



World Diamond Council

WORLD DIAMOND COUNCIL 3RD ANNUAL MEETING DUBAI ~ MARCH 29 - 31, 2004

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 society to the 3rd Annual Meeting of the World Diamond Council in Dubai. We are honored to have this meeting under the patronage of the Crown Prince of Dubai, His Highness Sheikh Mohammed bin Rashid Al Maktoum. Our gracious hosts led by Mr. Tawfique Abdullah, Chief Executive Officer of the Dubai Multi Commodities Centre, have provided a perfect setting for our deliberations, and we look forward to a productive session here. This distinguished group of delegates reflects the importance of our gathering here today. Since we last met in Milan, we have seen our uninterrupted efforts result in real progress in accomplishing the lofty goal set by this organization at its inception: elimination of the trade in conflict diamonds.

Once again, I am delighted to report the activities of the WDC on many fronts: the Kimberley Process, with government regulatory schemes, with civil society, and with our own community.

Kimberley Process

During the last three years, WDC members have been active in representing our industry in the important efforts to combat conflict diamonds. Much has been accomplished. The delegation from the WDC has traveled internationally to attend plenary meetings of the Kimberley Process, and has contributed industry expertise in every aspect of the continuing program to implement the system. We were proud to be present in November 2002 and participate with 52 nations in the ceremonies in Interlaken, Switzerland when the final version of the Kimberley Process Certification Scheme was adopted.

Since that time, our delegates participated in person and by telephone in sessions of the plenary of the KP and in Working Groups addressing Monitoring, Participation and Statistics. WDC representatives serve on the KP Panel of Diamond Experts, handling some of the most complex matters the KP control, including international compliance with the minimum standards set by the KP.

Each aspect of WDC participation in these efforts has achieved positive results. The manner of monitoring participant compliance with the KP Scheme is based on peer review, and is both practical and effective. The WDC suggested a system of annual reporting for participants, establishing a means by which the KP can establish based on written submissions from participants whether a particular trading nation needs assistance in fully complying with the minimum standards required under the KP Scheme. These reports, combined with voluntary review visits by a panel drawn from participants and observers to examine compliance will establish assurance that minimum standards set by the plenary are met. Terms of reference for those missions have been set, and experts have volunteered to participate.

The system of monitoring compliance established by the KP delegations will create a means to provide assurance of the integrity of our industry through peer review. The KP system is designed to restrict the trade in conflict diamonds. But it will also address all the challenges to the integrity of our trade, including allegations of the use of our products to finance terrorism. Because the KP Scheme is effective and transparent, and because it is effectively monitored for compliance, it works to protect our industry from all claims that it is vulnerable to exploitation by criminals. If the system works, no criminal element can be safe from detection of trade in conflict diamonds.

Diamond Community

The WDC continues to communicate effectively with the diamond community and the jewelry industry as a whole to urge the widespread use of the system of warranties, which underpins the KP Certification of rough diamonds. In 2003, the WDC published “The Essential Guide to Implementing the Kimberley Process.” This document, prepared on behalf of the World Federation of Diamond Bourses and the International Manufacturers’ Association is a clear explanation of the undertakings of every segment of the industry to trade diamonds consistently with the goals of the KP scheme. Included is sample warranty language to be used on all invoices for the sale of polished diamonds or jewelry containing diamonds. It has been distributed at every trade show since its publication, and is available on line from a number of trade association web sites.

Retailers have urged general usage of the system of warranties. Under the auspices of retail trade associations, such as the Jewelers of America, retailers are no longer accepting supplies of diamonds without the appropriate warranty that the diamonds covered by the invoices have been purchased from legitimate sources and are conflict free. This positions retailers to assure their customers about the integrity of their supply of diamonds, thereby supporting the integrity of our industry. At the recent CIBJO Congress held in Bangkok earlier this month, a resolution was unanimously

adopted urging all its members and affiliate associations to fully implement the system of warranties for polished diamonds and finished diamond jewelry.

The WDC will continue to urge that the system of warranties is given the widest possible usage, in order to assure that our products are sold with the highest degree of integrity.

WDC Leadership

I am pleased to report that at a meeting of the officers and directors of the WDC on October 14, 2003, the following was passed unanimously:

1. to affirm the existing by-laws for an additional three years;
2. to amend the by-laws to increase the number of Directors to six persons;
3. to appoint Matthew Runci as a director of the WDC;
4. to appoint Peter Meeus, Managing Director, HRD as a director and Vice Chairman of the WDC to fill a current vacancy and serve a three year term;
5. to affirm the current slate of directors and officers to serve a three year term as follows: Eli Izhakoff, Sean Cohen, Shmuel Schnitzer, Peter Meeus, Sergei Oulin and Matthew Runci;
6. to welcome the proposal to hold the next annual meeting of the World Diamond Council in Dubai, U.A.E
7. to welcome as a new member of the WDC the following: the Industrial Diamond Association of America.

Future Challenges for the WDC

As members of the diamond community, we recognize the continuing challenge our industry faces. For now, we are off the front pages of newspapers but the peace in Africa may not be permanent. Renewed violence could bring new exploitation of diamond resources. We must remain vigilant for signs that may result in the illegal trade of our products.

We must continue to work to assure that the Kimberley Process effectively certifies the international trade in rough diamonds. This certification system is the best means to assure the integrity of our product, and to meet any claim that our diamonds are used to fund illegal activity of any kind. The WDC urges continued monitoring of compliance by participants, in order to confirm that no conflict diamonds enter the stream of commerce. We again offer our services to governments to assist in re-enforcing these efforts because we believe that the KP Certification Scheme is the best means to demonstrate the integrity of our industry. The WDC urges usage of the system of warranties so consumers can be assured about the source of the diamonds they purchase. Consumer confidence is the basis of a successful industry. We can never take it for granted, and must continue to earn that trust every single day.

Thank you for your support of the WDC's efforts in the past year and for attending the meeting here in Dubai. Our efforts here will demonstrate our continuing commitment to the integrity of our trade. I know you join me in thanking His Highness the Crown Prince, Mr. Abdullah and his team for their support and generous hospitality in hosting the meeting. I look forward to successful deliberations at our 3rd annual meeting.