



World Diamond Council

WORLD DIAMOND COUNCIL 2ND ANNUAL MEETING

MILAN ~ MARCH 12 - 13, 2002

CHAIRMAN'S REPORT: ELI IZHAKOFF

It is with great pleasure that I welcome such a distinguished group of leaders of the international diamond and jewelry industry, government officials and representatives of civil societies to the 2nd Annual Meeting of the World Diamond Council. Since we last met in London in January 2001, we have seen significant progress in accomplishing the goal we set for ourselves at our first meeting: to eliminate the trade in conflict diamonds.

During the past months, the WDC has been active on many fronts: at the Kimberley Process meetings, lending assistance and expertise to governments designing an international system for the trade in rough diamonds; in the halls of the Capitol Building of the United States in Washington, D.C., supporting efforts to pass effective legislation to ban imports of conflict diamonds to the United States and in our own community, effectively communicating to our members and to the public the progress that has been achieved in this effort throughout the year. Please allow me to detail for you the progress we have made in these arenas, and then reflect on the challenges that still lay ahead.

Kimberly Process

A team of experts from the WDC has accompanied me in traveling all over the world to attend numerous Kimberley Process meetings, under the very able chairmanship of Abbey Chikane, to lend our expertise to efforts to create an effective but practical system of certification of the trade in rough diamonds. Our team, including Mark Van Bockstael, Cecilia Gardner, Rory More O'Ferrall, Serguei Oulin, Zvi Shur, Shmuel Schnitzer, Matt Runci, Blackie Marole, Barbara Masekela, Peter Meeus, Sean Cohen, Stephane Fischler and Martin Rapaport, has worked hard to ensure that the governments understand our industry and create a system that provides an effective means to eliminate the trade in conflict diamonds without unnecessary obstacles to the legitimate trade. We worked closely with the representatives of the non-governmental organizations to meet the needs of civil society to urge quick, effective action. The goodwill our participation created with both governments and civil society over the course of these many months has ensured that our message is heard: we need to eliminate conflict diamonds, but not at the cost of endangering an industry that provides so much prosperity to millions of people.

Soon the negotiation process for the design of the system will be completed, and the proposal will be presented to the United Nations General Assembly for approval. The WDC Kimberley Process team will attend the meetings scheduled in Ottawa next

week, and will help to resolve the remaining matters left open. These issues present further challenges, including creating a means for government to monitor compliance with the envisaged system and addressing necessary administrative functions required to implement the system. As you will hear from our experts later in the day, your role in complying with the system will be an important factor in assuring its success. Again, the participants will turn to the industry for its expertise in addressing these issues in a manner that is both effective and practicable.

U.S. Legislation

Led by Matt Runci, the WDC worked with government representatives from the United States Congress, especially Congressman Tony P. Hall, to support legislative proposals to ban the import of conflict diamonds. We maintained excellent working relationships with all of the important players inside the Washington beltway, and engaged experts to provide assistance and support to the complex international trade aspects of this legislative proposal. Representatives of the WDC testified before the Trade Sub-Committee of the House Ways and Means Committee in support of the legislation. Throughout this process, we have enjoyed a quiet and productive relationship with our working partners both in government and among the NGO community.

The WDC answered numerous press inquiries, thereby managing to include the message that industry was making substantial contributions to solutions to this complex issue. Our success was demonstrated by the passage in November 2001 of the Clean Diamond Trade Act in the House of Representatives by an overwhelming majority vote of 408-6. Our excellent working relationships with government and our NGO partners in the U.S. legislative efforts will continue as the bill makes its way through the Senate during this legislative session.

WDC Communication

Throughout the year, we have maintained excellent communications with our members using telephone conference calls, and through the web site. Our efforts in this area are designed to keep members briefed on the progress achieved and for ongoing strategic planning for the future regarding the challenges we still face. Many of you were participants in those calls, and made important contributions to all that we have been able to achieve. I thank all of you who have remained so engaged in the process, and made substantial contributions to the positive outcome the WDC accomplished.

Future Challenges for the WDC

As we move forward in achieving an effective agreement in the Kimberley Process, continuing our efforts to make sure that the "Clean Diamond Act" passes the U.S. Senate and against the backdrop of some positive news out of Sierra Leone and Angola, we must continue to play an active role to meet current and future challenges for the diamond trade. The open questions concerning administration of the Kimberley Process and monitoring compliance with the system are among the most

complex and controversial that are faced by those participating in the Kimberley Process.

Further, recent press reports coupling terrorism and the gemstone trade must be addressed. We need to nurture the confidence of the consuming public in our product and our trade. Consumer confidence is the most essential asset of our industry and it requires constant effort to maintain. It is a trust that is difficult to earn, easy to lose and can never, ever be taken for granted.

The World Diamond Council must continue to be actively engaged in these issues to ensure success in maintaining credibility and achieving our goals. I know I can count on your continued support, and I look forward to providing you with further details on the challenges we will face in the coming year.

Thank you for the enthusiastic support you have provided throughout this past year, and for attending this important and significant meeting. I know you all join me in extending the World Diamond Council's appreciation to our good friend and fellow member, Dr. Gaetano Cavalieri, President of the World Jewellery Confederation (CIBJO), for the gracious and generous contribution he has made to the Council by arranging and hosting our 2nd Annual Meeting here in Milan.

Thank you.