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DIAMOND TRADE
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PAST YEARS



\$21.34B
2023



\$16.77B
2018



\$14.28B
2019

Diamonds are for now

HOW THE UAE'S DIAMOND INDUSTRY IS FINDING
ITS SPARKLE IN THE GLOBAL MARKET

Melanie Swan

While the world anxiously waits to see the outcome of the tough new trade tariffs announced by US President Donald Trump, it could be good news for Dubai's diamond industry.

The world's youngest player in the diamond market, Dubai has flourished since the pandemic with companies moving their operations to the city when the world closed the skies, making it a rival to the hundreds-of-years-long diamond capital, Antwerp. The connectivity to Africa, proximity to India, and ease of doing business all made it the obvious location for companies to relocate.

The city's rough diamond trade has grown significantly in the past five years. The total value of rough imports and exports amounted to \$21.34 billion (Dh78 billion) in 2023, compared with \$16.77 billion (Dh61.5 billion) and \$14.28 billion (Dh52 billion) in 2018 and 2019 respectively, according to data from Dubai Customs.

The value of its polished trade, meanwhile, came to \$16.91 billion last year, about double of what it was in the two years before the pandemic.

Diamond expert Alex Peterfreund from Espeka Diamonds, based in the diamond exchange in DMCC, told *KT LUXE* that it is likely Dubai will be a huge winner because of the major global tariff revision. "Dubai will be in the leading position for tariffs, somewhere between 0-10 per cent," he said. "Because of the relationship between the UAE and the US, and the recent huge investments of the UAE into the US, the UAE is at a real advantage."

Other diamond players, meanwhile, will be hit by far higher US tariffs: India around 27 per cent, the European Union by around 17-20 per cent, and Israel around 17-20 per cent.

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— Alex Peterfreund,
Expert, Espeka Diamonds

"Although the UAE introduced some income tax for companies, it's still a very low rate compared to other places. Many more companies will come from India, Europe and Israel, and it will make Dubai a stronger player. And this will give an enormous advantage to Dubai compared to India."

More than this, it could position Dubai as a major manufacturing hub as businesses such as those in India relocate to the emirate. As tariffs look at the source or origin of a product, moving that to Dubai will allow companies to capitalise on the UAE's lower tariff rates and increase profit.

"Dubai could transform from a place where diamonds are traded to a place they are manufactured," added Peterfreund. "India, for example, will move its operations to produce and polish diamonds in Dubai. So many may move their tech, their people, factories, and we all know the labour in the UAE is more

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— Rachel Sahar,
Founder of R. Sahar Diamonds and board member at Dubai
Diamond Exchange

expensive than India, but is much cheaper than other places in the world. The UAE and the US don't have a free trade agreement like countries such as Israel or Bahrain, but the tariffs imposed by the UAE are very low compared to the rest of the world."

It is creating a sense of hope in Dubai where traders have felt the toll of a growing lab-grown diamond industry, hitting natural diamonds by around 50 per cent, according to diamond expert Martin Rapaport, also based in DMCC.

WAIT AND WATCH

"The biggest player in diamonds is India and it will suffer from this," Peterfreund added. "It was the biggest exporter to America and now it will be stuck with its goods. Everything it imports to the US will be taxed and that's a problem. People don't know what to do now. Everyone is taking the wait-and-see approach, and the next 70-80 days will be crucial. India imposes high tariffs on the US, which means it will be hit hard."

Rapaport says that this excess stock in India, which will be hit, could be turned into jewellery in Dubai, according to 'substantial transformation' laws, allowing Indian traders to get around the tariffs while sending new business to the emirate. "Dubai has a great future. There will be a lot of opportunities for it to get into the jewellery making of expensive pieces because of this 'substantial transformation' loophole," he said.

With the ease of opening businesses in Dubai and the proximity of India to the Emirates, Dubai looks set to gain.

The growth of Dubai as a diamond hub has been unprecedented. "Dubai has taken over from Antwerp as a rough trading place," said Rapaport. "China is also in trouble, with the rise of Communism making it very 'uncool' to wear lavish jewellery, in addition to the recession and mass unemployment, much of that trade is also going to Dubai.

"Dubai may gain a tremendous opportunity because it has a very low tariff rate in the US, so if people want to make jewellery in Dubai they can make more money than they did in the past."

He said the US is 55 per cent of the diamond market, so a key player

and this anticipated shift to Dubai is going to allow traders to bring prices back up. With demand from the high-net-worth market still high, he said, it will not deter the industry.

Rachel Sahar, founder of R. Sahar Diamonds and board member at Dubai Diamond Exchange, agrees that the UAE is exceptionally well placed, thanks to its strong trade relationships with strategic partners across the globe.

"Dubai, in particular, has invested heavily in world-class trade infrastructure and industry-specific ecosystems that are both efficient and resilient. This provides businesses with the confidence and agility they need in a shifting global landscape.

"When it comes to the diamond industry, Dubai plays a pivotal role — linking producers in Africa, cutting and polishing centres in India, and consumer markets across Asia, the Middle East, and Europe. While the US remains a major consumer market, demand for diamonds is expected to remain strong, even in the face of higher inbound tariffs," she explained.

The UAE's trade relationships across major diamond markets are both diverse and robust, she says, with the Dubai Diamond Exchange and its ecosystem boasting more than 1,350 precious stones companies.

"We are already seeing increased levels of diamond activity in the city, driven by its neutrality, speed to market, and ability to add value at every stage of the supply chain," Sahar added, sure that Dubai's role as a global hub for the diamond trade is only set to strengthen.

"As for pricing impacts, it is still too early to draw definitive conclusions from the recent tariffs. Diamond pricing is shaped by a broad array of global forces. High-net-worth buyers are often relatively insulated from short-term volatility, though long-term shifts could gradually influence pricing across different consumer segments."

