

Sept. 25, 2000  
To: Johanne D'Auray  
From: Samuel Williams  
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Dear Johanne D'Aury,

A customer of mine just handed me a faxed document from Sirius Diamonds that says among other things:

"The government of Canada through the Competition Bureau of Industry Canada is undertaking a review of the promotion and advertising of diamonds, in particular, whether diamonds should be mined and manufactured in Canada in order to be called "Canadian" or marketed with Canadian symbols. The Bureau has asked that all interested parties (all those in the jewellery trade) respond to the four questions below on or before September 23, 2000...."

Before I discuss the four questions the document goes on to list, I have a few words for your office about this "review".

"All those in the jewellery trade" including myself never received a questionnaire on this issue from the Competition Bureau of Industry. So did the Bureau intend on conducting an unbiased survey of opinion on this issue or did the Bureau have something else in mind? If the Bureau really intended to get credible results then the survey should have been taken from a broad sample of industry members and the questions should have been presented in an unbiased context. In this particular case I am having trouble locating anyone else who got the questionnaire and the questions are presented on Sirius letter head and in conjunction with a presentation of that firm's opinions. The methodology employed in this study is completely flawed. If this is the way the Competition Bureau of Industry commonly conducts market research then the government should look elsewhere for information gathering.

My responses to the questions:

1. When should a diamond be deemed to "come into being" Why?

Diamonds are not fetuses they are minerals formed through geological processes thousands of years ago. Diamonds came into being long before humans were around to argue about them. Ask any geologist. Why? We accept the a priori existence of diamonds because our modern humility protects us from such arrogance as insisting that things only "come into being" when we sense them.

2. What do consumers and trade buyers perceive the terms “Canadian diamond” and “Diamond of Canada” or equivalent Canadian typical symbols or words to mean?

Well, I generally dislike putting myself forth as the voice of so many people but the question begs the respondent to do so. You should have worded this question differently. Anyway, the terms “Canadian diamond” or “Diamond of Canada” means those diamonds “that have been found up there in northern Canada”. Most consumers I have spoken with have only slight memories of reading something in the paper about diamond discoveries in Canada. That’s all “Canadian diamond” means to them: diamonds found in Canada. As far as the trade goes, the terms are again mainly associated with the diamond mining activity near Yellowknife.

3. What are purchasers’ expectations when they seek out a “Canadian diamond”? i) mined in Canada; ii) mined, cut and polished in Canada; or iii) cut and polished in Canada?

Those few purchasers’ who seek out a “Canadian diamond” expect a stone *found* in Canada. That’s the meat of the appeal - found under Canadian soil! The cutting location never enters the picture. There is a lot of irrational hype about “Canadian diamonds”. A great body of market research exists on the appeal and motivations behind a diamond purchase. The three big factors are romance, beauty and prestige. Nationalism never shows up as a factor in any of the studies I’ve read. Cute idea, but no evidence to suggest it will ever be a significant motivating factor in the purchase of diamonds. So for what little significance its worth, “Canadian diamond” means found in Canada.

4. Is it industry practice to refer to the origin of a diamond as the place it is mined OR [sic] the place it is cut?

The answer is, both. Our firm buys rough from Guyana has it cut in India and sells it as our “Guyanese production”. In this case it means diamonds of Guyanese origin. We also sell diamonds as “Israeli” referring to the cut which is a more commercial than other qualities we carry. In this case the true origin of diamond isn’t the intended message. Here only the place of manufacturing relevant. Then there is the popular “Antwerp diamonds” which refers only to the place of cutting. In overseas markets “Australian” is often stated in conjunction with diamonds mined in Australia but cut in India, or Thailand. So as far as trade practice, there are no hard rules as to whether nationality is associated with cut or origin. More importantly, when it gets down to the level of the consumer the source labels disappear.

As you are aware, the World Federation of Diamond Bourses, DeBeers, the UN, various NGOs and even the U.S. Congress, have been devoting a lot of attention to the trade in conflict diamonds - diamonds originating from Sierra Leon and Angola. In order to curtail trade in conflict diamonds, these organizations are devising and implementing a certification of origin program. The certificate applies to the origin of the rough diamond. Canadian rough will also fall under this certification regime and be certified as Canadian diamond. In effect, the issue your department wishes to study has already been decided by this consortium of world bodies.

The Canadian government has no responsibility to protect the fledgling Canadian cutting industry by trying to dictate to the markets what constitutes "Canadian diamond". Also, Canadian taxpayers should not be expected to foot the bill propping up a cutting industry so a few corporate welfare cases can get rich. If there is profit to be made cutting diamonds in Canada then someone will do it without taxpayer subsidy. If it is not economically feasible then even with subsidies, it will eventually fail.

I hope my comments will be added to the debate and I would appreciate it if you would keep me posted about further inquiries or developments on these issues.

Thank You,

Samuel Williams

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