in Ramat Gan. This institution has assumed significance in the context of international marketing
for diamonds of half carat and above where certification in relation to the quality and grading of the product is concerned. In order to meet the requirements of the industry and trade, this institution besides undertaking testing and certification provides training facilities in identification, sorting and grading of diamonds.

**DIAMOND INDUSTRY IN BELGIUM**

Belgium is ranked as number two exporting country in the world next only to Israel with annual exports presently valued at about $1200 million. However, in diamond trade Belgium occupies a prominent place in the world with official annual trade amounting between $3.0 billion and $3.5 billion. Of the numerous factors which have helped Belgium in attaining this pre-eminent position of being a nerve centre for diamond trading activity include:

a) sound financial and economic position of the country;

b) helpful governmental policy;

c) freedom of trade;

d) establishment of specialised banks catering to the needs of the trade;

e) availability of technical know-how and skills in cutting, polishing, sorting, grading, cleaving, etc. of diamonds;
f) long and traditional contacts with diamond traders in other countries; and

g) modern marketing and sales techniques employed by the trade.

Support from Government

The diamond industry in Belgium holds the fifth position in exchange earnings of the country. The Belgian Government is ever keen to help the industry in view of its importance to the national economy. Whilst being under the impact of inflationary and recessionary trends resulting in reduction of supplies of roughs by the Central Selling Organisation, closure of large number of workshops engaged in cutting and polishing and creation of unemployment, the Government concerned with the adverse developments in the field of diamond industry & trade has appointed a Crisis Committee comprising cabinet Ministers to help the industry overcome the prevailing problems. The objective of appointing such a high powered Committee is to create confidence among the diamond trading community and to provide evidence that Governmental support is fully available to the industry.

Liberal Policy

There are no restrictions on the import and export of rough or cut and polished diamonds. With minimum of
procedural formalities, rough and cut & polished diamonds can be imported or exported to any destination in any quantities. On account of this facility Antwerp exercises considerable amount of influence in attracting buyers from all parts of the world for business transactions. The supplying countries know from long experience of freedom of trade that any type of merchandise in sizes, qualities and cuts can be absorbed in this market. Antwerp has become a meeting place for buyers and sellers from all over the world.

**Diamond Bourses**

The intense trading activity in Belgium is strongly backed by the existence of a large number of national and international commercial enterprises which have their operations in Antwerp. There are four diamond exchanges in Antwerp, more than anywhere else in the world. Some of these specialise in specific activities like buying and selling of rough diamonds. Next only to the Diamond Trading Company, Antwerp as an open market for supplies of roughs is the second largest distribution centre for the supply of roughs. The Diamond Exchanges in Antwerp are equipped with all the necessary facilities including banks, brokers, customs authorities, postal & insurance facilities, hostel arrangements for foreign buyers within the exchange.
premises, Diamond office, etc. All important international transactions carried out in the Diamond Exchanges are handled by specialised banks which carry out efficiently all the required operations at times in less than half an hour.

Numerous other organisations connected with diamond business support and supplement the activities of these diamond exchanges and clubs. Important among these are Association of the Antwerp Diamond Exchanges and the Federation of Belgian Diamond Exchanges. The membership of this Federation runs into thousands of constituents who include merchants, manufacturers, and brokers. In view of the importance of Antwerp as a leading world centre for diamond trade, the World Federation of Diamond Exchanges has also established its seat at this centre.

To protect and promote the commercial interests of their members, in addition to the infrastructure of Diamond Exchanges, there are different associations each one looking after the interests of the respective group. The various representative bodies which help the overall interests of the industry and trade are those of Cut & Polished Diamond Merchants, Importers & Exporters, of Rough Diamond Dealers, and the Industrial Diamond
Firms. At the national level, there is the Belgian Diamond Industry Syndicate to look after the professional interests of manufacturers, master cleavers, master sawers, merchants and brokers.

**Specialised Banks**

Quite a number of banks in Belgium exclusively serve the diamond industry and trade. There are three such banks whose main functions are to finance the diamond trade to the extent of 80-85 per cent. These banks have with them on permanent basis expert evaluators and assessors who are drawn from trade itself. Majority of the sight-holders are members of these banks. The services of the banks include financing of visits of businessmen for buying DTC sights, financing of advance payments to the Central Selling Organisation for roughs, cutting & polishing activities and the export trade.

Banks in Belgium have played a major role in the development of diamond trade in the country. With professionals and specialists on their staff, the banks keep close contacts with their clients dealing in diamonds. In financing the trade, personal knowledge about the activities of the individual diamantaires has been instrumental in imparting stability and avoiding
unnecessary risks which in other countries have resulted in speculation, bankruptices and resultant failures.

Professionalised Training

One of the significant features of the diamond industry in Belgium relates to the establishment of technical schools for imparting training to young boys and girls exclusively in diamond processing. The training in these schools extends to three to four years and develops perfection in different aspects of cutting and polishing among the trainees. Six diamond training schools are in operation in the Antwerp area alone. Of these, the Town Institute for Technical Education is a world famous institution. Its courses cover all areas of diamond cutting, polishing, identification, evaluation and gemmology. After the introductory and elementary education of two years, students are given specialised and advanced training in the fields of their choice. Couple of hours of part-time practical training to students in diamond cutting forms part of the regular curricula of some of the other educational institutions also and the best among them are given incentives through provision of job opportunities in diamond cutting and polishing factories.
Advanced Processing Techniques

Cutting and polishing activity in Belgium mainly relates to medium size diamonds ranging between 10 to 50 pieces per carat. The cutting is done through fully mechanised or semi-mechanised processes. With the use of sophisticated aids like the computerised Bell telephone machine or the Piermatic semi-automatic machines technological and scientific innovations have been harnessed to more than offset the disadvantage of high labour cost in the diamond cutting industry in this country. The other means to outweigh the exhorbitant cost factor include higher per carat yield, greater unit value realisation and higher productivity. An artisan in Belgium attends to ten dops and thus engages himself in the cutting and polishing of equal number of diamonds at a time.

Technological Research

Research and development in tools and techniques of cutting and polishing of diamonds is a constant and continuing activity in Belgium. Every conceivable economy and improvement, howsoever marginal in nature it may be, which results in better quality and increased output is sought to be achieved by the diamond industry. The role of research and development
is not kept confined only to production but has been extended in the areas of marketing using newer and better sales strategies. These factors have proved quite effective in sustaining an important place carved by the Belgian diamond industry and trade in the world.

SECTION II

NEW DEVELOPMENTS

Numerous new developments have exercised their influence on the world diamond industry and trade. Some of the important ones relate to the entry of De Beers Consolidated Mines Ltd., hitherto in the field of mining and distribution of rough diamonds, in the trade of cut and polished goods; development of cutting and polishing industries in countries like China, Indonesia, Malaysia, Thailand, and Sri Lanka; consolidation of their diamond cutting and polishing industries in USSR and South Africa which are also the producers of rough diamonds; discovery of diamond mines in Australia with potential to surpass the present supplies of rough diamonds; and weakening position of De Beers Consolidated Mines Ltd. with the exit of some of the countries which
have for long been under the umbrella of this world monopoly organisation. These changes cast their shadow on the future of the world diamond industry and trade.

Uptill now main interest of De Beers Consolidated Mines Ltd. has been in procuring roughs from its own diamond mines; from mines in which it has a partnership interest; from mines in which it owns exclusive mining rights through lease arrangements; from mines that sell via a variety of arrangements or agreements exclusively or near exclusively through the Diamond Trading Company Ltd., and from mines that sell to the highest bidder. The rough diamonds so procured have been marketed and distributed among the various processing centres in the world. This organisation has now started diversifying its activities in the area of cut and polished diamond trade on the pretext of effecting improvements in sawing, bruting, cleaving, and other processes. It has thus established its strong foothold in main centres of production and trade through arrangements which have taken the form of joint ventures and collaboration agreements.

In the process, De Beers Consolidated Mines Ltd. has established organisations in Antwerp dealing in sawing, cleaving and other processes of diamond cutting.
It has joined in a venture with a major Antwerp sawing firm M/s Lans Diamond Corporation to increase production of sawables at a lower cost. It engages 350 workers whose combined output is more than what could be generated by 1000 Antwerp sawers.

De Beers has also set up a cleaving operation in Antwerp and has monopolised this trade. It has been carrying out experiments to evolve methods for automatic bruting with a view to making more gem diamonds available for mechanical polishing. This development has created an unrest in the Antwerp industry and poses a serious threat to other centres as well. Near regular models after this processing will not be available for manual operations since these will go on automatic machines. Despite an assurance by De Beers to its Antwerp members that it is only to develop technology, the local workers union representing 99 per cent of the artisans in Belgium has expressed its serious concern about these new developments.

De Beers has also entered into arrangements with two new factories that have been recently opened in Antwerp. Belan Co. with a workshop full of completely new Plermatic machines in the Campine district in
collaboration with Tache group is an important venture. Likewise, De Beers' Diatrador group is the largest exporter of diamonds from Belgium. At Lucerne in Switzerland, Throgmorton is another concern that sells De Beers' polished diamonds at sights organised by it from time to time. De Beers has already become a major customer of diamond manufacturers in New York, Antwerp and Tel Aviv at times buying nearly all the output of some of the factories in these centres. In Japan, Oriental Diamond Corporation in which De Beers has its interest through one of its subsidiaries sells polished diamonds directly to Japanese retailers.

Hindustan Diamond Company Ltd promoted in India at Bombay with interests and collaboration of De Beers through Bank of Bermuda has expanded its operations since its inception in 1979. In the garb of helping small and medium diamond manufacturers and exporters whose interests the Company is supposed to serve, De Beers collects commercial intelligence about the Indian Diamond industry. The sales effected by it, according to field investigations, are nothing short of test marketing which determines the prices of roughs the Indian market can bear while allocating supplies to the sight holders. As is the case in other production and trading centres, establishment of Hindustan Diamond Company Limited in
collaboration with the Government of India is viewed in international trading circles as a step to have firm foothold in the Indian market which is also an important production centre of cut and polished diamonds. The operations of this Company are controlled by the employees of De Beers stationed in Bombay. This lends further credence to the belief held by the diamond trade.

International trade circles hold the view that the strategy of De Beers in entering Antwerp and other centres is ultimately aimed at touching Tel Aviv where the industry in recent years has indulged in hoarding and speculation in rough diamonds. In Antwerp the entry of De Beers into the field of polished goods is termed as a black eye for the Belgian industry and equally so for other important cutting centres.  

Interest of De Beers in the distribution of cut and polished diamonds stems from the tremendous amount of mark up and the feeling that Boursemen or middlemen of the trade add substantially to the ultimate cost of a diamond without adding any real value to it.

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Apart from building its strength in the trade of cut and polished diamonds as has been the case for roughs, these measures are designed not only to avoid downward trend in the prices of polished goods but also to maintain a normal increase in their prices to the extent the world market can bear. The three techniques adopted to stabilise or improve the price rise are (a) to create artificial scarcity by curtailing the supplies of roughs; (b) through sales promotion and publicity campaigns; and (c) by stocking cut and polished diamonds when their demand is depressed.

**Competition from USSR**

Though the level of production of diamonds in Soviet Russia remains a closely guarded secret, reports indicate that the treasure in its Siberian area is quite vast where quality diamonds of high value are available in plenty. It was in December 1980 that the biggest diamond on record in Russia weighing 342 carats was found in Yakut.\(^4\) It is estimated that the USSR mines about 20 to 25 per cent of the total output of world diamonds or 10 to 12 million carats per annum. About half of the Russian production is of gem variety.

USSR is considered as the greatest potential adversary to De Beers in the field of diamond mining. Till 1963 the USSR openly marketed its rough diamonds through De Beers. Pressure from blank African nations to boycott South Africa compelled the Soviet diamond business to take recourse to underground dealings. Even then her sales to the Central Selling Organisation (CSO) yielded about half a billion dollars in 1977. The Soviets continue to sell through the CSO despite its not having too cordial relations with De Beers, and despite its efforts to beat the South African giant. Russia's most lucrative exports of uncut diamonds representing sales through De Beers were valued at £ 335.5 million in 1980.5/ Some quantities of roughs are sold outside the CSO network into Antwerp though the Russians have been developing over the years cutting centres at home.

A large number of unemployed Belgian diamond workers who see increased opportunity to practice their trade in the Soviet Union have joined the work force of these centres. Buyers of Russian goods describe the product as deftly cut and of the highest quality.

According to reports, sales of polished goods have reached $500 million making Russia as one of the top selling countries among the producers of rough diamonds. In the Antwerp market alone about 25 per cent of the goods sold are reportedly of Russian make. There are also reports that the USSR is buying roughs from some of the black African States in barter deal for military supplies thus ensuring the country enough of gem stones for processing and finally earning additional foreign exchange.6/

The Russian organisation Almaxjuve Lirexport is the sole agency assigned the task to sell polished diamonds for export. Cut and polished diamonds are sold among others to Belgium, France, Federal Republic of Germany, Hong Kong, Japan, Singapore, Spain, Sweden, U.K. and the USA. These are sold in boxes more or less in the same manner as is done by the CSO. A sale ranges between $1 million to $2½ million and contains roughly from 3,000 carats to 10,000 carats of polished diamonds. As to composition, about 50 per cent of the contents of each box are full cuts, 70 to 75 per cent of these boxes

contain goods ranging between four and 12 pieces per carat. The boxes are sold four to six times a year to enable the division of very large sales.

A unique feature of marketing strategy adopted by the USSR is that if its interests so demand, the Russian producers take recourse to measures and pricing policies which have no relevance to the prevailing commercial practices. Often arbitrary pricing policies create uncertainty as to the survival of other suppliers and tend to undermine the confidence of professional dealers as well as general public.

Available reports point out that in recent years world sales of cut and polished diamonds have been influenced by the success or failure of grain crops in the Soviet Union. Following crop failures in the USSR in 1980-81 the Russians unloaded on the world market vast quantities of polished diamonds at prices which had no relationship with the ruling market prices. This was done to raise hard currency needed to buy foodgrains from the USA, Canada and Australia. The net result of this is stated to be the cause of decline in demand for polished goods of large sizes.
A new diamond bearing province discovered by Ashton Diamond Exploration joint venture to the northwest of its previous Ellendale discoveries in the Kimberley area of Australia is likely to render it as one of the major diamond producers in the world in the next about ten years surpassing Kimberley in South Africa and Russia. The quality of diamonds is reported to be better than that of the mines of De Beers.

While the total reserves according to available indications are placed at 800 million carats currently valued at $3,440 million, annual recovery is estimated to reach the level of 50 million carats during the closing years of the present decade. Starting production with a modest volume of two million carats by the end of 1982 Ashton Joint Venture proposes to produce 25 million carats per annum by the end of 1985.

A notable feature of the discovery in Australia relates to the fact that the sales are not going to be effected through the Central Selling Organisation.
The fact, however, remains that rich finds of this magnitude and dimension could bring about revolutionary changes in the world diamond market unless proper balance is maintained between the economic forces of demand and supply to the extent these influence the diamond trade.

Another significant feature, according to an Indian Diamond Delegation which visited Australia in early 1982, is that nearly 90 per cent of the Australian production falls in the category of roughs amenable for processing only in India. The Australian Joint Venture sources want a long-term guarantee of purchase of its roughs from an authorised body preferably at Government level. These developments augur well for the Indian diamond industry and the Government of India, the Minerals & Metals Trading Corporation and the diamond industry have evinced keenness to capitalise on the available opportunities and to ensure adequate quantities as well as qualities of rough to domestic industry from the direct source of supplies, Moves are already afoot to enter into arrangements with Ashton Joint Venture for direct supplies through the Diamonds Division of the Minerals & Metals Trading Corporation. Quite a number of leading Indian
diamond exporting companies have given an assurance to support and back the efforts of the Government. When this arrangement materialises, it will be an unprecedented development for the Indian industry to escape itself from the stranglehold of the Central Selling Organisation which virtually dictates the prices of roughs and norms of supplies all over the world.

Botswana

Botswana too has the potential to emerge as one of the leading producers of gem diamonds in the world in the coming few years. It has an ambitious project on hand to step up its present production of diamonds from 2.8 million carats to six million carats by 1985 and to 10 million carats by the end of the decade. New Jwaneng mine in Botswana offers scope to augment the level of production to a considerable extent. Much, however, depends on the stability of the country which is otherwise threatened by unpredictable events across its long borders with Namibia and Zimbabwe.

China

Annual production of rough diamonds in China, according to trade circles, was 2.8 million carats in

\(\text{\textsuperscript{1}}\) The Economic Times, New Delhi, August 18, 1982.
1972. The country has stepped up its production which is currently estimated at 10 million carats. About 20 to 25 per cent of the Chinese production is of gem variety. Increased production in China is viewed with concern by other centres especially in the context of her plans to develop her own cutting and polishing industry.

**India**

Geological Survey of India (GSI) has reported the discovery of gem bearing areas in various parts of Trivandrum district in Kerala. These gem bearing areas, according to the survey conducted by the GSI, lie between Attingal and Parasala in the north-west and south-western direction. Neyyattinkara, Vellanad, Nedumangad and Venjarmoodu are reported to be the main centres with diamond reserves. This discovery is in addition to the other known sources of roughs in Andhra Pradesh and Madhya Pradesh. The marine wing of the GSI located at Visakhapatnam has also found traces of diamond deposits in the immediate off-shore of the river Krishna and the Godavari. The GSI has also plans to map the territorial seas bordering Andhra Pradesh and Tamil Nadu for delineating different surface sediment zones and trace the possible presence of diamonds.
An integrated diamond exploration programme has been drawn up by the Government of India for locating more diamond reserves in the country. The programme is to be carried out by the GSI, the National Mineral Development Corporation (NMDC), and the Mineral Exploration Corporation (MEC). The intensive exploration programme in diamond bearing belts in Madhya Pradesh will be phased out in three years. While the GSI has been assigned the leading role to achieve this goal, the MEC has been entrusted the task of drilling, pitting and exploratory work for identifying the finds. Under the scheme processing and treatment of the samples and evaluation are to be undertaken by the NMDC. Drilling and pitting work has already commenced in the Sahidn-Hotpur areas of the Panna belt in Madhya Pradesh. This will shortly be followed by the processing phase.

The programme already launched contemplates setting up four testing plants, two at Majhagaon in Panna district and one each at Vijayawada and Guntakal in Andhra Pradesh. The National Mineral Development Corporation aims to increase supplies from the Panna diamond mines from the present level of about 2,000 carats to 15,000 carats per annum. Another plan of NMDC envisages further expansion of the mines to reach the annual level of production of 43,200 carats. The
successful execution of the proposed plans will help the industry in India to meet little over two per cent of its total annual requirements.

Changes in Sources of Supplies

An important change is in evidence in the distribution of rough diamonds. Quite a number of African countries are leaving the umbrella of De Beers. Ghana and Zaire have already broken their traditional ties with De Beers thus terminating fourteen-year old exclusive marketing arrangements with this world monopoly organisation. Zaire has already started effecting direct sales to some of the West European dealers. Though the action of Zaire and Ghana may not immediately affect the position of De Beers, the development is a trend setter for other countries to go outside the fold of the powerful giant. The international diamond trading community views this change with considerable interest in so far it is a manifestation to weaken the monopoly strength of De Beers.
EMERGENCE OF NEW CUTTING CENTRES

France

In the developed world, to feed her jewellery manufacturing industry, France has plans to set up her own diamond cutting and polishing sector. The French Syndical Chamber of Diamond Dealers, Jewellers and Watchmakers is working in this direction. The Chamber has initiated steps to enter into bilateral agreements with certain diamond producing countries and even directly with De Beers for regular supply of roughs. The Syndical Chamber of France holds the view that local diamond industry is a must to strengthen the competitiveness of its jewellery manufacturers and diamantaires who have experienced increasing competition from foreign diamond exporting countries. Besides, the measure is designed to eliminate spurious companies which have sprung up in France in the wake of growing diamond trade to take advantage of customs duties by getting direct supplies from foreign firms.

French retailers feel that they can obtain more favourable terms by making direct purchases. There are about 10,000 sales points in France and about 1000 of them pool their resources to purchase their requirements regularly from foreign countries. Since this
has been posing difficulties for the trade, the Syndical Chamber is keen to ensure a healthy diamond industry in France to meet domestic requirements.

China

With indigenous availability of rough diamonds and cheap labour, China has plans to develop its own cutting and polishing industry. The country has already created training facilities for the artisans with the help of West European master craftsmen.

As part of her five-year plan, China has also schemes to manufacture her own diamond polishing machines from a patent obtained from M/s Amann, a West German firm. According to information available from trade circles, China has invested about 2.5 million dollars in her diamond polishing machine industry, partly financed by a Frankfurt bank. China plans to pay for its diamond polishing machines in return for diamond jewellery or cut & polished gem stones. Trade circles point out that China is already selling in European markets quality diamonds of one carat weight and above. The polishing plants have been planned by her in areas with predominance of jewellery manufacturing factories. Experts believe that with its own raw material resource base and
low wages of its craftsmen, the development of Chinese diamond industry can pose serious challenge to the established industries of the world.

South Africa

South Africa too has the advantage of availability of rough diamonds within the country. On the strength of the raw material base, diamond cutting and polishing industry has made some breakthrough in S. Africa. One of the facilities available to the South African diamond industry is concessional supply of roughs at prices 10 per cent cheaper compared to other centres of production. The country has a systematic and planned programme of training its artisans. The training for diamond workers extends to over five years for building competence and professionalism among them.

Indonesia

Countries of the ASEAN region notably Indonesia, Thailand and Malaysia with cheap labour are entering the field of diamond cutting and polishing to take advantage of the growing world market. These countries have invited technical know-how from other centres. A diamond cutting centre has been opened at Sungai
Parking, Martapura in Indonesia. Initiative for this has been taken by the Bank of Indonesia which had started building the diamond cutting centres in October 1979. Its main objective is to improve the cutting and processing to get quality diamonds at more competitive prices. It is estimated that of 1,80,000 carats of roughs used by the Indonesian diamond polishing industry every year only 15 per cent come from local sources while bulk of them are imported. The diamond cutting industry in Martapura though in its nascent stage has employed craftsmen trained in cutting and polishing at Amsterdam in Netherlands.

Malaysia

Malaysian Mining Corporation in Kuala Lumpur has also developed interest in diamond cutting and polishing industry. The Corporation has taken over 51 per cent share holding in the Malaysian diamond industry where currently 250 girls are employed. The remaining 49 per cent share is held by Zolman of Brussels. Some of the expatriate Belgians who are technically qualified help the venture which came into being in January 1981. Although it is too early to make an assessment of the success of the enterprise,
output per worker in Malaysia is 12 gem stones or 3000 diamonds per working day, which is considered as an achievement. About 90 per cent of the artisans employed in the Company are girls and their average monthly wage is $150. Marketing of the finished product is done by Zelman of Belgium.

**Thailand**

Thailand has also equipped itself to take up diamond cutting and polishing. The country has already developed its lapidary industry for emerald and the same experience has been useful in diversifying the gem cutting industry. With a view to providing fillip to the jewellery manufacturing sector, the Thai Government has removed import duties from rough as well as cut & polished diamonds with effect from April 1981.

Bangkok being famous for making quality and cheap jewellery and having already replaced India in the field of emerald cutting, the new development in Thailand is viewed with concern by the Indian diamond industry. The developmental facilities made available to the Thai cutting industry are likely to make it an important centre in Asia with potential to capture sizable proportion of the business of Hong Kong and Singapore.
Sri Lanka

Sri Lankan Government has sought assistance from the World Bank for developing its diamond industry. The Government has established a National Apprentices Board to train young men in all aspects of diamond cutting and polishing including cleaving, sawing, bruting, and faceting. The period of training ranges from a minimum of one year to a maximum of six years. The trainees are paid attractive stipends by the Government to induce induction of young boys and girls in the field of diamond cutting. The training is imparted by European craftsmen deft in diamond cutting technology. Besides, Sri Lanka plans her take off stage in the sphere of diamond cutting and polishing from the technological base built by other countries using mechanised and semi-automatic processing techniques.

The Government of Sri Lanka in collaboration with the Belgian Administration for Development Corporation is at an advanced stage of setting up a diamond cutting and polishing centre in Sri Lanka. Under the scheme Belgium will provide equipment and technical knowledge as well as arrange import and export of gem diamonds. Only land and labour will be provided by the Sri Lankan Government. The finished product will be marketed through a sales outlet to be opened in Antwerp.
IMPACT ON INDIAN DIAMOND INDUSTRY

An analysis of the new developments taking place in various parts of the world indicates that growth of the diamond industries in USSR and South Africa pose a challenge to the Belgian and Israeli diamond industries since the processing activities developed by these countries are in the sphere of large diamonds. The potential threat to the diamond industry in India could be anticipated from the emergence of new centres like China, Indonesia, Thailand, Malaysia and Sri Lanka when these countries have achieved perfection in the art of diamond cutting and polishing.

On the basis of its competitive strength, skills and capabilities developed over the long past, the Indian diamond industry & trade is confident that even the developments taking place in these countries in the field of diamond processing do not immediately pose any concern to its pre-eminent position in the world. To a considerable extent it is correct for the new entrants in the field of diamond cutting will need many years to achieve the level of competence attained by the Indian industry. Nevertheless, these developments cannot be viewed with a sense of complacency and as a long term strategy, there is need to
reorient its production and processing activities. The diamond industry in India has to develop craze for innovations lest the start made by the new comers in the field from the technological level already attained in other major centres dwarf its achievements.