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Kimberley Process serves both consumers and producing nations, says Eli Izhakoff to WDC Annual Meeting in Tel Aviv

TEL AVIV: MAY 6, 2013 – Just as the Kimberley Process led jewelry consumers to understand that the diamond industry will take active steps to protect the ethical integrity of the diamond pipeline, it also has reinforced a corresponding belief in the producing countries,” said Eli Izhakoff, World Diamond Council President, in his opening address to the Plenary Session of the WDC Annual Meeting, which is taking place today in Tel Aviv, Israel.

“In those places there is now an insistence that we have an obligation to be both responsible and contributory,” he stated. “In other words, it is not enough that we be non-threatening; we also need help them optimize the benefit they receive from their own natural resources.”

The following is the full text of Mr. Izhakoff’s address:

The Honorable Naftali Bennett, Minister of Economy and Trade of the State of Israel; the Honorable Susan Shabangu, Minister of Mineral Resources of the Republic of South Africa; the Honorable Dr. Obert Mpofu, Minister of Mining and Mining Development of the Republic of Zimbabwe; the Honorable Jose Fernandez, Assistant Secretary of State of the United States; Ambassador Welile Nhlapo, Chair of Kimberley Process; Mr. Moti Ganz, Chairman of the Israel Diamond Institute; Mr. Ernest Blom, President of the World Federation of Diamond Bourses; Dr. Gaetano Cavalieri, President of CIBJO; your excellences, colleagues and friends:

Welcome to Israel and to the Ninth Annual Meeting of the World Diamond Council. This country, which is a major center for the manufacture and trade of diamonds, has played a central role in the histories of both the WDC and the Kimberley Process. The inaugural meeting of the WDC took place right here in Tel Aviv in the year 2000, and it was in Ramat Gan three years later that the first Kimberley Process Certificate was ever issued.

Our behalf of all of us, let me thank the entire leadership of the Israeli diamond center, and more specifically the Israel Diamond Institute, its chairman Moti Ganz, managing director, Eli Avidar, and the dedicated IDI staff, for their

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generosity and hard work in hosting us here in Tel Aviv. This is a massive undertaking and they make it look effortless, which it is not, of course. Once again, you have all done yourselves proud, and we are most grateful.

We are honored to have such a prominent presence of government leaders with us today, from mining, manufacturing and consuming countries. Who would have thought such a thing possible thirteen years ago?

When this all began at the end of the last millennium, the interests of government, business and civil society were believed by many to be mutually exclusive. Well, judging by the company today, I think we can say that we rewrote the book on this subject.

I have over the past 13 years had the privilege of working together with government leaders from countries around the world, and I have learned to appreciate the complicated task that they often have in balancing the demands of both industry and the international community, with their natural aspirations to best serve the citizens of the nations in which they live. The most successful among them – and I am happy to say that I have worked with a good number of successful politicians – have an innate ability not only to find, but also to forge common ground. For it is in that hallowed space that compromise can take place, and as a consequence we may find solutions and move forward.

The ability to nurture compromise is not simply a desirable talent but rather an integral part of the job description for that select club of government officials who get to use the title of KP Chair. We have two of them with us today – the current Chair of the Kimberley Process, Ambassador Welile Nhlapo of South Africa, and Mr. Boaz Hirsch of Israel, the KP Chair in 2011.

For the twelve-month period that they serve in this critically important position, they operate like tightrope walkers, carefully traversing the chasm below with no safety net, knowledgeable that at any time the winds may change and indeed blow stronger.

But, as I believe that most of the KP Chairs have come to understand, the World Diamond Council has your back. Indeed, at the Kimberley Process Plenary meeting in Washington, D.C., in November last year, we agreed to take responsibility for the management of the permanent Administrative Support Mechanism, or ASM, which will provide logistic, organizational and communications support to the KP on an ongoing basis.

We will do so with the collaboration of organizations working out of four diamond centers. They include our hosts today, the Israel Diamond Institute, as well as the Gem and Jewelry Export Promotion Council of India, the Antwerp World Diamond Center and the Diamond House of the Government of Ghana.

Later on today a signing ceremony involving the Kimberley Process and the World Diamond Council will take place, which will formalize the agreement to establish and operate the permanent Administrative Support Mechanism. It will represent a significant milestone in the history of both organizations, and it is one of which we can be most proud.

There are some who may consider that, with the ASM, the structure that we are establishing is incongruous. For it is a permanent civil service that is operated by private industry to support the operation of the Kimberley Process, which at the national level is government-operated. In effect, it is the regulated working with the regulators to assist in their regulation.

But, for those who are veterans of the Kimberley Process, this is not an unusual situation at all. The Kimberley Process, which is administered and enforced by national governments, is designed to defend the integrity of a chain of distribution that is inherently international. It is we, the industry, which make it international, linking those various countries to one another. We have a vested interest in making the system work, and the system will not work without us.

In terms of the general relationship between government and industry, the structure of the Administrative Support Mechanism will be precedent-setting. But let us not forget that in the annals of business, the Kimberley Process itself was precedent-setting. Where before had an entire business community voluntarily agreed to subject itself to government regulation, in order to deal with a humanitarian problem? And then, that self-same business community actually assists in the regulation.

The Kimberley Process is not alone in being subject to review and reform. Just yesterday, the WDC Board of Directors discussed and considered a series of proposed reforms for our organization, which were prepared by a special committee that I appointed last year, under the chairmanship of Andy Bone. These are designed to provide the WDC with a more organized and viable structure, and to streamline our operation, enhancing its efficiency and transparency. These proposed reforms will be presented for your consideration today. I thank the committee for its initiative and hard work.

The World Diamond Council is a unique organization within the diamond industry, drawing under its umbrella not only participants from around the globe, but also from the entire length of the chain of distribution – quite literally from the mine through to the jewelry retailer. As WDC members, each one of us understands intimately that our ability to do business legitimately and to prosper is dependent upon the ability of all the others within our organization to do the same thing.

As businesspeople we have to have a natural empathy with all our stakeholders, and that includes the consumers of diamond-set jewelry, just as it includes the men, women and children who live in the diamond producing areas and who depend on the products that we buy and sell in order to grow economically and build better lives.

As the human chain connecting the various stages of the diamond pipeline, as well as the countries through which that pipeline passes, and as the human beings who interact directly with all the various groups and individuals who come in contact with that pipeline, we are in an unparalleled position to initiate and facilitate cooperation between the various participants in the Kimberley Process.

Our interest is not in taking one side or another. Our interest is in making the thing work. And this is not a cold business decision, taken because it suits us at the time. As Albert Einstein once said: "Relativity applies to physics, not ethics."

Does a business have a moral compass? I believe it does. For although, there may at times be tension between the profit motive and social impact, as individuals we are part of the broader community and, there, the relationship is one of inter-dependence rather than independence. There also are moral absolutes. The first is to do no harm, and the second is to leave no one behind.

As we know, while the compass always points due north, or in our case towards the moral absolute, the direction of the needle changes according to where you are standing. This means that we need to accept that different people will attempt to get to the same place from different directions. It also means that, when we move, our end-goal does not. But what may change is the route we take to reach that end-goal.

We are not in the same place in the year 2013 that we were in the year 2000. In so many respects the challenges that faced us then have faded, along with the crises that precipitated those challenges. And while we cannot take full credit for ending the civil wars in countries like Sierra Leone and Angola, I do believe that the firm stand that was taken by government, business and civil society, working in tandem, played a critical role. Lives were saved, and entire communities were afforded the chance of recovery and growth.

But situations change and so do expectations. There were those who said that the Kimberley Process became a victim of its own success. I do not buy into that thesis, but I do agree is that we created a moral pedestal from which we cannot step down. And nor should we want to. As Einstein said, ethics is not relative to the time in which you live.

What we also must realize is that, just as the Kimberley Process led jewelry consumers to understand that our industry will take active steps to protect the

ethical integrity of the diamond pipeline, it also has reinforced a corresponding belief in the producing countries. In those places there is now an insistence that we have an obligation to be both responsible and contributory. In other words, it is not enough that we be non-threatening; we also need help them optimize the benefit they receive from their own natural resources.

The Kimberley Process must serve both the consumers and the citizens of the producing countries, and this is a good thing. Both have to be heard, and both need to hear each other.

As we have clearly articulated in the past, the World Diamond Council is in favor of reviewing the definition of the term “conflict diamonds” to ensure that it is relevant to the situations and the sentiments that are prevalent in the times in which we live.

It was for that reason we reacted positively to the proposal last year by the former KP Chair, Ambassador Gillian Milovanovic, during her speech to the Eighth World Diamond Council in Vicenza, that the definition be expanded to include “rough diamonds used to finance, or otherwise are directly related to armed conflict or other situations of violence.”

We also agreed with her qualification that “additional certification standards beyond the current definition should apply only to armed conflict and/or armed violence that is demonstrably related to rough diamonds and independently verified,” and that they should not be applicable to “isolated, individual incidents, or to circumstances or situations in which an armed conflict exists but is unrelated to the diamond sector.”

I believe that we can all state categorically that the diamond business, in which we all have a vested interest, can in no way benefit from having its products directly associated with systematic violence, and that the tools and mechanism of which the KP is comprised should be employed to make sure that this is never the case.

How we go about that is a matter for discussion, leading eventually to agreement by consensus. It may be a long and often frustrating process, but we will reach agreement, as we have in the past. And it almost certainly will require compromise.

Discussion and compromise is the essence of the success of the Kimberley Process. Compromise cannot be dictated. It cannot be imposed. It can only be achieved in an environment where all parties feel fully included.

The requirement that we act though consensus should never become an excuse for inaction. If we do not adapt to the changing environment, then we will surely lose our relevance.

But change must be initiated within forum of the KP – openly, transparently and in full view of all the participants. It would indeed be unfortunate if potentially positive initiatives would be discarded simply because they were gone about the wrong way.

Progress requires mutual respect. We may not always identify fully with the other side's position, but that should never be grounds to exclude a fellow KP participant from the forum.

At the end of 2011, after two unfortunate years of recrimination within the KP, we managed to restore a sense of trust within the organization. Let us all refrain from actions that would return us that less fortunate period.

This has been one of the most interesting and satisfying period of my life, and many of you who helped make that possible are in the room today. There are others who are not, and they certainly are missed.

As I informed the WDC Board of Directors in May 2012, on June 30th this year I intend moving on from the presidency of the World Diamond Council. Consequently, at the end of next month I will transfer the presidency to the WDC's first vice president, Avi Paz, who will serve out the balance of my term.

I will be handing over the office to an experienced and dedicated diamond industry public servant. Avi was a multi-term president of both the Israel Diamond Exchange and the World Federation of Diamond Bourses, and he has served for many years on the WDC Board of Directors. I look forward to a smooth transition.

In conclusion, let me thank you for your dedication and support. I look forward to meeting you all in future industry forums.

I thank you.

The dedicated WDC Annual Meeting website is located at:
<http://meeting2013.worlddiamondcouncil.org/>

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