

ERNIE BLOM, OPENING SESSION SPEECH

Ladies and gentlemen, good morning and a very warm welcome to the 37th World Diamond Congress. Firstly, let me thank the organisers, the Dubai Diamond Exchange, for their magnificent efforts and hospitality. These international conferences are far from easy to organize and with almost endless issues to iron out. We never take them for granted because we know how much effort is required by a vast range of people to get everything just right. I would like you all to join me in thanking the organisers.

This really is an incredible place. It has probably seen more rapid changes in the last two decades than any other place on Earth. It's said that 1 out of every 5 cranes in the world is in Dubai. Indoor ski-ing in the desert? You can do that here. And the next huge project is a 50 million square foot climate-controlled indoor city? The list of extraordinary facts is long.

In fact it is such an astonishing country that we, in the global diamond industry, can draw inspiration from it. Dubai's leaders took a country with few natural attractions or advantages and have created an extraordinarily interesting place to visit: in addition to skiing in the desert, you can snowboard on the sand dunes, or visit the Mall of Dubai with its unbelievable aquarium, or stay at the world's only 7-star hotel, go scuba diving, or take an elevator 830 meters to the top of the Burj Khalifa with an amazing view for miles all around.

This requires vision, initiative, being true to your word, tenacity and determination, as well as the ability to visualize the future and make it a reality. You then need to persuade visitors from all over the world that this is a place worth visiting. If those qualities sound familiar, that's because they are exactly the ones that the diamond industry – indeed every business requires. There's no automatic reason that consumers should buy diamond jewellery – it is up to us to persuade them to do so, but more of that later.

I would like at the start of my speech to emphasize the importance of the themes of our Congress: **Transparency, Responsibility** and **Sustainability**. These themes run through all the challenges that we are facing as a global industry and also show us the way forward. They will be at the heart of all our discussions and debates here.

As an anonymous businessman once said: "The keys to brand success are self-definition, transparency, authenticity and accountability."

Or, in the words of the rather more sardonic writer Mark Twain: "Always do right - this will gratify some and astonish the rest."

The WFDB strongly promotes the themes of Transparency, Responsibility and Sustainability – not just as slogans but as working methods for all our members and for all parts of the diamond pipeline.

In a nutshell, it means working in an open, ethical, conscientiousness fashion that enables minerals to be extracted from the Earth while ensuring that any environmental damage is repaired.

Greed is good, the actor Michael Douglas famously said in the movie Wall Street. We all know, of course, that it isn't. It's bad and it's unnecessary. Or, as Mahatma Gandhi once said: "There is a sufficiency in the world for man's need but not for man's greed."

More than that, "all mankind is tied together; all life is interrelated, and we are all caught in an inescapable network of mutuality, tied in a single garment of identity," in the words of Martin Luther King Jr. "Whatever affects one directly, affects all indirectly. For some strange reason I can never be what I ought to be until you are what you ought to be. And you can never be what I ought to be until I am what I ought to be - this is the interrelated structure of reality," he continued.

From mining to diamond cutting and polishing, and from jewellery making to retailing, we must ensure that we are all working in a fair and honest way, and implementing Corporate Social Responsibility must be a cornerstone of our operations.

Let us remember the words of the famous super-investor Warren Buffet who succinctly stated: "It takes 20 years to build a reputation and five minutes to ruin it."

In the cutting and polishing sector, diamond plant owners must ensure clean and safe conditions for their employees.

In the jewellery manufacturing field, factories should also be clean and safe. They must also strive to reduce their carbon footprint and to dispose of dangerous chemicals responsibly.

In the retail sector, we are looking for companies to provide customers with open and honest answers to their questions. More than that, they need to be pro-active in offering information not reactive, and to ensure they are also updated on a wide range of issues relating to the diamond industry.

Ladies and gentlemen, we must take up the challenge of updating our ways of operating because this is the right path to take. We know that the eyes of the media and non-governmental organizations are trained upon us. We know that the synthetic diamond manufacturing industry is claiming that their diamonds are superior because they have allegedly not created any so-called 'environmental damage'. But these are not the only reasons we need to change.

We have to ensure we are working openly and in the full glare of sunlight because we owe it to our children and grandchildren not to leave behind a scorched landscape in the search for diamonds. These treasures are buried

deep underground in many cases and finding them is extraordinarily difficult, time-consuming and expensive.

But let us remember that diamond mining creates many tens of thousands of jobs and puts food on the table for millions of people across Africa. Take as an example the good that diamonds have done – and continue to do – for Botswana. Diamonds account for around two-thirds of Botswana's GDP and 75% of its foreign currency earnings.

The money the government has received has paid for roads and other infrastructure, clinics, schools and many other facilities. In the whole African continent, children in Botswana have one of the longest school days. And diamond companies operating in Botswana, carry out corporate social responsibility programs that benefit not just diamond miners and their families, but the wider community.

Cutting and polishing diamonds is also highly labour-intensive and creates close to 1 million jobs in India alone. In all these cases, we must ensure our operations are run in the most ethical manner.

Does this involve extra costs? Yes, it does. Does it mean more administrative and other work? Again, the answer is yes. Would it be easier to do the minimum? Without a doubt that is the case.

In the words of Travis Engen, the former CEO of the giant American firm Alcan, "We know that the profitable growth of our company depends on the economic, environmental, and social sustainability of our communities across the world. And we know it is in our best interests to contribute to the sustainability of those communities."

But we are in a world of instant communication where smartphones and social media have made reporters and whistleblowers out of every consumer and member of the public. We simply have to work in a way that respects others as well as ourselves and that maintains and boosts consumer confidence. Without consumers, we may as well all go home now.

I hope it is clear that the need for transparency in our business is overwhelming. We, at the WFDB, are certainly aware of this and are promoting it strongly among our members and encouraging other industry bodies to do likewise. We are also at the forefront of promoting it for another reason: if we do not then there is the danger that governmental bodies and other agencies will do so. They may not know – and possibly not particularly care – about our interests. But if we show that we are proactively bringing about change that is ethically based, we can dictate the nature of change.

As we all know, these are far from easy times for our precious business. Does that mean that we give in? No, it means we redouble our efforts to be successful. We need to be determined and to look for the niches that we can succeed in. For sure, these are confusing times: stock markets are up one day and plunging the next. Gold sinks and then rises 20% in a few months.

The United States is up, China is down, India is rising, Europe is at a standstill, and Japan may be about to see a worsening of its economic position. Meanwhile, exchange rate volatility makes doing business difficult for many members of the diamond pipeline – from miners to retailers.

This year has started in a very upbeat way with around \$4 billion of rough sold so far. This appears to indicate that there is strong demand for the building up of inventories which is a promising sign. The fourth De Beers sales cycle is taking place this week and we are hoping to see the strong demand continuing.

And just a few weeks ago, De Beers reported a 5% rise in diamond jewellery sales in the United States to a record \$39 billion. We can take great encouragement from the fact that the world's biggest economy and diamond jewellery market is expanding, with sustained economic recovery, higher levels of job creation and wage growth. The US remains the world's largest market for diamond jewelry sales and increased its share of global polished diamond demand to 45% last year from 42% in 2014.

Chinese consumers also continued to increase their overall diamond jewellery spending last year both at home and abroad. So there is definitely good news out there and we can be confident looking forward.

When we look inwards at our diamond industry, what are the issues that we face? Since our Presidents Meeting in Tel Aviv last June, we have seen that rough prices rose too strongly, but then came down by around 18% by the end of last year, however with the strong demand for goods seen this year so far, it's likely they will rise again.

We have the ability to make expert judgements regarding our purchases. If manufacturers are buying at a price that makes creating polished at a profit impossible, then why buy? If you can make more of a profit by trading in polished rather than buying rough and cutting and polishing it, then why not do that? We don't always have to follow the same path that we have always trodden.

All of this leads, naturally, to the issue of bank finance and declining profitability. Just a couple of months ago there was a report that Standard Chartered Bank Plc is demanding more loan protection from diamond business clients and will tighten loan standards. In other words, the difficulty of the diamond trade in securing financing was further confirmed. The bank has exposure of a rather modest \$2 billion to the diamond industry which is less than 1% of the bank's total business, but nonetheless it wants diamond manufacturing clients to secure payment insurance or provide 100% collateral.

Unfortunately, the diamond sector suffers from a high-risk factor in the eyes of the banking community. We are going to do whatever is necessary to remove this and make us a no-risk industry. This perception is simply wrong and needs to be erased.

On this subject, I must point out the work that we have been doing on the Know-Your-Client (KYC) initiative for our members. The plan is to establish a platform to increase transparency in the diamond business. The 'KYC Bank' initiative was established by the Gems and Jewellery Export Promotion Council to bring value to all members of the diamond pipeline. There are no clear industry-wide KYC standards, so this will ensure the diamond trade is better-prepared to deal with all contingencies. KYC will enable diamond firms and other entities to receive important information about their customers or suppliers to confirm their authenticity and that of their transactions. This is critical because all banks follow a KYC process.

What are the other challenges facing us? The issue of synthetic diamonds very much remains on our radar and keeps developing and moving into new directions. With production and quality continuously rising, and fraudsters thinking up new scams all the time, we certainly all need to remain vigilant on this subject.

The mind quite simply boggles at the damage that the use of undisclosed synthetic stones could cause our industry. Imagine the response of a woman who finds that the engagement ring she is wearing is not set with a real, mined diamond. Would we regard a lawsuit from her and her fiancé against the store who sold it and the supplier who sold it to the shop as an exaggerated response?

Think of the chain-reaction that would take place and the uninformed general media lapping up the story and reporting every twist and turn. Needless to say, the same goes for the efforts to secure certificates for diamonds with a higher grade than they actually deserve. We need to maintain a continuous state of vigilance to ensure that fraudsters do not ruin our industry for everyone.

But I think it is time we moved to neutralize this battle between synthetics and natural, mined diamonds so that it doesn't cause damage to both sides. Prices of synthetics will go down as production rises, and prices of natural, mined diamonds will rise as the supply shortfall begins in the coming years. I believe we need to reach out to the synthetic diamond sector in order to create orderly and cordial relations.

I believe it is time that the diamond industry went on the offensive. It seems to me we have been on the defensive too long – and unnecessarily so. We have one of the most self-regulated industries in the world. Indeed, permit me to say, *the most* self-regulated trade. We have taken steps to ensure that conflict diamonds do not enter the pipeline, with tough sanctions against anyone who would try to do so.

This is our burning platform: standing still is not an option and doing nothing would end in disaster. Do we burn or jump? Clearly, we must jump. We need to be proactive on this issue and be ruthless in our efforts to eliminate criminal actions.

We must continue to publicize the fact that we take proactive steps to tackle the scourge of conflict diamonds and established an industry supply chain audit system together with governments around the world and that we continue to work towards bringing education, healthcare and many other social benefits to communities in diamond-producing states.

The diamond industry must set itself the target of bringing this to the attention of the wider public if we want to ensure a growing slice of consumers' disposable income. We must show that we are concerned about the environment and the working conditions of miners and the living conditions of their families – and not simply interested in making a profit.

I believe that this is the kind of forward thinking that the diamond industry needs to adopt. Buyers will not come to us just because we have a sparkling diamond industry and wonderful history. The global luxury goods industry is extremely competitive and every sector is fighting for business. It's all about taking the initiative and presenting ourselves as a must go to market. What is special about our diamonds? What is the added value that we offer consumers? These are the type of critical questions that must be asked in order to create a marketing plan for our industry.

But the beauty of the diamond industry is that it is dynamic and presents new opportunities. Who would have thought a decade ago that Dubai would become one of the world's most important trading centres. Similarly, other diamond exchanges have been established in recent years and are creating ongoing campaigns aimed at increasing their share of the global market – but they also help to expand the size of the worldwide market by doing so. They are also serving to expand the global reach and influence of the WFDB.

I do believe that we can find solutions and ways forward, but this necessitates a commitment on the part of all members of the diamond trade and stakeholders to a full and open dialogue.

The future is in our hands. Do we want an industry that is a mere shadow of itself, or do we want one that will attract buyers and the next generations from all corners of the globe.

And let us hope that we will have more cases in the future of the kind that happened with the lady who entered a jeweller's and said "You sold my husband a diamond ring yesterday but it's the wrong size."

"No problem madam," replies the store manager. "We can adjust the finger size easily."

"Oh, you don't understand, that's not the problem," she says. "You sold him a one carat size, and I take a five carat size"

Thank you and enjoy the Congress.

