Israel Diamond Exchange president YAIR SAHAR granted MICHELLE MOSHELIAN of the Israel Diamond Institute (IDI) an exclusive interview to discuss the progress of the Israeli diamond sector in 2012, and give some insight into the direction the industry is heading in this year.
Michelle Moshelian: The year that passed was challenging for the Israeli diamond industry. Can you tell us about the highlights of the year?

Yair Sahar: The year 2012 was especially difficult for the diamond industry, but despite this, it was also a year of lively intensive action at the Israel Diamond Exchange. Last year we dealt with a vast range of activities on a wide range of topics that surrounded the widening and deepening of the business platform of rough and polished diamonds; an in-depth investigation and invigoration of some of the exchange’s system; an improvement in service in the spirit of the 21st century; financial savings; development of external relations; and activities for the benefit of the individual and the community. We worked together, with combined forces, while we continued with dozens of projects on a wide range of topics, some of which we carried out to completion, and some of which are planned for the near and distant future.

In what ways did you expand the business platform of the exchange members?

I will divide my answer into three: the sphere of rough diamonds, the sphere of polished diamonds and the sphere of information.

In the sphere of diamonds, we initiated, supported and took steps to enable firms that work in the rough diamond trade to carry out tenders in Israel. This year, in addition to the veteran Diamdel, the following companies joined the initiative to hold tenders of rough diamonds in Israel: eDiamond, the British firm that carries out online tenders of rough diamonds; the new joint venture of I. Hennig and Fusion for tenders of rough diamonds; and recently Alrosa, the Russian state-owned diamond company. In light of the success of two experimental tenders that Alrosa carried out in Israel in 2012, it decided to carry out three large tenders of rough diamonds of 10.8 carats or more in 2013, and to investigate the possibility of carrying out tenders of polished diamonds in Israel.

Alrosa’s decision to carry out tenders in Israel was achieved after many conversations between Alrosa vice president Yuri Okoyomov and myself, and, as was revealed in a press release which came out at the beginning of
In the sphere of polished diamonds, this year we launched the first initiative of inter-continental cooperation between two diamond bourses, the first one being the diamond bourse of New York City. When the Diamond Dealers Club’s president Reuven Kaufman and myself brought up the idea during our conversation at the World Diamond Congress that took place recently in Mumbai, we had very modest expectations. I told Kaufman that I estimated that about 15 diamond companies would take up the challenge. We were very satisfied with the fact that about 100 Israeli diamantaires, representing about 50 diamond companies, crammed the trading hall of the DDC for a full week, and injected it with life in a way that it had not experienced for many years. We were even more satisfied when we heard the excellent feedback from the two sides. What’s clear is that all of the organisers and all the participants left with a desire for more.

Without a doubt, this successful experiment will push us to organise similar cooperative ventures with other diamond exchanges, as well as continuing the cooperation with the American diamond exchange, whether by hosting American diamantaires in Israel, or by organising other delegations that will travel to the United States.

In the sphere of improving information and communication, we took a few initial steps, including a redesign of the exchange’s internet website, which now looks much more accessible and user-friendly than in the past. We started up a Facebook page for the exchange. In the near future, I hope and believe that our website will also exist in English. We set up informational displays in the passages of the exchange. And there’s more. All of these are nothing other than the basis for action to improve the information and communication which will occur in the future.

We excel at community activities, whether for our internal community or for society in general in Israel. In the sphere of the internal community, we took on such a long list of activities, that even an internet survey could not contain all the details of the entire list. So on this issue, I will only note the establishment of the new fund – a welfare fund for members, by members, which joins the older funds – Ezer Fund, Distress Fund and a system of loans by the Diamond Association (which was expanded after the last agreement). All of these are intended to support members that need help.

We were also active this year on a wide range of topics to aid the general community by supporting NGOs. All these are just a small bit of the very wide range of activities that the Israel Diamond Exchange did last year in order to help its members stimulate their businesses during a very difficult year for businesses, and they did it in an efficient and supportive working environment.

You mentioned an examination and invigoration of systems and financial savings. Could you elaborate?

The management of the Israel Diamond Exchange during this term understands the bourse as an organisation that is dynamic, one that develops, which is obligated to carefully examine all of its systems, in order to preserve and improve its standing as a leading global centre which serves as a model for exchanges around the world, in its adherence to ethical standards, in its strong justice system and in its creation of conditions and work environments that grant security to industry businesses. Therefore, at the very start of the term of the present administration, we initiated a number of serious investigations, among them a serious investigation of the varieties of tags, a serious examination of the exchange’s arbitration mechanism, a wide-ranging investigation of the security system and others. The examination of the exchange’s tag system led to the cancellation of hundreds of building entrance tags. The examination of the arbitration mechanism led to satisfaction with the system, with the need for only minor changes. The investigation of the security system led to greater efficiency which resulted in financial savings of many millions of shekels.

In the realm of savings for private members, we achieved the best possible mobile phone arrangement in the Israeli market. We also achieved for our members, thanks to the association we appointed on this issue, The Diamond Association for Joint Life Insurance for Exchange Members, the best possible joint life insurance agreement, with excellent conditions, and in its wake, free health insurance for all exchange members covering transplants, special treatments abroad and medicines that are not included in the regular health package.

In addition to the global financial crisis, the diamond industry was caught in a deep internal crisis this year as a result of investigations by the police and the Tax Authority. Would you be willing to comment on those aspects? Certainly. The period we went through was not easy, but the way we responded to the problems and the results that we achieved, and will yet achieve, are noteworthy and praiseworthy.

The police and the Tax Authority’s investigative arm’s raid on the exchange facilities was part of an above-board investigation, which followed a long period in which there was a secretive investigation. It was an earthquake that threatened to topple everything that has been built here over decades. Joint efforts, cool-headedness and the help of a very talented team led to our success in controlling the crisis and managing it.

The crisis broke on January 8, 2012, when we were surprised by a ‘visit’ by the police at the exchange. Unfortunately, we were forced to deal with a new situation, one which we had no prior experience with. An investigation that had begun a year and a half previously, reached the operational stage. Immediately, as soon as we realised the size and scope of the problem, I called for an emergency management meeting, and an emergency meeting of the industry’s taxation committee, headed by Shlomo Yovel, and we conducted consultation meetings with managers of banks that are active in the industry.
The management, together with the industry’s taxation committee, monitored and continues to monitor the crisis at all times with update and brainstorming meetings, which took place over a long period of time, intensively, daily. At the same time, we established an industry steering committee so the entire industry can together, as one, deal with the developments. We made a number of decisions about steps to take, and no less important, about steps not to take. We decided not to address the press, we preferred to act for real, and not with headlines or irresponsible public relations, in order to avoid publicity of the events that we could not control. Thus, we managed to achieve “media silence” which meant no media outlet publicising the police actions, and very little publication of the events. We decided not to use the direct close contacts that the industry management has with the most highly-ranked politicians. We decided that the most important and most pressing thing was to go directly to the commanders of the investigation, in order to explain to them the massive effect that the investigation was having on the entire industry.

At the meeting, we represented the strength and might of the Israeli diamond industry. Next to me at the meeting were the lawyer Pini Rubin, former commander Yossi Sadinon and managing director Moti Besser. The leadership of the police command was represented by the head of Lahav 433, Commander David Mansour, the head of YAHA, Deputy Commander Ziva Agami, and the second in command of YAHA, Deputy Commander David Bitton. At the meeting, we described the centrality of the diamond industry to the Israeli economy, the total worth of our annual activities, which stands at $28 billion and our annual exports, which stand at $11 billion. We keep 20,000 people employed and are responsible for the support of 100,000 men, women and children, as well as employing 35,000 people abroad.”

I sought and received a meeting with the leadership of the staff in charge of police investigations. This was an outstanding accomplishment and one of great importance. The police themselves told us that they have never agreed to listen to the point of view of an industry while that very industry was being investigated.

We explained what rumours and an atmosphere of uncertainty generate in our unique industry. We continued, claiming that the investigations create a complete freeze of our business activities, and we gave examples that illustrate the point. After emphasising the strength and the might of the industry, I emphasised the scale and scope of the damage that we had already suffered.
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I felt that our words had penetrated the hearts of the police officers. They were surprised by our industry’s high level of vulnerability. They did not imagine that something, which from their perspective was limited to a very, very small number of people, relative to the size of the industry, could paralyse our business. They had no idea how sensitive our industry is.

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The police commanders emphasised the importance of the diamond industry to the State of Israel, the great esteem it has for the industry with significant financial achievements, which we should be proud of.

After the meeting with the police, I personally met with the head of the investigation unit of the Tax Authority and other officials, accompanied by managing director Moti Besser, and our tax advisors, the accountants Yoni Kaplan and Moshe Leon, and the former commander Yossi Sadbon. At that meeting I presented to the Tax Authority the same presentation that we made to the police, which explains that they have no interest in harming the Israeli diamond industry.

We decided together to establish joint working groups in order to reach understandings and solutions that are agreeable to both parties. At the same time, there were debates over industry calculations. On March 1, we gathered together the exchange members in the main hall as soon as we returned from a meeting with the head of the investigation team of the Tax Authority, Avi Arditi. We announced that we managed to convey a message concerning the massive harm that had been done to the industry, and we received a promise that there would be no more investigations and raids on the diamond offices. Since then, with the exception of one incident which we are still investigating, the Tax Authority did not raid the buildings.

I am certain that the team that is accompanying us throughout the crisis – the exchange’s new legal advisor, the lawyer Pini Rubin, joined by the lawyers Ofer Fleischer, Ram Kaspi and Navot Tel Tzur, and the tax advisors, the accountants Yoni Kaplan, Moshe Leon and Jackie Matza, and the exchange’s security advisor, the former head of investigations, commander Yossi Sadbon – together with the industry management, is leading us to the best possible solution.

In order to achieve calm and to stabilise the economic system, we devoted efforts to reach an industry-wide tax arrangement for the years 2009 to 2011. Led by the chair of the industry tax committee, Shomo Yovel, and with the full support of industry leaders, we succeeded in reaching a tax agreement for three years – unprecedented in the history of the industry.

What are your plans and expectations for the Israeli diamond industry in the year 2013?

It would seem that most of the signs we are receiving allow us to anticipate the New Year with optimism. I believe that over the course of the first half of 2013, we will enter a new period of growth, just as De Beers CEO Philip Mellier said, predicting that “the diamond market in the United States [the largest in the world] will grow by 3-4% next year, the Chinese market will grow by 10%, and the Indian market will grow by at least 5% next year”. We found an indication of this claim in the holiday season sales in the United States.

Regardless of whatever kind of economic situation the world is in, we have lots of plans in the works.

First, in the sphere of rough diamonds, as I mentioned at the start, Alrosa intends to hold three tenders of large rough diamonds in Israel this year, and perhaps even a tender of polished diamonds. In addition, we will continue our activities to promote the Israeli diamond centre as a draw for international companies that deal with tenders.

In the sphere of polished diamonds, we intend to create additional initiatives, such as the Israeli Diamond Week in New York City, whether these initiatives occur in diamond centres around the world, or in Israel. We will attempt to make possible many interesting opportunities for meetings between members of the Israel Diamond Exchange and suppliers and consumers from all over the world.

We are joyous to have the great privilege to begin the year with a good deed – supporting the donation campaign of ILAN, the Israeli association for disabled children. We will begin out support for ILAN with a special initiative: the diamond exchange’s basketball team will sit in wheelchairs and play versus ILAN’s basketball team, and we will continue the day on our feet, heading a donation day for ILAN, launched by ILAN’s chair Ehud Ratzabi and by the President of the country, Shimon Peres.
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In the first month of the year, we will host a special guest, the former state comptroller, Micah Lindenstrauss, who will lecture at the socio-economic club that we established last year, and which has already managed to host an impressive list of leaders of the Israeli economy, including Bank of Israel governor Stanley Fischer.

Likewise, we will continue to act intensively for the welfare of the members of the exchange and everyone dealing with the industry, and with significant improvements in the exchange facilities: we will launch a consumers club in cooperation with the workers committee of the Electric Company, thus manifesting our purchasing power; we’ll activate our agreement with the safe companies to lower the price of safes for members of the exchange by 10%; we’ll enact the decision of the management to lower the age of exemption from membership fees to 65; we will enact the second phase of efficiency and savings for our security system, while improving service by using an efficient and cost-saving feedback system at the entrance to the exchange buildings, we will vigorously push forward cooperation with the Ramat Gan Municipality on the master plan for the exchange, and much more.

The diamond industry of the beginning of the second decade of the 2000s is an attractive target for international firms dealing with rough diamonds, polished diamonds and jewellery. Every international company that arrives in Israel will receive all the tools they need to open up purchasing channels and marketing channels. That is our statement for the New Year – the Israeli diamond centre is a good place to do business.

I’ll end my comments here, in the same way that I began them. The Israel Diamond Exchange is a body that is dynamic, lively, developing and advancing. There are many dozens of topics that are planned for this year, dozens that have been carried out successfully, and dozens more that will be carried this year and in the years to come. The future is ours. We are preparing for it by giving a lot of thought and all of our trust in the healthy future of both the Israeli diamond industry and the global diamond industry.