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Message to the Industry:

Do not be fooled, the real danger does not come so much from synthetic diamonds, but from the scant response of the diamond industry.

By Roland Lorie, co-CEO IGI Worldwide

Since the opening of its first gemological laboratory in 1975, IGI, a world leader in the analysis and grading of diamonds and gemstones, has seen the changes and challenges facing the diamond industry. Now IGI is witnessing first-hand another challenge to the diamond industry: synthetic diamonds. While the issue is not a new one, and IGI has repeatedly brought this issue to light over the past few years, it is only now that we are observing a generalized panic in the market over synthetic diamonds.

So, what are the reasons for the panic? We all know that synthetic diamonds exist and the capacity for their production is increasing constantly. We also hear rumors that some companies are mixing natural diamonds with a small proportion of synthetic diamonds. We are aware that synthetic diamonds are generally of high quality. We hear that they are less expensive than their equivalent natural diamond counterparts. We also acknowledge that some manufacturers of synthetic diamonds submit all their grown diamonds to a gemological laboratory for Lab-Created Diamond Reports issuance. Some market research indicates that \$500 million worth of synthetics are flooding the market (and a predicted \$1 billion by the end of next year), while others say this number is largely overestimated.

But what do we know for fact? The truth is, very little. Besides a few names, so far we do not know who all of the synthetic diamond manufacturers are and where the stones are produced (although we hear mostly India and China), nor do we know the quantities of synthetic diamonds on the market; who polishes them and where they are polished. We don't know if most of the stones are disclosed or not, and we don't know who the cheaters in our industry are. How can it be possible no one knows? We also do not know how the jewelers, large chain stores and high-end brands, will react to this new threat and we know even less about how consumers will react. Last but not least, we do not know what the banks will do, who support the diamond industry.

Instead of finding answers to most of these concerns, what does our industry do? The answer is, very little.

At IGI, we have seen a serious increase in the number of undisclosed stones submitted, but so far, this number is still negligible. However, we don't need to wait for big quantities to emerge, because a few sensational articles in the consumer press could be sufficient to damage the diamond business forever. Methods exist to easily detect synthetic diamonds and IGI, as well as the world's other major labs, are already testing every single submitted stone. Above 0.30ct, synthetic diamonds are not a serious threat as most of these stones are certified. From 0.05ct and up, stones can be checked easily at our labs, however, this costs money and will add to the price. The main issue is for stones below 0.05ct. Every day, IGI is receiving many parcels of stones below 0.05ct for synthetic detection (screening). This can already be done now, and with time, equipment and techniques will surely improve.

So, why this panic? The answer is that the world has yet to see a resolved and united stance on the issue from the diamond industry leaders. The industry has to come together and establish clear rules, like what was done with the Kimberley Process. Once rules are set, confidence will return and the scare will diminish.

What type of rules could help tackle the issue? One is that on every invoice, sellers should state that the goods are from "natural origin and not treated"; and if there is any doubt whatsoever from the submitter's point of view, every stone should be checked for natural origin individually. The goods checked should ideally be accompanied by an attestation of origin.

Who should establish this chart of good conduct? We have many bodies in our industry which would be possible contenders: The WFDB, of which most diamond manufacturers and dealers are members; the IDMA, the diamond manufacturers' organization; CIBJO, the jewelry association; and RJC, which includes many of the most well-known companies as members. The major laboratories should also get involved and perhaps even some of the major high-end brands who, as primary consumers, should tell us what they expect from the industry from a retail point of view. Perhaps the manufacturers of synthetic diamonds should also be a part of it.

This is not a small task, but it has to be done. The fact is, synthetic diamonds do exist and the industry has to find a way to accept them while trying to eradicate the undisclosed infiltration of synthetics in order to maintain a healthy natural diamond market.

The real danger for the diamond industry is not the presence of synthetics diamonds, but the non-disclosure – and mixing of these with natural diamonds. If we react professionally and united, natural and synthetic will be able to co-exist, perhaps to a point where people will manufacture and trade both of them – but separately and transparently.

Our industry has to be 100% transparent.

All of this has to be done today and not tomorrow. Every day counts because if consumers have the slightest doubt about the authenticity of the product, they will find something else to spend their money on.

So, who will take the lead?