

## **WFDB President Ernest Blom's Speech at Joint Session Presidents Meeting TLV**

Good afternoon everyone – Presidents of the WFDB affiliated bourses and of the International Diamond Manufacturers Association.

May I, first of all, once again thank the Israel Diamond Exchange and the Israel Diamond Manufacturers Association and their respective presidents – Shmuel Schnitzer and Kobi Korn – for offering to host our two organizations and organizing this wonderful event.

I often think that coming to these gatherings and holding meetings is the easy part – all the hard work goes on beforehand! As many of us who have hosted Presidents Meetings and World Diamond Congresses or been involved in staging them know, there is a huge amount of work that the host bourse and the country's diamond sector takes on itself.

Grouch Marx once said: "No man goes before his time – unless the boss leaves early." From my experience with my friends and colleagues here in Israel, however, I know that none of the bosses left early, they were all here working with their staffs until late every day organizing this event.

It involves a huge amount of logistical work and, I know, many hours of work, that is carried out selflessly. I would like to applaud you and suggest we show our thanks and appreciation.

We meet here today in the midst of a range of challenges facing our members. Indeed we have, in our separate forums, been discussing these issues here. We, the presidents of the WFDB and IDMA, have a huge amount of experience and history in the diamond business, but I don't think many of us can recall a time when there was this 'perfect storm' of challenges that has hit our industry.

But we also know, and must always stress – both in intra-industry meetings and in our dealings with the media – that we are a well-regulated industry and one that has gone out of its way to show that it is clean and transparent. Whenever issues arise, we are the first to propose actions to ensure that consumers are reassured that our diamonds have been mined and manufactured in line with the highest levels of business practises. We are committed to dealing with any issues that arise.

Let us always bear in mind that we have nothing for which we need to apologize – on the contrary – we can hold our heads up high and prove that we are always aware of possible tricky areas and are more than willing to work with all members of the diamond business, governments, NGOs and others to ensure they are dealt with in the best possible manner. We deal with a product that, among other fine attributes, symbolizes commitment and love. As the actress Nicole Ritchie said: Diamonds and true friends are alike—bright, beautiful, valuable, and always in style.”

Ladies and gentlemen, as we are all too aware, conditions in the diamond industry are not easy. Indeed. It is precisely for that reason that we hold these meetings and they play a huge role in allowing us to further understand and internalize the issues facing us.

But I also believe that it is our duty as the representatives of the vast majority of the diamond trade right across the world that we present a united and strong front, particularly regarding the producers and the banks.

These are, of course, our major concerns – falling profitability as rough prices remain at a level that does not allow manufacturers to run a sustainable business, and increasing difficulties in securing credit without which many businesses may not be able to exist.

I have said this before, but it is important that it is repeated so that it is heard loud and clear: the diamond producers have a responsibility to take our concerns extremely seriously and act upon them. This is not a one-way street;

as much as we clearly need the producers, they also need diamond companies which can buy their goods at a price that enables them to make a profit and continue to exist. We need each other.

And I must also point out that some of our members are responsible in that they are paying ever-higher prices for goods. This leads to a continuous price spiral upwards for goods. You know, sometimes logic is easy to miss: the legendary carmaker Henry Ford once commented that when he was producing his massively popular Model-T car, he believed that if he had asked people what they wanted, they would have simply said 'faster horses'. In other words, people are often happy to carry on the same path in the face of logic and common sense.

We have to act responsibly and pay prices that we can afford and, just as importantly, prices that allow us to manufacture at a profit. Any other course of action is irresponsible and unsustainable.

And it is absolutely essential that the smaller and medium-size firms – which compose, after all, the vast bulk of the industry – are able to continue operating. A large part of the charm and beauty of the diamond industry is the fact that many companies are family-run businesses. They have been in existence for 2, 3, 4 generations or more. Many of our members feel the heavy hand of history and responsibility pressing down on them – they are not just running businesses, they see it as a privilege to continue a company that has been handed on to them.

Furthermore, let us be quite clear: the diamond trade cannot operate without small and medium-size firms. These are the companies that are on hand to buy up diamonds that large firms do not need or cannot use. The smaller firms have developed very specific niche markets. They are nimble and agile and see opportunities for doing business and are therefore willing to snap up items and bring added value to them. They play a hugely important role in the overall health of the diamond business globally.

The other major challenge that we face, as I mentioned previously, is that of securing credit from the banks – the very oxygen that is needed for many companies to continue operating. As with our relations with the producers, the banking community also needs a wide range of clients. They cannot put all their eggs in one basket by just providing lending to the largest firms. This may appear to them to be a "safe" strategy but let us remember that even the largest firms can crash and the financial fallout can be enormous. A diversified approach is critical.

We know that the banks have concerns about the nature of our business. It has traditionally been family-run with business carried in what may appear to them to be a secretive approach. But the banks must be made fully aware of the need for the financing of smaller firms and their critical role in keeping the wheels turning in the diamond and jewelry business.

Of course, we are not an industry on the scale of the oil business or other huge global trades with trillions of dollars of business, but we play a critical role in providing employment for millions of people across the globe – particularly in under-developed countries. We play a central role in the global jewelry trade which also supports millions of families.

This is a factor that needs to be pressed home repeatedly because it is in the interest of the banks to show consumers and the wider public that they are willing to see the larger picture. Clearly, they must be certain that they are lending their money to firms which will act responsibly and buy goods at a price that enables them to be profitably manufactured. But they must also know that their financing does not simply enable their diamond clients to continue operating but that those customers are part of a huge global chain that provides a livelihood for families from the smallest and most remote parts of Africa to the developed world where economic conditions are also not that easy at present.

The banks also need to be repeatedly assured that we are working to ensure that diamond firms understand that there is no alternative but to adapt to

change and the new conditions demanded by the financial community. This will take some time to achieve fully; it won't happen overnight, but in the meantime it is not possible to choke off credit. We must have a partnership built on trust that both sides completely understand the position of the other.

This leads me to another important topic, and that is the WFDB's collaboration with the Financial Action Task Force, or FATF. We are working together with this extremely important body. The FATF creates standards relating to the fight against money laundering, the financing of terrorism and other threats to the global financial system. Its recommendations are seen as the international standard in these areas.

The World Federation has conducted talks with the FATF, and that will continue in the future. Although we have had disagreements with the organization in the past, these have been resolved to an extent, and we are actively cementing that relationship.

Other areas of concern relate to the undisclosed mixing of synthetic stones and overgrading. Then there was the case here in Israel just last month of an apparent use of a special coating that was aimed at receiving grading reports with a color grade three times higher than its real color.

What these, and other issues mentioned, show is that there is no room for complacency in our business. Quite the opposite: we need to remain constantly on guard to ensure illegal behavior is not taking place.

To put it bluntly, we simply cannot afford it. We are living in a time when consumer knowledge and interest in just about every product they buy has never been higher. If customers are checking where their fruit and vegetables and tea and coffee were grown, be sure that when they go to buy an item of diamond jewelry that costs thousands of times more than those everyday provisions, they will have done their homework thoroughly.

We cannot lose consumers through the actions of a few irresponsible or criminal elements. They must not be allowed to affect the operations of the more than 99% of our members who work diligently and honestly in order to remain part of an industry we all love dearly. It is the responsibility of all the bourses to work thoroughly to weed out all those who through their illegal actions can cause harm to the entire global diamond trade.

I would like to call on IDMA and CIBJO to join us in creating a united front to fight against the difficulties facing us and to be pro-active in explaining our position clearly to the global media. We have nothing to hide – on the contrary, we have a great deal about which we can be proud. Let us go forward together.

We need to find creative ways of dealing with our challenges. As Albert Einstein once said: "We cannot solve our problems with the same thinking we used when we created them. Let us learn from yesterday, live for today, and hope for tomorrow. The important thing is not to stop questioning."

And from the sublime to the ridiculous, allow me to end with a couple of quotes I saw recently: "If God wanted us to bend over he'd put diamonds on the floor," that was from the comedienne Joan Rivers. Meanwhile, Mae West, an actress from a period some of you may remember, once commented: "I have always felt a gift diamond shines so much better than one you buy for yourself."

Let us encourage the habit of diamond jewelry buying for gifts as well as self-purchasing. More than that, let us retain our traditional optimism, and always see the light at the end of the tunnel.

Thank You