

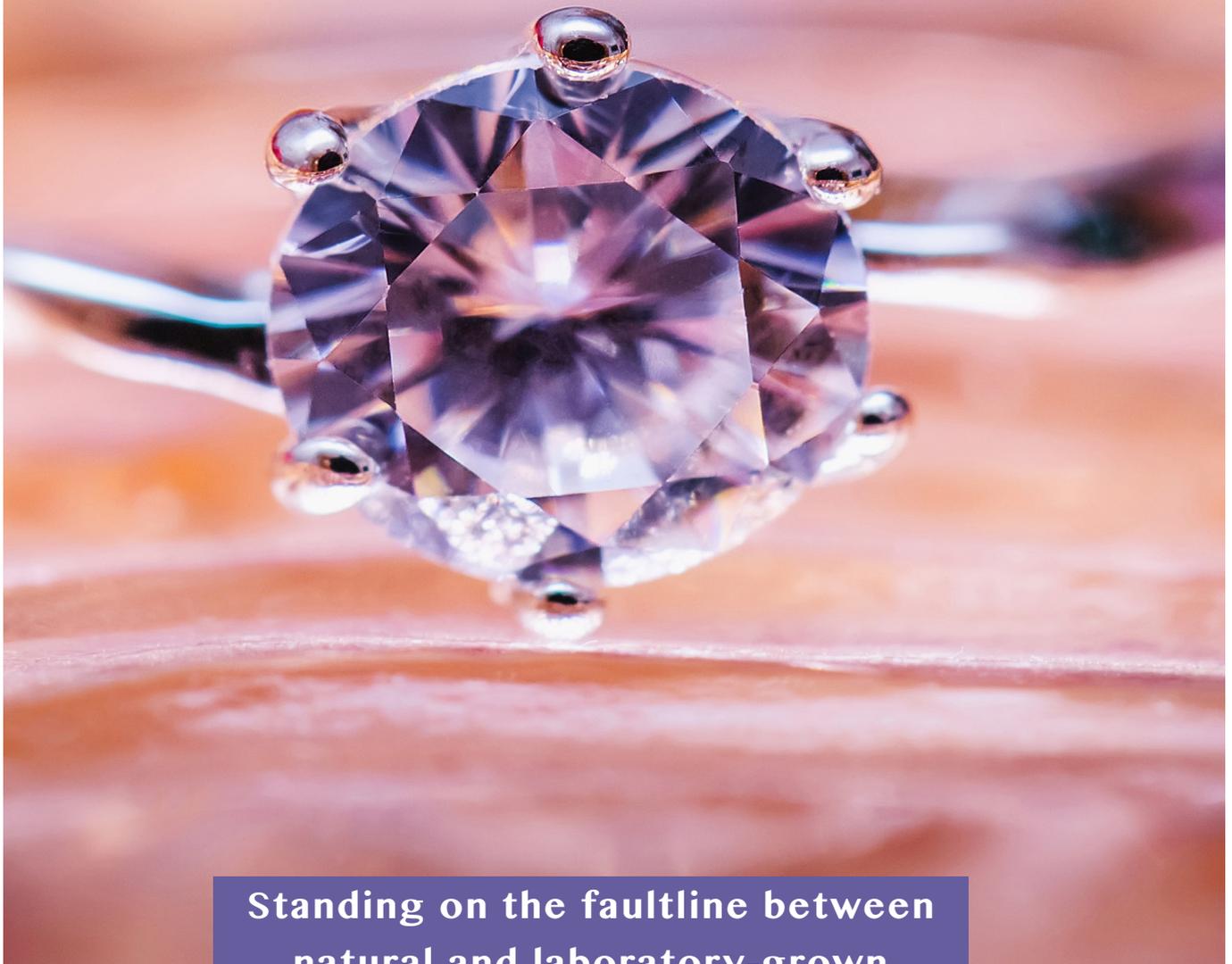


CIBJO

مؤتمر الإتحاد العالمي للمجوهرات  
THE WORLD JEWELLERY CONFEDERATION CONGRESS

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SPECIAL REPORT  
DIAMOND COMMISSION



## Standing on the faultline between natural and laboratory-grown

By Udi Sheintal, President  
CIBJO Diamond Commission

**T**his special report focuses predominantly on the fault line separating diamonds that were formed millions of years ago under natural conditions and subsequently were mined from the earth, and laboratory-grown diamonds, which are made by man in a laboratory

or factory by mechanical and chemical processes over the course of several days.

At the 2018 CIBJO Congress in Bogotá, Colombia, CIBJO established a Laboratory-Grown Diamond Working Group, whose role it would be to formulate operating principles, standards and accepted terminology for this new and growing product category.

As President of the Diamond Commission, I am not a



*Udi Sheintal, President of the CIBJO Diamond Commission.*

member of the Laboratory-Grown Diamond Working Group, nor should anyone assume that I would be, any more than I would automatically be considered a member any other forum in CIBJO dealing with a product other than my own. But, as one would imagine, I and my Diamond Commission colleagues are extremely interested in hearing the results of its deliberations. Furthermore, we expect to have a close and cooperative long-term relationship with its members.

The initiative of the CIBJO President to formalise the independent status of the laboratory-grown diamond sector within the structure of the World Jewellery Confederation is

both courageous and correct. And here I would also like to salute our Diamond Commission's long-time Vice President Harry Levy, who already years ago proposed that our industry recognize that man-made diamonds in the jewellery market are not a passing phase, and that a way be found to bring its manufacturers and vendors into our community. Harry did not represent the consensus at the time, but as always showed himself to be visionary.

### **THE RESIDUAL RISK OF BENCHMARKING VALUE**

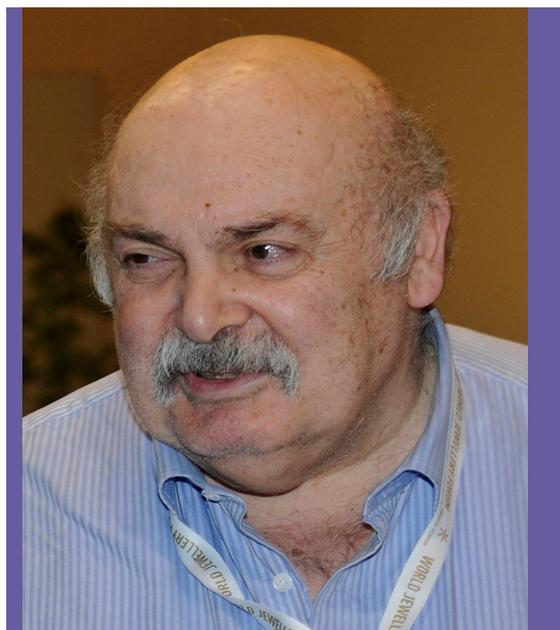
As a rule, in our commission we do not concern ourselves with diamond prices. Our role is not to prop them up, irrespective of the fact that it is in the interest of the industry for them to remain healthy. Prices are market driven. Our job is to ensure that consumers understand what they are buying. This requires that the information provided be as accurate, comprehensible and non-deceptive as possible, so that they can make a reasoned purchasing decision.

But, if you will indulge me, I would like to make a general comment about pricing policy and the growing divide between the two product categories – and please be assured I do not refer to the “divide” between the natural diamond sector and the laboratory-grown diamond sector in a negative sense.

When laboratory-grown diamonds began appearing on the market in larger numbers, the candidly-expressed pricing policy of good number of its manufacturers was that they were benchmarking their merchandise at several percentage points below the prices of natural diamonds with similar physical characteristics. What this meant was that the economic viability of their business enterprises was



*Jean-Pierre Chalain, Vice President of the CIBJO Diamond Commission.*



*Harry Levy, Vice President of the CIBJO Diamond Commission.*

inexorably linked to the health of the natural diamond trade.

But free markets have a habit of creating their own rules. De Beers' entry in the laboratory-grown diamond jewellery sector in 2018, and its decision to offer its man-made merchandise at a fixed price per carat, untethered to the fluctuating price of natural goods, tossed the cards up into the air. What's more, the falling cost of producing laboratory-grown diamonds, coupled with a growing number of manufacturers entering the fray raised the level of competition in the field, pushing prices lower. According to an in-depth *Rapaport* article published earlier this year, entitled "Synthetic Ethics," prices for 1-carat laboratory-grown stones may have fallen as much as 20 percent in just three months.

And there's the rub. Because laboratory-grown diamonds prices were deliberately benchmarked against the price of natural diamonds at the outset, the risk exists that the consuming public will continue to associate the one with the other, even after the economics have changed. While natural diamonds may once have inflated the price of laboratory-grown stones, the price war in the laboratory-grown diamond sector could have the effect of depressing the value of goods in the natural diamond sector.

This makes the task of disconnecting the natural diamond sector and the laboratory-grown diamond sectors even more important, not only from our professional perspective, but from the perspective of the consumer as well. The appeal of both products is different, and so clearly are the economics. They both should be provided the opportunity to thrive, in harmony alongside each other.

## A CUSTOMS CODING BREAKTHROUGH

There is good news to report, with progress being made in creating a comprehensive set of internationally standardised codes for all laboratory-grown diamonds that will be recognised by customs authorities when they are imported into a country or exported from it. It involves the Harmonized Commodity Description and Coding System. It also is known as the Harmonized System (HS) of tariff nomenclature, which assigns agreed-to codes to classify traded products.

The HS came into effect in 1988 and has since been developed and maintained by the World Customs Organisation (WCO),

an independent intergovernmental body with more than 200 member countries, based in Brussels, Belgium.

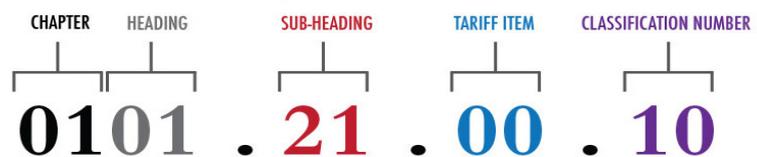
In June 2019, WCO ratified a new international six-digit code into its HS system, 7104.21, which it qualifies as "synthetic diamond, unworked or simply sawn or roughly shaped." Until then, rough laboratory-grown diamonds were grouped with all other synthetic goods. The new code complements HS code 7104.91, which covers "synthetic diamond, otherwise worked," relating to polished goods.

Countries now have the means to distinguish between all synthetic gems and synthetic diamonds and also will more accurately quantify exports and imports of synthetic rough diamonds.

The new code will appear under HS code 7104.2: 7104.21 in HS Edition 2022, which will replace HS Edition 2017, and become binding on all WCO members.

Until then, countries are being urged ahead of time to add an 8-digit national code – 7104.2010- to discriminate between synthetic diamonds and other synthetic gems to their customs codes.

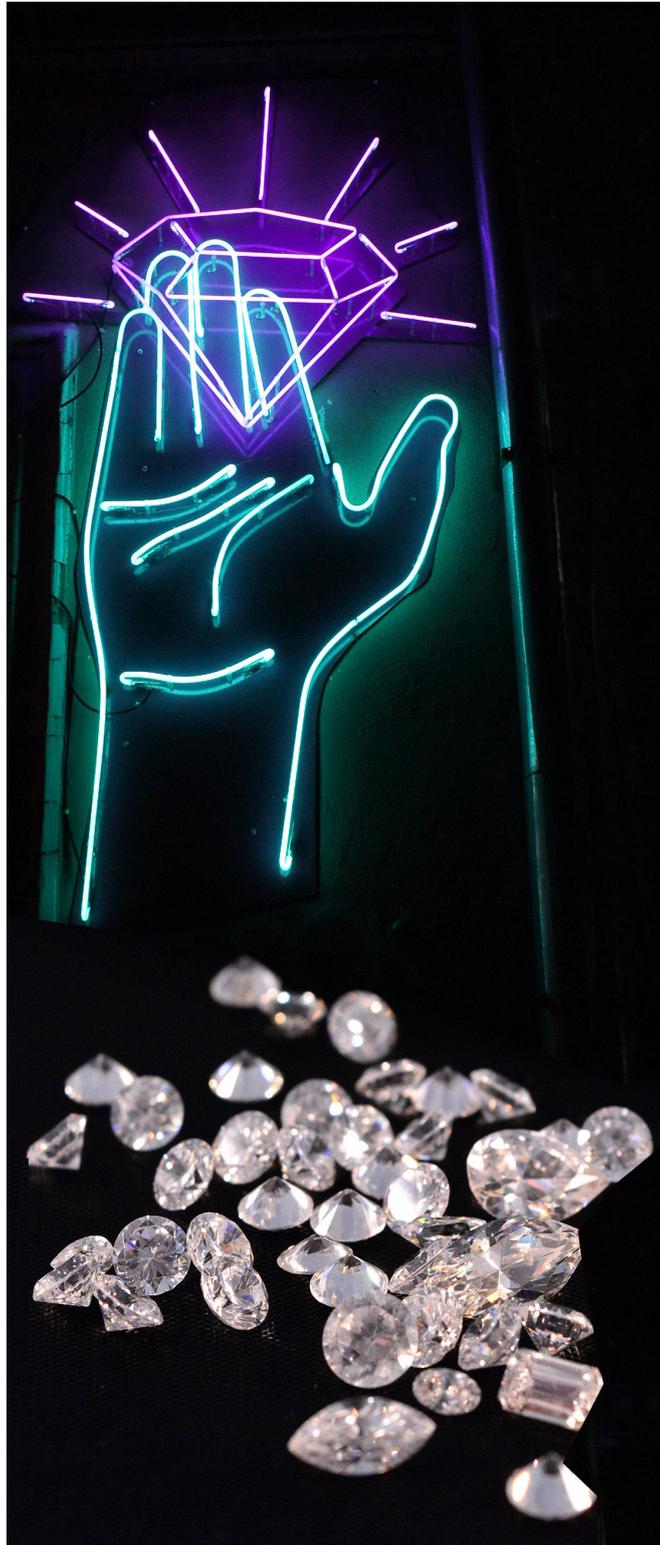
Two countries that have already done so are India and China, which not coincidentally are the two largest manufacturers of laboratory-grown rough diamonds. The European Union will adopt a Combined Nomenclature (CN) customs code for synthetic diamonds on January 1, 2020. Other countries known to be investigating changes to their custom code systems are Australia, Russia and Israel.



*The Commodity Description and Coding System of the World Customs Organisation, for which specific codes have been introduced both for rough and polished laboratory-grown diamonds.*

### A CALL FOR MARKETING RESTRAINT

One of the more disturbing aspects of this recent period of adjustment between the natural diamond and laboratory-created diamond sectors is the readiness to pitch one's product as being more ethical or environmentally acceptable than the other. This is not only a self-destructive marketing strategy, but it is also



questionable in terms of the claims being made and the data upon which they are based.

In many respects, the use of adjectives like “ethical” or “eco-friendly” to describe inanimate objects like natural and laboratory-grown diamonds is problematic, in part because there is no authority that could verify the description as being accurate or spurious. It could be likened to the very liberal use of the words “natural” or “organic” to describe food products, where even in the United States, for example, the Food and Drug Administration (FDA) has chosen not to regulate their use on food labels.

In April of this year a U.S. agency, the Federal Trade Commission (FTC), did decide to act, when it sent eight letters to jewellery marketers warning them that some of their online advertisements may deceive consumers, in violation of the FTC Act.

In addition to pointing out examples where the online advertising might imply that a diamond simulant is laboratory-created or mined, or that a laboratory-created diamond is a mined diamond, several FTC letters also noted that the companies have advertised their jewellery as “eco-friendly,” “eco-conscious,” or “sustainable,” and that such terms can be interpreted to imply certain specific environmental benefits.

The FTC stated that “Sellers must have a reasonable basis for making such claims for any products and the claims should be adequately qualified to avoid deception.”

Proper rules of engagement need to be created. I suggest that one of them would be for all sides to agree that any stone, which may be precious, but always is a lifeless object, is neither ethical nor environmentally friendly. These qualities refer to the way in which they are mined or manufactured. The onus of responsible behaviour always falls upon the individuals and companies mining or synthesizing, processing and marketing these products.

We all have it within us to do better, and then report to our consumers on our actions. Let us be judged on what we do correctly, and not on what others may or may not have done.

### VERIFYING THE DETECTION DEVICES

Dependable synthetic detection equipment has become an indispensable set of apparatus in any reliable gemmological laboratory, and desktop detection equipment is fast becoming a common sight in many diamond, jewellery and watch companies.

In this respect, the ASSURE Programme developed by the Diamond Producers Association (DPA) is providing the industry with an essential service. It has developed a universal standard to test the performance of diamond verification instruments in a consistent manner.

## CIBJO Special Report



Laboratory-grown detection devices among those that have been submitted for testing to the ASSURE programme, and which currently appear in DPA's online ASSURE Directory. The displayed devices are (clockwise, from top left): J-Smart by DRC Techno, DiamondView by De Beers Group Industry Services, D-Secure+ by DRC Techno, GV5000 by China National Gemstone Testing Center (NGTC)/Nanjing Baoguang Testing Technology Company, ALROSA Diamond Inspector by ALROSA, and AMS2 by De Beers Group Industry Services.

The methods and protocols used to conduct the tests were developed for the DPA by the professional standard house UL, in collaboration with a team of leading industry experts, who formed the ASSURE Technical Committee.

The ASSURE testing standards can be applied to all kinds of instruments with many different possible specifications, both automatised and manually operated devices, those that are portable and those that are non-transportable, devices meant to test single stones and devices that can test large batches of stones, devices testing colourless diamonds and those testing fancy coloured diamonds, devices with size limitations, and devices also able to test diamond simulants and those which do not.

Each detection device submitted to UL for testing is required to examine a highly contaminated sample containing 1,000 loose natural diamonds, 200 loose diamond-simulants and 200 loose synthetic stones. Some of the latter are difficult to detect goods that are not yet available on the market.

The result of the third-party verified performance are published in the online ASSURE Directory, which is regularly updated as instruments are submitted for testing or re-testing. It is available online at no cost at: <https://diamondproducers.com/assure/assure-directory/>.

### A CONCLUDING WORD ABOUT TERMINOLOGY

Any person who read this year's Diamond Commission Special Report from start to finish will have noticed that, while the adjective "synthetic" has popped up from time to time, I have in deference to the FTC tended to use the terms "laboratory-grown diamond" or "laboratory-created diamond." I have been careful, however, not to use the abbreviated term "lab-grown diamond," or heaven forbid "LGD" or "LCD," despite the fact that they seem to be used increasingly in both the media and the trade.

As such, I am staying within the Diamond Terminology Guidelines that were released in January 2018 by CIBJO and eight other leading industry associations, which stated specifically that abbreviations should not be used. I would note that this is in line with both the CIBJO Blue Book and the International Standard Organisation's ISO 18323 ("Jewellery – Consumer confidence in the diamond industry"). The original document is displayed on the following page.

It may seem petty and inconsequential, but rules are rules, especially when there is a worthy motive involved. Our motive at the fault line between natural and laboratory-grown product is providing the consumer with comprehensive and comprehensible information. If it takes seven more letters to do that, then that is what we should do.

## DIAMOND TERMINOLOGY GUIDELINE

### INTRODUCTION AND REFERENCE

Nine of the leading diamond industry organisations (AWDC, CIBJO, DPA, GJEPC, IDI, IDMA, USJC, WDC and WFDB) have developed the present guideline to encourage full, fair and effective use of a clear and accessible terminology for diamonds, synthetic diamonds and imitations of diamonds by all sector bodies, organisations and traders.

This **Diamond Terminology Guideline** serves as a reference document for the diamond and jewellery trade when referring to diamonds and synthetic diamonds. It is built on two internationally accepted standards: the **ISO 18323 Standard** (“Jewellery – Consumer confidence in the diamond industry”) and the **CIBJO Diamond Blue Book**.

### DEFINITIONS

- A **diamond** is a mineral created by nature; a “diamond” always means a **natural diamond**.
- A **synthetic diamond** is an **artificial product** that has essentially the same physical characteristics as a **diamond**.
- An **imitation diamond**, also named a **diamond simulant**, is an **artificial product** that imitates the appearance of diamonds without having their chemical composition, physical properties or structure.
- A **gemstone** is a **mineral of natural origin** that is used in jewellery for reasons of combined beauty, rareness and intrinsic value.

### TERMINOLOGY

- **When referring to synthetic diamonds:**
  - Use one of the following authorised qualifiers when referring to synthetic diamonds: “synthetic”, “laboratory-grown” or “laboratory-created”.
  - Do not use abbreviations such as “lab-grown” and “lab-created”.
  - Do not use the following terms: “cultured diamonds” and “cultivated diamonds” as “cultured” and “cultivated” refer exclusively to organic/biogenic products.
  - Do not use the following terms: “real”, “genuine”, “precious”, “authentic” and “natural” as those apply exclusively to natural minerals and gemstones.

### RECOMMENDATION

- A **diamond is natural by definition. Therefore, use the word “diamond” without a qualifier when referring to a diamond.** If differentiation from synthetic diamonds is required, use the term “natural diamonds” as term of equivalent meaning.
- **Do not use the following confusing expressions:** “natural treated diamonds” and “treated natural diamonds”. Instead, simply use “treated diamonds”.

### WHEN AND WHERE TO USE THE DIAMOND TERMINOLOGY GUIDELINE

- The leadership of AWDC, CIBJO, DPA, GJEPC, IDI, IDMA, USJC, WDC and WFDB strongly recommend all traders, sector bodies and other organisations to comply with the guideline on all **documents, websites and other means of communication** that are intended to e.g. **sell, buy and promote** diamonds, synthetic diamonds, gemstones, gemmological laboratory reports, diamond jewellery and synthetic diamond jewellery.

For any questions regarding this guideline, please contact Lisa Levinson at [lisa@diamondproducers.com](mailto:lisa@diamondproducers.com).

### SUPPORTED BY:



U.S. JEWELRY COUNCIL



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