



World Diamond Council

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

EXECUTIVE DIRECTORS

REPORT: MATTHEW RUNCI

Distinguished government officials, leaders of the international diamond and jewelry industry, and representatives of civil society, I would like to report to you today on five areas that have required our attention during the period since we last met together.

Membership

As evidenced by the names that comprise the roster of members that appears on the World Diamond Council website, and the gathering of industry leadership present at our meetings here in Dubai, World Diamond Council membership has brought together the leading entities – corporations and trade organizations -- from all segments of the diamond and jewelry industries for the purpose of collaborating with government and civil society in the development and subsequently the implementation of the Kimberley Process. This is a remarkable achievement. Those of us in the industry know all too well the often-fractious nature of our efforts to address issues of common concern. To the credit of all assembled here today, and in particular owing to the patience, skill, and perseverance of our Chairman, Eli Izhakoff, individual corporate and organizational identities have been effectively put aside so that the focus of all of our combined energy could be brought to bear on solving the overriding problem of conflict diamonds.

Finances

We are indeed fortunate that the sustained support of our members has enabled the WDC to be adequately funded to undertake its mission. From my vantage point I would observe that this is attributable largely to the fact that our expenses have been managed very prudently to insure that the resources available have been sufficient to support the effort required at each stage of our work since founding in September 2000. In the last year this effort has been confined largely to travel to Kimberley Process and other select international meetings, such as the annual CIBJO Congress recently concluded in Bangkok, where as we have heard, still another resolution regarding adherence to the voluntary system of warranties and the Kimberley Process was unanimously adopted. Based on what we know today it is reasonable to anticipate that this level of effort by the WDC – and the funding required to support it -- will remain unchanged in the year ahead.

Program of Work

As our Chairman has previously reported, the WDC program of work in the year past has been comprised largely of active participation in the two plenary meetings of the Kimberley Process held during the last year – in Johannesburg and in Sun City – as well as participation in the interim work of multiple working committees of the KP, including monitoring, participants, technical, and statistics. In addition, WDC has been actively involved in the continuous loop of communication among all parties with keen interest in seeing to it that the Kimberley Process contributes significantly to bringing the trade in conflict diamonds to a halt.

Industry Self-Regulation

The voluntary system of warranties was proposed by the WDC and endorsed by the Kimberley Process at Interlaken as a bridge measure linking government controls on cross border import trade with government controls on cross border export trade. As such, the system was designed to effectively complete the circuit between imports and exports through voluntary – but essential – measures designed to complement the KP system of government controls.

The ongoing importance of the system of warranties is in fact highlighted in the current draft of UNGA Resolution 58, entitled, “The role of diamonds in fuelling conflict: breaking the link between the illicit transaction of rough diamonds and armed conflict as a contribution to prevention and settlement of conflicts”. This draft resolution reads in part, voluntary self-regulation will contribute to ensuring the effectiveness of national systems of internal controls for rough diamonds” The voluntary system of warranties is an essential component in the system to stop the trade in conflict diamonds.

In addition, we must remember that continued campaigning by NGOs, focused on leading retail jewelers, seeks to put emphasis on the influence being brought to bear by retailer jewelers on their suppliers in support of this system. Widespread adherence by companies at all levels of the diamond supply chain to the voluntary system of warranties is absolutely vital to the credibility of our industry’s claims– and specifically the claims of individual retail jewelers to consumers – that industry is doing everything possible to eradicate the link between diamonds and bloodshed. Our record of achievement in this area in the early phases of implementation has been very encouraging, but there is much more to do before we can say that use of the system of warranties is as widespread as surely it must be. This should therefore prompt our consideration during discussion of what more our respective organizations can do to stimulate higher level of compliance with the voluntary system of warranties? What special measures can we each undertake to continue to build awareness and sustain the early positive momentum?

Beyond Conflict Diamonds

We must remember too that diamonds are not alone among minerals in being singled out by civil society for campaigns or by governments for greater scrutiny and regulation. A new mining campaign, launched just a few weeks ago by a coalition of NGOs in the United States, targets the impact of gold mining on the environment, the

labor practices of the mining community, and the impact of mining operations on indigenous peoples. And we must remember too that the illicit guns-for-diamonds trade is not the only issue in the focus of civil society and governments associated with diamonds and other gemstones and minerals. Labor practices associated with diamond and colored gemstone mining and manufacturing, including child labor and health and safety in the mining and processing centers, have also been singled out. Protecting the integrity of our brands – and the intrinsic image of our products on which we all depend – requires that we make special efforts to understand risks associated with various industry practices, define achievable goals and develop practical and effective strategies to create sustainable solutions. As evidence of the emerging awareness of the importance of these issues in this industry, I would cite the positive initiatives of both DeBeers, through its Best Practices Principles, and Rio Tinto Diamonds, through its Business Excellence Model, as recent examples of proactive corporate initiatives. Among trade associations, too, I must point to the work of the Jewelers of America through its recently announced Responsible Jewelry Initiative, and mention also the creation of a new Ethics Commission of CIBJO, which I have been asked to chair, and which I anticipate will begin its work very shortly.

In conclusion, I am pleased to report that the state of our organization today is sound, that it has discharged its responsibilities in a manner consistent with its charter and mission, and that it continues to work effectively to address outstanding issues associated with conflict diamonds that remain.