



# World Diamond Council

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WORLD DIAMOND COUNCIL 4TH ANNUAL MEETING  
CATANIA ~ FEBRUARY 5 - 8, 2006

KAGO MOSHASHANE  
Chairman  
Kimberley Process

Chairman of the World Diamond Council, Mr. Eli Izakhoff.

Distinguished colleagues from the international diamond industry  
Ladies and gentlemen.

May I first express gratitude to the World Diamond Council for having invited me to address this important gathering. The government of Botswana, and I personally, are honoured by this recognition of our role in the world diamond industry and in a new role as the new chair of the Kimberley Process.

Just a few short years ago, this meeting could not have taken place because the World Diamond Council did not exist and the Kimberley Process had not been launched. Today, our institutions are central pillars of a New Order in the diamond industry, and are part of a continuing process by which our industry is adapting itself to the changed environment of the twenty-first century.

It is characteristic of this New Order that the boundaries of segmentation in our industry have become softer. Rough producers can no longer regard dealers and cutters as mere "customers". Nor can dealers and cutters regard rough producers as mere suppliers of raw material. Nor, indeed, can any of us assume that the market for our product is given – increasingly it has to be worked for and fought for.

I think most of us now recognise that the industry's segments, and individual operators within each segment, need to complement each other as well as compete with each other. Nothing shows this more clearly than the genesis of both the Kimberley Process and the World Diamond Council. The former was conceived as a forum through which

governments of rough-producing countries could engage with the downstream industry and with concerned representatives of civil society. The WDC was conceived as a vehicle through which diamond suppliers and traders could join with the global cutting industry in order to participate effectively as “the diamond industry” in the Kimberley Process. Both entities have rightly achieved the status of important institutions of co-operation, both within the industry itself and at the industry’s many interfaces with the wider world.

None of this, of course, means that we have abandoned our faith in the power of the Market Place or the competitive forces and creative tension which keep our industry dynamic, efficient and responsive to its customers’ requirements. What it does mean is that we have recognised, as never before, that our entire industry, from mine to mistress (to borrow an apt phrase) – is itself in competition with other industries seeking to attract discretionary expenditure by the world’s wealthier consumers to their own products and services.

Looking back some five or six years, it was the many unattractive aspects of the trade in “conflict diamonds” which demonstrated to us all that our industry needed to take concerted, co-operative action to avoid going the way of the fur trade. And that, I believe, is why we are all here. We have understood that a subtle blend of co-operation and competition is required to keep our industry not just “in business” but responsive to its customers wishes, efficient in supplying its product, and innovative in adapting to its external environment. These considerations are now being integrated – sometimes painfully – into an industry which, for more than a century, was the most conservative and idiosyncratic of all industries.

Cynics might say that nothing much has changed – that Botswana still wants to extract the highest prices for its rough; that De Beers still tries to push everybody around; that parts of the industry still operate in unacceptable working conditions; and that the illicit diamond trade continues to flourish practically unabated. So what is new? Well, quite a lot actually. Broadly speaking, I think what is new is that almost everybody in the industry now recognises new constraints imposed, indirectly, by the industry’s customers who, quite properly insist that they will only do business with an industry that is ethical and morally responsible; and which, furthermore, can be transparently seen to be ethical and morally responsible.

As the world’s most diamond-dependent economy, Botswana was amongst the founding group of Participants in the Kimberley process. In

the early days, some of us, myself included, lost patience more than once and expressed our frustrations in quite undiplomatic language. Rebel armies were rampant all around us, innocent blood was spilling and our own livelihoods were under attack; and the Process did not appear to progress as quickly as we thought it should. Such was the disparity – and in some cases the antipathy – between many of the parties, that we several times resigned ourselves to achieving only an incomplete, partial and therefore totally unsatisfactory gesture which would not satisfy even the most amenable of the industry’s critics.

But, in the end, the painstaking diplomatic approach and, I have to say, the unstinting support of the World Diamond Council, brought results. Curiously enough, the turning point seemed to come at a time when many other features of the world we knew also underwent a calamitous transformation. Those of us who were there in London, attending the Kimberley Process meetings on 9/11 in 2001, will remember the moment of comradeship when the Russian delegation requested an adjournment of the plenary so that members of the US delegation could turn their minds to the cataclysmic events occurring in New York and Washington. As the extent of the tragedy unfolded, we shared a Heathrow hotel with countless American citizens stranded and unable to fly home with US airspace closed. Those events showed us the terrible tragic consequences of conflict and perhaps made us more determined to do what we could do, as Governments and industry interests, to help prevent the use of diamonds as weapons in civil conflicts in Africa and elsewhere.

Perhaps 9/11 also showed us and the rest of the world that there is little point in targeting any particular weapon of war – be it the aeroplanes used to destroy the twin towers or the diamonds stolen to fund the purchase of AK47's for rebel armies in West Africa. There is no point in seeking to boycott the Boeing Corporation or aeroplanes in general, on the grounds that some aircraft were stolen and used as weapons in a terrorist atrocity. Likewise diamonds. Conflicts are caused and prosecuted through the hard hearts and twisted minds of those who would inflict suffering on innocent parties for personal or political ends – not by aircraft which provide a useful service for millions or by diamonds which are used to spread joy and love throughout the world.

As it happens, during the three years since the Kimberley Process diamond certification system began to operate, there has been a very substantial down-scaling in those conflicts which were thought to be fuelled partly by the sale of stolen diamonds. Much as our own organisations would like to claim full credit for this, there were, no doubt, other contributory factors at work. But there is no doubt in my mind that the relative speed with which the Kimberley Process Certification Scheme was implemented, the swift implementation by the WDC of industry codes of conduct, and the strength of the international consensus that was achieved, all contributed to the retreat of the men of violence. All of those associated with the Process, including especially the World Diamond Council and its constituent members, may take pride in the achievements to date.

What we are not entitled to do however, is to rest on our laurels believing that the job is done, just because we no longer receive daily reports of amputations and rapes in the zones of conflict. We have indeed made a useful start, but the job is by no means finished. During 2006, it is Botswana's wish that the Kimberley Process and its industry counterpart the World Diamond Council should consolidate their achievements to date, progress several items of unfinished business, take stock, and move on to a new phase of effectiveness.

During its first three years of operation, the certification scheme has shown up some weaknesses and gaps. Some have been patched, but all need to be permanently repaired. Having opted, with a very wide consensus of support, for a comprehensive and globally applicable certification scheme (as the industry has opted for a globally applicable code of ethical behaviour vis a vis conflict diamonds) we must take whatever action is required to plug each and every weak spot in the system. The strength of our system is no greater than that of its weakest component.

This is why, even in its earliest stages, the Kimberley process has had to be prepared to take difficult actions based on available evidence. And it is why we now need to be seriously concerned at recent NGO reports that conflict diamonds from a KP Participant country are passing through the territory of a non-participant and, with the assistance of certain individuals or companies, are finding their way into the legitimate trade in other KP Participant states. If proven to be occurring on even a small scale, such activities constitute a threat to the integrity of the entire KP system and the industry's codes of conduct. I therefore call upon the industry to redouble its efforts to ensure that rogue traders are squeezed remorselessly out of our industry. All of us would feel ridiculous if we had to say that our system is fully effective only amongst those who choose to abide by the rules; and that we can do nothing about those who choose to operate outside the rules. What this tells me is that, as we take stock of the system's weak points, we must push for faster and more accurate statistics, in order to increase the rigour of our monitoring arrangements and sharpen our teeth for dealing with malefactors, whether they be Governments, corporations or individuals.

I believe there are other areas, too, where participants in the KP and the WDC can raise their collective game. For example, we should perhaps begin to shift from defence to offence. We have together put up a strong (though not impervious) defence of our industry, by demonstrating to our customers the kind of sentiment and action they want to see, aimed at showing that purchases of diamond jewellery are not providing the means for rebel armies to wage civil conflict and commit terrorist atrocities. But if we can tell our customers what consequences their purchases do not have, we should also be able to tell them more about what consequences they do have. And here we have a very positive story to tell them.

In Botswana we have been trying to show the world the story of “diamonds for development” – to show the positive impact of diamond mining on the everyday lives of ordinary people in a country with few other resources and few opportunities for exporting other commodities to the rest of the world. It is clear, and entirely logical, that with only one or two exceptions, the major diamond mining and cutting countries are economically less wealthy than the countries where the majority of diamond jewellery is purchased.

It follows, more or less, that the more diamond jewellery can be sold in richer countries, and the higher the prices that can be fetched for those goods, the greater will be the positive benefits of economic development in the poorer countries where diamonds are mined and polished.

Five years ago, some well respected and influential people, were going around the world trying to convince buyers of diamond jewellery that every diamond sold was directly responsible for the amputation of a child's limb in the jungles of darkest Africa – and to quote one of those influential people, “75% of the profits of diamond mining end up in the hands of African thugs”. Those things were never remotely correct, but people did begin to believe them because they were repeated so often by apparently well-intentioned and knowledgeable people. Surely then, now that we can more convincingly demonstrate the opposite to be true, we ought to be able to have a positive impact on the diamond market well beyond merely neutralising the negatives.

I know that I can speak for the Government of Botswana, and probably for all participants in the Kimberley process, when I say that we see the World Diamond Council not merely as a participant in the Kimberley process (though it is certainly an extremely important participant); but we rather see the WDC as the other half of an increasingly successful double act, orchestrating all sections of the diamond industry, with the Kimberley process itself co-ordinating and interfacing with the international community of Governments, Multilateral institutions and NGOs. I would like to think of the two organisations as Rodgers and Hammerstein, or gin and tonic or, if you prefer, strawberries and cream – and if any of the NGOs mentions Laurel and Hardy I will rule them well out of order. The point is that together we can be much stronger and more influential than we can be separately. So I hope that patience and understanding of our respective concerns will be very much to the fore in the months ahead.

Ladies and gentlemen, if I have learned one thing from participation in the Kimberley Process, it is that progress does not happen according to a pre-determined schedule; but sometimes it does happen when least expected. I therefore think it would be tempting fate to say more about what we hope to achieve during Botswana's Chairmanship of the Process. But I sincerely hope that there will be an opportunity for most of us to reconvene later in the year and I do hope that we shall be able to report further progress on several fronts that currently remain open.

Thank you for your attention.