

COLORED GEMSTONES FROM MINE TO MARKET PROPOSAL FOR ETHICAL TRADE AND MINING

9th annual CASM Conference
Maputo- Mozambique 2009

Jean Claude Michelou
Vice President ICA

Market Value factors

- ▣ Fashion
- ▣ Value
- ▣ Cultural traditions



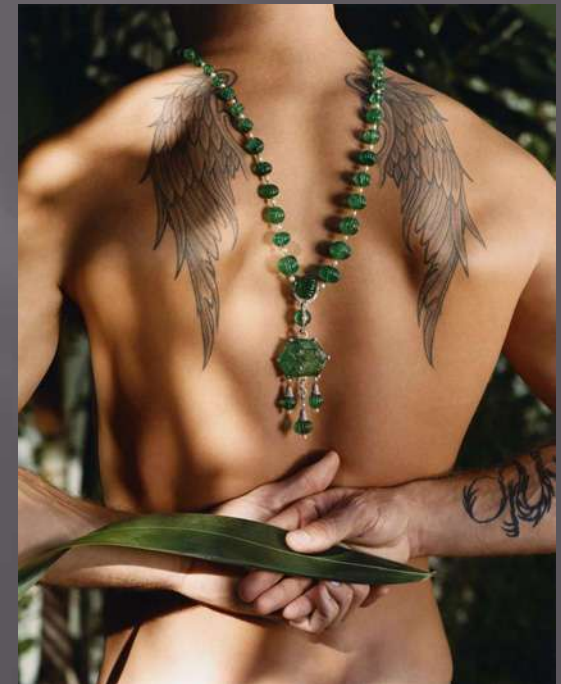
Fashion

- ▣ Garments and cloth industry
- ▣ Fashion accessories
- ▣ Show business



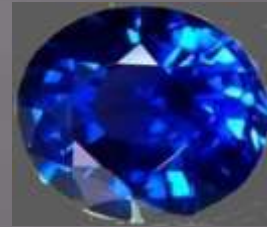
Design

- ▣ Creativity
- ▣ Originality
- ▣ Branding
- ▣ Consumer identification
- ▣ Luxury and romance



Value

▣ Rarity



▣ Primary Colors intensity



▣ Clarity



- ▣ Beauty
- ▣ Nature
- ▣ Unique



Rubies from Nassia , Mozambique



What sustains the value?

- ▣ UNLIKE GOLD , NOT A COMMODITY
- ▣ UNLIKE DIAMONDS NO CENTRALIZED MARKETING AND MARKET PRICE CONTROL
- ▣ VALUE BASED ON REGIONAL AND SEASONAL MARKETING AND BRANDING STRATEGIES
- ▣ SOCIAL CATEGORY IMPACT
- ▣ INVESTMENT ONLY FOR TOP EXCEPTIONAL PIECES

CONSUMER

Retailer

Wholesale & Distribution

Manufacturing

Refining

Cutting/
Polishing of
Gemstones

Suppliers

Laboratories

Treatments of
metals/
gemstones

Cutting/
Polishing of
Gemstones

Watch
Manufacture
conditions

Mining

Metals

Gemstones

Suppliers
of
Materials

Gold

Platinum

Silver

Others

Diamond

Colored

Organic

Hundreds of Countries with a myriad of cultures and standards.

GEMSTONE PRODUCING COMPONENTS FROM MINE TO MARKET

MINERS

Gemstone mining is very risky

Requires optimization of investment .

Requires concrete onsite Capacity building and guidance

Marketability of low grade material- high grading of rough and simple processing with implication of communities

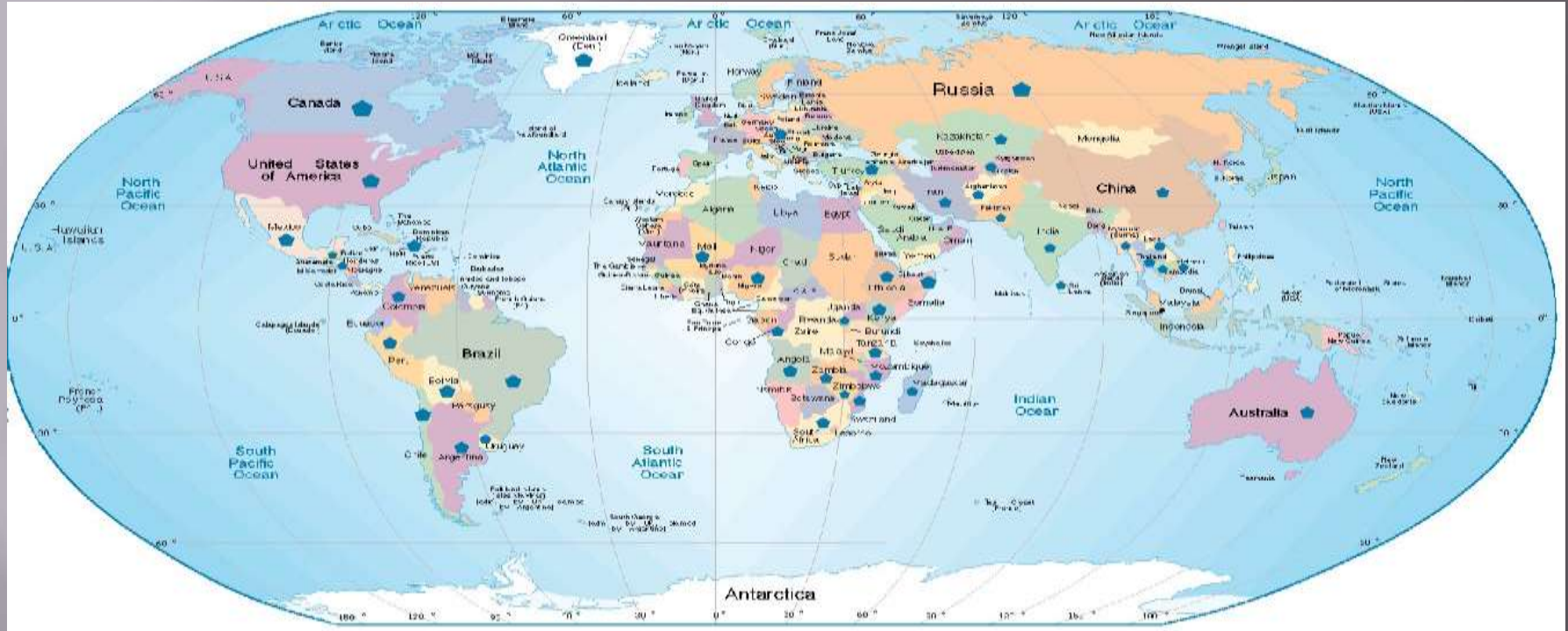
GEMSTONE PROCESSORS

1. Service industry
2. Processing and resale within internal market
3. Processing for export

EXPORTERS MARKETERS

1. Export of rough and semi processed
2. Cut and polished Gemstones
3. Networking and inter action with foreign buyers of rough and polished
 - a. Provide Brokerage service to foreign buyers
 - b. International sale travel.
 - c. Participation to Gemshows

47 MAIN GEMSTONE SUPPLIER COUNTRIES



AFRICA

East Africa
Ethiopia
Somalia
Madagascar
Kenya
Uganda
Tanzania
Mozambique
Zambia
Zimbabwe
Malawi
Rwanda

Central Africa

Congo
Angola

West Africa

Nigeria
Mali

South Africa

Namibia
South Africa

ASIA

Central Asia

Afghanistan
Tajikistan
Kazakhstan
Pakistan

Eastern Asia

China
India
Sri Lanka
Burma
Vietnam
Thailand
Cambodia
Laos

Middle East

Iran
Turkey

AMERICAS

North America

USA
Canada
Greenland
Mexico

Central America

Dominican Rep.
Guatemala
Honduras

South America

Colombia
Peru
Bolivia
Brazil

EUROPA

Czech Rep.
Russia

OCEANIA

Australia

Uruguay
Chile
Argentina

FACTS

- ◎ 80 % of Colored Stone Supply comes from Artisanal Small Scale Mining (ASM)
- ◎ 90 % of ASM is located in Developing and Emerging countries
- ◎ Development expectations limitations:
 - Lack of investment capacity
 - Lack of professional capacity or mining techniques
 - Low potential of deposit yield
 - Extreme nature conditions and limited accessibility

ASM ISSUES

- Labor issues

- Human rights
- Youth
- Wages & Conditions
- Safety conditions

- Environmental issues

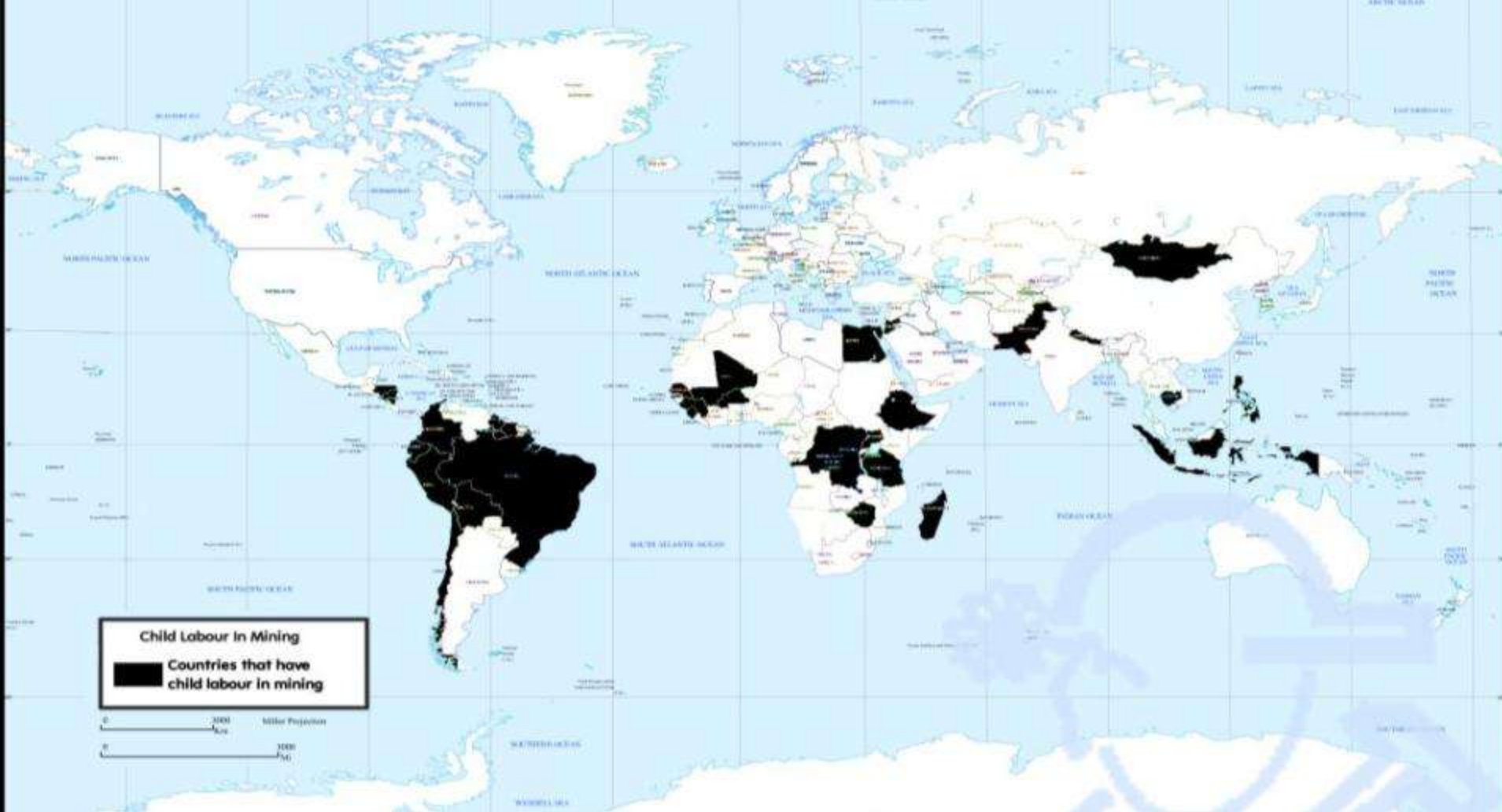
- Chemical pollution
- Landscape scarring
- Trees
- Wildlife

- Who receives the returns

- Corruption
- Terrorism
- Money Laundering
- Smuggling

- Treatments

- Disclosure
- Safety issues



Child Labor in Mining

- Human rights
- Youth
- Wages & Conditions
- Safety conditions
- Displacement of communities



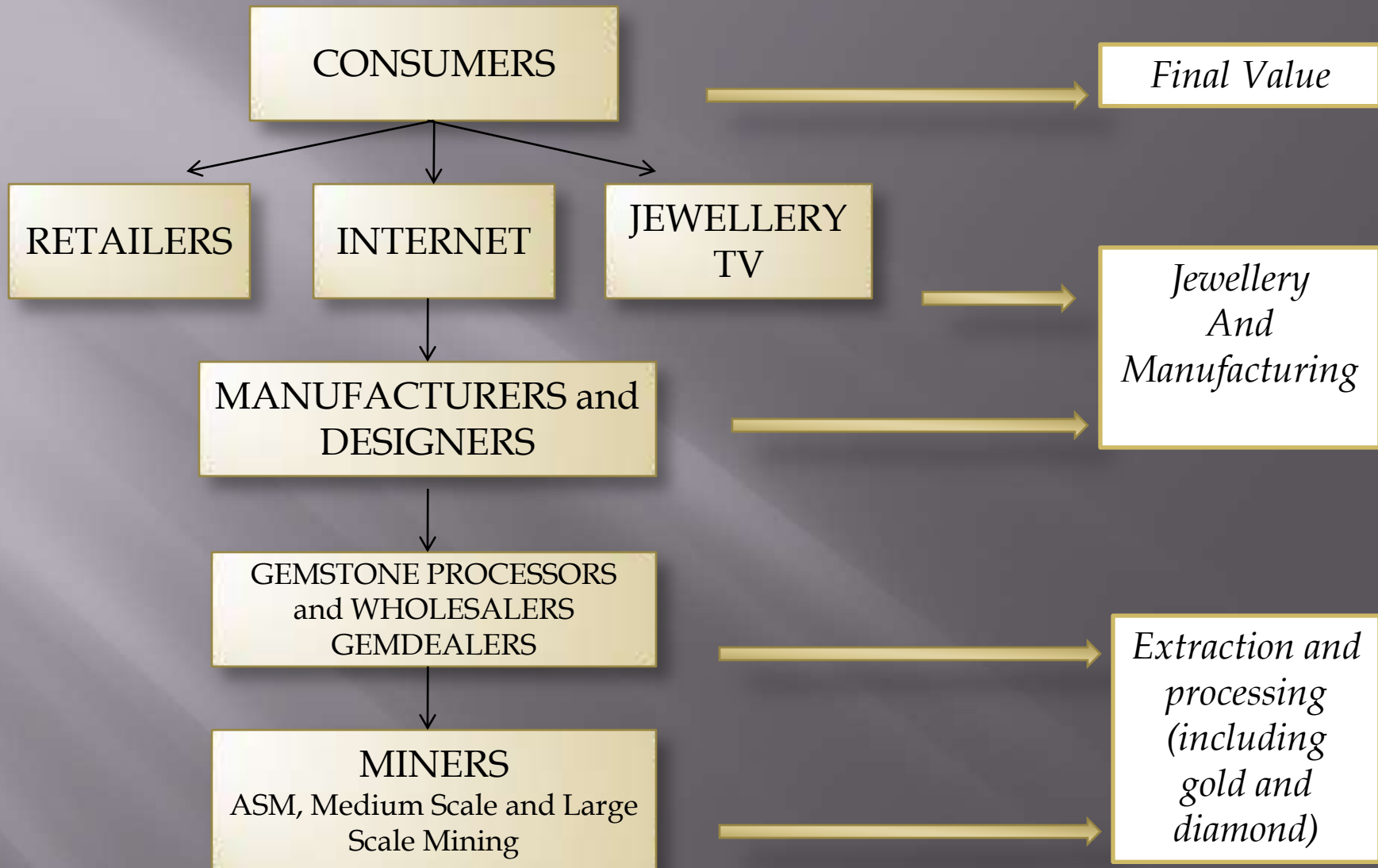
OPEN PIT EMERALD MINING
High level damage to the environment



SPESSARTITE ASM
Dangerous work conditions

TOURMALINE ASM
Damage to the environment

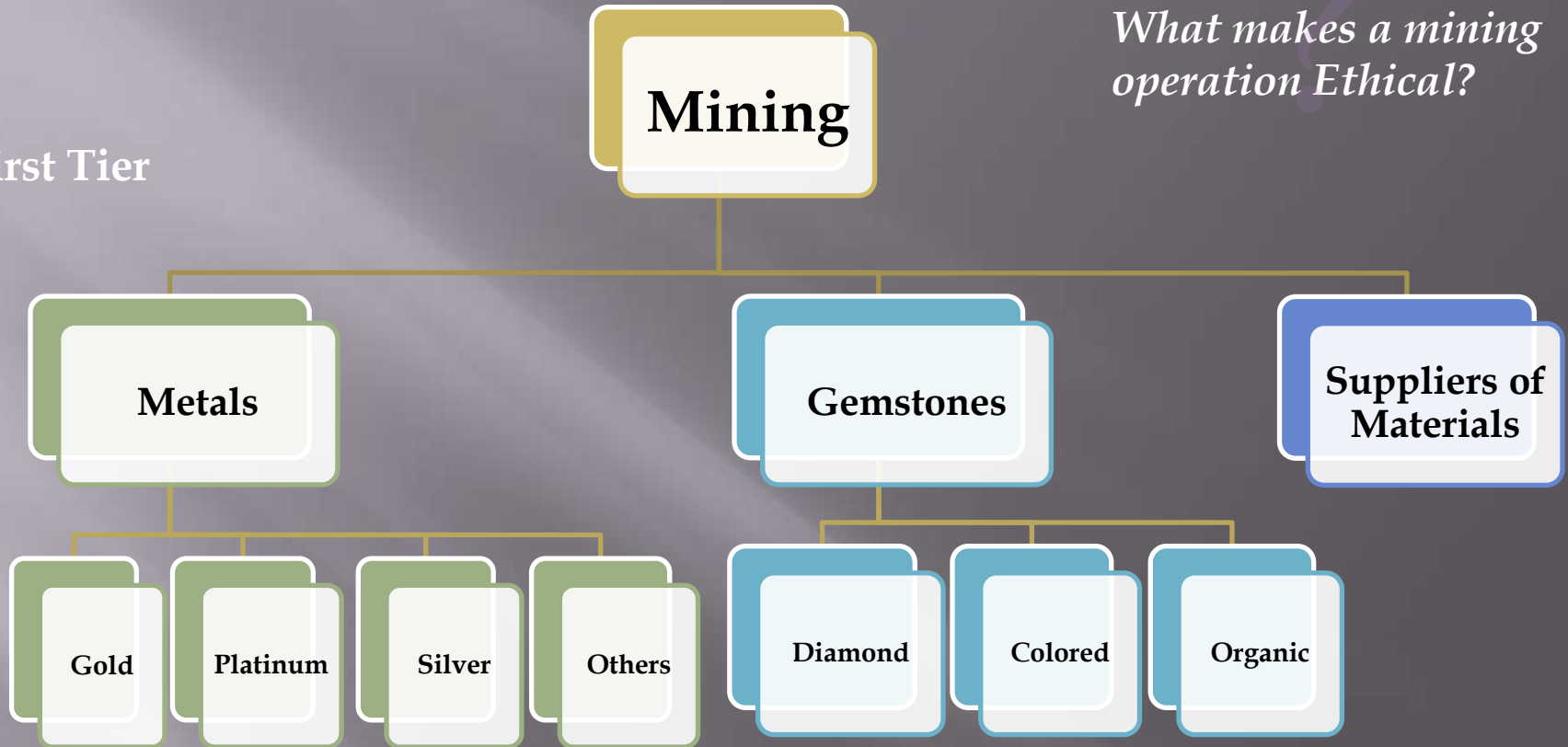




JEWELLERY SUPPLY CHAIN

What makes a mining operation Ethical?

First Tier



Large Scale Miners-Small Scale Miners

Labor issues

- Human Rights
- Youth
- Wages & Conditions
- Safety considerations
- Community Benefits
- Community displacements

Environmental issues

- Chemical pollution
- Landscape scarring
- Trees
- Wildlife

Who receives the returns

- Political?
- Terrorists?
- Smuggling
- Money laundering

Treatments

- Disclosure
- Safety issues-irradiation
- Permanency of treatment
- Environmental impact

PRINCIPLE OF CERTIFICATION

- ◎ Based on certification of country of origin
- ◎ Establishment of 3 simple criteria
 1. Development of value chain
 2. Formal and certified exports
 3. Sustainable poverty reduction and social responsibilities initiatives

DEVELOPMENT OF VALUE CHAIN

GOVERNMENT AND PRIVATE SECTOR INITIATIVES



- Establishment of local mining and trade Association
- Gemstone identification and value awareness
- Gemstone mining capacity building
- Gemstone lapidary and processing
- Formal trade and export facilitation

IMPACT



- Formalization of National Industry concept
- Improves awareness of gem material
- Creates management skills and improves yields
- Creates skilled labor force
- Increase market value of gemstones
- Establishment of commercial links from mine to market

FORMAL AND CERTIFIED EXPORTS

- ◎ **LEGAL PROCEDURES CERTIFIED BY PRODUCING EXPORTING COUNTRIES**
 - GOVERNMENT CERTIFIED DOCUMENTS
 - TRANSPARENCY IN REMITTANCE OF EXPORT PROCEEDS
 - EXPORT INCENTIVES
 - ACCOUNTABILITY
- ◎ **IMPACT**
 - ALLOWS RELIABLE STATISTICS
 - MONITORING OF THE SUPPLY CHAIN
 - PROVIDES GOVERNMENT REVENUE INCREASE
 - VALUE ADDITION TO EXPORTED GEMSTONES
 - ELIMINATES SMUGGLING
 - ELIMINATES MONEY LAUNDERING
 - ELIMINATES CORRUPTION

SUSTAINABLE POVERTY REDUCTION AND SOCIAL RESPONSIBILITIES



*OBA or
KING OF
COMMUNITY*

- ◎ **INITIATIVES WITH LOCAL GEMSTONE MINING COMMUNITIES**
 - Government facilitation for technical education and training programs
 - Simple mixed private and Government initiative



COMMUNITY ELDERS

1. EDUCATION IN MINE CAMPS OR SURROUNDING SUB MINING COMMUNITIES

- a. Rural. Primary Schools in the vicinity of mining activity with significant density women and children population.
- b. Rural secondary schools which will keep teenagers out of mining activities wherever this happens. (it is not in that many countries anyway and has also traditional and cultural background)
- c. Rural lodging unit for teachers active the corresponding school, equipped with power-electricity-.Solar- wind- water energy depending on natural environment and availability.
- d. Water well for the above facilities
- e. School and teacher's quarters furniture
- f. Books and utilities for all facilities

2. HEALTH AND FIRST AID CARE

- a. Health station with basic emergency response to mining accidents
 - i. With HIV systematic detection capacities.
 - ii. Surrounding population basic health care
- b. Living quarters for permanent nurse- or nurses and periodical medical doctors visit
- c. Solar energy powering all above facilities
- d. Water well for the above complex.

3. SANITATION AT MINING LOCATIONS AND CAMPS

- a. Latrine system at mine pits , This avoids epidemics like Cholera etc very frequent in mine sites in Africa
- b. Latrine in Mine camps for the same reason as above

4. WATER LIGHT AND COMMUNICATION ISSUES IN MINE CAMPS

- a. Water wells in mining community villages.
- b. Solar energy lighting in key points in mine camps and mining communities.
- c. Radio telephony in Mining Community villages and mine camps

5. MINE PITS AND TUNNELS

- a. Noise reduction from drills in tunnels. Sound pollution can be as loud as a Boeing at take off and lead to death condition
 - i. Ear drums cheap but frequently replaced
 - ii. head set noise protection lasts longer
- b. Prevention silicosis and lung damage from dust and other factors related to breathing
 - i. Introduction of water drills whenever possible
 - ii. Air circulation system in tunnels whenever possible
- c. Mouth-lung protection
 - i. Disposable masks
 - ii. Hard masks with disposable mouth pad filter
- d. Head protection with hard hats

6. LAND COMMUNICATIONS

- a. Bridges over rivers
- b. Widening of tracks and improvement for circulation of vehicles

7. WOMEN PROTECTION- EDUCATION AND SUBSTANTIVE ACTIVITIES

- a. Keep women away from extractive- mining work
- b. Alphabetization- Hygiene- child care
- c. Training for mine derived handicraft or non mining artisanal activities

8. ENVIRONMENT IMPROVEMENT AND PROTECTION

- a. Restoration environment in past producing mine sites
- b. Restoration of soils and land.
- c. Restoration of landscape

IMPACT

- Improves treatment of health and first aid conditions
- Improves security of working on mine sites
- Children go to school instead of working at the mine
- Reduces decrease in contamination factors
- improves business and exchange opportunities
- Reduces cost of basic supplies



WHO IS INVOLVED ?

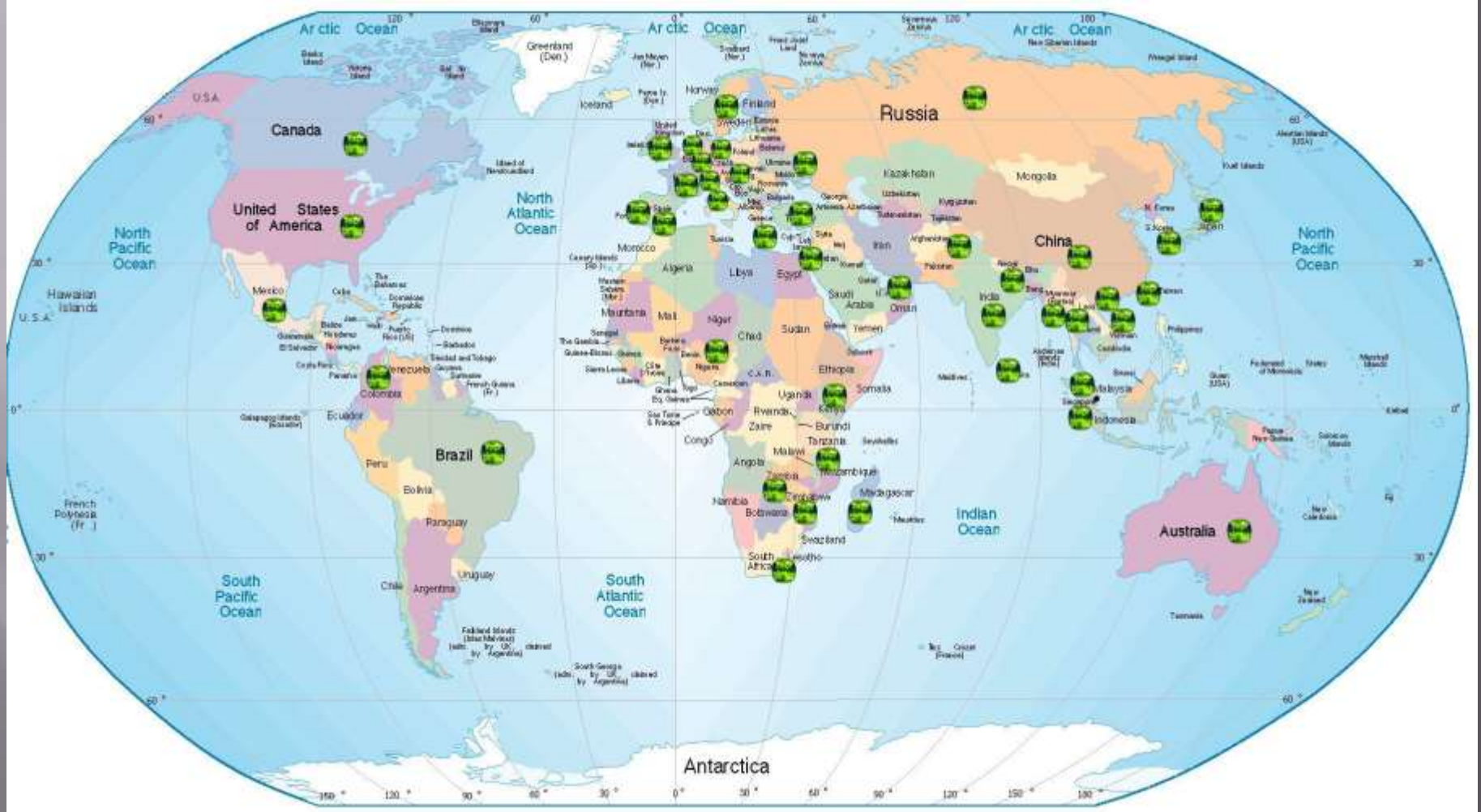
- PROMINENT MINE OWNERS AND COMPANIES
- LOCAL COMMUNITIES
- TRADE ORGANIZATIONS (ICA-AGTA-CIBJO-TGJTA etc...)
- SELECTED SPECIALIZED NGOs
- THIRD PARTY VERIFICATION
- DONERS AND INTERNATIONAL AGENCIES (World Bank, DFID, CASM, UN etc...)
- FEDERAL GOVERNMENT

ICA PROPOSALS FOR

JETS

JEWELLERY ETHICAL TRADE
SYSTEM

ICA PRESENT IN 44 COUNTRIES



PROBLEMS ASSOCIATED WITH IMPLEMENTING ETHICAL - FAIRTRADE

Each of the previously mentioned issues will vary according to:

- Different Products - Gemstones & Metals
- Different Supplier Countries
- Different Cultures
- Different Economic Structures
- Different Labor Standards

MANUFACTURING CHAIN

2nd Tier

Manufacturing

Refining

- Environment
- Treatments
- Safety Issues

Jewellery

- Labor Conditions*
- Chemicals
- Treatment disclosures*
- Accurate Descriptions

Suppliers

- Full Disclosure
- Harmonization

Laboratories

- Disclosure
- Safety

Treatments of metals/
gemstones

Health risk/Silicosis reduction

Cutting/
Polishing of
Gemstones

Watch
Manufacture
conditions

THIRD & FOURTH TIERS

Third Tier

Wholesale &
Distribution

- Integrity-Deal only with Ethically Trading miners & manufacturers
- Guarantees
- Full Disclosure of treatments

Fourth Tier

Retailer

- Integrity
- Honesty
- Buys from a source he believes is ethical
- Guarantees
- Discloses Treatments



END POVERTY 2015
MILLENNIUM DEVELOPMENT GOALS



The World Bank

RESPONSIBLE JEWELLERY COUNCIL

MEMBERS

Trade Associations

- The American Gem Society
- British Jewellers Association
- Jewellers of America
- Manufacturing Jewelers and Suppliers of America Inc.
- National Mining Association
- The National Association of Goldsmiths
- World Gold Council

Service Industries (inc. financial institutions)

- Int. Diamond and Jewellery Group ABN-AMRO
- The Assay Office

Mining

- AngloGold Ashanti
- Arslanian Freres NV
- Bonas & Co. Ltd
- Dalumi Diamonds
- Diarough N.V.
- Dimexon Diamonds
- HRA Investments Ltd
- I.Hennig & Co. Ltd
- Lazare Kaplan International Inc.
- Overseas Diamonds NV / Isee2
- Rosy Blue N.V.
- Rothschild Diamonds Ltd
- Sima Diamond NV
- Steinmetz
- Suashish Diamonds

RESPONSIBLE JEWELLERY COUNCIL MEMBERS

Gold Refining Hedging or Trading

- Argor-Heraeus SA
- Metalor Technologies SA
- PAMP SA
- PX Precinox SA
- Valcambi SA

Jewellery Manufacturing or Wholesale

- AR & AR Jewellery Inc
- Aurafin LLC
- Baume & Mercier
- Boite D'Or Gioielli S.R.L.
- Carrera y Carrera
- C&J Jewelry
- Cendres&Metaux SA
- Christian Bernard
- Colormasters Gem Corp
- Cristofol Paris

Jewellery Manufacturing or Wholesale

- DN Gems Corp
- Gabriel & Co
- Jaeger-LeCoultre
- J.B. Jewelry
- Leo Schachter Diamonds LLC
- Libman & Company Ltd
- Kristall Inc.
- Regal Imports Ltd
- Robertso Coin
- Stubbs and Co

RESPONSIBLE JEWELLERY COUNCIL

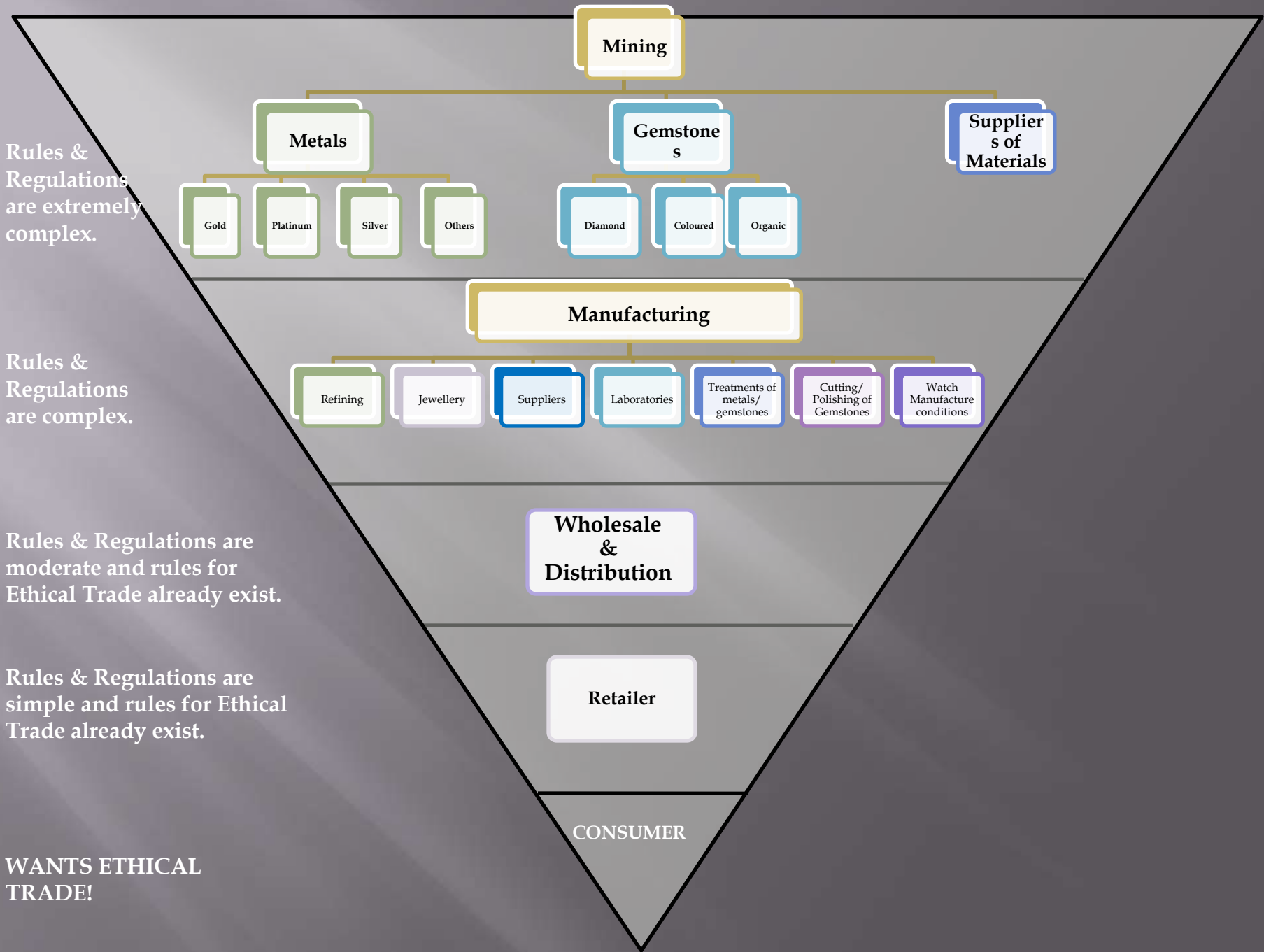
MEMBERS

Retail

- Argos Ltd
- Ben Bridge Jeweler
- Borsheims
- Boucheron
- Brown Goldsmiths
- Bulgari S.p.A
- Cartier
- Chanel Horlogerie/Joaillerie
- Day's Jewellery
- Element Jewellery
- Gomez & Molina Joyeros
- Goodmans Jewelers Inc
- Hamilton Jewellers
- Harriet Kelsall Jewellery Design Ltd
- Harry Winston
- H. Cunningham Fine Jewelry Inc.
- Helzberg Diamonds
- Ice cool.co.uk
- JCPenney
- Jewellery By Varouj Inc
- Larter and Sons
- Leber Jeweler Inc.
- Lux Bond & Green
- Marissa D. Harvey
- Montblanc
- Moet Hennessy – Louis Vuitton
- Nicholas James
- Piaget
- Precious Metals
- Reis-Nichols Inc.
- Signet Group plc.
- Simms II Jewelers
- Tiffany & Co.
- Transparency S. A.
- Van Cleef & Arpels
- WhiteFlash.com
- Zale Corporation

Current membership is approximately 90 organizations.

But there are 100's of
thousands of businesses
involved...



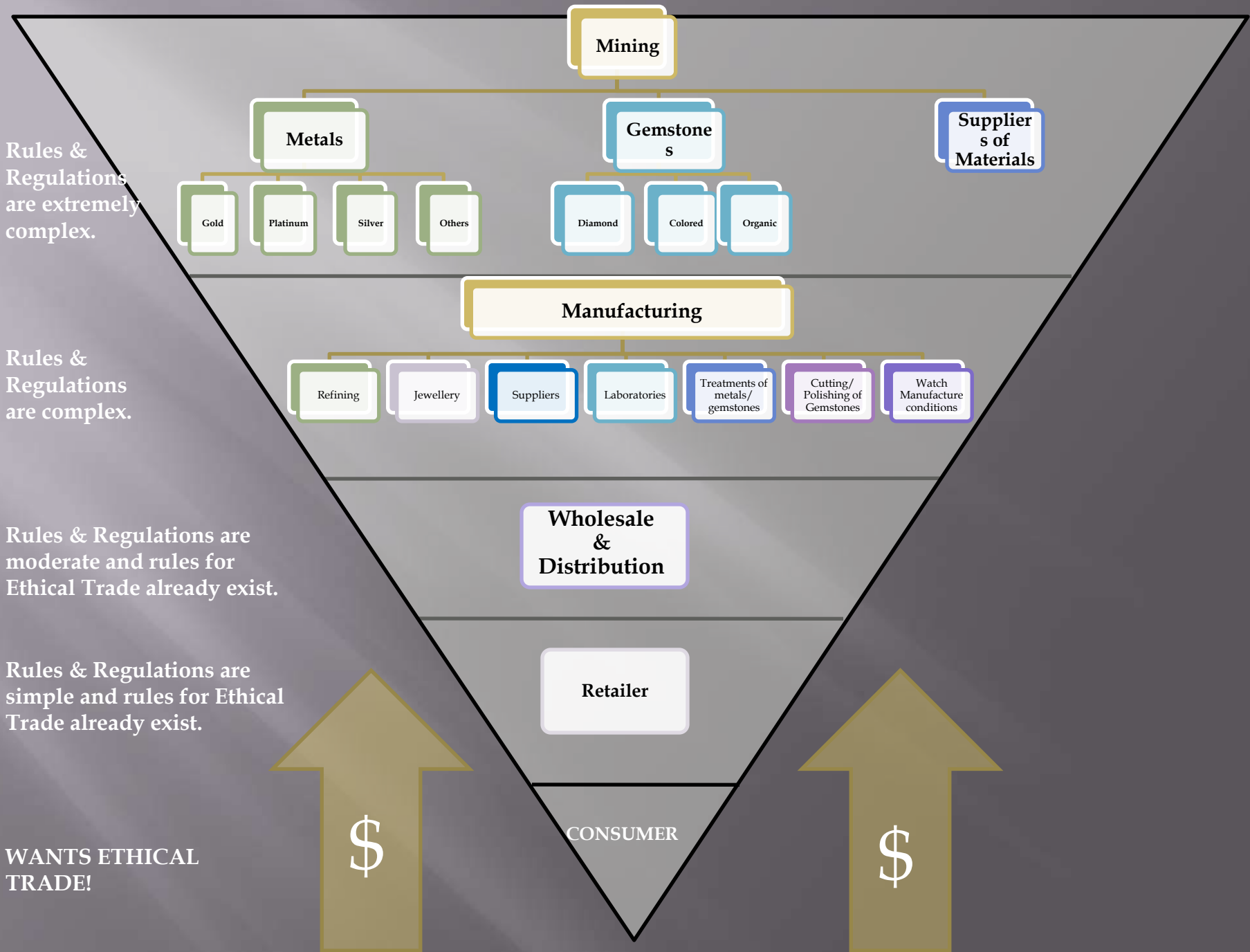


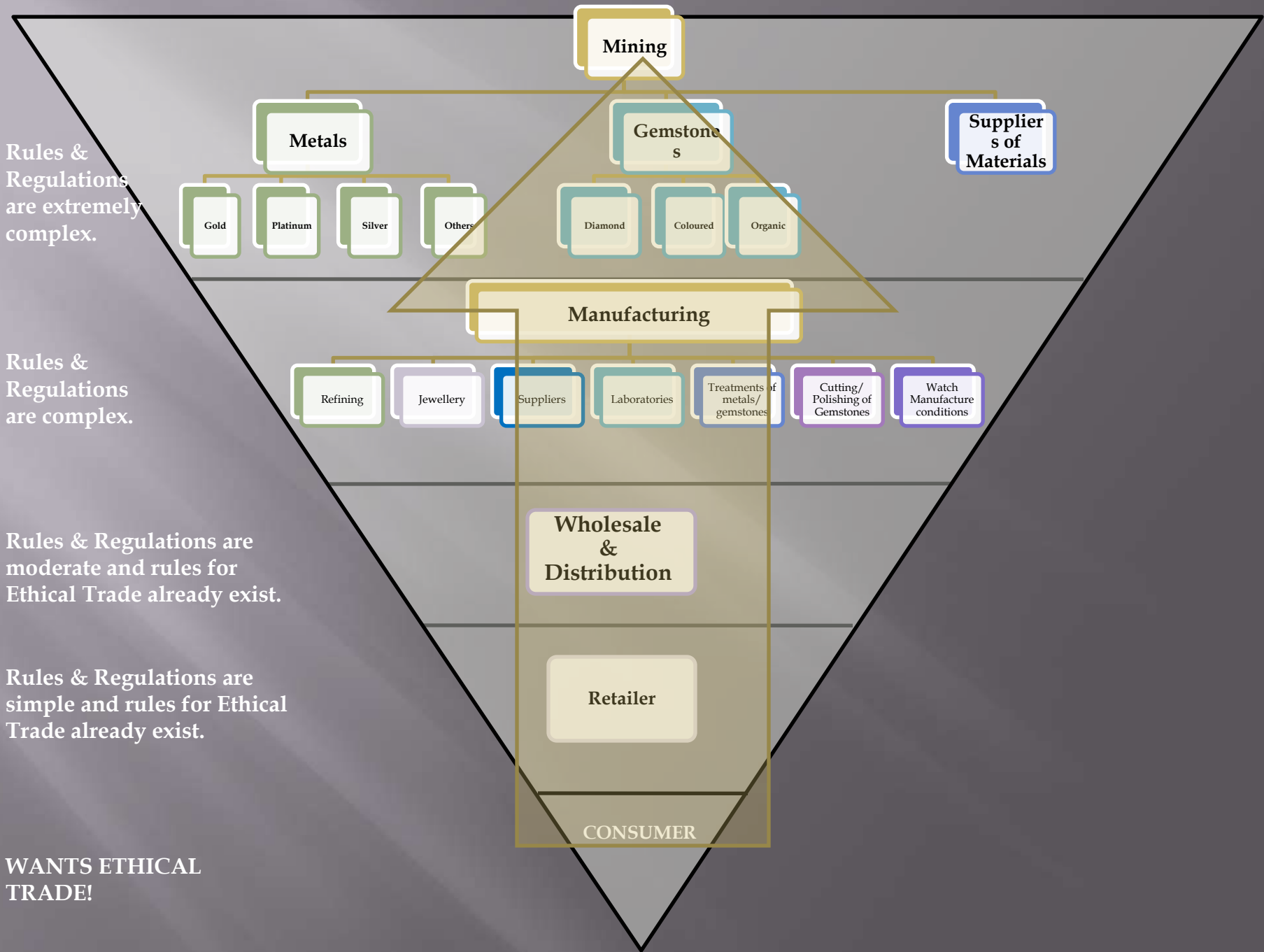
Codes of Ethics contain rules by which members must abide.

Examples of Industry Codes of Ethics at work

- **International Colored Gemstone Association**
- **Thai Gem & Jewellery Traders Association**
- **Gemological Association of Australia**
- **Jewellers Association of Australia**
- **Japan Jewellery Association**
- **American Gem Trade Association**
- **The Gemological Association of Great Britain**
- **British Jewellers Association**
- **ETC**







Mining

Metals

Gemstones

Suppliers of Materials

Gold

Platinum

Silver

Others

Diamond

Coloured

Organic

Manufacturing

Refining

Jewellery

Suppliers

Laboratories

Treatments of metals/gemstones

Cutting/Polishing of Gemstones

Watch Manufacture conditions

Wholesale & Distribution

Retailer

CONSUMER

Rules & Regulations are extremely complex.

Rules & Regulations are complex.

Rules & Regulations are moderate and rules for Ethical Trade already exist.

Rules & Regulations are simple and rules for Ethical Trade already exist.

WANTS ETHICAL TRADE!