

**WORLD DIAMOND COUNCIL 6TH ANNUAL MEETING
“CELEBRATING 5 YEARS OF KIMBERLEY PROCESS”**

Karel De Gucht, Minister of Foreign Affairs,

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Excellencies,

Distinguished Ladies and Gentlemen,

I join the Chairman of the World Diamond Council, Mr. Eli Izhakoff, in welcoming you all here in Antwerp, at the gala diner of the 6th Annual Meeting of the World Diamond Council.

The World Diamond Council celebrates this year the 5th anniversary of the Kimberley Process. Anniversaries are perfect opportunities to reflect on the state of play -- have we accomplished what we agreed to do? -- but also to consider the areas that need further attention and to look ahead.

Where do we stand today?

The Kimberley Process's main target to reduce quickly and substantially conflict diamonds, has been achieved: *conflict diamonds have dropped* from 4% to less than 0.1% of the total global production of rough diamonds. It is expected that with the improvement of the political and security situation in Ivory coast, this percentage will further decrease. With the substantial reduction of conflict diamonds, we also pay attention to the fight against *illicit diamonds trade*

The KP, as a tripartite cooperation between governments, industry and civil society with a clear focus on fighting conflict diamonds, proves to be one of the most successful cooperation efforts in international politics. The KP is lean and mean. It does not need a large, institutionalized organization to function well.

The Kimberley Process is an outstanding example to the international community in terms of *cost efficiency*. Participating countries do not have to pay membership fees or contributions, which allows them to use their money for technical assistance, capacity building programs, and development initiatives in the light of the Kimberley Process.

The Kimberly Process contributes directly and globally to the *economic development* and political integration of participating countries. I refer in this regard to the still ongoing work of the World Diamond Council's Technical Experts in Ghana that has saved this West-African nation from the embarrassment and the economic catastrophe to be “dropped from the list” as the euphemistic Kimberley term goes.

Ladies and Gentlemen,

After 5 Years of Kimberley Process, we can be proud of what we have achieved. We should yet not rest on our laurels. We have to ask ourselves continuously **what can be improved**.

The internal control regimes in producing countries as well as in manufacturing and trading countries continue to be the Achilles heel of the

KPCS. The mere nature of the diamond makes it impossible to mark a diamond without lessening its value. Internal controls on the trade and production of rough diamonds should be enhanced – and in this regard governments as well as industry and civil society – should play a more active role.

The *Belgian government* has taken up its responsibility. I have requested the Egmont Institute, the Foreign Affairs' think tank, to examine how the internal control regime in the artisanal and small-scale mining of diamonds can be improved. If we can bring the informal diamond production and trade within the formal diamond economy, we might find a way to strengthen the integrity and effectiveness of the Kimberly Process itself. The social and economic situation of thousands of diamond diggers and their communities in diamond producing countries could be enhanced at the same time. We will present the outcome of the Egmont study, translated in useful and concrete policy solutions, at the next KP Plenary meeting in New Delhi in November 2008.

We should, in improving internal controls, not only focus our attention on the producing countries; *manufacturing and trading centers* too bear responsibility in this regard. The 2007 KP guidelines for a better implementation of Internal Controls and Government Oversight through the Brussels declaration on Internal Controls is essential to recall trading and manufacturing countries as well as the industry of their duties and responsibilities within the KP. They should use the recommendations of the Brussels declaration when implementing the KP. Only by doing so can we advance towards a more equal level playing field.

Enhancing internal control regimes implies also a greater involvement of the local civil society. Last year the European Commission's KP chairmanship encouraged *greater participation of civil society from developing countries* in the Kimberley process in order to remain a credible tri-partite arrangement, bringing together governments, industry and civil society. Belgium has supported the organization of a KP orientation program by a "one shot" event. We should pursue a more sustainable involvement of the local southern civil society in the Kimberley Process monitoring system. I therefore call on governments and industry to fully support the active and direct participation of local civil society in review visits, especially in their own neighboring countries. Belgium will support further involvement of local civil society which will yield in a stronger consciousness-raising and ownership for the Kimberley process, especially in its correct implementation.

A correct implementation of the Kimberly Process requires the KP participants to work on improving methods in order to valuate accurately diamonds. The current practice whereby the value on the KP certificates represents only a small fraction of the value of the same diamonds once they are two steps down the diamond pipeline cannot be accepted. Nobody likes paying taxes, but this tax evading is mostly hurting the poor, and provides at the same time an undesirable vector for criminal operations.

If we want the diamond business to be acceptable throughout the world, the diamond business needs to be as transparent as possible. We should examine how we can strengthen the enforcement of participants' obligations

under KP without touching to the essential voluntary character of the Kimberly Process. During the fifth inter-sessional meeting two weeks ago in India, Venezuela voluntarily has taken the decision to cease temporarily its trade in rough diamonds. Although this decision is welcomed by the KP community considering Venezuela's reluctant cooperation position under KP, we should be careful as to not create a KPCS where participants can step out at their own discretion when experiencing problems in controlling the internal market. I would like to call on the KP community, governments, industry and civil society to bear in mind that we should try to stay engaged within the KPCS whatever the controlling problem might be. The KP can only stay effective as it is nowadays if the Participants believe in the *inclusiveness of the Process*. It is therefore our responsibility to act in response to questions from KP chairs and working groups and to fully collaborate within the KP.

Distinguished guests,

Let us not only look forward. **Let us also look ahead**, when compliance with the Kimberly Process will become the rule in the whole world.

I am proud that today Antwerp, the transit place for 80% of the rough diamond world wide, is applying the highest standards in this matter. The first convictions for dealing in conflict diamonds have been pronounced in this very city. It would, however, be completely unacceptable that conflict diamond dealers should fear prosecution only in Antwerp. I expect that other centres too will weed out their bad seeds. A consistent worldwide approach will convince developing nations, subject to pillaging of their diamonds, that we all take this issue seriously, and have put systems in place

to avoid their diamonds entering the legitimate trade through less scrupulously regulated channels.

We live in a *volatile timeframe*. A today peacefully diamond producing nation may become engulfed in war tomorrow. I therefore believe that we should set up *frameworks* through which we can *always* fight conflict diamonds. We have to keep the debate and the interest alive and address actively the issues the diamond industry is facing and that go beyond Kimberley, such as development issues, smuggling of illegal diamonds, human rights violations, synthetic diamonds, the fight against terrorism with anti- money laundering measures, corporate social responsibility and so on.

I am not making a case here for Antwerp with its very strict implementation of *anti-money laundering regulations*, but I believe I am promoting the founding principles of the World Diamond Council when I stress the importance of such regulations. *Transparency in money flows* has become paramount. In the US, regulations to monitor the financial transactions of the diamond and jewellery sector have been activated in the US Patriot Act. In Belgium the legislation to prevent money laundering and terrorist financing has become applicable to the registered diamond dealers in the diamond sector. I would like to call on the World Diamond Council to update its mission statement to include also the *fight against terrorism*.

Distinguished guests, let me conclude.

I am convinced that, at the end of the journey, the diamond industry can only flourish the most when the *consumer* is aware that he is not supporting terrorism or conflicts when buying something as simple as a wedding ring.

The diamond industry should be aware that it will never again be allowed to go back to its old habits, even in the absence of a single conflict diamond.

Next year, banks worldwide will be implementing the requirements of the *Basel II- agreement*. The eyes of the international community will be fixed on the diamond industry and on the capacity of its organizations and leadership to embrace this new challenge and to be a model for other industries, just as the Kimberley Process has been.

The diamond industry should use this opportunity to fully engage in adopting these *new business standards*. Transparency, ethics and sustainable development will be the keywords of its new business environment. It is time that the international diamond community takes up the challenge of *Corporate Social Responsibility*.

I wish the Chairman, Mr. Eli Izhakoff, the World Diamond Council, and the Antwerp Diamond Community all the best in the endeavor to address these new challenges.

Thank you for your attention.