



IDMA
INTERNATIONAL DIAMOND
MANUFACTURERS ASSOCIATION

NEWS RELEASE

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Russian diamond manufacturers speak out against sale of diamonds from Gokhran to India

Antwerp, Belgium – April 5, 2012: ***Rough & Polished***, Russia's leading diamond industry online news service, reported that earlier this week, the Association of Diamond Manufacturers of Russia (ADMR) had sent a letter to the Indian Gems and Jewellery Export Promotion Council (GJEPC) expressing its indignation about a request made by Anand Sharma, India's Minister of Industry, to Elvira Nabiullina, Russia's Minister of Economic Development, to formalize a mechanism for the sale of diamonds to India by the Gokhran, Russia's State Depository for Precious Metals and Gems. The Gokhran, a state institution that resorts under the Russian Ministry of Finance, is responsible for the sale of all rough diamonds produced in the Russian Federation.

"We understand whose interests are being lobbied by Minister Anand Sharma. We understand the pro-active stand of our colleagues, but, gentlemen, Russia also has its manufacturing industry and it is impossible to neglect its interests, it looks at least unethical," ***Rough & Polished*** quoted the letter signed by Maxim Shkadov, the CEO of Kristall, Russia's largest diamond manufacturer who is also the Chairman of the ADMR board. ADMR and GJEPC are both members of the International Diamond Manufacturers Association (IDMA).

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About IDMA

IDMA was founded and convened for the first time in 1946, in Antwerp. It is committed to fostering and promoting the highest ideals of honesty and best practice principles throughout the global diamond industry, as well as full compliance with all relevant national and international laws. The organization has developed and adopted a Code of Conduct, which is binding on all 15 member associations. IDMA also works to encourage fair and honorable practices and decent working conditions for industry employees; and to preserve, protect and promote consumer trust and confidence in diamonds. It encourages and supports social responsibility by the industry in respect to all citizens of the world. The Association has played an active role in establishing the Kimberly Process Certification Scheme and is a co-founder of the World Diamond Council.

In his letter, Shkadov argued that in accordance to Russian law, the Gokhran sells rough diamonds from its stock to Russian diamond manufacturers, as it aims to reduce the shortages in rough supplies to Russian diamond cutters. However, he emphasized that, as a rule, the amount of rough diamonds sold locally fails to meet demand, even that of ADMR's own members. Having said that, he asked his Indian counterparts: "Do you really offer to formalize a mechanism for the sale of diamonds to India under these circumstances?"

Rough & Polished quoted Shkadov continuing his criticism of the Indian minister's request: "Gentlemen, we understand your appetite, but at least have some conscience: Russia is not Zimbabwe and it works in a civilized market under civilized rules. It's quite enough to have Indian companies lined up to buy from ALROSA, which declare a desire to drive out all other customers from this company offering to pay 10% to 15% more. Such moves lead to excessively inflated prices for rough diamonds making manufacturing economically inefficient since polished diamonds turn out to be cheaper than rough. And in this case the reason lies with speculation and not with processing costs, technology or marketing of finished goods as it is used to be within the practice of civilized market. Just remember what your similar actions brought about in 2008. I think, no one would like to have this situation repeated."

"We are ready to discuss any options for cooperation in an open mode to prevent any such backdoor activities in the future and we ask you to consider the above in your future endeavors," **Rough & Polished** quoted Shkadov's concluding words.

IDMA Secretary General Ronnie VanderLinden said that Shkadov's frank letter was a welcome fresh breath of air. "The leaders of both of these national diamond manufacturers associations know each other very well and therefore this frank and open letter is an argument among friends. I am sure that ADMR's contentions will be taken very serious by GJEPC. As members of IDMA, they share a set of common values and interests that go beyond their own, more immediate goals, and that is, among others, the long-term sustenance of the international diamond manufacturing community at large," VanderLinden said.

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