

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

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

May I, once again, thank the Dubai Diamond Exchange for hosting our two organizations and staging this Congress.

We have had three full days of extremely interesting speeches, discussions and debates which I feel have given us all plenty of food for thought.

I believe we meet here in a different state of mind from just a year ago at the Presidents Meeting. We face many of the same challenges, of course, but we came here with realistic proposals and solutions and with the resolve to tackle our issues in a full and frank manner under the banner of **Transparency, Responsibility and Sustainability**.

We also, it seems to me, came here with the feeling that we are a vibrant industry and have nothing for which we need to apologize. We need to explain our case and keep on explaining it so that the public understands that we have clean hands, but we certainly don't need to apologize for anything. 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 practices.

We lead the way when it comes to an industry willing and prepared to take strong steps to self-regulate. I am not sure that there is another industry that has taken the same sort of action. We can rightly hold our heads up high because we can prove that we continuously monitor possible problematic areas.

We have shown for the past decade that we are more than willing to work with all members of the diamond business, governments, NGOs and others to ensure they are dealt with effectively and in a harmonious way. And we have also proven that we are able to work in solidarity and transparently with all organizations that have their members' and their own best wishes at heart.

I would also like to say that we are working in full cooperation with our colleagues at IDMA. We have developed a solid understanding on all the main issues and are working on the same wavelength and I would like to thank IDMA for that.

We have assembled here confidently. We have the Know-Your-Customer programme aimed at enabling diamantaires and banks to have a more relaxed relationship by more fully understanding each other's needs and requirements.

Finance, as well all know, is the oxygen that keeps this industry going and is, therefore, just about the most important issue on our agenda. And that is why

we have invested such a tremendous amount of time and energy in creating the KYC programme.

The banks have affixed a high-risk sticker to the diamond business. This perception is causing us damage because it means that either firms cannot secure credit or that the interest rate charged is prohibitive. We must declare that we are going to do everything possible to delete this perception held by financiers. We are a responsible and well-controlled industry and we must do everything possible to ensure that we are seen as a no-risk sector.

We have also heard about the steps the World Diamond Mark is taking to increase consumer awareness of diamond jewellery. We have held talks with officials from the Diamond Producers Association which has many of the same aims. At last, after almost a decade of stop-start, we are taking solid steps to encourage consumers to spend more of their disposable income on diamond jewellery.

Above all, it gives me great confidence to hear that the DPA is targeting the so-called Millennials generation. There was a half-joking article on Bloomberg Business last month talking about the sentencing of thieves who took part in the theft from a Hatton Garden vault last year which summed up well the dilemma we are facing.

Headlined: *In the diamond industry, even the crooks are old-fashioned*, the article explained:

"The ringleaders jailed for a \$20 million jewelry heist in London last year were in their sixties and seventies, so it's no surprise they'd go after the gems. They're old enough to remember when advertisers said diamonds were forever and Marilyn Monroe sang that they were a girl's best friend."

The article continues: "Not anymore. Diamonds are losing their allure for many consumers more interested in spending money on vacations, fancy handbags and high-tech gadgets. Mine owners -- who helped dream up those successful marketing campaigns in years past -- have been unable to prevent prices from dropping below where they were a decade ago, a sign the industry is failing to maintain the cachet of its brand," the article ends.

This really sums up the biggest challenge ahead of us. How do we persuade people in their mid-30s and younger that they should be buying diamond jewellery? And how do we add value to diamonds when the wider public sees permanent 'Discount' signs in jewellers' windows? A new \$1,000 smartphone or tablet may be more fun than a piece of diamond jewellery, but how do we persuade consumers that diamonds are also a store of value and will be around years after that smartphone has been recycled into something completely different or lying in a landfill somewhere?

I don't profess to have the answers, and clearly much more work needs to be done on these and other questions. But I am optimistic because we are finally tackling them in a unified way.

I am also hopeful about the future when I see the number of young people entering the business. I am not talking only about those joining family firms, but especially those with no family connection. They obviously believe that the diamond and jewellery business has a solid future. We need to encourage this younger generation which has a different outlook to most of us here. This is the Internet generation and they could be the key to persuading the Millennial generation to buy diamond jewellery.

Then we have the challenges of overgrading of diamonds and the growth of lab-grown stones and the mixing of such stones with natural, mined diamonds.

Again, I believe that we can draw great strength and confidence from the fact that the major diamond labs are continuously working to provide ever more sophisticated machinery to more easily and rapidly detect such stones.

We can also be confident about our diamonds vis-à-vis synthetics in the fact that although production is rising and becoming increasingly sophisticated, the general public has not become convinced that such products are as true a symbol of love and commitment as natural diamonds are with their billions of years of history behind them.

That is not to say by any means that we can now rest on our laurels. We need to continue working extremely hard to counter false claims. For example, that our diamonds are environmentally damaging and that stones grown in a factory are somehow as pure as the driven snow. This is very much our elephant in the room.

But I also believe that we need to reach out to the synthetics sector in order to neutralize the increasingly unpleasant comments that both sides are throwing out because it will only serve to damage both synthetics and natural, mined stones as far as consumer sales are concerned. With production of synthetics increasing, prices of such stones will decline while a growing supply shortage of natural, mined diamonds will lead to a rise in prices. I feel that this is a move that would be wise to start as soon as possible.

Ladies and gentlemen, the WFDB and IDMA together represent just about every diamond manufacturer and trader in the world. This gives us tremendous prestige and legitimacy. It is for this reason that when we speak to the diamond producers we are able to bring tremendous weight to the discussions.

We have told them that they must 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 that can buy their goods at a price that enables them to make a profit and continue to not just exist but to prosper. We need each other, and we must keep pressing diamond producers to take that on board.

But we must also make it clear to our members what happens when people play with fire. If there is no strong surge in demand at the retail end for diamond jewellery, then there can be no justification for billions of dollars of rough purchases as we have seen in the first five months of this year. We saw manufacturers acting in a highly prudent way in the second half of 2015 and that led to a sharp fall in rough prices. We must ensure we do not again create a glut of polished goods.

Just as 'Stop-Start' is bad for any economy, it is also bad for our industry. We need to promote a healthy and prudent increase in polished production in line with demand on the ground in the stores.

On a different issue, I believe that we must express our support at all times for small and medium-size firms. After all, they compose most of our industry. They are the unsung heroes, playing a critical role in the trade, buying and manufacturing goods that the larger firms cannot or do not use. They are the solid base upon which the industry is built and on which it will always depend. They are the base of our trophic pyramid.

Thank You