

TRADE IN AFRICAN DIAMONDS

HEARING
BEFORE THE
SUBCOMMITTEE ON TRADE
OF THE
COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES
ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

SEPTEMBER 13, 2000

Serial 106-72

Printed for the use of the Committee on Ways and Means



U.S. GOVERNMENT PRINTING OFFICE

68-040 CC

WASHINGTON : 2000

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402

COMMITTEE ON WAYS AND MEANS

BILL ARCHER, Texas, *Chairman*

PHILIP M. CRANE, Illinois	CHARLES B. RANGEL, New York
BILL THOMAS, California	FORTNEY PETE STARK, California
E. CLAY SHAW, Jr., Florida	ROBERT T. MATSUI, California
NANCY L. JOHNSON, Connecticut	WILLIAM J. COYNE, Pennsylvania
AMO HOUGHTON, New York	SANDER M. LEVIN, Michigan
WALLY HERGER, California	BENJAMIN L. CARDIN, Maryland
JIM McCRERY, Louisiana	JIM McDERMOTT, Washington
DAVE CAMP, Michigan	GERALD D. KLECKA, Wisconsin
JIM RAMSTAD, Minnesota	JOHN LEWIS, Georgia
JIM NUSSLE, Iowa	RICHARD E. NEAL, Massachusetts
SAM JOHNSON, Texas	MICHAEL R. McNULTY, New York
JENNIFER DUNN, Washington	WILLIAM J. JEFFERSON, Louisiana
MAC COLLINS, Georgia	JOHN S. TANNER, Tennessee
ROB PORTMAN, Ohio	XAVIER BECERRA, California
PHILIP S. ENGLISH, Pennsylvania	KAREN L. THURMAN, Florida
WES WATKINS, Oklahoma	LLOYD DOGGETT, Texas
H.D. HAYWORTH, Arizona	
JERRY WELLER, Illinois	
KENNY HULSHOF, Missouri	
SCOTT McINNIS, Colorado	
RON LEWIS, Kentucky	
MARK FOLEY, Florida	

A.L. SINGLETON, *Chief of Staff*

JANICE MAYS, *Minority Chief Counsel*

SUBCOMMITTEE ON TRADE

PHILIP M. CRANE, Illinois, *Chairman*

BILL THOMAS, California	SANDER M. LEVIN, Michigan
E. CLAY SHAW, Jr., Florida	CHARLES B. RANGEL, New York
AMO HOUGHTON, New York	RICHARD E. NEAL, Massachusetts
DAVE CAMP, Michigan	MICHAEL R. McNULTY, New York
JIM RAMSTAD, Minnesota	WILLIAM J. JEFFERSON, Louisiana
JENNIFER DUNN, Washington	XAVIER BECERRA, California
WALLY HERGER, California	
JIM NUSSLE, Iowa	

Pursuant to clause 2(e)(4) of Rule XI of the Rules of the House, public hearing records of the Committee on Ways and Means are also published in electronic form. **The printed hearing record remains the official version.** Because electronic submissions are used to prepare both printed and electronic versions of the hearing record, the process of converting between various electronic formats may introduce unintentional errors or omissions. Such occurrences are inherent in the current publication process and should diminish as the process is further refined.

CONTENTS

	Page
Advisories announcing the hearing	2
WITNESSES	
U.S. Department of State, William B. Wood, Principal Deputy Assistant Secretary, International Organization Affairs	32
DIAWONMANUFACTURERS AND IMPORTERS ASSOCIATION OF AMERICA, JEFFREY FISCHER	
Diamond Manufacturers and Importers Association of America, Jeffrey Fischer	58
Gemological Institute of America, William E. Boyajian	73
Global Witness, Alex Yearsley	52
Hall, Hon. Tony P., a Representative in Congress from the State of Ohio	7
Jewelers of America, Inc., Matthew A. Runci	39
McKinney, Hon. Cynthia A., a Representative in Congress from the State of Georgia	20
Payne, Hon. Donald M., a Representative in Congress from the State of New Jersey	17
Physicians for Human Rights, Holly Burkhalter	61
Rough Diamond Consultancy, J.F. "Jack" Jolis	69
Wolf, Hon. Frank R., a Representative in Congress from the State of Virginia	14
World Diamond Council:	
William E. Boyajian	73
Matthew A. Runci	39
SUBMISSIONS FOR THE RECORD	
Diamond Dealers Club, New York, NY:	
Jacob Banda, letter	86
Mayer Herz, statement	13
Liberia, Republic of, His Excellency William V.S. Bull, Ambassador to the United States, letter and attachment	84
MONDERA.com, New York, NY, Mayer Herz, statement	13
Rosen, Elly, Appraisal Information Services, Brooklyn, NY, Gems and Jewelry Reference, and Appraiser's Information Network, statement	82
Women's Commission for Refugee Women and Children, New York, NY, Mary Diaz, statement	87
World Vision, Rory E. Anderson, statement	89

TRADE IN AFRICAN DIAMONDS

WEDNESDAY, SEPTEMBER 13, 2000

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON TRADE,
Washington, D.C.

The Subcommittee met, pursuant to notice, at 9:35 a.m., in room 1100, Longworth House Office Building, Hon. Philip M. Crane (Chairman of the Subcommittee) presiding.

[The advisories announcing the hearing follow:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON TRADE

FOR IMMEDIATE RELEASE

CONTACT: (202) 225-1721

August 10, 2000

No. TR-23

Crane Announces Hearing on Trade in African Diamonds

Congressman Philip M. Crane (R-IL), Chairman, Subcommittee on Trade of the Committee on Ways and Means, announced today that the Subcommittee will hold a hearing on trade in African diamonds. **The hearing will take place on Tuesday, September 12, 2000, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 10:00 a.m.**

Oral testimony at this hearing will be from both invited and public witnesses. Invited witnesses will include officials from the U.S. Department of State and the U.S. Department of the Treasury. Also, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee or for inclusion in the printed record of the hearing.

BACKGROUND:

Recently, there has been intensified international focus on the trade in diamonds and its link to illegal arms trafficking and civil war in Africa. Often called "conflict" or "blood" diamonds, such diamonds generally come from mines controlled by rebel forces and are traded for arms to fuel civil war in Africa.

Many claim that the Sierra Leone rebel organization Revolutionary United Front has engaged in atrocious acts against civilians and has been trading conflict diamonds to finance its war against the Government of Sierra Leone. On July 5, 2000, the United Nations adopted a resolution calling for an 18-month embargo against diamonds from Sierra Leone. The resolution calls on member States to ban the importation of rough diamonds from Sierra Leone unless those diamonds are exported under a certificate system approved by a Security Council Sanction Committee. This ban is similar to the U.N. embargo implemented against diamonds from Angola in June 1998.

The United States has been actively involved in efforts to curb trade in conflict diamonds. In May 2000 in Kimberly, South Africa, the United States, along with South Africa, the United Kingdom, Belgium, and representatives of the diamond industry reached an agreement on key issues establishing a certification system, accountability and oversight for the industry. The United States has also taken a lead in establishing Sierra Leone's Commission on the Management of Strategic Resources and has committed over \$1 million as well as technical advice for this effort.

In response to the international focus on conflict diamond trade and the U.N. ban against diamonds from Sierra Leone, the World Diamond Congress (comprised of the World Federation of Diamond Bourses and the International Diamond Manufacturers Association) adopted on July 19, 2000, a joint resolution laying out a proposal for oversight, accountability and specific actions to track the flow of rough diamonds. The proposal requires each accredited rough diamond importing country to enact "redline" legislation prohibiting the importation of any parcel of rough diamonds unless such parcel has been sealed and registered in a universally standardized manner by an accredited export authority from the exporting country. In addi-

tion, the proposal does the following: (1) calls for the exporting country to implement an accredited export system; (2) prohibits the importation of diamonds from countries that have not enacted redline legislation; (3) requires countries to adopt criminal penalties for trading in illicit rough diamonds; and (4) requires adherence to a code of conduct. Under the proposal, compliance is to be monitored and controlled by the industry, the International Diamond Council.

Under U.S. law, the origin of a cut diamond is the country where the diamond was cut, and U.S. Customs does not require any information relating to the country of mining of the imported cut diamond. Most experts agree that once a diamond has been cut and polished, it is difficult to determine the country where it was mined.

There have been a number of legislative proposals in Congress seeking to address the trade in conflict diamonds, including banning diamonds from specified countries and requiring a certification of where the diamond sought to be imported was mined. These proposals have not received the support of the Administration, largely because of concerns that they are not administrable and have the potential to harm legitimate diamond trade.

In announcing the hearing, Chairman Crane stated: "This hearing will provide the Subcommittee with an opportunity to review the options available to curtail conflict diamond trade that is World Trade Organization (WTO) consistent and does not impact legitimate diamond trade. We must break the link that makes diamonds a rebel's best friend, but we must also not harm legitimate diamond trade that is a vital link to the world's economy."

FOCUS OF THE HEARING:

The focus of the hearing will be to evaluate options available that are administrable and WTO consistent and will effectively curtail conflict diamond trade without impacting legitimate diamond trade. The Subcommittee is interested in receiving testimony on possible approaches to this issue, including testimony on current and developing technology that can determine the country of mining of a cut and polished diamond.

DETAILS FOR SUBMISSIONS OF REQUESTS TO BE HEARD:

Requests to be heard at the hearing must be made by telephone to Traci Altman or Pete Davila at (202) 225-1721 no later than the close of business, Tuesday, September 5, 2000. The telephone request should be followed by a formal written request to A.L. Singleton, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. The staff of the Subcommittee on Trade will notify by telephone those scheduled to appear as soon as possible after the filing deadline. Any questions concerning a scheduled appearance should be directed to the Subcommittee on Trade staff at (202) 225-6649.

In view of the limited time available to hear witnesses, the Subcommittee may not be able to accommodate all requests to be heard.

Those persons and organizations not scheduled for an oral appearance are encouraged to submit written statements for the record of the hearing. All persons requesting to be heard, whether they are scheduled for oral testimony or not, will be notified as soon as possible after the filing deadline.

Witnesses scheduled to present oral testimony are required to summarize briefly their written statements in no more than five minutes. **THE FIVE-MINUTE RULE WILL BE STRICTLY ENFORCED.** The full written statement of each witness will be included in the printed record, in accordance with House Rules.

In order to assure the most productive use of the limited amount of time available to question witnesses, all witnesses scheduled to appear before the Subcommittee are required to submit 200 copies, along with an IBM compatible 3.5-inch diskette in WordPerfect or MS Word format, of their prepared statement for review by Members prior to the hearing. Testimony should arrive at the Subcommittee on Trade office, room 1104 Longworth House Office Building, no later than Friday, September

8, 2000. Failure to do so may result in the witness being denied the opportunity to testify in person.

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE:

Any person or organization wishing to submit a written statement for the printed record of the hearing should submit six (6) single-spaced copies of their statement, along with an IBM compatible 3.5-inch diskette in WordPerfect or MS Word format, with their name, address, and hearing date noted on a label, by the close of business, Tuesday, September 26, 2000, to A.L. Singleton, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Trade office, room 1104 Longworth House Office Building, by close of business the day before the hearing.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be submitted on an IBM compatible 3.5-inch diskette in WordPerfect or MS Word format, typed in single space and may not exceed a total of 10 pages including attachments. Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.

4. A supplemental sheet must accompany each statement listing the name, company, address, telephone and fax numbers where the witness or the designated representative may be reached. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press, and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are available on the World Wide Web at "<http://waysandmeans.house.gov>."

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

NOTICE—CHANGE IN DATE AND TIME

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON TRADE

FOR IMMEDIATE RELEASE

CONTACT: (202) 225-6649

September 6, 2000

No. TR-23-Revised

Change in Date and Time for Subcommittee Hearing on Trade in African Diamonds Tuesday, September 12, 2000

Congressman Philip M. Crane (R-IL), Chairman of the Subcommittee on Trade of the Committee on Ways and Means, today announced that the Subcommittee hearing on trade in African diamonds, previously scheduled for Tuesday, September 12, 2000, at 10:00 a.m., in the main Committee hearing room, 1100 Longworth House Office Building, **will now be held on Wednesday, September 13, 2000, beginning at 9:30 a.m.**

All other details for the hearing remain the same. (See Subcommittee press release No. TR-23, dated August 10, 2000.)

Chairman CRANE. Welcome to this important hearing on conflict diamonds. I especially want to thank the witnesses, many of whom had to reschedule their plans so that they could testify. Some of you have crossed oceans to get here and I know how important this issue is to everyone present here today.

Africa is a continent of magnificent landscape, beautiful coastline, and abundant natural resources, including diamonds. Despite its abundance in natural wealth, Africa remains poor and war-torn. In order for Africa to move in the direction of economic prosperity, we must ensure that its natural wealth is not used to keep African countries fettered in rebel wars and poverty. This aim brings us to the subject of trade and conflict diamonds, which are diamonds controlled by rebel forces and traded to fuel their wars against civilians and governments, as is presently the case in Sierra Leone.

Eighty-five percent of the world's rough diamonds pass through Antwerp, Belgium, and then to central selling offices in London and other places for sale to diamond cutters. Experts everywhere agree that once a diamond is cut and polished, it is almost impossible to tell the country where the diamond was mined. To effectively end trade in conflict diamonds, the countries exporting and importing rough stones in particular must work together to make sure that these diamonds do not have a market, so that conflict diamond peddlers cannot stay in business. I am pleased that the dia-

mond industry based in Antwerp recognizes this and I applaud the industry for taking steps toward achieving this goal.

Legitimate diamond trade is worth about \$55 billion per year and estimates indicate that illegal diamond trade accounts for less than 4.5 percent of the rough diamond production worldwide. Trade in conflict diamonds is a portion of this 4.5 percent. However, even this small percentage of conflict diamond trade is too much, but we must ensure that the steps we take do not undermine legitimate diamond trade through government bureaucracy and tightened price controls. If this happens, the losers are consumers and the African countries engaged in legitimate trade. The winners are the central selling offices of rough diamonds.

Accordingly, I will be looking at all proposals with an eye to determining whether they are administrable, effective, and consistent with our WTO obligations. So let us work together so that we are all winners and send a clear signal that conflict diamonds are not forever.

Mr. LEVIN. Thank you, Mr. Chairman. I appreciate this hearing and the opportunity to hear these distinguished witnesses. Thanks to those of you seated at the witness table, also human rights organizations and others, we have been made aware in recent years of the tragedy of conflict diamonds. Items that should be precious objects of beauty have become too often the currency that perpetuates unthinkable human strife.

In Sierra Leone and Angola, rebel groups are appropriating rough diamonds, selling them, using the proceeds to acquire arms and otherwise continue violent internal conflicts. The practice of trafficking in conflict diamonds has serious implications both for U.S. foreign policy and U.S. consumer protection. This country strives to conduct a foreign policy that emphasizes humanitarian objectives. We take seriously the need to promote respect for human rights around the world. For this reason, we cannot turn a blind eye to this problem.

Further, we have an obligation to protect American consumers from becoming unwitting supporters of gross human atrocities. Diamonds should enrich the lives of peoples in countries that are naturally endowed with them, but instead, peoples in Angola, Sierra Leone, and others are being brought pain and suffering.

I am encouraged that the administration and the international community are taking steps to prevent rebel groups from financing their activities through illegal diamond sales. The two Security Council resolutions are welcome first steps. Likewise, I believe that the diamond industry's efforts to curtail trade in these diamonds are a positive development. So we look forward to listening to you, our colleagues, as well as witnesses from the Department of State, the private sector, human rights groups, and others.

A short time ago, Congress passed and the President signed into law historic trade legislation making the nations of Sub-Saharan Africa our partners in economic progress and prosperity. When fully implemented, that legislation should help to promote increased trade and boost the economic development of those nations.

By contrast, the trade in conflict diamonds is actually a set-back to economic development. We must do our part to deter that trade. So I hope today the witnesses will offer helpful suggestions on how

we might do just that, and I want to thank all of you in advance for joining us today and we look forward to your testimony.

[The opening statement of Hon. Jim Ramstad follows:]

Opening Statement of the Hon. Jim Ramstad, a Representative in Congress from the State of Minnesota

Thank you, Mr. Chairman, for holding this important hearing today. As a committed believer in international trade, I have consistently supported opening markets providing more access to goods from around the world. However, as civil war has ravaged some countries in Africa, rebel forces, like the Revolutionary United Front (RUF) in Sierra Leone, have captured diamond mines and used the income from those mines not to help the poor, but to enrich themselves and provide arms and munitions for war. They have also participated in horrific acts of brutality against their opponents and against innocent citizens who happened to be in the wrong place at the wrong time.

To combat this growing problem, the United Nations on July 5th of this year adopted a resolution calling for an 18-month embargo against diamonds from Sierra Leone unless the diamonds can be certified as coming from legitimate sources. Also, the World Diamond Congress has also adopted a proposal to track the source of diamonds.

At this time, U.S. law does not require any information as to the origin of diamonds. I am extremely interested to hear my good friend Rep. Tony Hall's proposal to change that.

While I have concerns about enforcement of the legislation, I am anxious to hear the reactions of the Administration and the industry. Rest assured I will give this important legislation the consideration it deserves and I look forward to today's testimony.

Chairman CRANE. Thank you, Mr. Levin. Now I would like to tell our witnesses that if you can keep your oral testimony to in the neighborhood of five minutes, we would appreciate it. All written testimony, however, will be made a part of the permanent record.

With that, we yield to our distinguished colleague from Ohio, Mr. Hall.

STATEMENT OF HON. TONY P. HALL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. HALL. Thank you, Mr. Chairman, Mr. Levin, members of the subcommittee. I appreciate the chance to testify on a very, very important issue. I appreciate also that my full testimony will be part of the record. I will read from parts of it and refer to parts of it. Thank you.

My focus today is on the humanitarian cost, the human costs of the trade in conflict diamonds. We also call them blood diamonds, or trading of arms for diamonds. I have seen it in Angola. I am aware of it in Liberia and in the DRC. But it has never been more clear than in Sierra Leone, where Congressman Wolf and I had traveled last year. What I want to focus on is the role diamonds play in the butchery in some of the nations blessed with a resource that has become really a curse.

1999 was a very good year for the diamond industry. DeBeers, the monopoly which controls 65 percent of the market, posted profits 86 percent higher than in 1998. As a rule, 30 percent of those profits come from conflict diamonds, even though these stones make up between five and 15 percent of the total supply, because they tend to be large and disproportionately valuable stones. In Sierra Leone, diamonds average two carats in size.

1999 was a bad year for the people of Sierra Leone and little better for many in Angola and the Democratic Republic of the Congo. The billion or so dollars brought in by these countries' diamonds last year was used to buy the machetes that severed the limbs, the weapons that have turned rag-tag gangs into their tormenters, and military forces for the international community to reckon with.

When Frank and I were in Sierra Leone last year, we went to the amputee camps. We saw the results of what can happen when you take diamonds and you trade it for arms. We saw a rag-tag army go from 500 rebels to 25,000 strong. We saw the kind of games, or heard about the kind of games, that they played on the people of Sierra Leone. One of the games is, you stick your hand in a bag. You pull out a piece of paper. If it says "hand," they chop it off. If it says "ear," the ear comes off. If it says "foot," they hack it off with a hatchet.

The year 2000 has not changed the equation much except in Sierra Leone. Now U.N. peacekeepers, whose deployment is costing \$1.5 million per day, have joined on the misery side of the equation. Five hundred were kidnapped in May and held for more than a month. Today, 13,000 are reportedly holed up in fortified areas, unable to open the country's main road. The force's commander blames diamonds both for rebels' refusal to disarm, as they promised, and for infighting that has paralyzed his peacekeepers.

Unfortunately, these wars have not stopped the diamond business. For other manufacturers, war threatens workers and factories and farmers. For oil companies, war jeopardizes pipelines and equipment. For a diamond trader, though, the economic incentives are backwards. War favors traders who can deliver weapons and supplies. It increases the supply of diamonds available. In fact, wars have been great for business.

Consumer opinion should be an added incentive to do the right thing for most businesses, and it would seem to make the diamond industry particularly sensitive to any link between their product and the savage wars that might stain its image. I think what we see is that the worth of diamonds is pretty much what they symbolize, love and commitment. The image was created and is sustained by an advertising campaign worth hundreds of millions of dollars a year. But it is only an image. Fur, which is another luxury product with an image problem, does keep you warm. Diamonds' worth depends wholly on consumers' perceptions. So sometimes diamonds are not a girl's best friend.

American consumers, who buy two-thirds of all the world's diamonds, have a very different understanding of diamonds than Sierra Leoneans or Angolans or Congolese people, and with the increase in media attention to the horrors of the diamond wars, reality is almost certain to make these conflicting images apparent. Americans are smart and they want action, and they are going to be outraged. I do not think they really know what has happened with conflict diamonds. They are going to be outraged if we do not do something about this.

I was encouraged to see the diamond industry finally do something to end its assistance to this blood trade two months ago. Last year, Frank and I and Cynthia McKinney came up with a more traditional approach, giving consumers information to make their own

decisions. We had urged the industry to either support it or counter it. I had hoped to introduce implementing legislation for their counter proposal, but the industry has not yet finalized its approach.

To encourage this process, I have introduced the CARAT Act, H.R. 5147. Title III expresses the sense of Congress that our government should do all it can to put this proposal or something like it into effect. I believe it is critical that Congress express this now because key countries and segments of the industry are dragging their feet.

The United States is the largest market for diamonds. We have a moral obligation to speak out and what we say will make a difference. Title II aims to add some encouragement to this process in the form of requiring diamonds' origin to be certified as soon as that is technologically feasible and cost effective. Title IV requires the administration to work more coherently on this problem. Under Ambassador Halperin's leadership, there has been more attention and focus.

But much more effort is needed. Over the past decade, our government, has sent \$3 billion in humanitarian aid to Angola, Liberia, the DRC, and Sierra Leone, while over the same period \$10 billion in diamonds was smuggled out.

Several months ago, 70 American human rights and humanitarian organizations led by Physicians for Human Rights formed a coalition to press for the industry to act on the problem of conflict diamonds. I was not surprised to see their enthusiasm for this work and pleased to learn that they are proceeding in a responsible manner. Launching a boycott of diamonds would be the easiest thing in the world to do on this issue, and this coalition has not done that. Instead, they are waiting to see whether the diamond industry will implement its proposal and what Congress is going to do. I do not expect this coalition to wait forever. Christmas is coming and with it a golden opportunity to educate consumers about where the money they spend on tokens of love goes.

Mr. Chairman, we are running out of time. This has been going on for too long. We have little leverage over these countries in Africa. The threat of our taking away food aid or medicines is not enough leverage. We are not going to commit troops to countries in Africa. We have pretty much determined that. What leverage do we have? I think the only leverage we have in this particular case is to take the profit out of wars, by stopping the trade in blood diamonds. We have a chance to make a difference.

I urge the committee to mark-up H.R. 5147. I would also request that you include the testimony of Mayer Herz, who is a member of the U.S. diamond industry who was not able to testify. Thank you.

[The prepared statement and an attachment follow:]

Statement of Hon. Tony P. Hall, a Representative in Congress from the State of Ohio

Mr. Chairman, Mr. Levin, and Members of the Subcommittee: I appreciate your focus today, and the opportunity to testify to you. My focus is on the human cost of the trade in conflict diamonds. I have seen it in Angola, in Liberia, and in the DRC but it has never been clearer or sadder than in Sierra Leone, where Congressman Wolf and I traveled last December.

Frank Wolf speaks eloquently about the people who lost their arms, and ears, and lives to machetes wielded by rebels trying to overthrow this small country's democratic government, so I'll let him tell that story. And Cynthia McKinney can tell you what she and other members of the International Relations Committee are trying to do to stop the diamond wars and repair the damage they have caused.

What I want to focus on is the role diamonds play in butchery of people whose nations are blessed with a resource that has become a grotesque curse.

Industry and People

1999 was a very good year for the diamond industry. DeBeers, the monopoly which controls 65 percent of the market, posted profits nearly 90 percent higher than in 1998.

As a rule, 30 percent of these profits come from conflict diamonds (even though these stones make up between 5 and 15 percent of the total supply) because they tend to be large and disproportionately valuable stones. In Sierra Leone, diamonds *average* two carats in size.

1999 was an unspeakably bad year for the people of Sierra Leone, and little better for many in Angola and the Democratic Republic of Congo. The billion-plus dollars brought in by these countries' diamonds last year was used to buy the machetes that severed their limbs, and the weapons that have turned rag-tag gangs into serious military forces their neighbors and international troops will reckon with for years to come.

The year 2000 hasn't changed the equation much—except in Sierra Leone. Now UN peacekeepers, whose deployment is costing \$1.5 million per day, have joined on the misery side of the equation. In May, 500 were kidnaped and held for weeks. Today, 13,000 are virtually holed up in fortified areas—unable to open the country's main road, much less protect civilians. The force's commander blames diamond profiteering both for rebels' broken promise to disarm, and for in-fighting that has paralyzed his peacekeepers.

Incentives All Wrong

Unfortunately, until very recently, the diamond industry hasn't considered any of this to be its problem. For most manufacturers, war threatens their workers and factories. For oil companies, war jeopardizes their pipelines and equipment. For the diamond industry, though, the economic incentives are backwards. War favors traders who can deliver weapons and supplies, and war increases the supply of diamonds available. In recent years, war has been great for the diamond business.

The niceties of international law haven't been much of a deterrent to the diamond industry's participation in these wars either. For eight years, traders dealt gladly with rebels who tried to overthrow Sierra Leone's elected government, and briefly succeeded.

The business partners of a generally respectable industry there were rebels who used the profits from their trade to turn children into their parents' murderers, and then into soldiers and sex slaves. . . rebels who spent their earnings on drugs to make their young fighters fearless, and to buy the weapons that make this one of history's uniquely brutal wars on civilians. Traders reported these as Liberian diamonds—six million carats a year worth, when they knew full well that Liberian mines can produce just 2 percent of that.

There are similar stories in the Congo and in Angola, whose people are now beginning to starve and whose land has been turned into a minefield. In Angola, DeBeers bragged in a recent annual report about its prowess in being profitable enough to buy enough rebel diamonds to keep prices from collapsing.

Consumer Opinion

So economic and legal incentives for peace failed. For most businesses, a third factor often is reason enough to do the right thing: customer opinion. The diamond industry would seem to be particularly sensitive to any link between its product and savage wars that might stain its glittering image. Industrial diamonds (most of which are man-made) have a real value—but diamond gemstones' worth is in what they symbolize: love and commitment. This image was created and is sustained by an advertising campaign worth hundreds of millions of dollars a year. . . but it is only an image. Fur, another luxury product with an image problem, does keep you warm. Diamonds have no intrinsic value: their worth depends wholly on consumer sentiment.

American consumers—who buy two-thirds of all the world's diamonds—have a very different understanding of diamonds than Sierra Leonean, or Angolan, or Congolese people. And with the increase in media focus on the horrors of the diamond wars, reality is almost certain to reveal these conflicting views. As the situation now

stands, though, there isn't much American consumers can do to cut off their support for the diamond wars. Most diamonds are mined in South Africa, Botswana, and other countries that—aided by a geological quirk of nature that makes it easier to control their diamonds—have used these resources for their people's benefit. And most diamonds are cut in India, a poor country with a long history of democracy, or Israel—two more places we would be loathe to hurt.

The people of these countries should not have to pay for the diamond industry's greed, its arrogance, or its refusal to follow accepted norms of responsible behavior. But in fact, they probably will be the ones who will get burned once any spark ignites this tinderbox.

Whether Congress likes it or not, American consumers simply will not be a party to this blood trade once the Benetton ads showing diamond bracelets on Sierra Leone amputees start to run. That is the challenge we face. That—and not the industry-backed Antwerp plan, or other approaches—is the real threat. Just ask the fur industry.

Industry Response

I was encouraged to see the diamond industry finally do something to end its assistance to this blood trade two months ago. Last year, when I came up with a more traditional approach—giving consumers information to make their own decisions—I urged the industry to either support my approach or counter with something better. I had hoped to introduce legislation implementing their counterproposal, but the industry has not yet finalized its approach.

The CARAT Act

To encourage this process, I have joined Mr. Wolf and Ms. McKinney in introducing the CARAT Act, HR 5147. With your permission, I'm going to talk about it a little out of order.

Title III

Title III expresses the Sense of the Congress that our government should do all it can to implement the industry's Antwerp proposal, or something like it. I believe it is critical that Congress weigh in on this early, because key countries and segments of the industry are dragging their feet. The United States is the largest market for diamonds; we have a moral obligation to speak out, and what we say *will* make a difference.

It is my understanding that some Members of this Subcommittee question the wisdom of this approach, and have particular concerns about its compliance with the WTO. I have a few qualms of my own, but I've been persuaded that—until technology advances—we need the industry's cooperation to make any system work. This is what the industry's leaders have agreed to; unless we have a better idea, I think we should support it.

Title II

Title II aims to add some encouragement to the Antwerp process, by requiring diamonds' origin be certified as soon as that is technologically feasible and cost-effective. It permits the Treasury Secretary to waive this if the system Title III envisions is up and running. I know the industry doesn't like Title II; I hope that including it will motivate them to be sure it's never needed. I also hope it will spur technologies that will let us determine the origin of a cut diamond because I sincerely believe that consumers have the right to know that. We know where our cars are from, and the parts in them; we know where are clothes and our cheese were made. Why can't we know where a diamond, which represents a significant investment of money, was mined?

Title IV

Title IV requires the Administration to work more coherently on this problem. Under Ambassador Halperin's leadership, more attention has been paid to it, and Ambassador Holbrooke's focus probably has added momentum to this work. But, as your Subcommittee has learned, Mr. Chairman, there is apparently not the sustained commitment from senior Administration officials this issue merits.

And much more effort is needed: over the past decade, our government has sent more than \$3 billion in humanitarian aid to Angola, Liberia, the DRC, and Sierra Leone. Over the same period, \$10 billion in diamonds was smuggled out of these countries, turned into weapons, and turned against their suffering civilians.

As long as any criminal can capture diamond mines that generate that kind of money, we will be stuck in this vicious cycle. It is above all a human crisis; but it

is a diplomatic and a financial one as well, and the Administration's attention needs to be sustained.

Title I

Finally, Title I implements two United Nations embargoes, on Sierra Leone and Angolan rebels' diamonds, and expands them to countries involved in the transshipment of diamonds banned by the United Nations. Congressman Wolf has taken the lead on this provision, so I'll let him explain it fully.

Because the United States imports very few rough diamonds, Title I's embargoes will only become as tough as they sound when the either Title II, or the system Title III encourages, is implemented. But we have an obligation as members of the United Nations to enact legislation to enforce these UN embargoes; doing so in the context of a system for targeting the roots of this problem signals our seriousness. And since more than ample waivers are included, this provision can remain current and fair.

Congress Needs to Act

The CARAT Act does not bind the legitimate diamond industry, but it does send a strong message that is urgently needed. Hopefully, it also will spur the technology needed to empower consumers if the industry fails to control this blood trade.

I am pleased this bill has won the support of the NGO community. I will look to the industry to demonstrate its sincerity by helping me to win your support for it. And I urge this Committee to mark it up in time for a vote by the House and Senate before we leave town. Time is short, but this is an unusual opportunity to make a difference. The media spotlight is on this problem; and human rights activists and the legitimate industry are on the same side—for now. We won't have this happy situation if we wait.

NGO Response

Which brings me to the human rights community. Several months ago, more than 70 respected American organizations—led by Physicians for Human Rights—formed a coalition to press the industry to address the problem of conflict diamonds. I was not surprised to see activists' enthusiasm for this work: this would make great TV, and it is one of the few straightforward ways to connect American consumers to a problem in Africa.

I am pleased to see that activists are proceeding in a responsible manner, though, and working out of the limelight for a lasting solution. Launching a boycott of diamonds would be the easiest thing in the world to do on this issue; this coalition has not done that. Instead, they are waiting to see whether the diamond industry will implement its ambitious proposal—which it promised to have in place later this month.

I don't expect the coalition to wait forever, though. Christmas is coming, and with it a golden opportunity to educate consumers about where the money they spend on tokens of love goes. Before then, two networks are planning exposes of conflict diamonds that will be seen by tens of millions of Americans. It will be increasingly difficult for these thoughtful but powerful organizations to continue to wait for industry and Congressional action.

Congressional Response

I appreciate that time for the 106th Congress to act is short; that is why I tried to make the CARAT Act as flexible as possible. If the industry fulfills its promise to devise a workable system, there will be time next year to come back to debate how to implement that without running afoul of the WTO or prudence.

But this Committee and this Congress need to do something *before* we go home next month.

I do not want to face constituents who've just seen 20/20 or 60 Minutes if we haven't done something. I do not want to face my local jewelers, who may be trying to explain the human rights activists' pickets to their customers, with the excuse that we need to study the problem a little more.

And I do not want to tell taxpayers that we would rather spend billions of dollars to treat the symptoms of the diamond wars, rather than try to get to the root of the problem.

Thank you for your time, Mr. Chairman, and for your Committee's work on this issue. I particularly appreciate the efforts Savitri Singh has devoted to this matter, and want to commend you for her diligence.

I would be happy to answer any questions.

Statement of Mayer Herz, Vice President, Diamond Acquisitions, MONDERA.com, New York, New York, and Officer, Diamond Dealers Club, New York, New York

A POSITIVE APPROACH TO SOLVING THE PROBLEMS OF CONFLICT DIAMONDS

The world diamond industry created the Antwerp Proposals, a sound effort to stem the flow of conflict diamonds into legitimate channels. As I was involved in drafting these proposals, I would personally recommend that we try to make them WTO consistent so that rough diamonds can be traded like other commodities. This will eliminate the need to create a whole new bureaucracy to implement the Antwerp Proposals.

The concept that I would like to discuss today is revolutionary in its approach to the solution of conflict diamonds. To resolve any conflict or problem one needs to deal with its root cause. The root cause of conflict in African diamond-producing countries is that, for decades now, traders, major buyers and corrupt government officials are illegally exporting the rough diamonds, robbing these countries of their wealth, thus leaving the people and legitimate governments with no sustaining revenues to build on. Corruption and bribes are the norm.

Unscrupulous dealers become rich while legitimate governments and the general population remains destitute. In the best of cases, export duties and taxes are collected only on a fraction of the value of the diamonds taken out of the country. The governments are left with very little revenue to build the infrastructures of a nation that will benefit all the people. The miners and diggers usually don't get more than 20 percent to 35 percent of what their product is worth on the world market. In this environment, the whole economic structure is derailed.

Rice is a daily staple, yet unethical traders exploit the need to feed the hungry. They are selling rice at highly inflated prices and making absurd profits. With these profits, the traders buy rough diamonds and smuggle them out of the country. As a result, both the country's natural resources and the traders' ill-gotten financial gains are drained out of the country. The tragic consequence is that there are very few resources left to drive the local economy. The ordinary people of these countries resent their exploitation, but there is little they can do against these powerful forces. Conflict and war is what follows.

The problem has been growing unchecked for too long. Now that the world is focusing on the problem of conflict diamonds, thanks to NGO's like Global Witness, I would like to ask Congress and the Administration to address the root cause of this problem. The State Department and its Agency for International Development and the Department of Commerce and the Office of the Trade Representative for Africa should help establish direct trade between the American diamond industry and legitimate diamond producers in Africa. The foundation of this relationship must be in educating these governments and their business people that unscrupulous deals and corruption in the long term is detrimental to a country's stability and its business infrastructure. We must start a process of dealing only through legitimate governments and we must make our dealings completely transparent, with total accountability on the part of all involved. We must make people understand that the only way that commerce in this trade will be stable is if it's done legitimately.

The diamond resources of Africa are vital to the New York diamond industry. To its credit, the American diamond industry has not been involved in trading in rough diamonds that is not legitimate and transparent. We stand proud of our ethics and high standards; and have taken the lead in transforming this industry. While we strive to work ethically, others are abusing the existing system of exploitation. As a result, the New York diamond industry has suffered financially. Large quantities of rough diamonds from Africa change hands each day but these supplies are not destined to reach New York. It is ironic that the American diamond industry, which consumes more than 50 percent of the world's annual diamond production and is still growing, has lost more than 70 percent of its diamond cutters. By working closely with African governments we can import diamonds legally and at fair prices, and we can re-invigorate the American diamond cutting industry while at the same time giving the diamond producing nations the full benefit of their natural resources.

I believe that we can create a new way of trading in diamond rough, where transparency, accountability and legitimacy are the way of life. Diamonds can become the commodity that will help to rebuild suffering African countries and that will enable

those nations to raise the standard of living of their people, who are now victims of vicious wars fueled by diamonds.

Blood diamonds, conflict diamonds, the trading of arms for diamonds—these can all be replaced with stability diamonds, and a fair exchange of diamonds for healthcare, food and the staples of life. It is possible to create a diamond trade that benefits everyone all around, if we are willing. Revolutionary ideas like these can help us do it.

In closing, I would like to express my sincerest gratitude to Congressman Tony Hall and his staff for always giving me a helping hand. To Ambassador Howard Jetter, who was always willing to give advice, I wish him all the best in his new posting as US ambassador to Nigeria. To Sylvia Fletcher of AID, thanks for the superb study on the Sierra Leone diamond industry revival. And last, but not least, thanks to Rosa Whitaker, U.S. Trade Representative for Africa, for her constant encouragement.

I am available at 212-981-0279 and e-mail:mherz@banet.net

Chairman CRANE. Thank you.
Mr. Wolf.

**STATEMENT OF HON. FRANK R. WOLF, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF VIRGINIA**

Mr. WOLF. Thank you, Mr. Chairman. I want to thank you and your staff for organizing the hearings and I also want to acknowledge Ms. McKinney and Mr. Payne for their efforts and also my good friend Tony Hall, who has done more to bring this issue to the public's attention than anyone else.

Mr. Chairman, millions of people have died in Africa because of the bloodshed surrounding conflict diamonds. Rebel groups and military forces, Sierra Leone, Angola, Democratic Republic of Congo, have committed horrible atrocities. At least \$10 billion in diamonds have been smuggled from these countries in the past decade. In the Congo in the last 20-some months, 1.7 million people have died, 35 percent under the age of five.

Many in this room are familiar with the sad story of Angola, where the rebel movement UNITA paid for weapons and kills people in order to maintain the control of the diamonds.

In Sierra Leone, aside from the shocking reality of live amputations and children soldiers, an estimated 75,000 people have died because of the rebels' vicious campaign to control the country's diamonds.

Mr. Chairman, we speak many times in numbers and figures on the atrocities of Africa and the reality just does not sink in. The thought of a million deaths, it does not seem real. Rebel atrocities is a term that may not sink in until we actually see it. The picture behind me is of a two-year-old Sierra Leonean girl. She asks her mom whether her arm will grow back. She will likely never wear one of these diamond rings. To this little girl, diamonds have a very different meaning than we are used to. Can you imagine if this image were connected in the American consumer's mind to diamonds, the symbol of eternal love and commitment?

Sierra Leone is a country that is blessed with diamonds and an abundance of other natural resources, a scenic coastline, and wonderful people, and yet today is cursed as to be one of the worst places in the world. The average lifespan is 25 years. Everyone on

the dais and everyone behind you would be dead if you lived in Sierra Leone.

I like to focus on that country because that is where the scramble for diamonds and the link between diamonds and atrocity is the most direct. As Mr. Hall said, we visited there and saw firsthand these young children and older men with their arms and legs and ears and noses cut off.

Certain countries around Sierra Leone play a major role in facilitating this. Many of these countries surrounding Sierra Leone have few diamonds to mine, yet countries like Liberia, Burkina Faso, Togo, and the Ivory Coast have exported millions of carats of diamonds—Sierra Leone diamonds—billions of dollars in value, to the diamond cutting centers in Antwerp, Israel, India, Holland, and New York. While officially denied by representatives of these governments, the U.S. intelligence community—and get the briefing from the CIA—and numerous other sources possess a wide array of evidence that documents this illicit diamond smuggling.

As of now, certain leaders have direct financial gain to keep this rebellion going. Liberia and its President Charles Taylor supply weapons to the rebels in exchange for diamonds. In 1998, Liberia, whose natural resources would have allowed the exportation of approximately \$10 million worth of diamonds, exported \$297 million worth of diamonds. Other countries in the area have served as direct arms suppliers or transit points.

The industry has long maintained the count of only four percent. If this were true, it is four percent too much, but there are others here today who will testify that the figure is likely higher. Whatever the figure, we believe that the industry has a responsibility to stop this revenue incentive for African atrocities.

Also, the legitimate industry has a strong financial incentive, as Mr. Hall said, to remedy the situation. The U.S. consumes 65 percent of the world's diamonds. A U.S. consumer boycott similar to the fur industry would cripple the diamond industry. Legitimate diamond-producing countries, such as Botswana and South Africa, would seriously be destabilized and many of their citizens' livelihood jeopardized.

I would ask you to mark up Mr. Hall's bill and put it on some omnibus bill. If you would give me the consideration, I would put it on the transportation appropriations bill if we had the approval of the leadership of both sides. We could use that as a vehicle to move this. The transportation bill will be signed by the President. It is relatively one of the non-controversial ones. We could put it on that or some other. The time is urgent and failure to do anything, I think, will have disastrous consequences on all involved.

One last comment, Mr. Chairman, in keeping with the time. The issue of conflict diamonds goes to a larger issue of Africa. The problems of Africa and the misery of Africa is our misery. We cannot in the year 2000 ignore the tragedies that go on there. For hundreds of years, this continent has been exploited and the people have suffered more than anyone has to suffer. Places like Sierra Leone and the Congo and others that I have not mentioned, like Sudan that Mr. Payne has done such a great job, seem distant from the confines of this room.

I know the political realities of any large-scale U.S. involvement in Africa, but we should take at least this minimal step. As Mr. Hall said, we are not going to send troops and we ought not send troops. We are not going to cut off humanitarian supplies and we ought not do it. But Mr. Hall's bill is something that we could really make a difference.

So in closing, Mr. Chairman, I thank you for the hearings. I thank your staff. I would also like to remind the subcommittee that on September 26 at 9:00 a.m., Mr. Royce will be sponsoring with Mr. Hall and others several children whose hands were amputated by the rebels. They will be in a briefing in Room 2172 and from there they are going to go to see doctors in New York who are going to help with prosthetic devices.

Again, thanks for the hearing and thank you to your staff.
[The prepared statement follows:]

Statement of Hon. Frank R. Wolf, a Representative in Congress from the State of Virginia

Thank you Mr. Chairman. I would also like to thank the committee including the staff for organizing and conducting this hearing on this extremely important issue.

First, I must acknowledge my fellow panel member and good friend Congressman Tony Hall for doing so much to bring attention this important global matter. He has been out front on this issue as long as anyone, and deserves the credit for moving the process forward to address this immediate problem.

Mr. Chairman, millions of people have died in Africa because of the bloodshed surrounding conflict diamonds. Rebel groups and military forces in Sierra Leone, Angola, and the Democratic Republic of the Congo have committed horrible atrocities to gain control of and to profit from diamonds. At least \$10 billion in diamonds have been smuggled from these countries over the past decade.

In the Congo, some 1.7 million people have died because of the fight to control Congo's natural resources, primarily diamonds. Thirty-five percent of these deaths are to children under the age of 5. There are currently eight countries involved in this terrible conflict—many with a direct interest in the diamond trade.

Many in this room are familiar with the sad story of Angola, where the rebel movement UNITA pays for weapons and kills people in order to maintain control of Angola's diamonds.

In Sierra Leone, aside from the shocking reality of live amputations and children soldiers, an estimated 75,000 people have died because of the rebels vicious campaign to control the country's diamonds.

Mr. Chairman, sometimes we speak in numbers and figures on the atrocities of Africa and the reality just doesn't sink in. The thought of a million deaths—it doesn't seem real. Rebel atrocities is a term that may not sink in until we actually see it. The picture behind me is of a 2 year old Sierra Leonean girl. She asks her mom whether her arm will grow back. She will likely never wear a diamond ring. To this little girl, diamonds have a very different meaning than we are used to. Can you imagine if this image was connected in the American consumer's mind to diamonds—the symbols of eternal love and commitment?

Sierra Leone is a country that is blessed with diamonds and an abundance of other natural resources, a scenic coastline and beautiful people, yet today it is cursed as one of the worst places in the world. The average life span is now about 25 years, the citizens are terrified and as one periodical described, it is a place where angels fear to tread.

I would like to focus on Sierra Leone and West Africa. . . where the scramble for diamonds and the link between diamonds and atrocities is the most direct.

Mr. Hall and I visited Sierra Leone last December and met and talked with hundreds of people who had their arms, legs or hands cut off by Sierra Leonean rebels—all to scare and intimidate the local population so the rebels could gain control of Sierra Leone's diamond producing region.

Certain countries surrounding Sierra Leone play a major role in facilitating this chaos. Many of these countries surrounding Sierra Leone have few to zero diamond mines. Yet countries such as Liberia, Burkina Faso, Togo, and the Ivory Coast have exported millions of carats of diamonds—Sierra Leone's diamonds—billions of dollars in value—to the diamond cutting centers in Antwerp, Israel, India, Holland, and New York.

While officially denied by representatives of these governments, the U.S. Intelligence community and numerous other sources possess a wide array of evidence that documents this illicit diamond smuggling. As of now, certain leaders have a direct financial incentive to keep the "rebellion" in Sierra Leone going, to prevent peace and therefore sustain their access to Sierra Leone's precious stones.

Liberia and its president, Charles Taylor, supply weapons to the rebels in exchange for diamonds. In 1998 Liberia, whose natural resources would allow the exportation of approximately \$10 million worth of diamonds, exported \$297 million worth of diamonds. Other countries in the area have either served as direct arms suppliers or transit points for diamonds and arms into and out of Sierra Leone. This incentive structure also existed for weapons exchanges between governments and diamond stealing rebel groups in the case of Angola and the Congo.

The industry has long maintained that conflict diamonds account for only about 4 percent of the world trade. If this were true I still believe that this is 4 percent too much. There are others that will testify today that this figure is likely higher. Plain common sense tells us that these diamonds are going somewhere—someone is buying them and somehow the rebels are gaining access to arms and supplies.

Whatever the figure, we believe that the industry has a responsibility to stop this revenue incentive for African atrocities. Also, the legitimate industry has a strong financial incentive to remedy this situation. The U.S. consumes over 65 percent of the world's diamonds. A U.S. consumer boycott, similar to the fur industry, would cripple diamonds. Legitimate diamond-producing countries such as Botswana and South Africa could become seriously destabilized and the many of their citizens' livelihoods jeopardized. I joined Congressman Tony Hall in introducing the Consumer Access to a Responsible Accounting and Trade Act of 2000. This legislation, which combines elements of Congressman Hall's earlier diamond certification legislation with language that was in the FY 2001 Treasury/Postal Appropriations bill combines import restrictions from known conflict diamond areas in West Africa with a implementing a certification scheme for diamond origin, something the industry has already expressed an interest in achieving. This legislation also goes further than previous legislation by creating a permanent representative within the executive branch to deal with conflict diamonds.

Mr. Chairman, this legislation is urgently necessary. It is flexible and takes into account the technical realities of tracing diamond origin. This panel will hear testimony today on some of the specific implementation issues that are involved and the feasibility of enforcing any import restriction. I am not hear to testify about the technology that could potentially be used for enforcement.

However, I will say that a failure to do anything will have disastrous consequences for all involved. The status quo will mean more death, more suffering and more instability on a continent that has suffered too much.

Mr. Chairman, in closing I would like to make one more comment. The issue of conflict diamonds goes to the larger issue of Africa. The problems of Africa, the misery of Africa, is our misery. We cannot in the year 2000 ignore the tragedies that go on there. For hundreds of years this continent has been exploited and the people have suffered more than anyone should have to suffer. This beautiful and vast continent has been cursed by its abundance.

Places like Sierra Leone, the Congo and others I haven't mentioned like the Sudan seem distant from the confines of this room. I know the political realities of any large scale U.S. involvement in Africa, but shouldn't we at least take minimal steps to alleviate massive suffering? Addressing conflicts diamonds is one such step. Our affluence should not be someone else's nightmare.

I want to again thank you, Mr. Chairman, and the committee for holding this hearing, and I look forward to helping in any way I can to keep the process moving to bring an end to this urgent problem.

Chairman CRANE. Thank you, Mr. Wolf.
Mr. Payne?

**STATEMENT OF HON. DONALD M. PAYNE, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF NEW JERSEY**

Mr. PAYNE. Thank you, Mr. Chairman, and thank you for allowing me to present my testimony here today. I would like to commend my colleagues Hall, Wolf, and McKinney for their long-

standing support for the right thing to do. As the ranking member on the Subcommittee on Africa, the issue of conflict diamonds is one I have been concerned about in our committee for many years. The Subcommittee on Africa held a hearing entitled, "Africa's Diamonds: Precious, Perilous, Too" on May 9 of this year. At that hearing, we heard from a number of witnesses, including Mr. Holoi, Special Advisor to the Minister for Minerals and Energy of the Republic of South Africa. We extended an invitation to the representatives from DeBeers, but they declined our offer to participate.

I wanted to participate in this hearing for a couple of reasons, but mainly to bring attention to the issue of dirty or conflict diamonds. I am very concerned, however, that legitimate markets of Botswana, South Africa, and Namibia that depend almost exclusively on the diamond revenues to sustain their local economies do not experience backlash from the boycott of illegal diamonds of Sierra Leone, Angola, and the Democratic Republic of the Congo.

As you already know, the RUF, a brutal rebel army, has committed egregious violations of human rights by maiming, injuring, and killing many of the innocent men, women, and children living in Sierra Leone. The RUF receives its revenues from neighboring countries, but the real commodity driving the war comes from diamonds inside the country. The rich diamond areas of the Kailahun, Kenema, and Bo are controlled by the RUF and the so-called West Side Boys. In Angola, UNITA, headed by Jonas Sivimbi, controls Lundi, Malange, and Bie.

I am pleased, though, that the United Nations passed a resolution on July 5 banning the sale of and exportation of diamonds being bought from Angola's UNITA, Sierra Leone's RUF, and hopefully one will be introduced that condemns Zimbabwean soldiers' excavation in Mbuji Maya in the Democratic Republic of Congo.

Let me say that I agree with the reports that getting control of the diamond mining areas only ends the conflict. We have to deal with several other issues, including sustainable poverty. We must deal with these tremendous issues that Africa is faced with and debt relief.

Several African countries have made substantial changes to their mining laws to try to attract private sector investors. Botswana is one country that has done just that. On a recent visit in July to Gaborone, Botswana, I had an opportunity to tour the main operating diamond facility in the heart of downtown. At independence in 1966, this patch of the Kalahari Desert in Southern Africa was one of the world's poorest countries. Botswana, nearly as big as Texas, now is one of the few real democracies in Africa, richer than Russia in per capita income and boasting to have the second-fastest-growing economy in the world. Diamond mining was and still is a primary driver of its boom, and former President Masire and now President Mogae said at the visit recently that in order for Botswana to survive long term, though, they need to diversify.

With the passage of the Growth and Opportunity Act this year, the United States will be importing and trading more with our African partners. The diamond regime needs a major overhaul so it does not affect our industry or the industries of those countries I previously mentioned, the countries that are dealing in this industry the way they should not, the conflict diamonds.

At the subcommittee hearing, Eli Haas, president of the Diamond Dealers Club, said that “while there is discussion of the development of a technology to come up with identifying marks or fingerprints to determine particular countries of origin of diamonds, no such technology is currently available.” I find it hard to believe that the central selling organization of DeBeers, an organization that Botswana supplied over \$2.05 billion to last year and whom South Africa supplies over \$850 million, cannot develop the technology to mark the origin of diamonds.

New diamond fingerprint technology is being developed in consultation with the Royal Canadian Mounted Police. The RCMP states that the potential difficulties in applying the technology are reduced, however, by the fact that the bulk of the rough diamonds trade is centralized in only two organizations and two locations, the HRD in Antwerp and DeBeers’ CSO in London.

In conclusion, I agree that there is a need to be sure that these rebel groups cannot continue to acquire diamonds and sell them to fuel home-grown wars. Also, we need to have the fact that proliferation in diamonds and other mercenary groups who are also benefitting, like Executive Outcomes and Sandline, who are mercenary groups who also get their pay from the diamond industry. This all must end.

I would just propose, one, a permanent independent international standards commission should be created under the United Nations in order to establish and monitor codes to regulate the global diamond industry, and a more effective auditing system is desperately needed to control where the flow of these diamonds come from. Presently, the CSO audits itself. It needs to have external auditing.

Thank you, Mr. Chairman. I appreciate this opportunity.

[The prepared statement follows:]

Statement of Hon. Donald M. Payne, a Representative in Congress from the State of New Jersey

Good morning. Thank you Mr. Chairman for allowing me to present my testimony today before this Committee. As the Ranking Member of the Subcommittee on Africa of the Committee on International Relations, the issue of *conflict diamonds* is one that I have been concerned with for many years now. The Subcommittee on Africa held a hearing entitled, “Africa’s Diamonds—Precious, Perilous Too?” on May 9th of this year. At that hearing, we heard from a number of witnesses including Mr. Nchakna Moloi, Special Advisor to the Minister for Minerals and Energy of the Republic of South Africa, and Ms. Gooch, Director from Global Witness. We extended an invitation to the representative from De Beers but they declined our offer to participate.

I wanted to participate in this hearing for a couple of reasons but mainly to bring attention to the issue of dirty or conflict diamonds. I am very concerned, however, that the legitimate markets of Botswana, South Africa, and Namibia that depend almost excessively on the diamond revenues to sustain their local economies, do not experience backlash from the boycott of illegitimate diamonds of Sierra Leone, Angola and the Democratic Republic of the Congo.

As you already know, the Revolutionary United Front, a brutal rebel army, has committed egregious violations of human rights by maiming, injuring and killings many of the innocent men, women and children living in Sierra Leone. The RUF receives its revenues from neighboring countries but the commodity driving the war comes from diamonds within the country. The rich-diamond areas of Kailahun, Kenema and Bo are controlled by the RUF and the so-called West Side Boys. Similar to Angola, I am pleased that the United Nations passed a resolution [5 July 2000] banning the sale and exportation diamonds from being bought from Angola’s UNITA’s, Sierra Leone’s RUF and hopefully one will be introduced that condemns Zimbabwean soldiers excavation into Mbuji Mayi. Let me say that I agree with the

reports that getting control of diamond mining areas only ends the conflict; it is not a catalyst for real democratic change. That requires a great deal more.

Mining is the most important economic sector in several African countries, and it is vital to the economies of many others. For example, the minerals sector accounted for 10 percent of South Africa's gross domestic product and 51 percent of its export earnings. Several African countries have made substantial changes to their mining laws to attract private-sector investment. Botswana is one country that has done just that. On a recent visit in July to Gaborone, Botswana, I had an opportunity to tour the main operating diamond facility in the heart of downtown. At independence in 1966, this patch of the Kalahari Desert in Southern Africa was one of the world's poorest countries. Botswana, nearly as big as Texas, had 2 paved roads, one public secondary school and life expectancy for its people of 40 years. Now it is one of the few real democracies in Africa—richer than Russia in per capita income and boasting to have the second-fastest economy in the world. Diamond mining was and still is the primary driver of its boom and former President Sir Ketumile Masire and now President Festes Mogae—told me during my visit—in order for Botswana to survive long term, we need to diversify our economy from being overly dependent on our mineral revenue. He said that he understood that nations in which a single mineral dominates production have proven especially vulnerable to cyclical drops in world prices.

According to a recent survey by the Mineral commodity, 25 percent of African cobalt, the main substance in diamonds, is imported to the United States. With the passage of the Growth and Opportunity Act this year, the U.S. will be importing and trading more with our African partners. The diamond regime needs a major overhaul so it does not effect our industry and the industry of the countries I previously mentioned. At the Subcommittee hearing Eli Haas, President of the Diamond Dealers Club, said that “while there is discussion of the development of a technology to come up with identifying marks or fingerprints to determine particular countries of origin of diamonds, no such technology is currently available.” I find it hard to believe that the Central Selling Organization (CSO) of De Beers, an organization that Botswana supplied over \$2.05 billion to last year and whom South Africa supplies over \$850 million can not develop the technology to mark the origins of the diamonds. New Diamond fingerprinting technology is being developed in consultation with the Royal Canadian Mounted Police (RCMP). The RCMP state that the potential difficulties in applying the technology are reduced, however, by the fact that the bulk of the rough diamond trade is centralized in only two organizations and two locations, the HRD in Antwerp and De Beer's CSO in London.

In conclusion, I would like to submit for the record the testimony of Ian Smillie from Partnership Africa Canada. I agree that there needs to be oversight from rebel groups acquiring diamonds fields to fuel their home grown wars and also we need oversight from the proliferation of diamond revenues to pay international security firms such as Executive Outcomes and Sandline, mercenaries groups operating in Africa. This is short-term. In the long-term, the international community must establish:

- A permanent Independent International Standards Commission should be created under the United Nations in order to establish and monitor codes to regulate the global diamond industry and.
- A more effective auditing system is desperately needed. Presently, the CSO audits itself.

Thank you once again Mr. Chairman for allowing me to testify before this Committee today.

Chairman CRANE. Thank you, Mr. Payne.
Ms. McKinney?

STATEMENT OF HON. CYNTHIA A. MCKINNEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA

Ms. MCKINNEY. Thank you, Mr. Chairman, Ranking Member Levin, other members of the committee. I want to thank you for scheduling this very important hearing on the role diamonds play in the conflicts of Sub-Saharan Africa. I would also like to thank Congressman Hall for his leadership, as well, in introducing the

Consumer Access to a Responsible Accounting of Trade Act, or as many of us know it, the CARAT Act, or the Blood Diamond Bill.

As the ranking member of the Human Rights Subcommittee on the International Relations Committee, I fully support the intentions to implement a coding system that would stop the illicit diamond trade. With this, the diamond's origin can be certified in order to sever the funding link that has allowed mercenary groups and so-called rebel groups in Sierra Leone, Angola, and elsewhere to enrich themselves and commit gross abuses against governments and unarmed people.

The illicit diamond trade has assisted a few bad men to create anarchy and chaos on the African continent, but it has made all of us complicit in the crimes against humanity and the suffering that these men create. In order to break that complicity, we need a prompt review of U.S.-Africa policy. We need to pass Tony Hall's bill and we need to implement sanctions against countries and individuals who have already been named as diamond traffickers.

I would also like to ask the committee to seriously consider action against diamonds that are certified as having come from Liberia, as well. While Liberia has not been the subject of any U.N. Security Council resolutions or reports, it is physically impossible for Liberia to produce the diamonds that it says it does. It is clear that Sierra Leone's diamonds are being laundered through Liberia and on to the legal market and then to our jewelry, most likely right here to the United States, since the U.S. consumes two-thirds of all the diamonds produced.

In the Congo, forces allied with Uganda and Rwanda have occupied nearly half that nation, including the Congo River city of Kisangani, a major trading center for the diamonds pulled from the surrounding jungles. The battle is for Mbuji Mayi, the capital of the southeastern province of East Kasai and the center for Congo's diamond mining.

In Angola, sanctions busting led to a report released by the United Nations panel on March 15 carefully documenting the ways in which UNITA has been able to circumvent the U.N. sanctions against its trade of diamonds extracted from UNITA-controlled areas in Angola. We all know the objectives of UNITA, to foment chaos in Angola and render it ungovernable. They pretty much were able to do that due to their trade in illicit diamonds. They even went so far as to shoot down U.N. planes carrying individuals committed to making peace.

The resultant Fowler Report of the United Nations Security Council, named after Robert Fowler of Canada who led the investigation team, took the bold step of naming names of individuals and countries that were sanctions busters. Some of the sanctions busters are our allies. If we were really serious about the diamond trade, our leadership could make a difference, and we should lead the effort to implement the Fowler recommendations, not to just study them. People are losing their homes and their lives while this administration studies. Ambassador Harold Jeter acknowledged support for the Fowler recommendations, yet to my knowledge, not much beyond that has been done to implement them.

U.N. Secretary Robert Fowler's report recommends that anyone trading in illicit diamonds will be expelled from the industry and

that any country knowingly involved in smuggling will lose its export accreditation. Under the proposal, all rough diamonds are to be exported in sealed packages certified by the authorities in exporting nations and verified by a new international diamond council, made up of governments, industry, and non-governmental organizations.

At the World Diamond Congress, which took place in Antwerp, Belgium, in July, the International Diamond Manufacturers Association and the World Federation of Diamond Bourses agreed to establish a system of certificates of origin to identify the provenance of diamonds.

The United States and Europe must also begin bilateral and multilateral discussions with Israel, a leading destination for the illicit diamonds. The U.S. must also show leadership and act more swiftly against other countries mentioned in the Fowler Report. Countries such as Burkina Faso, Togo, and Rwanda were named in Fowler's report as being involved in the illegal trading operations with Mr. Savimbi's forces.

Also, another important move in the right direction that was thwarted was the British move to deny the State Controlled Corporate Entity in which the Democratic Republic of Congo and Zimbabwe attempted to form an autonomous, State-owned, joint venture to market independent of anyone else's control Democratic Republic of Congo's diamonds. I view this as an effort to further entrench the current State and non-State actors and to deny African governments the right to control their own diamonds.

I would like to commend Namibia, a nation that is doing things right. The first thing they did was to deny the mercenary companies a foothold in their diamond industry, and as Congressman Hall has pointed out, we owe passage of this bill to those who depend on the legitimate trade in South Africa, Botswana, Namibia, and who will be hurt by a consumer backlash against the entire diamond industry.

Why should we care that Africa is being ravaged by war as we speak? Because we bear a good deal of the responsibility for what is happening there. The diamonds that we wear to adorn our bodies and the oil that we pump into our SUVs has a direct bearing on the quality of life that someone in another part of the world in some far-away place. We do not need to hurt people or to allow our allies to hurt people to have diamonds or oil, but too often we do. I know we can do better and we must.

Finally, I would like to call your attention to a very important book that details our Africa policy during the Clinton administration. It is explosive in its content and in its accuracy, from my point of view. I would commend it to all of you and hope that you would purchase it and read it personally and then move to change that which is wrong in our policy and save that which is right. The book is *Genocide and Covert Operations in Africa from 1993 to 1999* by Wayne Madsen, just recently published.

Diamond certification is an important step in the right direction to stem the tide so innocent Africans will not continue to die. Making this bill the law of our land is an important step in the right direction.

Thank you very much.

[The prepared statement follows:]

Statement of Hon. Cynthia A. McKinney, a Representative in Congress from the State of Georgia

Mr. Chairman:

Let me begin by thanking the leadership of the Ways and Means Trade Subcommittee for scheduling this important hearing on the role diamonds play in the conflicts of sub-Saharan Africa.

I am pleased to give testimony today with this distinguished bipartisan panel who are imploring you to take decisive action to stem the entry into this country of illicit or "blood diamonds."

I would also like to thank Congressman Hall for his leadership in introducing the Consumer Access to a Responsible Accounting of Trade Act, or as many know it, the CARAT Act; or the "Blood Diamonds" Bill.

I fully support his intentions to implement a coding system that would stop the illicit diamond trade. With this legislation, a diamond's origin can be certified in order to sever the funding link that has allowed mercenary groups and so-called rebel groups in Sierra Leone, Angola, and elsewhere to enrich themselves and commit gross abuses against governments and unarmed people.

The illicit diamond trade has assisted a few bad men to create anarchy and chaos on the African Continent. But it has made all of us who fail to act complicit in the crimes against humanity and the suffering that these men create. In order to break that complicity we need a prompt review of US Africa policy, we need to pass Tony Hall's bill, and we need to implement sanctions against countries and individuals who have already been named as diamond traffickers.

I would also like to ask the Committee to seriously consider action against diamonds that are certificated as having come from Liberia as well. While Liberia has not been the subject of any UN Security Council Resolutions or reports, it is physically impossible for Liberia to produce the diamonds that it says it does: it is clear that Sierra Leone's diamonds are being laundered through Liberia and onto the legal market and then to our jewelry. Most likely, right here to the United States since the US consumes two-thirds of all the diamonds produced for jewelry.

In Angola, sanctions-busting led to a report released by a United Nations panel on March 15th of this year carefully documenting the ways in which UNITA has been able to circumvent the U.N. sanctions against its trade of diamonds extracted from UNITA-controlled areas in Angola. We all know the objectives of UNITA: to foment chaos in Angola and render it ungovernable. They pretty much were able to do that due to their trade in illicit diamonds. They even

went so far as to shoot down UN planes carrying individuals committed to making peace.

The resultant Fowler Report of the United Nations Security Council, named after Robert Fowler of Canada who led the investigation team, took the bold step of naming names of individuals and countries that were sanctions busters.

We should lead the effort to implement the Fowler recommendations, not just to study them. People are losing their homes and their lives while this Administration studies.

U. N. Secretary Robert Fowler's report recommends that anyone trading in illicit diamonds be expelled from the industry and that any country knowingly involved in smuggling lose its export accreditation.

Under the proposals, all rough diamonds are to be exported in sealed packages certified by the authorities in the exporting nations and verified by a new international diamond council, made up of governments, industry, and non-governmental organizations.

Some of the sanctions-busters named by Ambassador Fowler are our allies. If we were really serious about the diamond trade our leadership could make a difference.

The U. S. must show leadership and act more swiftly against all the countries mentioned in the Fowler Report including Burkina Faso, Togo, and Rwanda who were named in Fowler's Report as being involved in illegal trading operations with UNITA's Jonas Savimbi.

In the Congo, Uganda and Rwanda have occupied nearly half of that nation including the Congo River City of Kisangani, a major trading center for the diamonds pulled from the surrounding jungles. The battle now rages for Mbuji-Mayi, the capital of the southeastern province of East Kasai and the center for Congo's diamond mining.

Rwanda is "running" diamonds looted from Congo and Angola and wreaking havoc on the people of Eastern Congo in reckless pursuit of its own policies, encouraged

by the United States and the international community, as we all stand and do nothing.

At the World Diamond Congress, which took place in Antwerp, Belgium in July, the International Diamond Manufacturers' Association and the World Federation of Diamond Bourses agreed to establish a system of certificates of origin to identify the provenance of diamonds.

I would encourage them to move swiftly or a boycott of all diamonds might occur. I note that DeBeers is already running ads to encourage Christmas diamond purchases.

The United States and Europe must also begin bilateral and multilateral discussions with Israel a leading destination for the illicit diamonds. The sad fact is that diamonds from Africa have helped to build and enrich the cities of Antwerp, Brussels, Tel Aviv, and New York. Yet Africans remain hopelessly impoverished and are even going backward. Something is terribly wrong with this industry. And that should be addressed too.

Africans should control their precious resources. But the West actively thwarts such efforts. For example, an important move in the right direction was recently halted when the British refused to list on their stock exchange a joint venture between Zimbabwe and Democratic Republic of Congo so that Congo could market its diamonds independent of anyone else's control.

I view this blockage as a direct effort to further entrench the current State and non-State actors and to deny African governments the right to control their own diamonds

Chairman CRANE. Thank you, Ms. McKinney.

The Customs Service has stated that it is impossible to administer the CARAT Act, which requires a certificate of origin where the diamond was mined, given the amount of transshipment that occurs in Africa. Could you please comment on how country of mining can be traced so the requirement is enforceable, to one and all?

Mr. HALL. I heard that argument about a year ago and I heard that argument mostly from diamond dealers and DeBeers themselves. They kept saying it the whole year. We cannot do this. We cannot do this. It is impossible. It is very interesting, at the Antwerp meeting of a few weeks ago of which I was at, they passed this global certification program which pretty much says that they can do it and they can do it through a process of once the legitimate diamonds leave the country, they are sealed, they are certified, they are entered, and they stay in this packet. I cannot explain every aspect of it, Mr. Chairman, but the fact is that they can do it. They denied it all year and said it cannot be done, but it is very interesting, they are all saying, or a lot of them are saying that they can do it, and that is what they passed in Antwerp. These are the diamond dealers of the world.

So the fact is that it can be done and it should be done. I do not know why we cannot do it, especially on rough diamonds. If I looked at your shirt and the suit that you are wearing today, the cheese that you are going to eat, I know where that is coming from because it is marked. We can mark diamonds. Because we buy 65 percent of all the diamonds in the world here in this country, we ought to have a right to say, where did this diamond come from? We are not talking about every little diamond, because that is impossible. We are talking about the rough diamonds that are chopped up into pretty sizeable diamonds.

Yes, I believe it can be done. I believe that technology is coming. And I know that diamond dealers believe this because they passed it in Antwerp.

Chairman CRANE. We will later, after you folks, have William Wood, who is the Principal Deputy Assistant Secretary of International Organization Affairs at the Department of State, testifying after you folks. Someone else here, Miles Harmon, is the supervisory attorney advisor with the U.S. Customs Office. So I would hope that you folks might, if you are not under tight time constraints, have a chance to at least talk to them on that issue to try and resolve it.

Mr. WOLF. Mr. Chairman, on that, we have a paper, too, called "Possibilities for the Identification, Certification, and Control of Diamonds," which we would like to submit for the record.

Chairman CRANE. Absolutely.

[The attachment is being retained in the Committee files.]

Mr. WOLF. And also, as I made the point, in 1998 in Liberia, whose natural resources would only allow the exportation of \$10 million of diamonds, they exported \$297 million. So the people who bought the \$287 million knew that they were buying conflict diamonds, but I will just submit this for the record, Mr. Chairman.

Chairman CRANE. Very well.

Ms. MCKINNEY. Mr. Chairman, I would also like to submit some additional paperwork for the record. Studies have been done by Global Witness that talk about bar coding, and also I would like to submit the Fowler Report with its recommendations to the record, as well.

Chairman CRANE. Without objection, so ordered.

[The information was not received at the time of printing.]

Mr. PAYNE. Mr. Chairman, the work that is being done by the Canadian Mounted Police, we are going to try to get the origin of that and have that submitted also for the record.

Chairman CRANE. Yes, indeed.

[The information was not received at the time of printing.]

Chairman CRANE. Mr. Levin?

Mr. LEVIN. Thank you, and thank you so much for your testimony. I think it would be helpful if in the next few days, as soon as we can get into this, with all the other work that is before us, if you would work with us to work out the issue that Mr. Crane has raised. As I understand the legislation, it would start a certification process before the Antwerp or other public/private proposal is complete. So I think we need to discuss the feasibility of that. You need to help us work through that. That is the first issue. If we can do that, it would be highly necessary and valuable.

Secondly, I think it would be useful if you could work with some of us and USTR relating to the question of WTO consistency, because that has been raised at least indirectly relating to your bill. So let us work in the days ahead on those two key issues.

I do not believe that anybody can challenge the need for action. I do not think anybody can challenge the descriptions that you have given so graphically and to others as to what is going on in Africa relating to this. I think that is unchallengeable. It simply lays down before us the task of determining what we can do quickly, feasibly, effectively. So let us work together on those issues as intensively and intensely as we can.

Mr. HALL. Mr. Levin, I think all of us here at the table are very willing to sit down and work with all of you on this piece of legisla-

tion. Nothing is in concrete here. Actually, the bill, according to my opinion, has too many waivers in it. I think there are too many outs in it. I would make it much tighter than what it is if I thought we could pass it. This is a piece of legislation that has waivers for the President and the Secretary of Treasury and they have waivers to be able to overlook the certification problem if, in fact, the technology is not there.

As far as the WTO, none of us here, especially me—I am not an expert relative to the WTO, how this affects it. I have to leave that up to the trade experts, yourself and people on this committee, others. But failure to act on this and failure to act and to implement the Antwerp agreement will be, I think, disastrous for the diamond industry. I really believe that because there will be a consumer boycott, in my opinion, if we do not act on this.

So this bill has a lot of waivers. It has too many as far as I am concerned, but I am willing to go along with it to get something in the record to start to stop the flow of some of these conflict diamonds.

Mr. LEVIN. Let us work on it. We are going to have a vote, I think, fairly soon, and then the marriage penalty, and we probably could not resolve these issues today, but I think your testimony makes it clear we have to confront them and as quickly and as effectively as we can.

Mr. Payne?

Mr. PAYNE. Yes, Mr. Chairman. Let me just reiterate what we have all said. They are the countries of South Africa, Botswana and Namibia, that depend on this industry that are doing the right thing. They are very, very concerned. As I indicated, I went to Botswana and the overriding discussion with the president was the fact that if there is a boycott on diamonds, already he is hit with an AIDS pandemic and trying to put resources in that, but he said if there is a boycott on diamonds, they are really right back down to where they were 40 years ago.

So we are not opposed to diamonds. They claim they are a girl's best friend. I do not bother with them. But the fact is that we have got to separate them. We saw what happened in the furs. We do not want that to happen. We owe it to the African countries that have this resource to be able to have a clean commodity.

And secondly, it is the most controlled industry in the world. Diamond prices are controlled, as you know, because the number of diamonds that are allowed to come out on the market is controlled by just one or two or three organizations. That is why the price of diamonds never varies. It is not like OPEC. They do not go up and down. They stay the same. They determine how many they are going to put out, and if they are not selling, they simply do not put any more out. They just store them for decades until the time comes that they will buy them.

So I believe that there is such an internal control that there can be something, and if we push this, then we see the industry tends to step forward and come up. They know best what can be done. I think this would be a catalyst to having them do the right thing.

Mr. LEVIN. Thank you. Well said. Thank you very much.

Mr. RAMSTAD. [presiding]—I believe I am next. I have been handed the gavel and I believe I am next in the line of questioning. I

want to make a couple of comments and then ask one question before yielding to my friend from Louisiana.

First of all, I want to state for the record my deep respect for all four of you. No members of Congress have done more to further the cause of human rights than the four of you sitting at this witness table today and I applaud you for that.

The horrific acts of brutality that are occurring in Sierra Leone and other parts of Africa are unspeakable crimes against humanity, obviously against innocent people who happen to be in the wrong places at the wrong time and something that concerns or should concern not only every member of Congress but every citizen of this country and of the world.

I was also, secondly, encouraged by the summary statement of Chairman Crane when he said conflict diamonds are not forever. I also share the concerns raised by the ranking member, my good friend Mr. Levin, and Chairman Crane as to the—which is the same concern of the administration—how we are to enforce this proposal.

Let me just ask any of the members of the panel for my edification. I think there is an education job that needs to be done here. With respect to rough diamonds, Tony, you mentioned that there are means to identify and certify. Are there geological markers that differentiate diamonds mined in different parts of the world as far as rough diamonds are concerned? I really am ignorant as to whether there are geological markers or how exactly are they to be identified and certified.

Mr. HALL. You should look at the Antwerp agreement where there would be a global certification, that once the diamonds came from a country and the government that we recognize that is legitimate, it is something that they will declare for their country. These would be sealed. I am not sure how they would seal it. They would seal it in an envelope or some kind of container where it could not be broken and it would be registered. These would be legitimate diamonds. As they find their way to either Antwerp or Israel, et cetera, then they would be cut up and the certificate would follow it.

Once you cut and polish a diamond, there is no way you can tell where it came from. Some diamond dealers can tell you on the rough diamonds pretty much the area that these diamonds might have come from, but you cannot depend on that, not at all.

Mr. RAMSTAD. Is this a process—

Mr. HALL. They can be marked by lasers. There are people that are working on it in Canada, as I understand from Mr. Payne's testimony, from my own testimony, that they are working on technology to market. That technology is probably not there yet. But even before you market, it can be done. If it could not be done, they would not have passed that resolution, that plan of action in Antwerp a few weeks ago.

Ms. MCKINNEY. If I could add to that, we had testimony, I believe it was in the Africa Subcommittee, and Donald, you can help me on that, on this issue. There was testimony from South Africa, Charmian Gooch, I believe is the woman, from Global Witness who spoke specifically to the issue of the geological indications of the origin of a diamond. That is why I want to make all of their reports

available to the committee, because it is my understanding that there are, indeed, ways with geological markings to determine whether or not a diamond is from South Africa or Namibia or Sierra Leone.

Mr. RAMSTAD. This agreement that you are describing, is this the same proposal to track the source of diamonds that the World Diamond Congress adopted? Is that the same proposal?

Mr. HALL. Yes.

Mr. RAMSTAD. That is the Antwerp agreement?

Mr. HALL. Yes.

Mr. RAMSTAD. Okay. Mr. Payne?

Mr. PAYNE. Also, about two years ago, on one of my trips to South Africa, I met with one DeBeers official, and although he indicated it was an informal meeting and discussion, he indicated that there are ways that they believe you can mark somehow the bulk of them. Like I said, there is new technology. They call it fingerprints. It is too technical for me, too. I am still on my AOL. But they claim they have really a lot of new possible developments.

My point is this, as I indicated. It is a most controlled business. They have ways of being able to know exactly the weight of diamonds. I went to a diamond facility run by the government of Botswana. You had diamonds all over a bench that was almost as long as this. They weigh them when they come in and they weigh them when they go out and bells simply ring because the weight remains the same. It is just amazing. So they have evidently done a lot with diamonds that we do not know about and I think that this is the challenge to them. If they want to preserve this controlled economy that they have and has been good to them, then I think that they will come forth.

Mr. WOLF. Mr. Ramstad, very briefly, there is a book, following up with what Ms. McKinney said, called *The Genesis of Diamonds* by Alpheus Williams. In it, the book gives a detailed analysis of diamonds from the production of different mines in South Africa and demonstrates the level of detailed information that can be gathered on surface features. Also, as Mr. Hall said, there is a waiver in the bill that if it is not available, there is a waiver.

Mr. RAMSTAD. Speaking of bells ringing and going off, I want to get Mr. Jefferson's questions in so this panel can be excused before we go to vote.

The enforceability issue and then the WTO question that Mr. Levin raised, I think those are the two issues, and you have gone a long way certainly in explaining the enforceability aspect of this legislation.

Let me now yield to my friend from Louisiana, Mr. Jefferson, and then following Mr. Jefferson's line of questioning, we will dismiss this panel and recess to go vote.

Mr. JEFFERSON. I thank you, Mr. Chairman. I want to ask my colleague, Don Payne, a question. All of us have seen the suffering that goes on because of these diamonds, which we call conflict or blood diamonds, whatever. The big issue is what to do about it. How can we really step in and provide an effective answer or an effective solution to it?

One of the concerns is how does it affect the countries that have the clean diamonds? How does it affect Botswana and South Africa

and so on? I want to know, in your talks with them on your recent visit, how do they feel about this legislation? Do they want us to go forward with this? Do they think it presents no risk for them or do they think it provides a remedy for their countries?

Mr. PAYNE. Yes, that is a very good question. One of the purposes for our visiting and having discussions with the leaders of the country was to find out how do you really feel about this. Festes Mogae, who was elected last year, as you know, Botswana, the most stable government, they have had because of diamonds about a billion dollars in surplus almost over a decade. They have had a surplus each year because of that and they have been very frugal in the manner in which the government has been spending money in a planned way. He is extremely concerned about the fact that people are saying diamonds are rebels' best friends. Now, if you use a general statement like that, that simply means that all diamonds tend to be bad diamonds. So they, of course, are not aware of exactly what can be done, but they really want to see their diamonds continue to move forward and that there be some distinguishing way that their diamonds can be segregated from those blood diamonds.

So I could speak very specifically about President Mogae, who once again last week at the millennium, I had an opportunity to talk to him about this issue, extremely concerned, probably the number two issue in his country because the AIDS pandemic, he says, is number one. But this is something that he definitely wants to see something happen. He does not have the answer, but he knows that his diamonds are clean, are good, it is helping his country along. He wants his diamonds to be separated from those Sierra Leonean, Democratic Republic of Congo, and Angola diamonds.

Mr. JEFFERSON. Does he support the approach that the bill takes or supporters take or the U.N. takes or does he support the self-regulation that is going on with Antwerp?

Mr. PAYNE. He simply supports the concept in general. I am not sure that he has the details of the legislation, and Tony may know better than that, but we may ensure that those embassies do get copies of the legislation.

Mr. JEFFERSON. Mr. Hall?

Mr. HALL. Let me just say that this piece of legislation really protects legitimate diamonds, diamonds coming from Botswana, South Africa. As a matter of fact, that is pretty much what the Antwerp agreement is, that legitimate diamonds coming into the various diamond centers, they will be protected. What they are trying to stop is the conflict diamonds.

I want to reiterate again, if we do not pass something and if the diamond dealers do not implement the plan they just agreed on a few weeks ago in Antwerp, there will be a consumer boycott and people will ask the question, where is that diamond from? Countries like Botswana, South Africa, Namibia, legitimate diamond dealers in our own country, will be affected. These are legitimate businesses. They will be affected in a very adverse way.

So I am saying that there are consumer groups, consumer boycott groups that are ready. We must pass something and we must implement that plan that they passed in Belgium or we will see a

boycott, and we do not have to worry about whether this bill is technically correct or not because it is all over. I mean, it will be a disaster for the diamond business.

Mr. JEFFERSON. Frank, I want to ask you a question, if I could, about the U.N. resolution. What is happening with that? The U.N. passed it. What are they doing to enforce it, because your bill calls for the Congress to pass the bill to pick up the U.N. legislation, the U.N. sanctions and so on. What is happening under that provision? How is it working?

Mr. WOLF. I think unless the United States participates actively by passing something like Mr. Hall is talking about, for all practical purposes, it is just not going to work. Now, I have been supportive of the U.N. effort. I have been supportive of the U.N. effort with regard to the peacekeepers in Sierra Leone. Unfortunately, the Congress has not seen that. But the U.N. has been ineffective in even dealing with peace in Sierra Leone or getting arms cut off.

So the resolution is interesting and it is helpful, but until the United States, which is 65 percent—two-thirds of every diamond sold in the world is sold right here in the United States—until we act, frankly, I think it will not be very, very effective.

Ms. MCKINNEY. Basically, the United Nations is studying, as is this administration, studying. But I would just like to add further to what my colleague Tony Hall has said, and that is that there are groups out there—we have been working with them—who are ready to do a boycott, and a boycott, I believe, is the last thing that any of the legitimate, the leaders of the legitimate diamond industry and countries want.

Mr. JEFFERSON. And you believe that if we do not act this session on this bill, that this boycott will occur? That is what you are saying?

Ms. MCKINNEY. Absolutely. That is my opinion.

Mr. JEFFERSON. Does this bill, Tony, does it have a companion in the Senate? Is it moving somewhere over there? Does this bill have a companion in the Senate? Is it moving in the Senate?

Mr. HALL. Yes. I do not know if the bill has been introduced, but we do have a couple Senators very interested in it. Senator Gregg originally put together a much tougher piece of legislation that Frank and I favored, added it to the bill. That is when we had the debate on the floor with Mr. Crane, when he agreed to have the hearing. So this bill is not a perfect bill. To me, it has too many waivers. If I could, I would make it much stronger. But it will stop many conflict diamonds, not all, because this sets up a system for the first time.

I am very unhappy with our State Department, the way they have handled this. Before, under Mr. Morrison, they had some people that were very out front on it. But I think they are being very soft and kind of neutral on this. Mr. Holbrooke has been great. He has been wonderful. Everybody can be neutral, but if we do not do something and the Antwerp agreement is not carried out, there will be a boycott and I think all of us will be very disappointed. I am not sure I will not be part of it.

Ms. MCKINNEY. I know I will be a part of it, but I would like to also just recommend once again to the panel the book by Wayne Madsen, *Genocide and Covert Operations in Africa, 1993 to 1999*.

There, it clearly spells out the role of our own government in this whole issue.

Mr. PAYNE. I just could not reiterate it any more. I think it is essential that we do something. We have been, as a country, in the past decade standing on the side of too many issues that if we had acted—the genocide of Rwanda would not have occurred if we had moved in and given the green light for something to happen. We did nothing. We had hearings, four hearings. Genocide was not mentioned once in the Africa Subcommittee.

So we have a responsibility, because from the Rwanda situation, the Congo situation was created, and you have spillovers that keep going. Sierra Leone actually should be a receivership. The U.N. should come in and actually run the country to put it back like it is trying to do in Cambodia or something. There is no government. The diamond people are stronger than the Nigerian forces that were there. We can win that battle if we have the proper resources, but we are not going to be able to dilly-dally and send untrained troops and inadequate numbers in order to secure peace in that country.

Mr. JEFFERSON. One last thing. Short of this bill passing, given the time that we have to get this done, do you think some sort of a statement about this, some sort of, as Tony is talking about, expression by the State Department is helpful in this regard, and if so, what form should that take?

Mr. HALL. Did you say, Mr. Jefferson, that some kind of a statement from the State Department would help?

Mr. JEFFERSON. No, I was asking you that. I was saying, short of this bill passing, and there is a decided likelihood that it might not given the time we have to deal with it, would some expression from the State Department be helpful, and if so, what form should it take?

Mr. HALL. I do not think it would be helpful at all. We have been making statements for a year and a half. I do not think it will do anything.

Mr. JEFFERSON. You just criticized them for not doing the right thing, for not saying anything, not doing anything, and I am asking whether there is anything they can do or say that makes any difference.

Mr. HALL. Unless you have some kind of certificate of origin, unless you have some kind of sense of Congress, unless you do embargoes on these countries that we know are dealing in conflict diamonds, there have been a lot of statements and the statements have not worked.

Ms. MCKINNEY. The Fowler Report, the report of the Secretary General on the sanctions busting with respect to UNITA and the illicit diamond trade that has funneled money and arms into UNITA, had specific recommendations. My recommendation to the State Department would be to not just study the Fowler recommendations but to implement them. The Fowler Report went farther than any other report. It named names. It named countries. So we know who is helping to launder these diamonds. Put them on a list and deny them entry into this country. We have not done that. Freeze their assets. We have not done that. So there are things that can be done. It is in the Fowler Report and it needs

to be done. The State Department needs to do it and stop talking about it.

Chairman CRANE. [presiding]—I want to thank all of our panelists here for their presentations and we look forward to continuing working with you. With that, this panel can be excused.

I would now like to ask William Wood, the Principal Deputy Assistant Secretary with our International Organization Affairs of the U.S. Department of State to come forward and testify. Mr. Wood, if you could, try and keep your oral testimony to in the neighborhood of five minutes. Any written testimony will be made a part of the permanent record and you may proceed.

STATEMENT OF WILLIAM B. WOOD, PRINCIPAL DEPUTY ASSISTANT SECRETARY, INTERNATIONAL ORGANIZATION AFFAIRS, U. S. DEPARTMENT OF STATE

Mr. WOOD. I would like to express my thanks to the subcommittee for inviting the State Department to testify on this very important issue. It is an issue that is a growth industry, if I may say so, gathering both diplomatic momentum and practical expertise as nations, private sector, and non-governmental organizations work together to develop an effective way to prevent some of nature's most beautiful objects from being used for some of mankind's most hideous purposes.

My written testimony details the history since, in essence, 1998 of U.S. efforts in this regard. The United States is proud to really have been a leader in both the theory and in the implementation of measures to block the illicit trade in diamonds and their use to support insurgencies against legitimate governments in Africa. We have mentioned here the resolutions in the Security Council. The United States supported those strongly. We have mentioned the Antwerp meeting. The United States supported that strongly. We have mentioned the Kimberley process. The United States supports that strongly and, indeed, will be attending the ministerial level meeting convening in South Africa next week, which is the next key step in this process.

The administration is committed to working with governments, private industry, and non-governmental organizations to end the large-scale diversion of internationally traded diamonds by unlawful, violent, and destabilizing elements. We believe we have seen good cooperation. The diamond industry, both because of its desire to distance itself from the misuse of the product and to avoid being identified with that misuse, has actively participated. We believe that non-governmental organizations, several of which are going to be testifying later today, have provided both impetus and technical insight into the issue.

We believe that the ministerial in South Africa next week, which will build on the proposals developed in Antwerp, will be an important step in laying the groundwork for an international regime creating certificates of origin that are reliable and that are effective in controlling the illicit trade in diamonds by insurgent movements.

Mr. Chairman, my formal testimony started out by noting that the illicit trade in rough diamonds bears some resemblance to the illicit trade in narcotics. The most crucial similarity is that in both

cases, the illicit trade destroys lives. This is a crucial and tragic situation.

Unlike, unfortunately, the illicit trade in narcotics, the illicit trade in diamonds exists side by side with a large, flourishing, and important legitimate trade, and it is very important as we work through the techniques of restraining and rechanneling the illicit trade into licit channels that we not damage the legitimate trade, the legitimate trade which is important to countries like Botswana in Africa, Namibia, to countries like Israel in the Middle East and India in Asia, to allies like the Dutch and the Belgians in Europe, and to our own active legitimate diamond trading industry.

I think I will cut it off there, Mr. Chairman, in the interest of getting to questions and answers, but the one last thought I want to leave you with is, the administration is proud of its efforts and creativity to advance this issue. We believe that diplomatic momentum and practical techniques are building and we continue to continue this effort as we did in the Security Council and we did in the G-8, both foreign ministers and summit meetings, as we did in the Security Council summit that occurred last week and as we will do in South Africa next week.

Thank you very much, Mr. Chairman.

[The prepared statement follows:]

**Statement of William B. Wood, Principal Deputy Assistant Secretary,
International Organization Affairs, U. S. Department of State**

The Administration has been concerned for some time about the role the illicit trade in diamonds can play in motivating and fueling conflict, especially in Africa. Illicit trade in diamonds has played a particularly pernicious role in the internal conflicts in Angola, Sierra Leone, Liberia, and elsewhere in Africa. Diamonds, like illicit drugs, frequently are found in isolated regions, bear little or no evidence of their origin, and embody a high value in a relatively small and concealable volume. Unlike illicit narcotics, there is a large, legitimate market in diamonds in Africa, Europe, Asia, and the United States.

As conflicts in Africa proliferated in the mid-1990's, and especially following the breakdown of the Luanda Peace Accord in Angola and the resumption of fighting there, international attention focussed on ways to reduce these conflicts by eliminating the illicit trade in diamonds which fueled these insurgent movements.

To address this problem, the United States and the United Kingdom worked together to launch a series of consultations with leaders from the governments of diamond-trading nations, legitimate private diamond enterprises, and non-governmental organizations.

In June, 1998, the United States supported Security Council resolution 1173 which, inter alia, prohibited the direct or indirect import from Angola of all diamonds not controlled through the Certificate of Origin regime of the Angolan government. Subsequently, with the assistance of Canada, Chairman of the UN Sanctions Committee for Angola, the Security Council explored and approved new steps to reduce the substantial evasions of sanctions which continued to finance UNITA operations. This effort still goes on.

This year, following the breakdown of the Lome Agreement which provided a framework for peace in Sierra Leone, the Security Council acted again. In July, 2000, the Security Council in Resolution 1306 placed a mandatory prohibition on the purchase of diamonds from Sierra Leone not certified by the government of that country. Since, at that time, there was no regime for certification of diamonds, the practical effect was a mandatory boycott on all diamonds believed to originate in Sierra Leone. Subsequent to the UN resolution, the United States participated in a mission to Sierra Leone with the UK and Belgian governments and the Belgian Diamond High Council and continues to support the government's efforts to design a credible and effective certification regime.

We see the effort in Sierra Leone to create a certification system for rough diamonds, based on an improved version of the system used in Angola, as a model for other diamond exporting countries. These country-specific certification regimes could then be linked into a network with key importing and cutting and polishing centers

in Belgium, Israel, India, and elsewhere, forming the basis for an eventual international certification system for rough diamonds.

As you can see, the effort to halt the illicit use of diamonds to sustain armed conflict is a serious effort and also quite new. We are working hard to develop the techniques and mechanisms to put an end to the misuse of some of nature's most beautiful stones to serve some of mankind's most hideous purposes.

We are also working hard to ensure that measures to block the illicit trade in diamonds do not have the unintended effect of damaging the legitimate diamond industry. Botswana, a democratic nation with one of the world's highest incidences of HIV/AIDS, is dependent on an active diamond sector for its economic health. South Africa relies on its diamond sector. Close allies in Europe, such as the Belgians and Dutch, rely on a healthy, legitimate trade in diamonds for part of their national income. Israel is an active participant in the legitimate international diamond trade. And the United States, the largest consumer of diamonds in the world, is the home of a substantial diamond-trading sector. Equally important, nations in crisis such as Sierra Leone and Angola would benefit enormously if diamonds, now traded illicitly by insurgents, could be rechanneled through legitimate markets to provide employment, taxable income, and another source of stability for the country.

The Administration is committed to working with governments, private industry, and non-governmental organizations to end the large-scale diversion of internationally traded diamonds by unlawful, violent, or destabilizing elements. We have seen good cooperation. The diamond industry, both because of its desire to distance itself from the misuse of its product, and to avoid being identified with that misuse, has actively participated. I am pleased to report that the resolution adopted by the Congress of the World Council of Diamonds in Antwerp in July, which Congressman Hall addressed, constitutes a very constructive initiative to address the problem of conflict diamonds.

A key element of the evolving U.S. approach has been cooperation with the concerned diamond-producing States in southern Africa, spearheaded by South Africa. Beginning with the convening of a technical forum in Kimberly, South Africa in May of this year, the South Africans have led what has come to be known as the Kimberly Process, a series of working group meetings made up of a wide variety of key governments, industry, and NGOs, which will culminate in a Ministerial meeting in Pretoria South Africa on September 21. As an active member, the U.S. has worked to broaden the participation of this group so that it now includes not only Belgium, but also the other key producing and manufacturing countries, specifically Canada, Russia, Israel, and India.

The broad proposal which will be discussed at the Ministerial meeting next week is an international certification system for rough diamonds, building on the systems in Sierra Leone and Angola. Similar to the industry's proposal, such a system would require that all rough diamonds have to be accompanied by a forgery-proof certificate of origin or legitimacy issued by a State diamond authority. Each country would be responsible for registering its exports and imports in a database to enable verification and reconciliation.

The key to making such a system effective is to gain the agreement of all countries which trade in rough diamonds to participate in and enforce it. This is where the Kimberly process has played a critical role in bringing together the major players in the diamond trade. However, we are well aware that we must next move to a broader inter-governmental forum, possibly under the auspices of the UN, which engages all the countries which trade in diamonds.

Under such a system, consumers buying a diamond in any jewelry store would have the assurance that the diamonds they were buying are in fact legitimate, and are not playing a role in perpetuating devastating wars in Africa. This approach is in line with our efforts in the Group of 8 which resulted in a call by the Heads of State and Government this summer for an "international conference, building on Security Council Resolution 1306 and the 'Kimberly' process launched by the Government of South Africa, to consider practical approaches to breaking the link between the illicit trade in diamonds and armed conflict," including a possible international agreement on certification for rough diamonds.

More recently, in the declaration adopted last week by the UN Security Council Summit, the Heads of State and Government decided to take resolute action in areas where illegal exploitation and trafficking of high-value commodities contributes to the escalation or continuation of conflict.

I know all of us wish that we had readily available technology for marking diamonds or determining their origin geologically, but unfortunately that does not exist. That is why we have turned to a certification system. Nevertheless, we do believe that such technology could be available in another few years and will work to encourage and support these research and development efforts.

We have already achieved a remarkable level of collaboration between governments, industry and NGOs—thanks in large part to the efforts of organizations like Global Witness—that we would not have dreamed possible a year ago. While we have some hurdles ahead of us, particularly in getting broader international participation and ensuring compatibility with prevailing international trade obligations, I am confident that we will overcome the remaining challenges.

Thank you for your interest. I welcome any questions you may have.

Chairman CRANE. Thank you, Mr. Wood.

Customs has stated that it would be impossible to enforce H.R. 5147, the revised CARAT Act, because of the difficulty relating to the certificate of origin requirement for the country where the diamonds were mined and that there is simply no practical means effectively to enforce this. Can you comment on this? Is H.R. 5147 consistent also with the WTO?

Mr. WOOD. A couple of points there, Mr. Chairman. First of all, we certainly applaud the dedication, commitment, and energy of Congressman Hall, Congressman McKinney, Congressman Payne, and Congressman Wolf in this regard and we have complete sympathy and support for the objectives that gave rise to the legislation you have referred to.

We do, however, believe, as Mr. Levin indicated, that there are elements of that legislation that may be getting ahead of the international consensus that will be required to make any regime work. We do have concerns relating to the enforcement and the implementation provisions in that legislation, relating to creation of a certificate of origin, a regime that is not yet in place internationally, relating to certifications regarding transshipment, which is a certification that at present there is no technical way to make because there is no technical way to accumulate the information.

We have interests in some of the countries that are mentioned in Title I. Just to mention one, Ukraine. Ukraine, of course, is on the Security Council and, indeed, supported the Security Council resolution banning non-certified diamonds produced in Sierra Leone. I think that this is a classic illustration of the kind of complexity within the international environment regarding this very difficult issue. We believe that we can work successfully with Ukraine as we worked on the Security Council to come up with a positive regime that will control illicit diamonds and rechannel them into legitimate channels.

We are not immediately sure that creating a negative list is the best approach at this time. I do not want to rule it out at some time in the future. But right now, that is not the direction in which the international effort is moving. We will, again, know more following the ministerial in South Africa next week.

Regarding the question on the WTO, we are still in the initial phase of developing a system, so it is difficult to be really precise. But we are working closely with our trading partners to devise an approach that will both effectively address the problem of illicit trade in diamonds and minimize any potential WTO concerns.

For example, by focusing on rough diamonds, we are seeking to limit the complexity of the certification system to the extent possible and at the same time to limit the universe of countries that would be directly impacted by the regime. By focusing on a simple,

transparent process of certification, we are attempting to ensure that the system will be non-discriminatory and that it will impose relatively little burden on exporting and importing countries. The responsibility for enforcing the system will be vested in sovereign governments. That is identical with the system used by the United Nations in which the enforcement of sanctions is vested in sovereign governments acting individually or collectively. Governments will retain the ultimate responsibility for deciding what actions to take.

I would like to go slightly further than that, though, and say the predominant characteristic of the international discussion on illicit trade in diamonds right now is one of growing consensus and commitment across sectors by national governments, by private industry, by non-governmental organizations.

Mr. Chairman, I have some experience, indeed, too much experience in supporting sanctions regimes in the U.N. that looked terrific on paper but did not do the job. We think that a regime that genuinely has wide international backing, that is enforced by sovereign governments, implemented largely by the diamond industry, and that has governments, diamond industry, and non-governmental organizations as watchdogs can be an effective regime. But I think that we need to keep pace with the pace of international dialogue on this subject so that we can come to a regime that meets all of our criteria and fulfills all of our objectives. Thank you.

Chairman CRANE. Do you see establishing direct trade between the American diamond industry and legitimate diamond producers as a practical solution to the illicit diamond trade?

Mr. WOOD. Direct trade, sir?

Chairman CRANE. Direct trade between the American diamond industry and legitimate diamond producers.

Mr. WOOD. We certainly think that there should be full dialogue among both the American consumers and the legitimate producers. I am not sure that we are calling for a, if I understand your question, sir, a reorganization of the industry so to cut out, for instance, the diamond middlemen in our allied nations of Belgium or the Netherlands or the diamond cutting industry in India or something like that, if I understood your question, sir. I would be glad to take the question and get a fuller response back to you.

Chairman CRANE. Does the State Department intend to take action concerning the U.N. Security Council resolution requiring member States to prohibit rough diamond imports from Sierra Leone unless certified by the government?

Mr. WOOD. Absolutely. We are taking steps in two directions. One, we have got technical experts in Sierra Leone who are helping them to develop a diamond certification regime that is technically sound. Right now, there is no such certification regime so the prohibition on certified Sierra Leonean diamonds amounts to a boycott, a mandatory boycott of Sierra Leonean diamonds at the moment. We are trying to assist them to develop a certification regime and, of course, for our part, the administration will be putting forward implementing regulations to make sure that the United States adheres to the mandatory provisions of that resolution for which we voted and which we fully support.

Chairman CRANE. Mr. Jefferson?

Mr. JEFFERSON. Mr. Wood, were you in the room a minute ago when we heard some complaints from members of Congress that the State Department has done, well, nothing in this area as far as they are concerned? You take issue with that, I take it, but in what respect and what has the State Department done in this area?

Mr. WOOD. Thank you for asking me that question. I do take issue a little bit with that perspective. The issue of controlling illicit trade in diamonds is a new area. The question of trying to find effective sanctions to contain conflict, to bolster legitimate governments, and to weaken the rebels and insurrectionists and the brutal elements that are conducting so much violence in Africa and elsewhere right now is one of the administration's highest, highest objectives. We believe that sanctions can be effective, as a way of putting pressure on the bad guys short of military means, which is both highest cost, highest risk, and also is likely to have the most collateral damage. So we think that sanctions are important. We think that creative ways to control the illicit trade in diamonds offers real potential to get at a resource that not only fuels but also motivates rebellion. It allows these movements to purchase weapons and it allows the leaders of these movements to amass a level of personal wealth that in many cases may well be their principal motivation for leading an insurrection. So we think that this is an important element. Starting in 1998 with the adoption of the prohibition on purchase of uncertified Angolan diamonds, the United States began to conduct with the United Kingdom a dialogue with interested national governments, the private sector, and non-governmental organizations to see how we could make this more effective. The fact of the matter is, the certification regime in Angola has not worked all that successfully. It is being strengthened with our assistance. And the international controls over Angolan diamonds that may not have passed through that certification regime was not effective at all. So we began this dialogue. We broadened this dialogue, among other places, to the Group of Eight. The Group of Eight is fairly important because they represent a block of the principal consuming countries in the world and, therefore, exercise some influence over not only the industry but also the producing countries, and over a six-or eight-month period, we developed a major proposal within the Group of Eight which was formalized at the foreign minister's meeting in Osaka in July and endorsed at the head of State level in Okinawa that same month. Similarly—and that is sort of the formal government-to-government process, with the one addition of our strong support for a resolution also in July, if memory serves, banning or prohibiting the purchase of uncertified diamonds from Sierra Leone. I guess that was June. That is sort of the formal government process. At the same time, some of our policy planning people, some of our Africa experts, some of our economic experts have been engaged in parallel discussions of the kind that governments do not very often have in which you sort of say, look, we all know what the objective is. We all know that it is a complicated equation. Let us figure out how we can together, your country, my country, your industry, my private sector, your non-governmental organizations, our non-governmental organizations, how we can all get together and put to-

gether a regime that is not rhetorical, that does not inflict high collateral damage on either an innocent legitimate diamond industry, innocent producers, or innocent countries, but at the same time can have a real impact on the illegitimate, illicit trading of diamonds to support brutal insurgent armed groups. That process is not complete.

Mr. JEFFERSON. But it is an ongoing process?

Mr. WOOD. The ministerial meeting in South Africa next week, which is the culmination of the Kimberley process, which has been a process of working groups meeting over the last several months, will be another key step. We expect this issue, which was mentioned in the Secretary General of the U.N.'s report to the Millennium Summit, to be discussed in the General Assembly of the United Nations this fall. This is a live issue. It is one in which the momentum is growing.

We, frankly, from the State Department's view, would welcome a sense of the Congress statement urging further progress or something like that. We are not sure that the specifics contained in draft legislation on the table right now is going to conform ultimately with the end result of the Kimberley process and the international dialogue. But as is so often the case, there is a genuine coincidence of objectives in this regard and it is important that we not allow differences of tactical nuance to undermine what is genuinely a common effort to achieve that goal.

Mr. JEFFERSON. You are saying that the State Department would welcome urging by the Congress to complete the Kimberley process and complete the international dialogue between the various countries with respect to these issues?

Mr. WOOD. And to find effective measures to control the illicit trade of diamonds as it supports insurgent elements. But again, this would be a declaration of, if I may say so, a common objective rather than a more specific recipe of measures.

Mr. JEFFERSON. Thank you, Mr. Chairman.

Chairman CRANE. Thank you. Mr. Wood, I want to apologize for our members not being here, but on the floor right now is being debated the effort to override the President's veto of the marriage penalty tax elimination and for that reason our colleagues are over there participating.

With that, I want to thank you for your participation and we will be back in touch with you.

Chairman CRANE. With that, I would now like to convene our panel from the private sector, Matthew Runci, President and Chief Executive Officer, Jewelers of America, Inc.; Alex Yearsley, Campaigner, Global Witness, from London, England; Jeffrey Fischer, President, Diamond Manufacturers and Importers Association of America; Holly Burkhalter, Advocacy Director, Physicians for Human Rights; Jack Jolis, President, Rough Diamond Consultancy, Antwerp, Belgium; and William Boyajian, President, Gemological Institute of America. Please take seats.

Folks, if you could please contain your oral presentations to five minutes or less, your written statements will all be made a part of the permanent record. With that, we will proceed with Mr. Runci.

**STATEMENT OF MATTHEW A. RUNCI, PH.D., PRESIDENT AND
CHIEF EXECUTIVE OFFICER, JEWELERS OF AMERICA, INC.,
NEW YORK, NEW YORK, ON BEHALF OF WORLD DIAMOND
COUNCIL**

Dr. RUNCI. Thank you, Mr. Chairman, members of the subcommittee. I am Matthew Runci, President and Chief Executive Officer of Jewelers of America, the national association of more than 12,000 professional retail jewelers in the United States. I appear before you today on behalf of the World Diamond Council, an international body formed in July to rapidly develop and implement a comprehensive plan to curtail trade in conflict diamonds. Membership of the council is comprised of all segments of the international diamond industry, producers, manufacturers, traders, and retailers, as well as financial institutions, governments, and relevant international and civil society organizations.

The WDC is dedicated to the eradication of the trade in conflict diamonds, allowing the legitimate diamond industry, which handles 96 percent of world rough diamond production and gives employment to more than two million people, to continue the promotion and sale of diamonds as a symbol of love and as an agent for economic growth and prosperity. A framework for effectively curtailing conflict diamond trade without adversely impacting legitimate businesses and national economies must, in our opinion, adhere to six principles.

First, while industry efforts already underway are making and will continue to make a difference, industry efforts alone will not be sufficient to end the trade in these products completely. Cooperative and coordinated initiatives between all stakeholders will greatly improve the prospects for ending this illicit trade.

Second, the origin of individual diamonds cannot be reliably determined by non-destructive analytical means. Contrary to certain popular misunderstandings, it is not a matter of devising or perfecting a tool for diagnostic measurement. The necessary distinguishing properties are simply not present in the stone from nature to begin with.

Third, certifying that the origin of a diamond is conflict-free may only be achieved through the systematic tracking of shipments, beginning with controls in the country of rough extraction. Unless rough diamonds can first be certified as conflict-free at the time they are exported from the country of mining, there is no method by which to verify their origin as conflict-free afterward.

Fourth, a system of tracking rough diamond shipments from mining sources through cutting centers is ambitious but feasible, because while the volume of stones produced annually is large, the number of export and import control points is small.

From that point onward, however, the task of tracking polished diamonds is neither feasible nor necessary. Fossils of polished stones are routinely sorted, mixed, and repackaged at each level of the distribution chain as economics drives the selection and supply is continually adjusted to meet demand in a way that yields profit. Diamonds often pass through as many as a dozen hands before they ultimately reach the retail counter.

Sixth, most diamonds are sold in an undifferentiated manner in the marketplace. The current trend toward identifying some pol-

ished diamonds by a brand name should not be confused with a system of market controls that would be required to establish a chain of assurance certifying that diamonds are conflict-free in origin. At this time, in fact, only one or two companies in the world possess the wherewithal to establish and maintain the requisite system of controls from the mining source onward, as well as the trade distribution network required to validate a chain of assurance through to the consumer.

Statutory authority possibly will be required in the United States in the future to implement necessary controls. However, it is imperative that the provisions of U.S. legislation be fully consistent with a broad international framework of rough diamond controls. It is not possible to legislate a national solution to the conflict diamond problem without inflicting significant economic damage on the diamond and jewelry industries of the U.S., Israel, India, Belgium, Botswana, South Africa, Namibia, and Russia.

Mr. Chairman, a transnational problem requires an international solution. For this reason, we respectfully request that Congress defer action on pending legislation until an assessment has been made of the outcome of the ministerial meeting on this topic scheduled in London in October. At the same time, however, we do propose an international system to control the flow of rough diamonds and there are four simple points in summation.

First, all polished diamond imports entering the U.S. in commercial quantities would be required by law to originate in countries that have rough diamond controls in place.

Rough diamond controls should be defined as, second, that all countries that export or import rough diamonds should have official import/export offices with data on shipments registered in an international diamond database. Rough diamonds would be sealed in standardized tamper-proof containers, accompanied by counterfeit-proof documentation.

Third, all countries that import commercial quantities of polished diamonds should adopt legislation requiring certification that imports of commercial quantities of polished diamonds may only come from countries that have implemented rough controls.

And finally, fourth, all countries should adopt legislation to authorize the criminal prosecution of those who are found to be knowingly dealing in conflict diamonds.

Mr. Chairman, it is imperative that the U.S. coordinate its efforts with other stakeholders in order to ensure that our shared goal will be achieved. Preemptive U.S. legislation, however well intentioned, will not achieve the desired outcome and will instead adversely impact legitimate diamond economies all over the world and tens of thousands of small businesses throughout the United States, while perhaps benefitting only a few large diamond producers who possess the internal capacity to self-guarantee the origin of their products.

Mr. Chairman, let us work together in solving this terrible problem. Thank you.

[The prepared statement follows:]

Statement of Matthew A. Runci, Ph.D., President and Chief Executive Officer, Jewelers of America, Inc., New York, New York, on behalf of World Diamond Council

The World Diamond Council (WDC) is the international body chartered in Antwerp in July by the World Federation of Diamond Bourses and the International Diamond Manufacturers Association, solely for the purpose of rapidly developing and implementing a comprehensive plan to curtail trade in conflict diamonds while minimizing impact on the legitimate diamond industry. Membership of the Council is comprised of all segments of the international diamond industry—producers, manufacturers, traders, and retailers—as well as financial institutions, governments and relevant international and civil society organizations.

The World Diamond Council is dedicated to the eradication of the trade in conflict diamonds, allowing the legitimate diamond industry—which handles 96 percent of world rough diamond production and gives employment to over 2 million people—to continue the promotion and sale of diamonds as the ultimate symbol of love and as an agent for economic growth and prosperity in stable African democracies such as Botswana, Namibia, and South Africa.

The Council held its inaugural meeting on Thursday, September 7, in Tel Aviv to begin implementation of its plan. The main features of the plan, detailed later in this testimony, include:

- 1) Establishment of dedicated import/export offices for rough diamonds closely supervised by individual government authorities;
- 2) Adoption of a uniform international certification system of sealing and authenticating each parcel of rough diamonds prior to export;
- 3) Monitoring industry wide compliance with ethical codes of conduct that prohibit the trade in conflict diamonds;
- 4) Obliging banks, insurance companies, shipping companies and other providers of auxiliary goods and services to cease business relations with any company or individual knowingly involved in dealing in conflict diamonds;
- 5) The result of these steps will be to support a chain of assurance for traders of polished diamonds based on rough controls.

The WDC calls upon the governments of those countries involved in the diamond trade to enact and enforce the measures described above. The WDC offers its expertise and assistance to governments in drafting appropriate legislation.

In addition the WDC calls on all relevant governments, and the United Nations, to initiate with utmost urgency an international embargo on the trade in weapons that provides rebel forces in Africa with the means to wage war. The WDC invites the UN, governments and NGO's, in the pursuit of international peace and security, to examine the role of other natural resources and, most importantly, the arms trade, in perpetuating conflict in Africa.

Introduction

Mr. Chairman and members of the subcommittee, I am Matthew Runci, the President & CEO of Jewelers of America (JA), the national association of professional retail jewelers in the United States. Our membership of more than 12,000 stores encompasses large national chains such as the Zale Corporation and Sterling Jewelers, luxury brands such as Tiffany and Cartier, and nearly ten thousand independent family-owned retail jewelry stores in all fifty States.

I appear before you today on behalf of the newly formed World Diamond Council (WDC), an international body chartered in Antwerp in July, solely for the purpose of rapidly developing and implementing a comprehensive plan to curtail trade in conflict diamonds while minimizing impact on the legitimate diamond industry. Membership of the Council is comprised of all segments of the international diamond industry—producers, manufacturers, traders, and retailers—as well as financial institutions, governments and relevant international and civil society organizations.

The World Diamond Council is dedicated to the eradication of the trade in conflict diamonds, allowing the legitimate diamond industry—which handles 96 percent of world rough diamond production and gives employment to over 2 million people—to continue the promotion and sale of diamonds as a symbol of love and as an agent for economic growth and prosperity in stable African democracies such as Botswana, Namibia, and South Africa.

A list of Council members is appended to this statement as Attachment 1.

The Council held its inaugural meeting on Thursday, September 7, in Tel Aviv to begin implementation of its plan. The main features of the plan, detailed later in this testimony, include:

- 1) Establishment of dedicated import/export offices for rough diamonds closely supervised by individual government authorities;
- 2) Adoption of a uniform international certification system of sealing and authenticating each parcel of rough diamonds prior to export;
- 3) Monitoring industry-wide compliance with ethical codes of conduct that prohibit the trade in conflict diamonds;
- 4) Obliging banks, insurance companies, shipping companies and other providers of auxiliary goods and services to cease business relations with any company or individual knowingly involved in dealing in conflict diamonds;
- 5) The result of these steps will be to support a chain of assurance for traders of polished diamonds based on rough diamond controls.

The WDC calls upon the governments of those countries involved in the diamond trade to enact and enforce the measures described above. The WDC offers its expertise and assistance to governments in drafting appropriate legislation.

In addition the WDC calls on all relevant governments, and the United Nations, to initiate with utmost urgency an international embargo on the trade in weapons that provides rebel forces in Africa with the means to wage war.

The WDC invites the UN, governments and NGO's, in the pursuit of international peace and security, to examine the role of other natural resources and, most importantly, the arms trade, in perpetuating conflict in Africa.

The Situation

Legitimate and socially responsible businesses in the diamond and jewelry industries deplore the fact that even a very small portion of the world's annual rough diamond production is being used to fuel conflict in Sierra Leone, Angola, and Congo.

Diamonds are a symbol of love and purity, and most definitely should not be exploited as a means to commit violence. Diamonds stand as timeless symbols of romance, mystery, eternity, beauty, prestige, tradition, purity and rarity. That diamonds have been exploited to enable the purchase of weapons that serve to brutally extend the suffering of people in parts of Africa is truly appalling to socially responsible business people in this industry.

We must keep in mind that informed estimates today agree that 96 percent of the world's rough diamonds come from legitimate sources—that is from mines certified by local authorities. Conflict diamonds—that is rough diamonds illicitly seized and sold by representatives of rebel movements for the purpose of buying weapons—constitute an estimated 4 percent of the world's annual gem production—a share believed to be still declining. See Attachment 2—Conflict Diamonds Estimate Against Total World Production, 1999.

We must remember too that natural resources like diamonds are in fact morally neutral. Thus legitimate diamonds—that is 96 percent of the world's annual diamond production—are an important source of economic vitality worldwide. Nowhere is this more apparent than in southern Africa, where in the economies of Botswana, Namibia and South Africa, diamonds have fueled economic growth and prosperity. Take Botswana, for example, a country that serves as a model not only for Africa but also for all developing countries. As reported in *Time Magazine Europe* (July 10, 2000), since the discovery of its diamond deposits, Botswana has achieved record economic growth. Last year it was again one of the fastest growing economies of the world with real GDP growth of 9 percent. Diamonds provide 75 percent of foreign exchange earnings, 65 percent of government revenue, and 33 percent of GDP. Today Botswana stands as a model of the way mineral wealth, in this case diamonds, can be deployed for the benefit of a country as a whole.

Similarly, in Namibia, where the organized diamond industry dates back to the beginning of the 20th century, diamonds today account for 40 percent of the country's foreign exchange earnings. In South Africa, the diamond industry as a whole gives employment to 30,000 people and is vitally important to the country as a whole.

Clearly, a solution to curtailing world trade must not come at the expense of the remarkable positive achievements that diamonds have brought to this region. At a conference in Kimberley in May, Inge Zaamwani, a Namibian, spoke on behalf of all three southern African countries when she said:

The linkage of civil strife with the diamonds industry threatens our economic livelihood in a very serious way. . . Realism demands that we put the conflict diamonds issue in perspective.

Diamonds are not the principal source of all too numerous armed conflicts on this and other continents. The principal blame must lie with those who started the wars and the arms merchants who supplied them with the weapons. The manufacturers and suppliers of automatic weapons, landmines, missiles and other essentials of

modern bush warfare are not Africans. Diamonds must not become the scapegoat for the world's failure to stop atrocities or rebellions or the arms that abet such rebellions. Long after the question of conflict diamonds has faded from political or press attention we on the ground in Africa will be left to grapple with the challenges of war and peace, justice and injustice, poverty and prosperity, and the complex role that resources of every kind should play in contributing to one or the other.

Current Industry Actions

The world diamond industry is currently doing everything possible to address this problem in a timely, responsible and effective manner. Leading producers, such as DeBeers, have been working in close collaboration with the governments of southern Africa, the U.S. Department of State, the United Nations, and the British Foreign Office, as well as NGO's such as Global Witness, and diamond industry associations, to advance workable and practical solutions that could be applied immediately.

Leading diamond industry associations, the International Diamond Manufacturers Association (IDMA) and the World Federation of Diamond Bourses (WFDB), representing all principal diamond manufacturing and trading centers of the world, adopted an historic joint resolution at the World Diamond Congress in Antwerp in July. This document, now known as the Antwerp Resolution, laid out a plan to curtail world trade in conflict diamonds and established a new permanent body, the World Diamond Council (WDC), comprised of producers, manufacturers, traders, retailers, banks, and relevant international and civil society organizations, to monitor compliance with the plan. See Attachment 3—The Antwerp Resolution.

In the United States, which today accounts for approximately half of the \$56 billion in diamond and diamond jewelry retail sales in the world annually, diamond and jewelry trade organizations formed a working group almost one year ago to share information and coordinate industry action in support of curtailing the trade in conflict diamonds.

The Jewelers of America (JA) have prioritized this matter for the past year, issuing a continuing series of communications to the trade to inform and sensitize retail jewelers to the vital importance of this issue; developed and issued a guidance agreement for use by all retail jewelers with their diamond vendors; and established training programs for deployment in stores and for presentations to trade audiences at industry events. As signatories to a code of ethics as a requirement of membership in the association, all members of the Jewelers of America have pledged to their customers that they will not knowingly sell these illicit diamonds and will undertake reasonable measures to help prevent the sale of such diamonds in the U.S. Most importantly retail jewelers are requiring the explicit commitment of their diamond vendors (diamond wholesalers, diamond taders, and jewelry manufacturers) not to knowingly sell illicit diamonds and to undertake reasonable measures to help prevent the sale of such diamonds in the U.S. In turn, their vendors are requiring identical assurances from their suppliers as well.

Demonstrated responsible behavior by ethical and socially responsible members of the U.S. retail jewelry community, together with the demonstrated commitments and actions of diamond producers, manufacturers and traders alike worldwide, have begun the process by which trade in conflict diamonds will be effectively curtailed.

The International Framework for Curtailing Trade in Conflict Diamonds

Any effective framework intended to curtail conflict diamond trade without adversely impacting legitimate businesses must, in our view, adhere to six principles:

1) While industry efforts already underway are making a difference, industry efforts alone will not be sufficient to end the trade in these products completely. Cooperative and coordinated initiatives between industry, governments, international organizations, and civil society organizations will greatly improve the prospects for curtailing the illicit trade.

2) Scientific expertise tells us that origin of individual diamonds cannot be reliably determined by non-destructive analytical means. Diamonds do not present useful evidence for this diagnostic purpose. Contrary to misunderstandings that have been circulating, it is not a question of devising or perfecting a tool for diagnostic measurement. Scientists advise us that the necessary distinguishing properties are not present in the stone to begin with. This is critical because, when retail jewelers purchase diamonds—polished diamonds—from their trade vendors, neither they nor their vendors can determine through any type of examination from what source of mining or extraction those diamonds originated. Any attempt to impose upon the industry a requirement to identify the specific country of origin of a polished diamond at the retail counter is doomed to fail and will cause unnecessary hardship on an industry comprised almost entirely of small businesses.

3) Certifying that an individual diamond's origin is conflict free may, therefore, only be determined through the systematic tracking of shipments with controls extending from the country of rough extraction forward through the diamond pipeline. Unless rough diamonds can first be certified as conflict-free in origin at the time they are exported from the country of mining or extraction, there is no method by which to verify their origin as conflict free afterward.

4) A system of tracking rough diamond shipments from mining sources through cutting centers is a huge undertaking, but is at least feasible, because while the volume of stones produced annually is large, the number of export and import control points that would be required is limited. Gem quality diamonds are mined in twenty-two countries and the bulk of manufacturing (i.e., cutting and polishing) takes place in seven countries. This point is illustrated in the Table of Diamond Mine Production (Attachment 4) and diagram of The Diamond Pipeline (Attachment 5).

5) From that point onward, however, the task of tracking is simply not feasible. Transactions involving commercial quantities of polished diamonds from the cutting centers onward do not routinely occur in a linear sequence from producers to manufacturers to traders to retailers. In fact the pattern is quite irregular, with manufacturers and traders routinely selling back up, across, as well as down, the pipeline. Parcels of stones are routinely sorted, mixed, and repackaged as economics drives selection and supply is adjusted to meet demand in a way that yields profit. Thus, diamonds often pass through as many as a dozen hands before they ultimately reach the retail counter. Given the characteristics of the pipeline as described above, it is easy to understand why most diamonds are sold in an undifferentiated manner in the marketplace.

6) Formal branding of diamonds is a new phenomenon and represents only a small fraction of the market today. The current trend toward identifying diamonds by a brand name should not be confused with a system of market controls such as would be required to establish a chain of assurance certifying that diamonds are conflict-free in origin. At this time only one or two companies in the world possess the wherewithal to establish and maintain the requisite system of controls from the mining source onward, as well as the trade distribution network required to validate the chain of warrants through the pipeline, with marketing programs to support the product through to the consumer. Thus, any effort to impose requirements on the industry through legislation that cannot be achieved will not only fail to curtail conflict diamond trade, but will almost certainly bring considerable advantage to the one or two producers in the world who possess that capacity. In light of the above, the Council has proposed that an effective worldwide framework to control trade in rough diamonds must contain the following elements:

1) All countries that export rough diamonds should have official dedicated import/export offices for rough and/or polished diamonds closely supervised by government authorities that register data on export shipments in an international diamond database (IDD). Furthermore, the diamonds are to be sealed in standardized tamperproof containers, which will include an officially signed document capturing all the information entered into the IDD and thereby certify the origin of the contents of the shipment.

2) All countries that import rough diamonds should have official dedicated import/export offices for rough and/or polished diamonds closely supervised by government authorities that register import shipments in the IDD. No rough diamonds are to be imported unless they are in a standardized sealed tamperproof container from the country of export and the export shipment information in the international diamond database corresponds to the enclosed official documentation. The importing country will enter date and country of importation in the IDD.

3) All countries that import commercial quantities of polished diamonds should adopt legislative programs requiring certification that imports of commercial quantities of polished diamonds may come only from countries that have implemented rough controls, as defined in #1 and #2 above, and allowing criminal prosecution of those who are found to be knowingly dealing in conflict diamonds.

The Need for U.S. Legislation

Statutory authority possibly will be required in the United States to implement those controls that would be required to bring this market into compliance with an international framework such as the one proposed. We believe that a well-timed and properly focused legislative initiative in the United States could influence positively the actions of other countries in connection with this matter and help drive worldwide compliance, and thereby further curtail the trade in conflict diamonds.

However, it is imperative that if the US is to lead constructively in this process, the provisions of US legislation should be fully consistent with an international framework of rough diamond controls. On this point, we understand that ministers

from more than thirty countries are scheduled to convene in London next month, consistent with the decision of the G-8 in July, to coordinate national legislative efforts. The agenda for this meeting includes:

- Planning legislative programs in each country, requiring certification of rough diamond imports and exports and enacting laws to allow seizure and/or criminal prosecution of those who are found to be dealing conflict diamonds;
- Establishing a regime to back such laws and regulations by monitoring the flow of rough diamonds and the documentation that goes with them;
- Getting key countries to agree to co-sponsor a UN resolution on conflict diamonds at the upcoming General Assembly session.

We would therefore strongly urge those in Congress who currently advocate specific legislative proposals to address the conflict diamond situation to recognize that it is simply not possible to legislate a national solution to the conflict diamond problem in the US market alone, without inflicting significant economic damage on the diamond and jewelry industries of the US, Israel, India, Belgium, Botswana, South Africa, Namibia and Russia. A transnational problem requires an international solution.

For this reason we respectfully request that Congress defer action on pending legislation until the results of the upcoming London ministerial meeting have been assessed.

At the same time we recommend that future US legislation, if required, be structured in accordance with the following points:

- 1) All polished diamond imports entering the U.S. in commercial quantities would be required to originate in countries with rough diamond controls in place;
- 2) Rough diamond controls to be defined in terms of strict adherence by each country to an international regime comprised of:

- All countries that export rough diamonds should have official dedicated import/export offices for rough and/or polished diamonds closely supervised by government authorities that register data on export shipments in an international diamond database (IDD). Furthermore, the diamonds are to be sealed in standardized tamperproof containers, which will include an officially signed document capturing all the information entered into the IDD and thereby certify the origin of the contents of the shipment;

- All countries that import rough diamonds should have official dedicated import/export offices for rough and/or polished diamonds closely supervised by government authorities that register import shipments in the IDD. No rough diamonds are to be imported unless they are in a standardized sealed tamperproof container from the country of export and the export shipment information in the international diamond database corresponds to the enclosed official documentation. The importing country will enter date and country of importation in the IDD;

- All countries that import commercial quantities of polished diamonds should adopt legislative programs requiring certification that imports of commercial quantities of polished diamonds may come only from countries that have implemented rough controls, as above, and allowing criminal prosecution of those who are found to be knowingly dealing in conflict diamonds.

- The Administration could certify annually compliance by countries with the provisions for rough diamond controls specified above, and upon the determination that all countries were in compliance, disband the controls once the trade in conflict diamonds has ceased (sunset provision).

We applaud the efforts of those in Congress who have stepped forward in an effort to stop the trade in conflict diamonds. Because we too deplore the link between diamonds and acts of violence, we strongly urge those in Congress who currently advocate specific legislative proposals in an effort to curtail trade in conflict diamonds that, in taking the lead with legislation, it is imperative that the US coordinate its efforts with industry, the UN, NGO's and the ministries of other key governments around the world. This is the only way to ensure that our shared goal will be achieved. Premature or uncoordinated efforts will not achieve the desired outcome and may instead adversely impact legitimate diamond economies all over the world and tens of thousands of small businesses throughout the United States, while perhaps benefitting only one or two large diamond producers who possess the internal capacity to self-guarantee the origin of their products.

Mr. Chairman, the planets are moving into alignment in a way that will enable all of us to accomplish our common goal—to stop the terrible trade in conflict diamonds. The timing and coordination of our respective efforts are now critical to success in this mission. Let us work together. Thank you.

World Diamond Council Members

Name	Title & Organization	Country
Eli Izhakoff	Chairman—World Diamond Council	U.S.A.
Sean Cohen	Vice Chairman—WDC President—International Diamond Manufacturers Association.	South Africa
Abraham Fischler	Vice Chairman—WDC President—World Federation of Diamond Bourses	Belgium
Sergei Oulin	Vice Chairman—WDC Vice President—Alrosa	Russia
Shmuel Schnitzer	Vice Chairman—WDC President—Israel Diamond Exchange	Israel
Matthew Runci	Secretary General—WDC President & CEO—Jewelers of America	U.S.A.
Noa Balthazar	President—Ascorp	Angola
Ernest Blom	President—Diamond Merchants Association of Southern Africa	South Africa
William Boyajian	President—Gemological Institute of America	U.S.A.
Robert Bridel	Executive Director—A.G.S.	U.S.A.
Andrew Coxon	Director—DTC De Beers	England
Frank Demeyere	Chief of Cabinet—Ministry of Economic Affairs, Belgium	Belgium
Jeffrey Fischer	President—DMIA	U.S.A.
Stephan Fischler	Secretary General—IDMA	Belgium
Sylvia Fletcher	Senior Advisor—USAID Office of Transition Initiatives	U.S.A.
Cecelia Gardner	Executive Director—Jewelers Vigilance Committee	U.S.A.
Freddy Hager	President—London Diamond Bourse	England
Gordon Gilchrist	Managing Director—Argyle Diamonds	Australia
Paul Goris	Chairman—Antwerp Diamond Bank	Belgium
Peter Gross	General Manager—International Diamond Division, ABN Amro	Belgium
Terry Janes	BHP Diamond Inc.	Canada
Sanjai Kothari		India
Michael Kowalsky	President & CEO—Tiffany & Co.	U.S.A.
Lawrence Ma	Chairman—Diamond Federation of Hong Kong	China
Barbara Masekela	De Beers—South Africa	South Africa
Peter Meeus	General Manager—High Diamond Council	Belgium
Dianna Melrose	Foreign & Commonwealth Office	U.K.
Nchaka Moloi	Advisor to Minister of Minerals and Energy	South Africa
Louis Nchindo	Botswana Diamond Company	Botswana
Benjamin Oshman	President & CEO—Union Bank, Israel	Israel
Youri Rebrik		Russia
Martin Rapaport		
Rapaport Corporation	U.S.A.	
Shri Nilesh Shah	Gem and Jewelry Export Promotion	India
Udi Sheintal	Diamond Controller—Ministry of Trade and Commerce	Israel
Abraham Traub	President—Kidum for the Advancement of the Diamond Industry	Israel
Inge Zaamwani	Managing Director—Namdeb Diamond Corporation	Namibia

CONFLICT DIAMONDS ESTIMATE AGAINST TOTAL WORLD PRODUCTION, 1999 (\$ MILLION)			
Country	Conflict	Non-conflict	Total
Botswana	-	1,782	1,782
Russia	-	1,625	1,625
South Africa	-	776	776
Angola	150	468	618
Namibia	-	430	430
Canada	-	405	405
Dem. Rep of Congo	35	361	396
Australia	-	367	367
Venezuela	-	120	120
Sierra Leone	70	-	70
C.A.R.	-	67	67
Brazil	-	54	54
Guinea	-	40	40
Tanzania	-	24	24
Ivory Coast	-	20	20
Guyana	-	14	14
China	-	14	14
Ghana	-	12	12
Liberia	-	10	10
India	-	8	8
Lesotho	-	3	3
Indonesia	-	2	2
Total World Production	225	6,602	6,827
<i>Conflict Production as % of Worldwide Production 3.7%</i>			

Source: Mazal U'Bracha 7/00

**Joint Resolution World Federation of Diamond Bourses (W.F.D.B.) and
International Diamond Manufacturers Association (I.D.M.A.)**

ANTWERP JULY 19, 2000

WFDB and IDMA, representing all the principal diamond manufacturing and trading centers of the world, have consistently been aware of and been involved in combating the conflict diamonds problem. Particularly, they point to the numerous resolutions passed by themselves and their members.

We believe that more can and should be done to limit, if not eliminate, this problem entirely. We believe that the solution to the conflict diamonds problem is a

moral imperative above all others. However we do not believe that the solution necessarily entails damage or limitation to the 96+% of the world diamond trade which is legitimate. On the contrary, we believe that an enlightened and effective approach to the problem can lead to the improvement of the diamond market overall.

It is our understanding that all concerned parties are aware of the positive benefits of diamonds as well as their potential role in providing prosperity, a key ingredient of peace, in countries currently experiencing strife. Over the past year, various solutions have been proposed. We have analyzed these proposals, some of which we have found to be ineffective, others more practical and some impractical. All the proposals have had elements that we believe are logical and should be incorporated into an effective solution.

As diamond manufacturers and traders primarily responsible for the conversion of rough diamonds into polished and the marketing of those polished diamonds, we are proposing a number of concrete steps to be taken by all parties concerned which we believe will lead to a more effective and immediate resolution of the problem.

While our proposal may be subject in the future to any number of improvements, we believe it is, in the first instance, practically implementable in the short term, and it does not preclude further steps being taken as and when the means and requirement arise.

Specifically and most importantly, we are mindful that the next phase of solution must start sooner rather than later and that if this is to be done in a non-destructive manner, the most practically implementable steps must be taken first, in order that the process not be delayed with theoretical concepts and technologies.

1. We recognize that rough diamonds individually are not sufficiently determinable as to source and origin. However, with the correct system, rough diamond parcels can be monitored within a net.

2. There is not implementable means of tagging, tracking and identifying finished polished diamonds.

3. All legitimate diamonds in their rough form can travel within an identifiable net.

Accordingly we propose:

1. Each accredited rough diamond importing country, whether a producer, manufacturing or dealing center, enacts "redline" legislation. As such, no parcel of rough may be imported unless such parcel of rough has been sealed and registered in a universally standardized manner by an accredited export authority from the exporting country.

2. Each exporting country, which can be either a producer country or accredited dealing/manufacturing center, will establish accredited export offices or diamond board which will seal parcels of rough diamonds to be exported and registered in an international database. If the country is a producer country, it will be accredited only if it has control mechanisms in place to determine the flow of rough and legitimate ownership of rough presented to the export authority.

3. Polished diamond consuming countries will enact legislation forbidding importation of polished diamonds from any manufacturing/dealing country that does not have "redline" legislation as regards the importation of rough.

4. Each and every country, as part of the diamond net, be they rough exporters, importers, or polished consuming countries, enacts legislation bringing criminal penalties on any individual and/or company proven to be knowingly involved in illegal rough diamonds.

5. Each and every diamond organization adopts an ethical code of conduct as regards conflict diamonds, labor practices and good business practices in general, the failure to adhere to which would lead to expulsion from WFDB, IDMA and all other relevant organizations.

6. As a positive measure of compliance, all relevant and interested parties promote adherence to the code of conduct as a positive consumer choice in the marketplace.

7. We enlist the support of the banks, insurance, shipping companies and other pertinent providers of goods and services to our industry to expose and cease-business relations with any entity that is found knowingly to violate these principles.

8. That there is a continual analysis of relevant technologies and investment by the industry in developing them further for implementation leading to greater compliance.

9. That compliance with the above be monitored and controlled by an International Diamond Council comprised of producers, manufacturers, traders, governments and relevant international organizations. that this process be fully verified and audited.

A joint committee of both organizations has been formed in order to ensure rapid implementation of the above.

As we envisage it, each time rough diamonds leave a producer or rough trading center, those rough diamonds would be sealed in a standardized manner by an authority accredited by the international diamond council. This is the only means by which those diamonds could be imported into the next country.

We understand that it is the nature of the diamond business and directly related to the profitability of mines and the efficient manufacturing processes currently employed, that rough diamonds of various origins and qualities are mixed together into "saleable" parcels. Therefore, our system allows for the mixture of such parcels by requiring their further export and import from any mixing or dealing center to be subject once again to sealing and documentation.

Key to the whole process is monitoring and keeping accounts of the data flows. In particular, it is essential to be able to verify and see that one country's exports to another are matched by the country's official imports from the exporting country. All accounts should, ultimately, balance. The establishment of the International Diamond Council is crucial to this process in that the International Diamond Council would be required to balance all imports and exports and accredit importing and exporting authorities in each country.

Just as importantly, it is undoubtedly correct to assume that a certain degree of deliberate noncompliance may occur. The International Diamond Council would be required to remove export accreditation from producer countries where rough exports are known to exceed production capacity or verified official imports.

By the same token, the International Diamond Council would be able to remove the accreditation of countries to import diamonds if it was found that those countries were allowing the import of non-verifiable rough.

We believe that funding for our proposals can be achieved through charging a minimal levy, both on the import and export of rough diamonds. Undoubtedly, effectiveness of the system can be improved over time. However, we believe that we will immediately close off all the legal loopholes by which conflict diamonds may currently be entering the trade. This will make the task of relevant customs and criminal authorities far easier in terms of identifying and prosecuting perpetrators. In particular, if all legitimate rough diamonds are knowingly "declared", the four percent of conflict rough diamonds will be impossible for those few companies trading in them to hide.

As a final note, we do not claim that this is an immediately perfect system or that improvements cannot be made. However, we believe that these are practically implementable measures, that they will be highly effective in terms of the current status quo and that they can be relatively rapidly implemented without precluding any further additions.

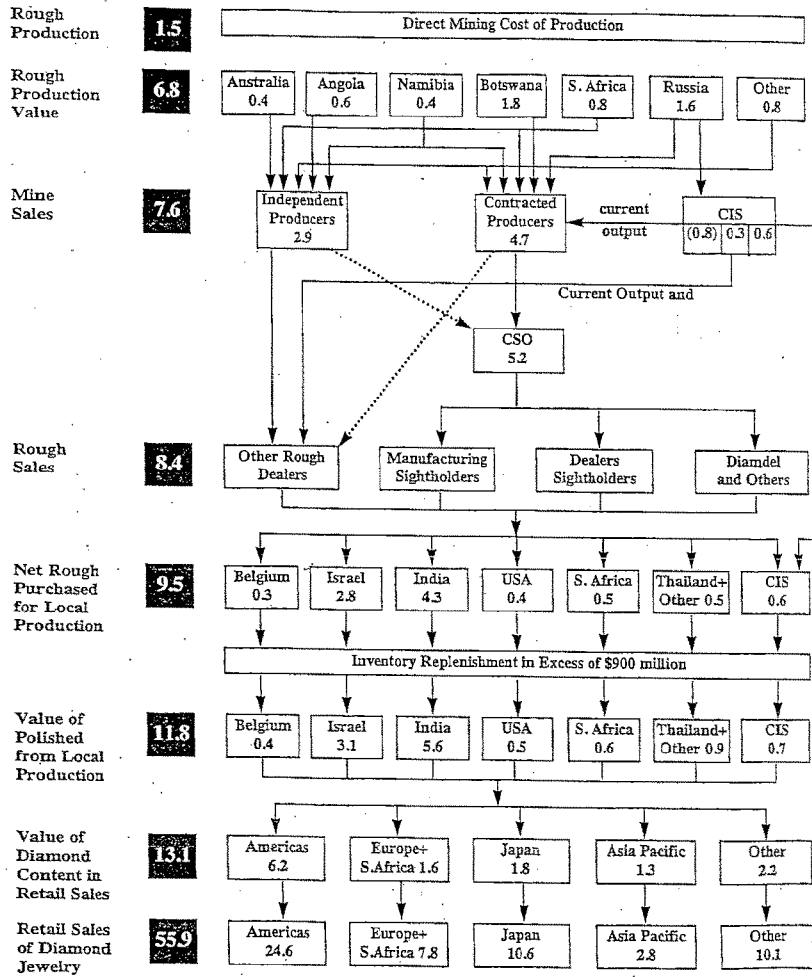
Most significantly, we believe that our proposals will see immediate results and that they are non-destructive to the legitimate industry and producer countries. In fact they stand to enhance the legitimate trade. By adopting a code of conduct, consumer choice can be made into a positive enhancement of the diamond industry, without the necessity of negative imagery.

Diamond Mine Production (1999)				
Country	Mines	Carats ('000)	Unit Value (US/ct)	Value (US '000)
South Africa	Venetia	3,739	95	355,205
	Promier	1,574	80	125,920
	Koffiefontein	127	160	20,320
	Kimberley	563	125	70,375
	Namaqualand	736	180	132,480
	Finsch	1,737	55	95,535
	Marsfontein	882	113	99,666
	Bellsbank-Ardo	35	180	6,300
	Ekien	160	230	36,800
	Others	180	235	42,000
	Total South Africa	9,733	101	984,601
Botswana	Orapa	9,070	40	362,800
	Lethlakane	878	125	109,750
	Jwaneng	11,400	100	1,140,000
	Total Botswana	21,348	76	1,612,550
Namibia	De Beers Marine	514	220	113,080
	Nameco	274	151	41,374
	O D M (Jan-Sep)	48	150	7,200
	Namdeb Contract	39	325	19,175
	Namdeb Onshore	716	325	232,700
Total Namibia	1,611	257	413,529	
Angola	Catoca	1,440	64	92,160
	Luzamba	185	280	51,800
	Small Ops	2,000	200	400,000
	Total Angola	3,625	150	543,960
D.R. Congo	Mbuyi-Maji	5,000	15	75,000
	Small Ops	17,000	38	650,000
	Total D.R. Congo	22,000	33	725,000
C.A.R.	Small Ops	450	205	92,250
	Small Ops	500	38	19,000
Tanzania	Williamson	232	160	37,120
Ivory Coast	Artisans	165	145	23,925
Liberia	Artisans	200	160	32,000
Sierra Leone	Artisans	600	230	138,000
Guinea	Small Ops	350	218	119,900
Lesotho	Small Ops	43	345	14,715
Brazil	Small Ops	900	45	40,500
Venezuela	Small Ops	450	130	58,500
Guyana	Small Ops	11	85	935
China	Small Ops	146	103	15,104
Australia	Argyle	29,700	14	426,000
	Merlin	84	128	10,752
	Total Australia	29,784	15	436,752
Canada	Ekati	2,510	168	421,680
Russia	Udachnaya	9,300	100	930,000
	Jubilec	5,200	65	338,000
	Others	1,700	150	255,000
	Total Russia	16,200	94	1,523,000
World Total		111,058	65	7,253,820

Source: Mazal U'Bracha 7/00

The Diamond Pipeline 1999

Estimated Value in \$ Billion



Source: Mazal U'Bracha 7/00

Chairman CRANE. Thank you.
Mr. Yearsley?

STATEMENT OF ALEX YEARSLEY, CAMPAIGNER, GLOBAL WITNESS, LONDON, ENGLAND

Mr. YEARSLEY. Good morning, Chairman Crane and members of the committee that are still left here. My name is Alex Yearsley and I am a campaigner for Global Witness. I am pleased to appear at this meeting and I thank you for holding it. Global Witness are a British-based non-governmental organization that focuses on the links between environmental and human rights abuses, especially the impacts of natural resource exploitation upon countries and their people.

In late 1996, Global Witness began to look at the role of diamonds in funding the tragic conflicts in Angola. In December 1998, we published our first report on conflict diamonds called, "A Rough Trade: The Role of Governments and Companies in the Angolan Conflict." In June of this year, we published our second report, simply entitled, "Conflict Diamonds: Possibilities for the Identification, Certification, and Control of Diamonds."

Since late 1996, my colleague and I, Ms. Charmian Gooch, have traveled extensively to the diamond producing and marketing countries of Angola, Botswana, Belgium, Sierra Leone, South Africa, Namibia, Israel, India, and the United States in order to see whether a solution is possible to the curse of conflict diamonds. As a result of this work and due to the extensive contact we have had with many of the companies, trade associations, government officials, and individuals in the diamond industry, we believe that, indeed, a solution that is practical, implementable, WTO compatible, and that will not damage the legitimate trade but will protect it is entirely feasible.

Four months ago, my colleague, Ms. Charmian Gooch, gave evidence at a Congressional hearing on the issue of conflict diamonds. Today, 127 days later, are we any closer to a solution? Whilst we wish that a system could have been imposed many years ago, I believe that we are looking at the possible solutions to this deadly trade. I think it is fair to say that we have come a long way in a very short time. This, I believe, is testimony to the gravity of the situation and some of the expert work carried out by government, industry, and civil society individuals.

However, currently as I speak, the diamond trade as a unified whole has failed to put recognizable or verifiable controls or certification in place that can reliably attach conflict-free status to diamonds. However, since late 1998, there has been a shift in world opinion on the issue of conflict diamonds which in itself is a new term. No longer is the soaking up of open market goods from areas of conflict deemed to be an inevitable consequence of the need to stabilize the world price of diamonds. Governments have ceased to accept this as an argument for non-interference, as, and probably more importantly, have consumers.

The majority of the proposals I am about to suggest are ideas that are consistent with the suggestions of the Kimberley Working Group, of which Global Witness is a member. The problem that these proposals aim to address is that of illicitly traded rough diamonds being used to finance weapons purchases and fuel wars in Africa. This problem can only be addressed by all the relevant stakeholders in the diamond producing, processing, and consuming

nations and all segments of the diamond industry working together to curb the trade in conflict diamonds whilst avoiding harm to the legitimate trade.

However, it is important to remember, though, that no system will be 100 percent watertight, and with a commodity as valuable and as fungible as diamonds, determined individuals will always manage to get through. However, what the system will do is prevent the horrors of the 1990s, when companies such as DeBeers were able to buy up several hundred million dollars worth of rough diamonds that originated from the diamond mines under the control of the UNITA rebels in Angola on the markets of Tel Aviv, Antwerp, London, and New York.

Possible solutions: The only solution to have been so far identified that is currently both practical and implementable is the creation of an international certification system for all rough diamonds. There are, indeed, many potential technological solutions, such as laser marking. However, these are currently not financially viable or practical to implement. However, I would urge this committee to consider the funding of continued research in this field.

Much thought and deliberation has gone into how this system could work, most notably by the Kimberley Working Group. The general consensus reached by the group regarding the creation and implementation of an international system has been explained. Information contained on the certificates would build upon existing national systems currently in place and should certainly not water down any existing national systems. However, as a basic international standard which needs to be agreed to under best principles, the certificate should contain a minimum of the following information relating to the diamond shipment: The total caratage of diamonds, the aggregate value of the diamonds, and the country of origin, country of origin meaning extraction.

Global Witness believes that it is necessary to go several stages beyond the certification scheme and that more specific requirements are needed for countries where diamonds are mined, commercially traded, manufactured, and reexported.

Whilst no one within Global Witness professes to be an expert in international trade law or the WTO, we have carried out some basic research into this important question. If, as is expected and hoped, the recommendations of the Pretoria ministerial meeting goes through United Nations General Assembly vote to ratification into a global treaty, then there should be no problems with WTO compatibility and, hence, will be free from any significant challenges.

However, in conclusion, there are still some countries and individuals that believe a sledgehammer is being used to crack a nut. Nothing could be further from the truth. Those with personal vested interests argue that an international system will be restrictive of trade and will impact upon the small miner. Again, nothing could be further from the truth. All that will happen is that the great majority of illicit smugglers and those that benefit will be caught.

Whilst not wanting to end on a pessimistic note, I think it would be folly not to raise this issue here. There are many in the press and the diamond trade who believe that a diamond boycott is fast

approaching. Whilst I certainly agree with them regarding the devastating negative impact this will have on legitimate producers and my complete condemnation for such action, I can see it gaining ground if concerted action is not taken soon. Conflict diamonds have been in the public eye for nearly two years now, and in reality, the diamond trade, whilst publicly tackling the issue, practically have done as little as possible to prevent the entry of conflict diamonds into the global marketplace. Many fine words have been offered, but what has actually changed? And if reports from the marketing centers of Antwerp and Tel Aviv are to be believed, I am afraid, very little.

Consumers and the press are and will ask more questions. In America, jewelry retailers have begun to take action regarding education campaigns on the issue, and rightly so. The United States accounts for nearly 65 percent of the world's diamond jewelry sales per annum and all of those diamonds have to be imported from somewhere. Indeed, two of the major documentary series, "60 Minutes" and "20/20" both have programs planned for the fall on the issue of conflict diamonds. When the public and consumers see that the diamond trade as a collective whole have failed to live up to their extremely laudable goals, they will judge accordingly, rightly or wrongly. The result is not a position I would like us even to contemplate.

As a result, I would urge the committee to support any initiative on the implementation of U.S. legislation, be it from the diamond trade, civil society, or your own legislators, that sought to introduce a system for rough controls that is similar to the Kimberley process, for if we put our trust and faith in the countries of the world to act with speed with one voice, it could have devastating consequences for millions of people in Africa. Thank you.

[The prepared statement follows:]

Statement of Alex Yearsley, Campaigner, Global Witness, London, England

Good morning Chairman Crane and Members of the Committee. My name is Alex Yearsley and I am a Campaigner for Global Witness. I am pleased to appear at this hearing and I thank you for holding it. Global Witness are a British based non governmental organisation that focuses on the links between environmental and human rights abuses, especially the impacts of natural resource exploitation upon countries and their people. In late 1996 Global Witness began to look at the role of diamonds in funding the tragic conflict in Angola. In December 1998 we published our first report on conflict diamonds called, 'A Rough Trade: The role of governments and companies in the Angolan Conflict,' in June of this year we published our second report, which hopefully you will have in front of you and simply entitled, 'Conflict Diamonds, Possibilities for the Identification, Certification and Control of Diamonds.' Since late 1996 my colleague and I, Ms. Charmian Gooch, have travelled extensively to the diamond producing and marketing countries of Angola, Botswana, Belgium, Sierra Leone, South Africa, Namibia, Israel, India and the United States and also to transshipment countries such as Rwanda, Uganda and Zambia in order to see whether a solution is possible to the curse of conflict diamonds. As a result of this work and due to the extensive contact we have had with many of the companies, trade associations, government officials and individuals in the diamond industry we believe that indeed a solution that is practical, implementable, WTO compatible and that will not damage the legitimate trade, but will protect it is entirely feasible.

Four months ago my colleague Ms. Charmian Gooch gave evidence at a Congressional hearing on the issue of conflict diamonds. Today, 127 days later are we any closer to a solution? Whilst we wish that a system could have been imposed many years ago I believe that we are looking at the possible solutions to this deadly trade—I think it is fair to say that we have come along way in a very short time.

This I believe is testimony to the gravity of the situation and to some of the expert work carried out by government, industry and civil society individuals.

Currently as I speak the diamond trade as a unified whole, has failed to put recognisable or verifiable controls or certification in place that can reliably attach 'conflict free' status to diamonds. However since late 1998 there has been a shift in world opinion on the issue of conflict diamonds, which in itself is a new term. No longer is the 'soaking up' of 'open market goods' from areas of conflict deemed to be an inevitable consequence of the need to stabilise the world price of diamonds.

Governments have ceased to accept this as an argument for non-interference, and probably more importantly, have consumers. It is vital that a long-term solution to this very complex problem be found, and that can only work if some of the underlying structures are addressed rather than the commercial sector of the industry dealing with each problem country on a case-by-case basis. This is no way to deal with the atrocities and horrors inflicted upon peoples of affected countries nor to protect the legitimate diamond economies. It is clear that there is a need to create a 'chain of custody' within the diamond trade—a verifiable trail from the mine to the consumer that can work with existing structures and patterns of trade.

In response to the growing international concern over the problem of conflict diamonds, the Southern African Development Community (SADC) producer States (Botswana, Namibia and South Africa) initiated an African regional initiative to identify possible solutions. In May 2000, the South African Department of Minerals and Energy organised a Technical Forum in Kimberley, South Africa to address the problem of 'conflict diamonds.' It is fair to say that the Kimberley meeting has set new standards in bringing together different stakeholders from government, industry and civil society.

Participants were drawn from leading producing nations and the majority of importing, marketing, cutting and polishing centres. A working group made up of the relevant stakeholders was created and has met three times in Angola, Namibia and the UK. This working group will produce a report, which will be presented at a Ministerial meeting in Pretoria, South Africa on September 21st.

The majority of the proposals that I am about to suggest are ideas that are consistent with the suggestions of this working group, of which Global Witness is a member. The problems that these proposals aim to address, is that of illicitly traded rough diamonds being used to finance weapons purchases and fuel wars in Africa. This problem can only be addressed by all the relevant stakeholders in the diamond producing, processing and consuming nations, and all segments of the diamond industry working together to curb the trade in conflict diamonds, whilst avoiding harm to the legitimate trade.

At this point I would like to mention that some initiatives have already begun at the national level. However this has only been due to the intense pressure of international criticism from civil society, the UN and some governments. In Angola, one of the most affected countries by conflict diamonds, the Government has introduced a new administrative system for controlling diamond exports under agreement with the High Diamond Council (HRD) in Antwerp, Belgium. It is stated that an unforgeable Certificate of Origin for the export of all diamonds is in use. The Government of Angola has also stated that it is implementing measures to control artisanal mining and marketing, however, after many repeated requests the Government of Angola have failed to clarify what these measures are and how they are to be introduced. It is these measures that are crucial to the avoidance of conflict diamonds being sold into the legitimate trade and I urge the Government of Angola to publicly clarify their position. In Sierra Leone the government is also developing a new Certification Scheme in co-operation with the governments of Belgium, the United States and the United Kingdom. This system has only been in operation for a number of days so it is still too early to report on its success or failure.

It is important to remember though that no system will be 100 percent watertight and with a commodity as valuable and as fungible as diamonds determined individuals will always manage to get through. However what this system will do is prevent the horrors of the 1990s, when companies such as De Beers, were able to buy up several hundred million dollars worth of rough diamonds, that originated from the diamond mines under the control of the Unita rebels in Angola, on the markets of Tel Aviv, Antwerp, London and New York.

Although conflict diamonds have been sold for nearly the last 15 years the term has only been in use for about a year and a half and a final definition still has to be reached. In Africa it is possible to be clear as to what constitutes conflict diamonds as being diamonds that originate from areas controlled by forces fighting the democratically elected and internationally recognised government of the relevant country. At this point I would like to emphasise that conflict diamonds are not an African problem, they are a problem that effects all those involved in the diamond

trade—be they a high street retailer in New York or a diamond buyer in Sierra Leone.

POSSIBLE SOLUTIONS

As mentioned in my opening statement the only solution to have been so far identified that is currently both practical and implementable is the creation of an international certification system for all rough diamonds. There are indeed many potential technological solutions, such as laser marking, however these are currently not financially viable or practical to implement. However I would urge this committee to consider the funding of continued research into this field.

How will an international certification system work?

Much thought and deliberation has gone into how this system could work, most notably as mentioned earlier by the Kimberley Working Group. The general consensus reached by the group regarding the creation and implementation of an international system is as follows.

'No country would permit the importation of any diamonds unless they are accompanied by a Certificate of Origin which is issued by an internationally accepted State or State accredited body in the exporting country for all diamonds lawfully mined, purchased or imported in that country by a person accredited by that authority and that they are exported in a tamper proof sealed parcel from a mutually notified exit site to a mutually notified import site that would issue a matching Certificate of Import after inspection of the diamonds and accompanying documentation.'

Information contained on the certificates would build upon existing national systems currently in place and should certainly not water down any existing national systems. However as a basic international standard, which needs to be agreed to under best practice principles, the certificate should contain the minimum following information relating to the diamond shipment:

- The total caratage of diamonds;
- The aggregate value of the diamonds;
- The country of origin (extraction);

Global Witness believes that it is necessary to go several stages beyond this certification scheme and that more specific requirements are needed for countries where diamonds are mined, commercially traded, manufactured and re-exported.

All diamond producing and exporting countries should implement the following measures to ensure that conflict diamonds can no longer enter in the global market.

- route all diamonds through a government run diamond office;
- establish a licensing system for the extraction of any diamonds, whether the extraction is being carried out by a large company or an alluvial digger;
- establish a system of countercheck paperwork for extraction licences and applications for export;
- establish a registry for official diamond buyers and exporters;
- criminalise the handling of rough diamonds without an official licence;
- exclude the holders of government office, the military, and the police as well as the close family members of the aforementioned—from being registered to mine or trade in diamonds;

- publish publicly on a monthly basis diamond production and export figures.

For countries involved in the trading and importing of diamonds in parallel with establishing the international certification system they should:

- amend importation legislation to insist on the country of extraction appearing on importation documents;
 - insist on all diamond shipment documentation to be checked against forwarded documentation;
 - enforce penalties such as the confiscation and the seizure of the diamonds if the appropriate paperwork is not or cannot be provided;
 - physically inspect every parcel of rough diamonds entering their territory;
 - ensure that customs officials have access to an international database of diamond shipments;
 - publish on a monthly basis all figures for the import and export of diamonds.
- For all diamond traders, polishers, manufacturers and retailers they should:
- only trade in diamonds with a verifiably legitimate product trail;
 - implement the measures agreed to at the World Diamond Council meeting in Antwerp in July 2000.

Will an international certification system be WTO compatible?

Whilst no one within Global Witness professes to be an expert in international trade law or the WTO we have carried out some basic preliminary research into this

very important question. If, as is expected and hoped, the recommendations of the Pretoria Ministerial meeting goes to a United Nations General Assembly vote for ratification into a global treaty then there should be no problems with WTO compatibility and hence will be free from any significant challenges.

How the certification scheme could work under WTO rules:

The following are grounds under which the international certification scheme could be justified under WTO rules.

If as just mentioned the international certification system is bought into being pursuant to a UN resolution then a WTO member could invoke an exception rule contained in Article XXI(c) of the GATT to justify its certification requirement. This provision allows a WTO member to take measures that would otherwise be in breach of its WTO obligations provided that it is acting in pursuance of its obligations under the United Nations Charter of the maintenance of international peace and security.

Under WTO rules it could be possible for a WTO member to rely on either of the exceptions set down in Article XXI(b)(ii) or (iii) GATT. These relate respectively to measures taken by a WTO member which it considers necessary for the protection of its essential security interests in relating to the traffic in arms, ammunition and implements of war and to such traffic in other goods and materials as is carried on directly or indirectly for the purpose of supplying a military establishment. Hence in respect of Article XXI(b)(ii) it would be possible for a WTO member to justify the certification requirement on the basis that non-certified diamonds from the countries concerned are being used to finance the purchase of weapons and are thus perpetuating wars in areas of the world which may effect its essential security interests.

Similarly, in respect of the Article XXI. b(III) exception it could be argued that the situation in several key diamond producing countries gives rise to an emergency in international relations which justified the WTO member concerned introducing its certification requirement.

In conclusion there are still some countries and individuals that believe a sledgehammer is being used to crack a nut. Nothing could be further from the truth. Those with personal vested interests argue that an international system will be restrictive of trade and will impact upon the small miner—again nothing could be further from the truth—all that will happen is that the great majority of 'illicit diamond' smugglers and those that benefit will be caught.

Many people talk about the law of unintended consequences and indeed there will be many unintended consequences if this system is successfully applied for as a result, not only will conflict diamonds be taken out of the market place—but so will 'illicit' diamonds which are diamonds that are stolen or smuggled from a country. This will have many implications as there are many respectable companies and individuals involved in the diamond trade that make a good deal of their profits from this 'illicit' trade and upsetting this particular apple-cart may be too much to handle for some. However one thing is certain—if you have nothing to hide then you will have nothing to fear from this system—it will be interesting to watch who protests the most at the imposition of this system.

Whilst not wanting to end on a pessimistic note I think it would be folly not to raise this issue here. There are many in the press and the diamond trade who believe that a diamond boycott is fast approaching. Whilst I certainly agree with them regarding the devastating negative impact this will have on legitimate producers and my complete condemnation for such action, I can see it gaining ground if concerted action is not taken soon. Conflict diamonds have been in the public eye for nearly 2 years now and in reality, the diamond trade, whilst publicly tackling the issue, practically have done as little as possible to prevent the entry of conflict diamonds into the global market place. Many fine words have been offered but what has actually changed, and if recent reports from the marketing centres of Antwerp and Tel Aviv are to be believed, I'm afraid very little. Consumers and the press are and will ask more questions. In America jewellery retailers have begun to take action regarding education campaigns on the issue and rightly so. The United States accounts for nearly 65 percent of the worlds diamond jewellery sales per annum and all of those diamonds are have to be imported from somewhere. Indeed two of the major documentary series, 60 minutes and 20/20 both have programmes planned for the Fall on the issue of conflict diamonds and when the public and consumers see that the diamond trade as a collective whole have failed to live up to their extremely laudable goals they will judge accordingly—rightly or wrongly. The result is not a position I would like us even to contemplate. As a result I would urge the Committee to support any initiative on the implementation of US legislation, be it from the diamond trade, civil society or your own legislators, that sought to introduce a

system for rough controls that is similar to the one I have proposed in some detail earlier. For if we put our trust and faith in the countries of the world to act with speed with one voice it could have devastating consequences for millions of people in Africa.

Chairman CRANE. Thank you.
Mr. Fischer?

STATEMENT OF JEFFREY FISCHER, PRESIDENT, DIAMOND MANUFACTURERS AND IMPORTERS ASSOCIATION OF AMERICA, NEW YORK, NEW YORK

Mr. FISCHER. Mr. Chairman and members of the subcommittee, my name is Jeffrey Fischer and I thank you for inviting me to address you today in my capacity as President of the Diamond Manufacturers Association of America. Our association includes virtually all of the major cutting firms in the United States. Our membership is unanimous in its revulsion of any connection between diamonds and human suffering and is dedicated to helping solve the problems which we address today.

As Vice President of the International Diamond Manufacturers Association, I also serve on the steering committee of the World Diamond Council and have been actively involved in its creation.

You have asked me to give you a brief overview of how diamonds flow from mine to consumer through the diamond pipeline. Please refer to the chart of the pipeline we have provided. A single diamond can be sold and resold numerous times before it ultimately adorns a retail consumer. Diamonds are frequently traded upstream and downstream between dealers in the normal course of business. As the diagram illustrates, even the consumer can eventually become the seller. After all, the diamond itself endures forever.

What is most important to note from the diagram is the line drawn between rough and polished diamonds. Most of the dealing in polished diamonds, jewelry manufacturing and retailing is done by people who have had no more experience with rough diamonds than the typical member of Congress. All polished starts as rough, and once polished remains polished forever. That transformation is the only irreversible transaction in our pipeline.

A single rough stone is commonly cut into two polished diamonds. Often, a piece of rough yields only one stone. Sometimes it yields multiple stones, or it may never be polished at all and may be sold for industrial purposes. As we proceed down the pipeline, the frequency of transactions and the number of small businesses involved increases dramatically, while the average size of a typical transaction diminishes in monetary terms. Throughout the pipeline, these diamonds are constantly assorted, mixed, and reassorted to meet different commercial requirements.

To further complicate matters, already polished diamonds are frequently recut for improvement or repair, altering their characteristics to varying degrees. Further, polished diamonds are frequently unset and reset in different jewelry, sometimes alone, sometimes with other diamonds. Trying to track polished diamonds effectively would be a nightmare and would accomplish nothing.

The place for effective, administrable import/export controls is at the rough level. We believe that the system of proposed controls adopted at the World Diamond Congress in July and now being brought forward by the World Diamond Council is the most practical and most effective means to filter out from the pipeline the less than four percent of worldwide rough production which is being misused to fund conflict. By effectively placing this filter at the rough level, all resulting polished will comply with conflict-free status and it will do it at no cost to American taxpayers.

We are practical, realistic, ethical business people. We seek support from Congress to sever the link between diamonds and brutality without delay. We hope to actively participate in the creation of the best possible legislation, legislation that will not do serious damage to the legitimate Southern African economies so dependent on diamonds, that will not wreak havoc with U.S. customs procedures, and will not harm the livelihoods of millions of people worldwide directly employed by or benefitting from the diamond industry.

It would be a shame if this precedent-setting constructive collaboration of government, the U.N., private industry, and the NGOs results in anything less than the best possible solution. We implore Congress to consider the World Diamond Council proposals before taking action. We reiterate our desire to contribute whatever assistance and expertise we can provide. Thank you.

[The prepared statement follows:]

Statement of Jeffrey Fischer, President, Diamond Manufacturers and Importers Association of America, New York, New York

Mr. Chairman and members of the subcommittee, my name is Jeffrey Fischer and I thank you for inviting me to address you today in my capacity as president of the Diamond Manufacturers and Importers Association of America. Our association includes within its membership virtually all of the United States' major diamond cutting firms. Our membership is unanimous in its revulsion of any connection between diamonds and human suffering, and is dedicated to helping solve the problems, which we address today. I also serve on the steering committee of the World Diamond Council and have been actively involved in its creation.

I have been invited to give a brief overview of how diamonds flow from mine to consumer through what we refer to as the Diamond Pipeline and how diamonds are merchandised along the way.

Please refer to the chart we have provided titled "Simplified Schematic of Diamond Pipeline."

A single diamond can be sold and re-sold numerous times before it ultimately adorns a retail consumer. Diamonds are frequently traded "upstream" and "downstream" between dealers at marginal price differences in the normal course of business. As the diagram illustrates, while it is not a significant part of the picture, even the consumer can eventually become the seller—after all the diamond "is forever."

From the outside, the diamond market may appear confusing, fragmented, perhaps even inefficient, but it exemplifies the free market ideals that our American economic system extols.

What is most important to note from the diagram is the line drawn between rough and polished diamonds. Most of the polished dealing, jewelry manufacturing, and retailing is done by people who have had no more exposure to rough diamonds than the typical member of Congress. All polished starts as rough, and once polished, remains polished forever. That transformation is the only irreversible "transaction" in our pipeline.

A single rough stone is commonly polished into two polished diamonds. Often, a piece of rough yields only one stone, sometimes it yields multiple stones, or it may never be polished and sold for industrial purposes.

As we proceed down the pipeline, the frequency of transactions and the number of small businesses involved increases dramatically, while the average size of a typ-

ical transaction diminishes in monetary terms. Throughout the pipeline diamonds are constantly assorted, mixed and re-assorted to fit differing commercial requirements.

To complicate matters further, already polished diamonds are frequently “re-cut” for improvement or repair, altering their characteristics to varying degrees. Moreover, polished diamonds are frequently unset and re-set in different jewelry sometimes alone, sometimes with other diamonds.

The place for effective administerable import/export controls is at the rough level. We believe that the system of proposed controls adopted at the World Diamond Congress in July and now being brought forward by the World Diamond Council is the most practical and most effective means to filter out from the pipeline the less than four percent of world-wide rough production which is being misused to fund conflict. By effectively placing this “filter” at the rough level, all resulting polished will comply with “conflict-free” status.

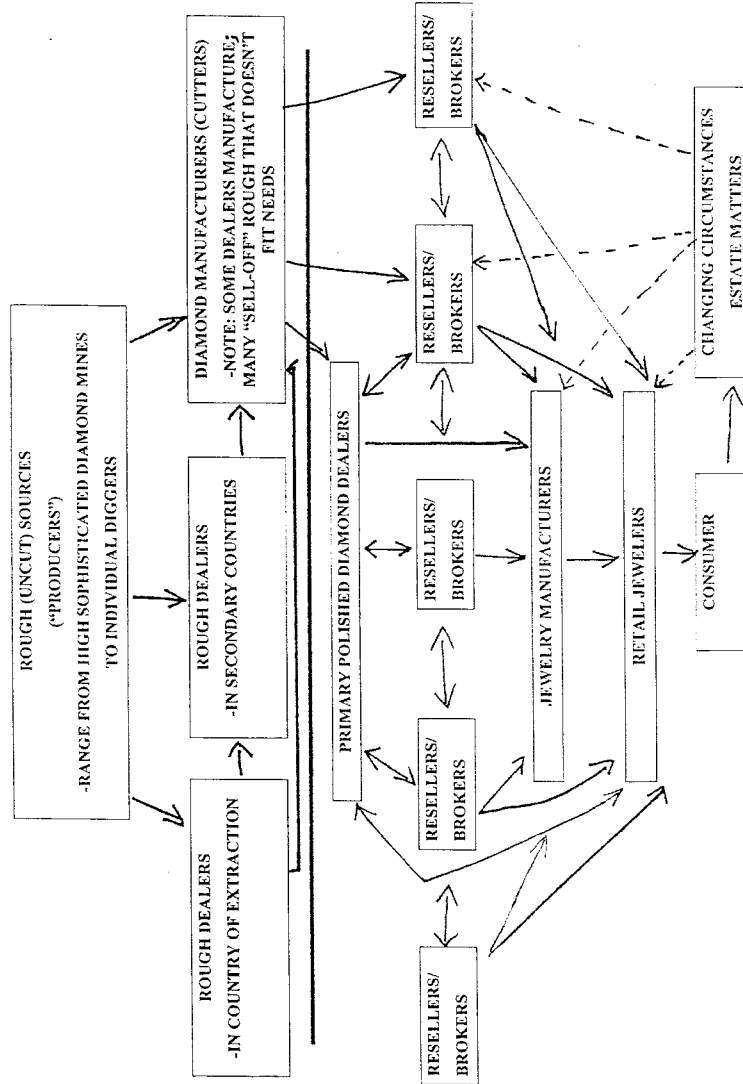
We are practical, realistic, business people and as such are tackling the conflict diamond problem with idealism strengthened by realism.

We do anticipate seeking assistance from Congress in severing the link between diamonds and brutality without delay—but not simply legislation—the best possible legislation. Legislation that will be most effective and enforceable, that will not do serious damage to the legitimate southern African economies so dependent on diamonds, that will not wreak havoc with US Customs procedures, and will not harm the livelihoods of millions of people world wide directly employed by or benefiting from the diamond industry. This legislation must be fully consistent with an international inter-governmental agreement backed by industry.

It would be a shame if this precedent setting constructive collaboration of government, the United Nations, private industry, and the non-governmental organizations result in anything less than the best possible solution. We implore Congress to consider the World Diamond Council’s proposal before taking action. We reiterate our desire to contribute whatever assistance and expertise we can provide.

Thank you.

SIMPLIFIED SCHEMATIC DIAGRAM OF THE DIAMOND PIPELINE



Chairman CRANE. Thank you, Mr. Fischer.
Ms. Burkhalter?

**STATEMENT OF HOLLY BURKHALTER, ADVOCACY DIRECTOR,
PHYSICIANS FOR HUMAN RIGHTS**

Ms. BURKHALTER. Thank you, Chairman Crane. Physicians for Human Rights welcomes your interest in this issue and we welcome the diamond industry's remarkable action taken at Antwerp. We welcome the international process that my friend and colleague

Alex has described to create an international system for legitimizing an industry. And we welcome Tony Hall's legislation. But I have a concern about all of these various developments. All of them are too slow to impact what is going on in Sierra Leone right now.

Sierra Leone is controlled by the RUF, about half of its territory, including 90 percent of the diamond-producing areas. The presence of 16,000 U.N. troops has not made a difference in the RUF's ability to control and abuse the civilian population. Recently, I heard a report from the foremost human rights activist in Sierra Leone, a wonderful woman named Zainab Bangura, who had just received the word about the RUF's youngest rape victim, who was 12 months old. So long as the RUF is in place in Sierra Leone, it will continue to commit abuses like this, and the key to the RUF maintaining its power and authority and military supremacy in Sierra Leone is diamond revenues.

Last year, Liberia, precisely the year that the region was under the closest international scrutiny and there were the most protestations about conflict diamonds including a host of international meetings, Liberia had a boom year for sales, exporting \$290 million worth of stones. So any action that is taken has to happen very quickly to deprive the RUF by depriving Liberia and others who transship Sierra Leonean stones of resources and revenues with which they are buying weapons to abuse the civilian population.

When you consider, for example, that the Swiss government released figures that the Liberian sales doubled last year to \$30 million just to Switzerland, that buys a lot of rifles. The RUF is not buying aircraft carriers. They are not buying cruise missiles. They are buying guns, and with those guns, particularly when their adversaries tend to be about five years old, they can do a great deal of damage.

Thus, I am concerned that the legislation you are considering right now has a two-year waiver. The RUF can be in place for two years without seeing a dent in the resources it gains through the illicit transfer of diamonds through Burkina Faso, Liberia, Togo, and other countries.

Similarly, with the RUF controls regimen proposed in Antwerp, which we strongly support, even under the most optimistic scenario, a global regimen under U.N. auspices that requires a treaty, that requires every exporting and importing country in the world to take legislative action, that requires consistent packaging in every producing country, understandably, is going to take some months, if not years, to put in place, and in the meantime, Liberia and others continue to export diamonds in huge amounts.

My own view is that the United States Congress should take action immediately to put in place an import regimen that says the U.S. will not import any cut and finished stones from any country that does not have an embargo in place on the importation of rough stones from Liberia.

Basically, this is the kind of legislation that is going to be required once the Antwerp system is in place. I am simply urging you to put it in place early and put it in place now. It is not a substitute for the Antwerp system and it is not a substitute for the international regimen, but it would allow the United States to push

very hard at the major importing nations of rough stones, that is to say Israel, India, and Belgium, that they must themselves throw up import restrictions on the importation of the principal countries that are transshipping Sierra Leonean gems.

It does not do any good for Belgium to say solemnly, we are not importing any stones exported from Sierra Leone when everybody knows that Sierra Leone is not officially exporting any stones. Sierra Leonean stones are going almost exclusively through Liberia, through Burkina, through Togo, through Guinea, and through other countries. So saying you are not handling conflict stones while you are allowing a boom number of stones to come in from Liberia is simply disingenuous.

So my view is that the United States cannot control the diamond industry. It cannot control the import and export policies of its allies and those that are the principal players in the diamond industry, but we can control what we are importing and we can put import controls in place tomorrow that would make it impossible for Belgium, India, and Israel to continue handling rough stones and expect to export the finished product here.

I would allow you a six-month waiting period if you asked, because these things cannot be done overnight. But I think the two-year waiting period in the Hall bill and the “however long it takes” for the Antwerp system is simply too long given the urgency of the problem in Sierra Leone today. Thank you very much.

[The prepared statement follows:]

Statement of Holly Burkhalter, Advocacy Director, Physicians for Human Rights

Introduction:

Good morning, Chairman Crane and Members of the Committee. My name is Holly Burkhalter, and I am the advocacy director of Physicians for Human Rights. I am honored to appear at this hearing; thank you for conducting it. Physicians for Human Rights is a human rights organization that utilizes the skills of the medical and scientific professions to investigate and prevent human rights abuses around the world.

My organization, which conducted an investigation of rape and sexual violence in Sierra Leone last March, has organized in collaboration with InterAction and the Africa Advocacy Network an informal coalition of some seventy U.S.-based human rights, humanitarian, and religious groups to promote protection of human rights in Sierra Leone. As a part of that effort, we have called upon the diamond industry to take specific action to deprive the Revolutionary United Front (RUF) of revenues from their control of Sierra Leone’s diamond resources, as a way of denying them access to weapons and ending their control of and abuses against the civilian population. It goes without saying that if diamond revenues were not being used to purchase weapons that are used against the unarmed population, Physicians for Human Rights would not be concerned about the RUF’s control of Sierra Leone’s diamonds. For it is the link between diamonds, weapons, and abuses that is of concern, not diamonds in and of themselves. My remarks today focus on diamonds and violence in Sierra Leone, but the observations about the need for reforming the diamond industry apply to Angola as well, and to future conflicts that may arise in other diamond-producing countries.

Summary:

Physicians for Human Rights is deeply concerned about the continued sale of diamonds by insurgent forces in Sierra Leone and Angola, and the flow of weapons to the combatants in return. We welcome the diamond industry’s recent commitment to developing a global certification regimen that eventually will marginalize the trade in conflict diamonds, and we urge all governments to diplomatically support the initiative. In the meantime, however, it is vitally important that the world’s principal importers of rough diamonds—Belgium, Israel, and India—immediately enact unilateral prohibitions on the import of rough diamonds laundered through

Liberia, Burkina Faso, and Togo, and enact a quota on imports of diamonds from the Ivory Coast and Guinea that is commensurate with their indigenous diamond producing capacity. We respectfully urge this Committee to enact legislation this year that prohibits American imports of diamonds from countries that have not erected meaningful trade barriers against diamonds arriving from countries known to launder Sierra Leonean and Angolan gems, or that permit the diamond industry within its borders to handle stones from such sources.

Background:

The Committee is familiar with the role that diamonds have played in funding and fueling appalling human rights abuses in Sierra Leone; indeed, that is why you have called this hearing. The misappropriation of Sierra Leone's diamond resources by insurgents and renegade army officers and soldiers dates back to the early 1990's, and official corruption and theft of Sierra Leone's diamond resources is a decades-long problem. But the linkage between diamonds and conflict only recently riveted the world's attention because of the RUF's extraordinarily cruel violence against unarmed men, women, and children. The insurgents' signature violations include mass rape of women and children of all ages; widespread amputation of limbs; and extensive forcible recruitment, deployment, and abuse of child soldiers.

Physicians for Human Rights' preliminary medical investigation of human rights abuses conducted last spring revealed that in areas under RUF control (approximately half of Sierra Leone) almost every Sierra Leonean institution, town, village, and family has been weakened, scarred, maimed or destroyed by the insurgents' reign of terror.¹ PHR researchers have been informed by local human rights activists that in some communities almost every woman and girl has been raped. Thousands of women and children were abducted by RUF insurgents to serve as sexual slaves or child combatants and hundreds are still in their custody.

The ubiquitous practice of rape is particularly appalling. This is a crime that carries great shame and stigma for the victims, and many rape victims who have escaped from the RUF (often pregnant or with new babies) have been rejected by their families and communities. These innocent victims, many of whom survived other gross crimes, such as amputation and mutilation and many of whom are HIV-positive as a result of rape, need extensive mental and physical health services as well as job training and humanitarian assistance. But such services are all but non-existent outside of Freetown because of the security threat that humanitarian organizations face in working in areas under the RUF's control, and the paucity of such services generally.

The RUF's violence (as well as war crimes by other parties to the conflict) has resulted in upwards of a million noncombatants fleeing the country altogether and another million being displaced from their homes inside the country.² But it was not until the rebel force attacked U.N. peacekeepers attempting to disarm and demobilize RUF combatants in the diamond-mining areas, killing several and taking five hundred hostage in May, that the international community at last was moved to outrage and action. That action has included, appropriately, demands that the RUF be deprived of the revenues from diamond smuggling that have been crucial to its military campaign that nearly destroyed Sierra Leone and its people.

The Revolutionary United Front insurgency appears to have grown and developed largely because of its access to diamond resources, with which the rebel force transformed itself into a formidable fighting force of some 15,000 fighters, well-armed and well-equipped with everything that money can buy. As Ambassador Richard Holbrooke stated in his July 31 testimony before the Security Council, "A year ago, the RUF were drug-crazed, machete-wielding thugs. They are now acquiring machine guns, shoulder-fired surface-to-air missiles and the means to shoot down aircraft." In a region where an AK-47 can be purchased for \$5, millions of dollars in diamond revenues have permitted the RUF to exert enormous control over the civilian population of the country.

The RUF does not appear to have an ideological basis for its war against its own people, nor do ethnic or tribal divisions offer an explanation for its struggle. Rather, the insurgents' seizure of territory appears to be based exclusively on their quest for diamonds, money, and power. Without its access to Sierra Leone's vast diamond

¹The RUF is the principal violator of human rights in the conflict of the past decade, but Sierra Leonean army forces and militia members (the so-called Karmajors) have also engaged in gross violations of human rights, including capture and use of child soldiers. PHR is particularly concerned about abuses attributable to forces under the authority of Johnny Paul Koromo, who is now allied with the government of Sierra Leone.

²These numbers amount to half the population of Sierra Leone being displaced from their homes.

wealth and the assistance of a powerful patron in neighboring Liberia, Charles Taylor, the RUF would never have become the military force that it is today.

Although Liberian officials have taken great umbrage at denunciations by the Clinton Administration and British officials at its role in laundering the RUF's illicit diamond wealth, export statistics are a damning indictment. Official exports of diamonds from Sierra Leone in recent years have only averaged 8,500 carats annually, but historically Sierra Leone's annual production has totalled 530,000 carats. Where are the missing diamonds? The RUF controls 90 percent of Sierra Leone's diamond-producing areas and diamonds are most assuredly being mined and exported. They are entering the world market through a number of other countries, most notably Liberia.

Liberia's average annual mining capacity is 100,000–150,000 carats, but the official Diamond High Council in Antwerp recorded Liberian imports into Belgium of more than 31 million carats over the past five years; an average of 6 million carats a year. U.S. Government officials estimate that the RUF has accrued \$30–\$50 million and perhaps as much as \$125 million a year from the illicit sale of diamonds.³

The role of neighboring countries in transshipping diamonds mined elsewhere can be seen in statistical records from the past decade in Belgium: Guinea exported 2.8 times more than it produced; Ivory Coast exported eight times more than it produced; and Liberia exported 40 times more than it produced.⁴ The Canadian non-governmental organization, Partnership Africa Canada, which has investigated the issue of conflict diamonds extensively, has identified the active involvement of Liberian officials in serving as a fencing operation for diamonds smuggled from other nations, including Angola and Sierra Leone.

In a report this year, Partnership Africa Canada detailed the links between diamonds and weapons in Sierra Leone: "British newspaper accounts in January 1999 reported that late the previous year the RUF had contracted two British companies operating 'aging' Boeing aircraft to transport AK47 rifles and 60 mm. portable mortars to rebel-held territory in eastern Sierra Leone. The 40-ton consignment of arms, from Bratislava in Slovakia, was undoubtedly acquired with diamond resources. The arms were crucial in the RUF's successful and highly destructive attack on Freetown in January 1999."⁵

Other nations, notably Burkina Faso, Guinea,⁶ the Ivory Coast, and Togo are also implicated in diamond smuggling from Sierra Leone, according to United Nations experts. Burkina Faso's president, Blaise Compaore, is intimately involved with the RUF and a key advisor on its military strategies. According to British Foreign Ministry official Stephen Pattison, Compaore and Charles Taylor regularly meet with RUF military commanders to discuss strategy. The meetings are chaired either by Taylor or Compaore. Pattison offered a detailed description of recent meetings between the RUF, Compaore, and Taylor, describing how three rebels, one carrying diamonds to pay for 'material' from Burkina Faso, traveled with Charles Taylor to a June 5 meeting in Ouagadougou; five days later, the rebel commander flew to Monrovia to meet Taylor, carrying more diamonds to buy equipment.⁷

International attention to the role of diamonds in the ongoing destruction of Sierra Leone because of the U.N. hostage crisis and fear of possible consumer boycott of diamonds persuaded the diamond industry in May of this year to undertake comprehensive reforms. At a meeting of diamond-producing nations and the industry in Kimberly, South Africa, a plan for developing a global certification regimen for legitimate diamonds was developed and a follow-up meeting was held in Luanda in May. The most significant development was in mid-July at Antwerp, where the World Diamond Congress (the industry trade association) formally announced a comprehensive, global certification plan for assuring that the industry does not trade in conflict diamonds. A preliminary diplomatic meeting of key diamond producers and importers was held last week in Windhoek, Namibia, and ministerial meetings are scheduled for Pretoria in two weeks to finalize the agreement.

Put overly simply, the industry's proposed global certification scheme, known as "rough controls," would work as follows. Rather than attempting to identify and ex-

³Statement of Ambassador Richard Holbrooke, Exploratory Hearing on Sierra Leone Diamonds, Security Council, July 31, 2000.

⁴Notes for UN Security Council Committee on Sierra Leone Sanctions, Partnership Africa Canada, July 31, 2000.

⁵"The Heart of the Matter, Diamonds and Human Security," Partnership Africa Canada, 2000.

⁶Guinea, which is said to be a transshipment point for a significant quantity of insurgent-controlled stones is in a different category than Liberia and Burkina Faso. There is no evidence of official Guinean government complicity in the smuggling, and the authorities have appealed for international assistance in stopping it.

⁷"African Nations Threatened with Sanctions," The Washington Post, July 31, 2000.

clude all conflict stones from the international diamond trade, the global certification scheme instead creates a certification and delivery system for legitimate exports and bars all others from certified cutting and finishing centers. No country is permitted to import rough diamonds unless packets of these uncut diamonds have forgery-proof certificates of origin granted by governments and are in tamper-proof packaging. The rough exports are logged in an international computer database when they leave a country and when they enter, so that discrepancies between exports and imports from any country would immediately be apparent. An international monitoring authority, the proposed International Diamond Council, would conduct oversight of the entire system, and violators would be prosecuted and banned from the trade.

It is important to note that once rough packets have been accepted into legitimate, certified cutting and finishing centers (largely based in Belgium, India, and Israel) the packets of rough diamonds would be broken up and the country-of-origin certification would be lost. The industry insists that it is absolutely impossible to retain such documents for individual stones once they are cut, polished, traded, exported, and sold. (And, it is only fair to note that the diamond industry's most prominent critics, Global Witness and Partnership Africa Canada, agree with that assessment.) If the global certification regimen is in place and operating properly, the industry maintains that it is not necessary to know the country of origin of stones coming out of its cutting centers because all stones in legitimate cutting centers will themselves be legitimate. Countries importing cut and polished diamonds will not be required to source them to country of mined origin,⁸ but rather to impose strict prohibitions on the entry of stones from any country where diamonds are finished that does not itself have rough controls in place.⁹

Weakness in the Proposed Plan of Rough Controls:

Mr. Chairman, the diamond industry can justly be praised for moving quickly in recent months to create a global system to squeeze out the trade in conflict diamonds in a far-reaching, comprehensive way. Nonetheless, Physicians for Human Rights is deeply concerned about what appears to be a significant weakness in the industry's proposal: transshipment and export by other countries of rough stones mined in rebel-controlled Angola and Sierra Leone. The industry's proposed global certification scheme requires tamper-proof packaging and double-entry booking in a computer registry. But what is to prevent a country from officially packaging and sealing diamonds smuggled from Sierra Leone or Angola as their own, and exporting them openly and transparently through designated, monitored exit points? Only in cases where exports grossly exceed the transshipping State's own capacity (which in the case of Liberia was so negligible that the country's role in laundering others' diamonds was immediately apparent) would the counterfeit be obvious.

The diamond industry has pledged not to deal in conflict stones, and we welcome that pledge. On August 7, for example, Indian government officials announced that they will require Indian traders who import uncut diamonds to declare that they do not originate from Sierra Leone, Angola, or the Democratic Republic of Congo. This is an important statement, given that India is reportedly responsible for finishing over 55 percent of the world's cut diamonds. But to my knowledge, neither the key countries that import rough diamonds for cutting and finishing nor the diamond industry itself has taken action to bar the importation of rough diamonds from Liberia, Burkina Faso, or Togo. Since virtually all of Sierra Leone's diamonds are coming from those countries, not from Sierra Leone itself, commitments not to import from Sierra Leone are not especially useful in actually stopping the trade in blood diamonds and the flow of money and weapons to the RUF.

One measure to deal with this issue has been proposed by Ian Smillie, the leading non-governmental expert on conflict diamonds who is now a member of the U.N. Security Council's expert panel to review the effectiveness of the Sierra Leone diamond embargo. Mr. Smillie has called for an immediate cap or exclusion from world markets of those exports of diamonds that significantly exceed a country's known resource base.¹⁰ This provision is included in the working document to be considered

⁸ At this time the technology does not exist to source the mined origin of a cut and polished diamond. Experts are often able to ascertain the source of a run of diamonds in the rough. But once the alluvial material and other distinctive geological features are removed in cutting and polishing, it is said to be impossible to identify the gem's mined origin.

⁹ The United States does not import rough diamonds. Almost all the diamonds that enter the U.S. are cut and finished elsewhere. Thus the U.S. is not itself in a position to impose import restrictions on rough stones.

¹⁰ A difficulty with this proposal is the inexact nature of assessing a country's mining capacity. Huge exports from a country with almost no capacity, like Liberia, are easy to spot. But in countries like Russia, with virtually unknown but presumably vast resources, determining mining

at the upcoming ministerial conference. But the diamond industry as well as the key importers of rough stones, Israel, Belgium, and India, should not wait for the establishment of a global regimen to be completed, which may take years, before announcing and implementing such a policy today.

In July of this year, some seventy American non-governmental organizations released a letter calling upon the World Diamond Congress to immediately announce that no packets of rough diamonds would be accepted into its cutting centers from Liberia, Togo, Burkina Faso, the Ivory Coast, or the Democratic Republic of Congo. This action would not be a substitute for the comprehensive, global system of rough controls needed that, indeed, the diamond industry has agreed to. It is, rather, a vital step urgently required now while the global certification regimen is settling into place.

It is my understanding that the organized diamond industry firmly opposes taking this action because there is no international sanctions regimen in place against those countries transshipping conflict diamonds, only against rebel-controlled Angola and Sierra Leone. This is a disappointing response. The role of Sierra Leone's neighbors, particularly Liberia and Burkina Faso, in laundering Sierra Leonean diamonds in exchange for weapons is well known. It should not require a United Nations embargo to persuade the diamond industry to actually carry out what it has pledged to do: cease handling rough stones from Angola and Sierra Leone. Making good on that oft-stated promise obliges the three major importers and the industry to immediately prohibit all contact with those countries that launder conflict diamonds. To date, I have not seen evidence that that step has been taken. Moreover, the bountiful exports of diamonds within the last year from non-producing Liberia make it inescapably clear that Sierra Leonean diamonds are entering the industry's cutting centers and are being traded and sold in the international market.

The United Nations Sanctions Committee's expert commission on the Sierra Leonean diamond embargo has been tasked to make its report on October 31. At that time, the United Nations may enlarge the Sierra Leonean diamond embargo to include Liberia and perhaps other countries. Let us hope that the three major importing countries and the diamond industry will then do what it should have done years ago: publicly announce that it is closing the doors of its cutting centers to all diamonds emanating from Liberia and other countries known to transship Sierra Leonean gems. Those centers concerned with their international reputation would do well to immediately develop and publicize a protocol for identifying and excluding such stones and invite the U.N.'s investigative body to regularly inspect its surveillance and vetting operations.

Physicians for Human Rights strongly supports the industry's proposed global certification regimen of rough controls adopted in Antwerp. But even under the most optimistic timeline for the plan's adoption by the international community, it seems unlikely that the program can be put in place in less than a year or two. Accordingly, it will be a very long time before these reforms choke off the RUF and UNITA's trade in diamonds and their ability to purchase weapons with the proceeds.

American officials have reported that Liberia exported \$290 million in smuggled diamonds last year alone. A Swiss customs official reported on August 9 of this year that diamond imports from Liberia have soared in the past year, and estimate that many are coming from rebel-held areas of Sierra Leone. Swiss diamond imports from Liberia have totaled almost \$30 million this year, compared with \$15 million last year, and the quality of the stones make it clear that they did not come from Liberia.¹¹

Legislation:

Physicians for Human Rights and our partners in the non-governmental community applaud Representative Tony Hall and his cosponsors for highlighting the link between diamonds and human rights violations, and for proposing to take action to limit their importation into the United States. We have endorsed the original CARAT Act, and urged our physician members to encourage their own representatives in Congress to co-sponsor it.

It is my understanding that Congressman Hall's revised CARAT Act requires that diamonds entering the United States be accompanied by a certificate of mined origin, which can be waived if the rough controls regimen is in place and is effective in stopping the trade in conflict diamonds. The Act's import restrictions would not go into effect until two years after enactment.

capacity precisely will be impossible, thus allowing the possibility that such a country could serve as a transshipment base for diamonds from anywhere else in the world.

¹¹ "Liberian Exports Flood Into Switzerland," Associated Press, August 9, 2000.

We would welcome action on the Hall-Wolf bill this session. It presses the diamond industry to implement what it has pledged to do, and it holds out the possibility of imposing a more rigorous import regimen—country-of-origin certification—if it does not. Nonetheless, I still have concerns that neither the CARAT Act nor the global certification scheme of rough controls will have any impact in the short run on the trade in RUF and UNITA-controlled diamonds, and will do little to deprive those forces of their diamond revenue and thus their means of waging war.

Without meaning in any way to undermine either the CARAT Act or the global certification regimen, I would like to suggest that the Committee consider revising the legislation. The bill should include a prohibition on U.S. importation of any finished diamonds from countries, specifically including Belgium, India, and Israel, which have not erected effective national embargoes on the importation of rough diamonds from Liberia, Togo, Burkina Faso, and the DRC, and which have not prohibited the cutting centers that operate within their national boundaries from handling such stones if they are smuggled in. The U.S. could also prohibit the entry of finished diamonds from countries that have not set a quota on the volume of diamonds that may be imported that is commensurate with the exporting country's own mining capacity. Thus the Ivory Coast and Guinea, which have their own diamond production, could export, but they could not export amounts disproportionate to their own production, that is, launder diamonds for others.

The United States is not in a position to regulate the diamond industry, nor can it force any other government to take the actions that are required for the global certification program to become a reality. The only thing that the U.S. can do is control its own imports. By conditioning American imports of finished diamonds on the actions of the world's largest importers of rough stones—Belgium, Israel, and India—the U.S. would encourage those governments to take meaningful action in the short run that could help stem the flow of revenues to the RUF and UNITA almost immediately. Such an action is not a substitute for the global system that the diamond industry has agreed to, and which I believe is vitally needed. But it does encourage in a meaningful way very rapid action on the part of both the diamond industry and the world's leading importers of rough stones to cease importing conflict stones exported by Liberia, Burkina Faso, and others.

Conclusion:

Mr. Chairman, I would not want to suggest by my testimony that diamonds alone are the problem or the answer to the heartbreaking human rights crisis in Sierra Leone. It is crucial, for example, that the United Nations and its strongest members take immediate and forceful steps to implement the international weapons embargo on the RUF, in place since 1997 and the arms embargo against Liberia, which was imposed in 1992. The United Nations Security Council must put some teeth into these measures by establishing responsible monitoring bodies and publicly report and condemn violations. Moreover, competent troops should be posted at the Sierra Leonean-Liberian border, at airfields, and other delivery points to seize shipments of weapons to the RUF. U.N. forces should take immediate action to disrupt the RUF's weapons supply lines, including on roads and waterways, airports and airfields.¹²

What is needed most of all, in my opinion, is for the United Nations, generously supported by the U.S. and its allies, to implement a forceful military strategy to dislodge the RUF from the areas that it controls (including the diamond-producing regions) and defeat, demilitarize and demobilize the insurgents. International peacekeeping forces should establish security and protection for all civilians throughout Sierra Leone so that they may rebuild their shattered lives and country. Extensive humanitarian and development assistance should be provided once security is established so that Sierra Leonean refugees in Guinea can return home. Those implicated in human rights abuses, particularly those in command positions, should be apprehended and turned over to the Sierra Leonean authorities, and, eventually, to the international tribunal that the United Nations is establishing to prosecute war crimes in Sierra Leone for investigation and prosecution.

Most of the members of the non-governmental coalition that Physicians for Human Rights has helped organize to work on conflict diamonds have been equally outspoken about the need for protection of the civilian population and enforcement of international human rights standards in Sierra Leone. We are very grateful for the attention that Representatives Hall and Wolf have given to the issue of human rights in Sierra Leone and the role that diamonds have played in the country's de-

¹²For detailed information on arms flows to the RUF, see "Neglected Arms Embargo on Sierra Leone Rebels," a Human Rights Watch briefing paper dated May 15, 2000.

struction, and appreciate the Chairman and members of this Committee highlighting our concerns so prominently at this important hearing.

Thank you.

Chairman CRANE. Thank you.
Mr. Jolis?

**STATEMENT OF J.F. "JACK" JOLIS, PRESIDENT, ROUGH
DIAMOND CONSULTANCY, ANTWERP, BELGIUM**

Mr. JOLIS. Thank you, Mr. Chairman. I am an American diamond dealer/consultant and have worked for 30 years in every part of the globe where diamonds are mined, bought, sold, and cut. Having for the past year or so read and heard so much about how the relatively small diamond business is responsible for funding the maniacal carnage we witness pretty much throughout Africa, I feel compelled to reply.

Let us take a look at Africa and its suddenly infamous diamond producing countries. Sierra Leone—even if not a single diamond existed there, not a man, woman, or child would escape being amputated or beheaded by a rusty machete. Let us not waste valuable time talking about peacekeeping or mercenary forces in Sierra. Peacekeepers? They consist mostly of Nigerian gangsters assisted by some Guinea gangsters who are not only better armed but even more intent on killing anyone who gets in their way of putting their hands on the diamonds.

And in Sierra, there is a lovely bunch of drugged-up thugs called the KAMAJORS, who, while professing to support the current government, find themselves fighting their allies, enemies, even themselves, not for diamonds but because they are drugged and all they know what to do is fight. You think they would know how to sell an uncut diamond?

Do diamonds pay for this mayhem? I doubt it, not when you are offered, as I was recently in Kinshasa, a fully-loaded AK-47 for U.S. \$10. To top it all, the Leonean government hires a bunch of quaintly named South African mercenaries called Executive Outcomes who are not only paid by the government with diamonds but are even given diamond fields to exploit, and this by a government supported by the U.N. that is bleating about their rebellion being financed by diamonds.

Angola—sure, for the time being, most of the diamond fields lie in UNITA hands, but these areas change hands according to the fortunes of war. In any case, the MPLA also have diamond fields of their own and I happen to know at first hand of many of the MPLA's generals who sell their diamonds to UNITA. The MPLA have infinitely more money, in any case, from oil to buy weapons than UNITA has diamonds, not to mention the fact that UNITA diamonds, which are mostly on the western bank of the Cuango River, are in no way distinguishable from the same diamonds found on the Congo side of the river.

There is a lot of uniformed talk of some sort of invisible infrared internal marking scheme for polished stones, which, even were it possible, which it is not, would immediately wipe out the entire category of D-flawless polished stones.

And then there is a theory about branding rough diamonds. Eh? First of all, branding a rough diamond makes about as much sense as branding a cow and then trying to determine where the resulting steak came from. And as for the notion of branding a cut diamond along its border with, say, something like "DeBeers 2001X," any half-clever diamond cutter could do the same using the same number he might have come across a similar-sized DeBeers stone.

So there is a lot of uninformed chatter about identifying the providence of diamonds, whether cut or uncut. No can do, certainly not in any court of law. Any expert will be countered by an opposing expert.

Which brings me back to what is currently known as D.R. Congo, a country with at least three different areas producing distinctly different diamonds, some rebel, some government. Mix them together in a single parcel and the job of determining which are the clean stones becomes even more impossible.

Angola stones? Take some from UNITA-held zones, mix them with stones from the MPLA, add some stones from Ivory Coast, some others from Guinea, the Central African Republic, and what have you got? A big load of nothing that is remotely identifiable by anyone reputable.

If diamonds were the proximate cause of African tribal butchery, how can one explain the Congolese civil war of 1960? Pro-Western Moise Tschombe tried to establish independence for his copper-rich and diamond-rich province today known as Kolwezi. He was foiled by the U.N.-sponsored Kasavubu, who in turn was overthrown by the equally U.N.-sponsored Mobutu, whose people killed the communist Lumumba. But the point of all this ancient history is that at the time, nobody even uttered the word "diamond." It was all "copper."

And do you remember the civil war in Nigeria between the breakaway Biafra and the then-Federal Government? What did diamonds have to do with that butchery? Right, exactly nothing.

Of the five civil wars in the Tchad, over diamonds? Sorry, nary a one. Or even the 40-plus-year civil war in the Sudan, over diamonds? The only diamond you might find in the Sudan would be lodged between the Mahdi's cadaver's two front teeth.

And the unspeakable mangle-shambles that used to be Somalia, any diamonds involved in that particular charnel house? I do not think so. And finally, in the worst killing fields since Cambodia is the incredibly barbaric Hutu-Tutsi mutual genocide. Is it in any way financed by diamonds of the blood kind or any other kind? No.

That Africa is in a dreadful and perhaps even terminal mess is undeniable, but to fob off this horrible internecine catastrophe on the fact that diamonds, along with a heck of a lot of other stuff, abound there is to utterly lose any claim to a perspective on the problem. As I said earlier, you could take away every diamond that exists under the soil in Africa and not a single human being who is currently being killed, tortured, or maimed would be spared.

An interesting case in point is the Central African Republic, where the two major tribes, the Bayas and the Bandas, have been both at each other's throats since time immemorial, and yet diamonds are found in profusion in both these tribes' areas. They are manifestly not killing each other over diamonds.

There are really only two possible solutions to the problem. First, and this is not really much of a solution at all, is to let them chop each other up until the last man is standing.

Second would be to send in the only men who are competent and incorruptible enough to do the job properly, the British SAS and their Parachute Regiment, the French Foreign Legion and their Régiments Étranger Parachutés, and the U.S. Special Forces and our Delta Force. Neo-colonialism? You betcha, and 99 percent of the people of the embattled Africa would kiss your feet for it.

But ban blood or any other diamonds? First of all, such a plan would not succeed. Diamonds are like fine art. They are non-fungible and by definition are not controllable. And even in the unlikely event that such an anti-diamond scheme did have a measure of success, the only people it would hurt would be the already dirt-poor, hard working, artisan/digger poor devils digging away in the third world, certainly not diamond dealers who have stocks like Uncle Scrooge had a swimming pool overflowing with golden spondulics.

Thank you, Mr. Chairman.

[The prepared statement follows:]

**Statement of J.F. "Jack" Jolis, President, Rough Diamond Consultancy,
Antwerp, Belgium**

DIAMONDS: AND AFRICAN CONFLICTS

I am an American diamond dealer/consultant and have worked for thirty years in every part of the globe where diamonds are mined, bought, sold and cut. Having for the past year or so read and heard so much about how the relatively small diamond business is responsible for "funding" the maniacal carnage we witness pretty much throughout Africa, I feel compelled to reply.

Let's take a look at Africa and its suddenly infamous diamond producing countries:

Sierra Leone: Even if not a single diamond existed there, not a man, woman or child would escape being amputated or beheaded by a rusty machete.

Let us not waste valuable time talking about "peace-keeping" or "mercenary" forces in Sierra. "Peacekeepers"? They consist mostly of Nigerian gangsters, assisted by some Guinean gangsters, who are not only better armed, but even more intent on killing anyone who gets in their way of putting their hands on "the diamonds." And in Sierra, there is a lovely bunch of drugged-up thugs called the KAMAJORS, who, while professing to support the current government find themselves fighting their allies, enemies, even themselves—not for diamonds, but because they're drugged and all they know what to do is fight. You think they would know how to sell an uncut diamond?

Do diamonds pay for this mayhem? I doubt it, not when you are offered, as I was recently in Kinshasa, a fully-loaded AK-47 for \$10. To top it all, the Leonian government hires a bunch of quaintly named South African mercenaries called "Executive Outcomes" who are not only paid by the government with diamonds, but are even given diamond "fields" to exploit. And this by a government, supported by the UN, that is bleating about their "rebellion" being financed by diamonds.

Angola. Sure, for the time being most of the "diamond fields" lie in UNITA hands, but these areas change hands according to the fortunes of war. In ANY case, the MPLA ALSO have diamond fields of their own and, I happen to know at first hand of many of the MPLA's "generals" who sell THEIR diamonds to UNITA. The MPLA have infinitely more money from oil to buy weapons than UNITA has diamonds. Not to mention the fact that the UNITA diamonds which are mostly on the western bank of the Cuango River are, IN NO WAY distinguishable from the same diamonds found on the Congo side of the river. So?

There is a lot of uninformed talk of some sort of "invisible infra-red internal marking" scheme for polished stones, which, even were it possible, which it isn't, would immediately wipe out the entire category of "D-Flawless" polished stones. And then there is a theory about "branding" rough diamonds. Eh? First of all,

“branding” a rough diamond makes about as much sense as branding a cow and then determining where the resulting steak came from. And, as for the notion of “branding” a cut diamond along its border (with, say, something like “DeBeers 2001 X”), any half-clever diamond cutter could do the same, using the same number he might have come across a similar-sized DeBeers stone.

So there is a lot of uninformed chatter about “identifying the provenance of diamonds,” whether cut or un-cut. No can do. Certainly not in any court of law—any “expert” will be countered by an opposing “expert.”

Which brings me back to what is currently known as the D.R. Congo, a country with at least 3 different areas producing distinctly different diamonds. Some “rebel.” Some “government.” Mix them together into a single parcel, and the job of determining which are the “clean” stones becomes even more impossible Angola stones? Take some from UNITA-held zones, mix them with stones from the MPLA, add some stones from Ivory Coast, and some others from Guinea and the Central African Republic, and you’ve got what? A big load of nothing that is remotely identifiable by anyone reputable.

If diamonds were the proximate cause of African tribal butchery, how can one explain the Congolese civil war of 1960? Pro-Western Moïse Tschombe tried to establish independence for his copper-rich (and diamond-rich) province today known as Kolwezi. He was foiled by the UN-sponsored Kasavubu, who in turn was overthrown by the equally UN-sponsored Mobutu, whose people killed the communist Lumumba—but the point of all this ancient history is that at the time nobody even uttered the word **“diamond”—it was all COPPER!**

And do you remember the civil war in Nigeria, between the breakaway Biafra and the then-“Federal” Government? What did diamonds have to do with that butchery? Right. Exactly nothing.

Or the 5 civil wars in the Tchad? Over diamonds. Sorry. Nary a one.

Or, even the 40+-year civil war in the Sudan. Over diamonds? The only diamond you might find in the Sudan would be lodged between the Mahdi’s cadaver’s 2 front teeth.

And the unspeakable mangle-shambles that used to be Somalia. Any diamonds involved in that particular charnel house? I don’t think so.

And finally, in the worst killing fields since Cambodia is the incredibly barbaric Hutu/Tutsi mutual genocide in any way financed by diamonds? Of the “blood” kind or any other? No.

That Africa is in a dreadful and perhaps even terminal mess is undeniable. But to fob off this horrible internecine catastrophe on the fact that diamonds—along with a heck of a lot of other stuff—abound there is to utterly lose any claim to a perspective on the problem. As I said earlier, you could take away every diamond that exists under the soil there and not a single human being who is currently being killed tortured or maimed would be spared.

(An interesting case in point is the Central African Republic, where the two major tribes, the Bayas and the Bandas, have been at each others’ throats since time immemorial. And yet diamonds are found in profusion in BOTH these tribes’ areas. They are manifestly not killing each other for diamonds.)

There are really only two possible solutions to the problem:

First, and this is not really much of a solution at all, is to let them chop each other up until The Last Man Is Standing.

Second would be to send in the only men who are competent and incorruptible enough to do the Job properly: The British SAS and their Parachute Regiment; The French Foreign Legion and their Regiments Etranger Parachutes; and the US Special Forces and our Delta Force. Neo-colonialism? You betcha. And 99 percent of the people of embattled Africa would kiss your feet for it.

But ban “blood”—or any other—diamonds? First of all, such a plan would not succeed. Diamonds, like fine art, are non-fungible, and by definition, are not “controllable.” And, even in the unlikely event that such an anti-diamond scheme DID have a measure of success, the only people it would hurt would be the already dirt-poor hard-working artisan/digger poor devils, digging away in the Third World—certainly not diamond dealers who have stocks like Unca Scrooge had a swimming pool overflowing with golden spondulics.

Chairman CRANE. Thank you, Mr. Jolis.
Mr. Boyajian?

**STATEMENT OF WILLIAM E. BOYAJIAN, PRESIDENT,
GEMOLOGICAL INSTITUTE OF AMERICA, CARLSBAD, CALI-
FORNIA, ON BEHALF OF WORLD DIAMOND COUNCIL**

Mr. BOYAJIAN. Mr. Chairman, I am Bill Boyajian, President of the Gemological Institute of America, GIA. GIA is a nonprofit 501(c)(3) public benefit corporation. As a nonprofit education and research institution, we ensure the public trust in diamonds and gemstones by educating and serving the gem and jewelry industry worldwide. GIA is headquartered on a sprawling 18-acre campus in Carlsbad, California, and has a significant office and laboratory in New York City. We employ some 700 professionals and have campus facilities in eight countries on three continents.

Everyone concerned believes that it is in the long-term best interest of the trade and the public that the exploitation of diamond resources to fuel war and conflict in African countries be halted immediately. Over the past year, the Gemological Institute of America has been asked to research, review, and comment on the feasibility of identification of country of origin of rough and polished gem diamonds. I will speak very briefly today on GIA's view of those possibilities and limitations as they currently exist.

From the outset, let me state that based upon all of our current knowledge and that which we have been able to glean from the literature and other noted experts, there is no known scientific and practical means for determining the country of origin of rough and polished gem diamonds. And while some have suggested that visual means alone will distinguish rough diamond origin, we would view this as highly problematic and overly subjective, at best.

We believe that if steps must be taken now to curtail the flow of so-called conflict diamonds into the trade, and we believe this to be so, such steps must entail the tracking of diamonds in the rough, from mine through manufacturer, in order to assure the retail community and ultimately the consumer that diamonds entering the marketplace are conflict-free. To succeed, such a tracking system will require the increased cooperation of all organizations in the diamond industry and all governments of countries involved in the mining, exportation, importation, manufacturing, and/or distribution of rough gem diamonds.

Of the 100-plus millions of carats of diamonds mined annually, only a few percent actually originate in countries of known civil conflict. In this regard, it should be understood that country of origin means the country where diamonds are mined or extracted and not necessarily the places where they were deposited in the earth's crust. Diamonds originally emplaced in several primary deposits in one or more countries could be weathered out of their original host rock, transported by rivers, and become concentrated in a secondary deposit in another country. I might add that many of the diamond deposits in the countries of conflict in Africa are those of secondary deposits. That is, they have been carried there through the transport of rivers and weathered from their original host.

If identifying characteristics existed for the diamonds from a particular primary deposit, these features may or may not be retained during the weathering and transport of the diamonds. Moreover, from a single secondary deposit in a conflict country, one could potentially find diamonds with characteristics distinctive of several

primary deposits in one or more countries. Therefore, these characteristics would provide no information on where the diamonds were mined but only where they were first brought to the surface, possibly in a neighboring non-conflict country that depends on diamond exports to maintain economic and social stability.

Even if a high proportion of rough diamonds from a particular geographic area does not have some distinctive physical characteristics, many such characteristics are lost during the manufacturing process. This means that even fewer characteristics exist for determining the geographic source of polished diamonds.

Analogous to studying the country of origin of diamonds is that of the country of origin of various colored stones—ruby, sapphire, emerald in particular. Because GIA has long felt that the best research data and expertise has not resulted in a standard of consistency and scientific backing acceptable to our institution, we have never entered the arena of providing origin reports on colored gemstones and continue to hold this fundamental view.

Likewise, except and until the advent of so-called conflict diamonds, GIA as a world authority on polished diamonds has never seriously been asked or even contemplated the prospects of attempting to determine the country of origin of rough diamonds.

In summary, based upon current knowledge, there is no known scientific way to determine the country of origin of rough or polished gem diamonds, nor do we foresee practical ways being developed in the near future. Likewise, we would be highly suspect of those who might characterize visual observation alone as a means of rough diamond identification. Such claims, in our view, are fraught with danger.

Therefore, a chain of warranties or a system of certification to track diamonds from their country of origin through the manufacturing process and ultimately to the retailer and the consumer would provide a better alternative at this time to the goal of preventing the sale of conflict diamonds. As a nonprofit public benefit institution, GIA is committed to assisting the trade, governments, and non-governmental organizations in whatever way possible to curtail the mining and flow of conflict diamonds.

Chairman Crane, as President of the Gemological Institute of America, I have also been asked to serve on the World Diamond Council and have been asked to chair the technical committee of that council and our goal would be to implement the Antwerp resolution as it was currently passed. Thank you.

[The prepared statement follows:]

Statement of William E. Boyajian, President, Gemological Institute of America, Carlsbad, California, on behalf of World Diamond Council

INTRODUCTION

Mr. Chairman and members of the subcommittee, I am William E. Boyajian, President of the Gemological Institute of America (GIA). Founded in 1931, GIA is the largest educational and research institution in the world, with some 700 employees on campuses in eight countries on three continents. Incorporated as a 501(c) 3 public benefit corporation, GIA's mission is to educate and serve the gem and jewelry industry, creating standards of professionalism to benefit the trade and, therefore, uphold the public trust in diamonds and other gemstones. We educate some 15,000 people each year in gemological training programs and conduct state-of-the-art gemological research to ensure the integrity of gems. Our Gem Trade Laboratory grades most of the major polished diamonds that are bought and sold around the

world each year, estimated at a value of some \$3 billion at the wholesale level. We also design and manufacture fine gemological testing equipment to assist jewelers in identifying and grading diamonds and other gemstones.

Over the past 18 months, interest has been expressed by certain governmental and non-governmental organizations in establishing a mechanism to determine the "country of origin" of gem diamonds. These organizations suggest that if such a determination could be made, the diamonds being mined in particular conflict countries could be identified and banned from international commerce. This action would deprive the combatants involved of an important source of revenue for their activities.

Of the hundred-plus millions of carats of diamonds produced annually, only a few percent originate in conflict countries. Despite this fact, public pressure is being placed on the jewelry trade to quickly develop a mechanism to segregate those diamonds that are illicit. GIA has therefore been asked to research, review and comment on the feasibility of identification of country of origin of rough and polished gem diamonds. This report sets forth the position of GIA as to whether the country of origin for gem diamonds can be determined.

There are two different parts to the problem of determining the country of origin—identifying the geographic source of rough or polished diamonds, and tracking diamonds from their source through the diamond "pipeline." Can an analytical means be developed to determine the geographic source of rough and polished diamonds whose origins are uncertain? Can a procedure be organized for tracking particular diamonds from the mine through manufacturing and retailing to the consumer, to prevent diamonds originating in certain countries from being sold? This report will address these questions.

Based upon current knowledge, no practical means exist today for determining the country of origin of rough or polished diamonds, although means may be developed to make such a determination for some percentage of rough diamonds. We believe that steps can be taken to track diamonds from the mine through to the manufacturer and retailer. To succeed, such a tracking system would require increased cooperation among all organizations of the diamond industry.

This report will focus on discussing the technical considerations involved in determining the country of origin for rough and polished diamonds, and will conclude with a few remarks about a diamond tracking system. Before discussing these issues, it is first necessary to make a few preliminary comments as background information.

General Comments Relevant to Determining Country of Origin

Diamond Formation. Diamonds crystallize deep in the earth's mantle, and are brought to the surface through magmatic activity. At the surface, the diamonds occur in certain kinds of volcanic rocks (kimberlites and lamproites). From the primary deposits in these rocks, some diamonds are released during rock weathering and can become concentrated in secondary alluvial deposits formed along rivers, or in the marine deposits under the ocean along the western coast of southern Africa.

Like other minerals and rocks, diamond crystals contain within themselves a record of their geologic history in terms of their morphology, detailed chemical composition, growth and etching features, and inclusions. Interpreting this record is a current focus of geological research to better understand the physical conditions and processes that take place where diamonds crystallize in the mantle. For scientists, diamonds are particularly valued for this purpose because they, and their mineral inclusions, undergo so little alteration after the diamonds are emplaced in the crust. Thus, this record provides much information on the conditions of growth of diamonds, and some information on their post-growth conditions, in the mantle. However, the record provides little or no information on the geographic source of diamonds in the earth's crust where they are found and mined. Thus, the features of diamonds may provide no indication of their country of origin.

Meaning of "country of origin." In discussions on the subject of determining geographic source, it should be understood that country of origin means the country where the diamonds are mined or extracted, and not necessarily the places where they were deposited in the earth's crust. Diamonds originally emplaced in several primary deposits (in one or more countries) could be weathered out of their original host rock, be transported by rivers, and become concentrated in a secondary deposit in another country. If identifying characteristics existed for the diamonds from a particular primary deposit, these features may or may not be retained during the weathering and transport of the diamonds to secondary deposits. Moreover, from a single secondary deposit in a conflict country, one could potentially find diamonds with characteristics distinctive of several primary deposits in one or more other countries. Therefore, these characteristics would provide no information on where

the diamonds were mined (i.e., in a conflict country), but only where they were deposited, possibly in a neighboring non-conflict country that depends on diamond exports to maintain economic and social stability.

Distance from the source. As diamonds travel further from their geographic source through the diamond “pipeline,” the likelihood of recognizing their source decreases. In most cases today, a manufacturer purchases an assortment of rough diamonds, possibly from a number of different geographic sources that are not all fully known to them, to polish as gemstones. The contents of this assortment are often determined based upon the particular needs and capabilities of the manufacturer. Mixing diamonds from several sources also provides for a more equitable distribution of diamonds among manufacturers. These factors all contribute to an uncertainty about geographic source as the diamonds are bought and sold in the trade.

Loss of features during manufacturing. Even if a high proportion of rough diamonds from a geographic area does have some distinctive physical characteristics, many such characteristics are lost during the manufacturing process to produce polished gemstones. This means that even fewer characteristics exist for determining the geographic source of polished diamonds.

Acceptable proof of a country of origin. Among the organizations advocating that the jewelry trade takes steps to identify diamonds from conflict countries, there has yet to be much discussion on what would be considered acceptable proof that the features of particular diamonds establish that they do or do not come from a conflict country.

Unique Characteristics of a Diamond

Determination of the country of origin depends upon the existence of characteristics that are unique to diamonds from a particular geographic source. Possible distinctive characteristics include visual features of the rough or polished diamonds, gemological properties, spectrum bands, and chemical composition data. To the extent that the diamond crystals in a deposit have a common geologic history, they may have such similar characteristics that are unique to that deposit. Documenting these characteristics may then allow the determination of a country of origin. Such unique characteristics would need to be established on the basis of statistical studies of numerous diamonds from an area, with the resulting information being compiled into a database. Many diamonds from all similar sources would have to be investigated to check claims of uniqueness.

Characteristics of diamonds that are potentially diagnostic of geographic source fall into several categories:

- 1) Visual features of rough diamonds—size, crystal morphology, surface features (resulting from growth, etching, abrasion, and radiation exposure), color, and inclusions.
- 2) Visual features of polished diamonds—size, color, clarity, transparency, fluorescence, inclusions, and quality of polish.
- 3) Physical properties—visible, infrared, luminescence, and Raman spectra, anomalous birefringence patterns, and measurements of other physical property.
- 4) Detailed chemical composition analysis—trace elements, trace element ratios, and isotopic data.

Determining unique characteristics. Geologic studies have shown that in some primary deposits, all the diamond crystals have a common geologic history. In other deposits, the diamonds have differing histories (that is, they originated from different areas in the mantle). Secondary alluvial deposits contain diamond crystals from all primary deposits sampled by the waters that transported the crystals to the alluvial deposit; in some cases, this transport can extend over great distances. At present, there exist scattered scientific studies of diamonds from several deposits, limited mining records, and anecdotal evidence which suggest that, on average, diamond crystals from some deposits do have some identifying characteristics (such as shape, surface features, and color). However, the existing data are too limited and too sketchy to identify the place of origin of any given random diamond crystal with a high degree of certainty.

In order to determine if certain characteristics are typical of diamonds from a geographic source, one would need to gather many kinds of analytical data. These data would be required from a sufficient number of diamonds known to be from a particular area, to find both the average characteristics and the unusual ones, in order to have a statistical degree of confidence in this information.

To further determine whether these average characteristics are diagnostic of diamonds from a particular deposit, one would need the same large quantity of data, from a similarly large number of diamonds, from each of the other commercial diamond-producing areas around the world. Collection of these data could be more easily accomplished for primary deposits that occur in well-defined areas, and under

the control of major mining companies. Collection of data on diamonds from secondary alluvial deposits would be much more difficult to achieve both because there is less control over mining activities (undertaken by numerous groups or individuals on a legal or illegal basis), and because the productive areas may be geographically very large. For both primary and secondary deposits, a determination would need to be made about what would constitute a truly representative sample of diamonds from an area. Statistical studies would then need to be carried out to analyze the characteristics of the diamonds from each deposit, to determine if such characteristics are unique to the diamonds from that deposit.

Results of these statistical studies would need to be compiled into a database, against which the features of diamonds of unknown source could be compared. At this time, such a database does not exist. Gathering sets of diamonds from known deposits would be a first step toward building this database. An appropriate procedure to document the characteristics of these sets of diamonds would need to be agreed upon and implemented. Creation of this kind of information database is a large research undertaking, and would likely take a several years (and millions of dollars) to complete. Even then, one cannot rule out the possibility that diamonds from some deposits will not have features diagnostic of their geographic source, and that some atypical diamonds will exhibit characteristics suggestive of deposits other than the one from which they were mined.

Source determination for rough versus polished diamonds. Various features have been suggested as being potentially characteristic of rough diamonds from a particular country. These include crystal morphology, surface features, inclusions and internal structure, shape or surface profiling, and trace element chemistry. While diamonds from some deposits seem to have similar characteristics, no studies have been published which indicate that mixed parcels from multiple sources could be separated on the basis of such characteristics. Many of the surface and shape features present on rough diamonds are lost during the manufacturing process, leaving even fewer characteristics of polished diamonds that are related to their geographic source.

Over the past 50 years, millions of polished diamonds have been examined, and their gemological properties carefully documented, in gemological laboratories during the production of quality grading reports. During this extensive opportunity to examine numerous polished diamonds, no observations have been reported which indicate that polished diamonds from a particular geographic source could be recognized during the grading procedure. Distinctive light reflection patterns arising from the arrangement of facets, and the use of logos or other identifying marks, have each been proposed for distinguishing polished diamonds. Except for a few isolated studies, no extensive research work has been undertaken to establish if any of these features will allow the recognition of particular polished diamonds originating from conflict countries. On the contrary, past observations suggest that the features of polished diamonds are not distinctive of geographic origin.

Documentation of spectra or other physical properties. Features of the spectra of diamonds, or measurements of other physical properties, vary greatly within the diamonds from the deposits that have been studied. Such features result from the conditions of growth or post-growth to which the diamonds were subjected to in the mantle. While some generalizations can be made (for example, many diamonds from the Premier mine in South Africa display strong blue ultraviolet fluorescence), no data have been published which propose that spectral features or other physical properties are unique to diamonds from a deposit, or to claim that all diamonds from a deposit exhibit given features.

Documentation of chemical composition. Compared to most other minerals, diamond is chemically quite pure. Nitrogen may occur at concentrations up to 0.5 percent. Other trace elements can occur at very low concentrations (levels of parts per million or parts per billion).

Detection of trace elements at these very low levels in diamonds requires sophisticated and sensitive analytical techniques, such as neutron activation analysis or laser ablation mass spectrometry. Such techniques are expensive and time-consuming, taking hours per sample to complete an analysis. The former technique requires the diamond to be irradiated in a nuclear reactor, and then the radioactive decay of each of the various trace elements present in the diamond to be counted using gamma spectroscopy methods. The latter technique, also referred to as LA-ICPMS, is a destructive method of chemical analysis, although on a small scale. A few cubic micrometers of the diamond are vaporized by a laser beam (and a tiny hole is produced), and the resulting components in the vapor are then analyzed with a plasma mass spectrometer. The small area chosen for analysis would need to be representative of the chemistry of the entire diamond. Achieving a representative area may be quite difficult, because past studies have shown that diamonds can be

chemically quite inhomogeneous in terms of their trace elements. This could require multiple analyzes be made of an individual diamond. A third method might be to chemically analyze the isotopes of carbon or the trace elements in a diamond, which would also be destructive to the sample. Although quite sensitive, all three techniques are impractical in terms of cost and time for analyzing a large number of diamonds. For each of these methods, the analyzed areas would need to be cleaned of surface contaminants, whose presence could prevent or render inaccurate the detection of trace elements at very low concentration levels. Data obtained from these analytical techniques would need to be compiled in a computer database, and analyzed by statistical methods.

Even if trace element data existed for diamonds from all major deposits, little or no results have been published to suggest that polished diamonds from a particular geographic source could be recognized on the basis of such information. Like mineral inclusions, the trace element composition of diamonds reflects their environment of crystallization in the mantle, and so it may vary among the crystals within a given deposit, especially an alluvial one.

Country of Origin of Colored Stones

Analogous to studying the country of origin of diamonds is that of the country of origin of various colored stones: ruby, sapphire and emerald, in particular. Several respectable laboratories have sought to compile databases on the country of origin of these stones to meet market interests by producing gemological reports on the origin of country of such gemstones.

Even with decades of independent research and the collection and analysis of comprehensive data, country of origin of colored stones is not an exact science and can more reasonably be characterized as professional opinions based on the best evidence available to date and to that lab. Such interpretations or conclusions can and do vary from laboratory to laboratory. Because of this and for other reasons, laboratories offering origin reports often state that it is their "opinion" of origin or that a stone has characteristics similar to that of certain countries.

As you can probably surmise, country of origin determinations are a hotly debated subject in the colored stone world. Because GIA has long felt that the best research data and expertise has not resulted in a standard of consistency and scientific backing acceptable to our institution, we have never entered the arena of providing origin reports on colored gemstones, and continue to hold this fundamental view. Likewise, except and until the advent of so-called conflict diamonds, GIA has never seriously been asked or even contemplated the prospects of attempting to determine country of origin in diamonds.

Conclusion

Based upon current knowledge, we do not know of any scientific way to determine the country of origin of rough or polished gem diamonds, nor do we foresee practical ways being developed in the near future. Determination of geographic source might be made for some percentage of rough diamonds, because of the additional identifying characteristics they may exhibit. However, considerable research work would be needed before one could estimate how large that percentage might be. Even in the best-case scenario, it is to be expected that a significant number of rough diamonds would not show sufficient distinctive characteristics for their country of origin to be determined.

Therefore, a chain of warranties or a system of certification to track diamonds from their country of origin through the manufacturing process to the retailer and the consumer would provide a better alternative at this time to the goal of preventing the sale of illicit diamonds. Useful discussions have already begun within the trade on how such a tracking system could operate. Some of the organizational structure for cooperation among trade groups to implement a tracking system for legitimate diamonds already exists. Such a system could be initiated rather quickly if it should become a legal requirement. This will oblige dealers to declare the true origin of their diamonds, and will in turn act as a guarantee that parcels of diamonds sold under such a system would not contain so-called conflict diamonds. Initiation of a tracking system would be an important step toward preventing illicit diamonds from passing along the diamond "pipeline" to the consumer, and the funds from the sale of these illicit diamonds being used by conflict combatants.

As a nonprofit public benefit institution, GIA remains committed to assisting the trade, governments and nongovernmental organizations in whatever way possible, to curtail the mining and flow of so-called conflict diamonds.

Chairman CRANE. Thank you, Mr. Boyajian.

I apologize to all of you for the absence of our colleagues, but as I indicated earlier, we have the debate going on over on the floor to try and override the President's veto of the marriage penalty tax, and that marriage penalty tax in my district alone affects approximately over 140,000 of my constituents that are taking the hit because of that absurdity in our tax code. If we did not punish people for getting married with our tax code, that would translate into almost \$100 million a year more to those individuals affected in my district. I suspect they would be buying more diamonds for their wives if we did not have that obscene code in place.

At any rate, we are going to be wrapping up after your panel, but I would like to ask just a few questions of you, if I may, before you depart.

Ms. Burkhalter, can you comment on whether the NGOs have any efforts underway to boycott diamonds?

Ms. BURKHALTER. The 70 humanitarian, human rights, and religious organizations that joined with Physicians for Human Rights in calling on the diamond industry to take action against specifically transshipment countries, as well as to implement the global scheme that they did, indeed, agree to, have never announced a boycott on diamonds, in large part because of our concern about the legitimate diamond producers that have been mentioned more than once in today's hearing.

I will say, however, that there is enough concern within this community, that without speaking for every group, if by, oh, I do not know, Valentine's Day there is no sign that either the Antwerp regimen is in place and moving or the producing countries, particularly those that are dragging their feet, such as Russia, are committed to moving very smartly forward, and if we are not seeing a diminution in the exports from known transshipping countries that have no productive capacity of their own, namely Liberia, I think there would be an interest in an education campaign. That campaign might urge the many hundreds of thousands of members of our many groups, particularly in the faith community, to educate our membership about the role of conflict diamonds in the situation in particularly Sierra Leone. We would probably be eager to urge consumers and certainly our own membership to start asking questions at the retail level about whether this diamond can be—whether the diamond people are looking to purchase can be assuredly a conflict-free stone, or more specifically, whether the retailer can promise that this diamond did not transship through Liberia.

Now, of course, the retailer will not be able to do so, and whether that then translates into a boycott or a consumer's decision not to buy, I cannot say. I do not want to leave you with the impression that we are announcing a boycott, but I will leave you with the impression that the groups that have joined with my organization in pressing on the diamond industry are plenty agitated about this and only very fast action is going to, I think, relieve their anxieties about it.

Chairman CRANE. Mr. Fischer and Mr. Runci, if you would both comment, I understand that the largest selling company of rough stones has begun to market its diamonds as clean diamonds and that some U.S. retail stores have begun to advertise their diamonds as clean diamonds and are charging premium prices. Some people see this as a confirmation that legislation to control the flow of diamonds will result in tightened price controls, for the largest diamond dealers shut out smaller dealers and the consumers will end up paying higher prices for diamonds.

Would you please comment on this and whether you foresee higher diamond prices if legislation is enacted to control the flow of diamonds, and Mr. Fischer, you might go first and then Mr. Runci.

Mr. FISCHER. Thank you. DeBeers has, in fact, started labeling the boxes of rough diamonds that it sells as conflict-free. They have stopped buying diamonds on the markets, on the open markets in Africa, to assure that they are not buying conflict diamonds. They have made a kind of a unilateral decision to be careful that there is not an issue about transshipping and things like that during these times.

Ultimately, the issue about whether a market would be divided up into clean diamonds and non-clean diamonds certainly has several concerns. One is that we share a concern that controls be put into place that are effective so that when diamonds are labeled clean, and hopefully all diamonds under our system will be labeled clean, these labels will not be superficial but they will be real, that they will have reality behind them.

Regarding two different pricing systems, it is somewhat speculative how a market might develop, but if there were a system of clean and unclean diamonds, you can go ahead and do intellectual gyrations that the public would put more value on those that were labeled as conflict-free. The issue is that without a comprehensive program, that there will be clear labeling of the conflict-free diamonds versus other diamonds that are not labeled so, but there will not be in reality a clear distinction. That is why we want to put this safety net up as high as we can in the system where it can be filtered, where as difficult a challenge as it is, we believe that it is achievable. Anywhere lower down in the system where it is done closer to the consumer and the retail jeweler, it is just not workable. It is not going to accomplish what we all want.

Chairman CRANE. Mr. Runci?

Dr. RUNCI. Speaking from the position of retailers, Mr. Chairman, there is no way in the current regime for a retail jeweler to directly and absolutely certify that any diamond that he or she sells to a consumer is conflict-free. The most that retailers can do today and, in fact, the majority of retailers are doing today, is to assure consumers that they have made every effort in working with their diamond suppliers, be they jewelry manufacturers or dealers or traders in polished diamonds, which are the only kinds of diamonds that retailers buy, to require that they, in turn, have made every effort to ensure that the purchases they make from their suppliers are assured as being conflict-free. In other words, a chain of assurance as opposed to a chain of warrants. In order to institute a true chain of warrants to ensure that no conflict diamonds are

being sold, as I said in my testimony, we would require controls in place first in the countries of extraction.

As to the presence of claims by some jewelers that their stones are conflict-free, I believe those claims are now being made by some jewelers based on the assurances they have received from their suppliers. The irony here is that everyone, to my knowledge, in the industry in the United States is acting in good faith out of their, not only a desire to preserve their businesses, but out of true abhorrence to the connection that has, in fact, been established between four percent of the world's production of rough diamonds and these atrocities. Everyone wants that to end.

But the reality is that the retail jeweler, and the majority of retailer jewelers in this country, are small family-owned businesses. The retail jeweler is powerless to provide 100 percent assurance today. But they are making their best-faith effort. They are requiring similar assurances from their suppliers, and I am happy to say that the supply side of the industry in the United States has moved swiftly to offer those assurances and, in turn, to pass those requirements on up to their suppliers overseas. I believe the process is in motion.

Chairman CRANE. Mr. Runci, the retailers are at the far end of the diamond pipeline and they have little control, if any, over the diamonds they import and they have to rely on what rough diamond dealers tell them is the source of their diamond imports. What steps can retailers take to accurately ascertain the mining source of imported diamonds?

Dr. RUNCI. Retailers typically purchase their diamonds, Mr. Chairman, from traders or diamond wholesalers here in the United States. Large retailers may purchase their diamonds from diamond traders or wholesalers outside the United States. Retailers have been enlightened on this issue for the past year as a result of a continuing series of information bulletins that we have issued because this was an issue, quite frankly, that, with all due respect to the civil society community, they were on top of much earlier than the jewelry industry here in the United States. Jewelers have no conception, nor have they ever had to be concerned with the ultimate origin in terms of extraction of the diamonds that they buy and that they sell to consumers.

The very last thing that a jeweler wants is for a consumer to say, "how can you assure to me that this stone is not tainted?" No such absolute assurance could be given. The chain of assurances that has been put in place for the past nine months through our repeated communications to our members and their use of those communications with their vendors, the so-called Vendor Guidance Agreement that the Jewelers of America developed, seems to be working in terms of elevating the level of awareness up within the trade and increasing the level of assurance that any retailer can, in fact, offer their consumer.

We look forward to the day when simple international controls have been put in place, starting in the countries of extraction. That ultimately ensures that the flow of diamonds forward is, in fact, untainted and that if, sadly, there are still conflict diamonds, they are, in fact, being diverted to those markets that have not instituted those controls.

I think the United States and Congress can play an important leadership role in this effort, but hopefully it will be in concert with the international community, through leading the international community, but not with a gun to the retail jeweler's head that he simply cannot accept without his business being on the line. Thank you.

Chairman CRANE. Mr. Boyajian, do you foresee the possibility of practical technology in the near future to determine the country of mining of a cut and polished diamond?

Mr. BOYAJIAN. I do not. As I mentioned in my testimony, we have never been asked, nor have we even contemplated the idea of origin of country of polished diamonds. We ourselves are not experts in rough. We are experts in polished. We grade most of the major diamonds that are bought and sold around the world, especially the larger, more important diamonds. We put quality analyses on them with color grade and clarity grade and cut.

But I just do not see the technology developing to be able to implement a system of being able to identify country of origin, and again, as I mentioned in my testimony, in my written testimony and also my oral testimony, it is extraordinarily difficult to know where the diamond has actually come from. Where it was mined from may not be where it originated.

The sources that have been identified in previous reports that have been submitted perhaps to this group, perhaps to your committee, have identified sources of scientific data back to the beginning part of the 20th century. It is important to remember that when goods were only coming from South Africa, for example, it was much easier to study one mine's production and be able to determine certain chemical or physical characteristics of diamonds that might lead you to be able to determine origin. Such cases have been cited many times in these reports.

My concern is that diamonds are found all over the world today. Russia is a major producer of diamonds, as is Australia and now Canada, all of Southern Africa. It is extraordinarily difficult to distinguish between primary and secondary sources. I just do not see the technical feasibility. I would not know, sir, where to start.

Chairman CRANE. I want to express appreciation to all of you for your testimony this morning. Again, I apologize for the absence of my colleagues, but your written testimony and your response to questions will be made a part of the record and so they will have access to what you said.

I would appreciate it if you would stay in touch with us, though, on an ongoing basis. This is an issue obviously of concern and concern to some of our colleagues who have already attempted to approach it legislatively. I am not sure exactly yet what the answer is, but we appreciate all the help we can get from you.

With that, the committee stands adjourned.

[Whereupon, at 11:54 a.m., the hearing was adjourned.]

[Submissions for the record follow:]

Statement of Elly Rosen, Founder and President, Appraisal Information Services, on behalf of Gems and Jewelry Reference, and Appraiser's Information Network

Mr. Chairman and members of the subcommittee, my name is Elly Rosen and I am founder of Appraisal Information Services (AIS), an online reference resource

and networking forum for members of the gems and jewelry and other personal property trades, as well as for practitioners in the personal property appraisal profession.

I would first like to commend this subcommittee and the various members of congress who have been working towards finding a solution to the problems inherent in the sale of African diamonds whose proceeds are used to fuel the fires of war. I also commend you for providing this opportunity for trade leaders to present the perspective of an industry whose members are generally honest hard working merchants who should not become further innocent victims of these terrible conflicts. America and its citizenry have a moral obligation to enter into the international dialogue being conducted on this issue and we all owe a debt of gratitude to those members of Congress who are trying to assure such entry at an early stage.

For context of your considering my brief comment, I should add that sections within our site include the Appraisers' Information NetWork (AIN), the Gems & Jewelry Reference (GJR), the Guide for Personality Expert Witnesses & Trial Consultants, and the Appraisal Information ClientCenter (AIC). Our membership includes appraisers from the most recognized professional personal property appraisal organizations and practitioners from all segments of the gems and jewelry trade, including wholesale suppliers, retail jewelers, artisans, gemologists, labs, and appraisers. Our forums and reference areas are currently accessed in 5 countries on 4 continents and in 31 U.S. States.

I appreciate the opportunity to submit this statement for the record of your most important subcommittee hearings on "Trade in African Diamonds" and I am submitting it to urge you to support current efforts by the international diamond and jewelry communities to develop meaningful procedures and safeguards as might be needed to resolve the problem of that small portion of mined diamonds being used to finance African conflicts. Other respected leaders of the gemstone and jewelry industry have appeared before you who can best speak to such efforts currently under way by the World Diamond Council as well as to the subject of gemological realities related to identifying the country of origin of rough and polished diamonds. I will be addressing just a few points related to the realities of manufacturers, retailers, gemologists and appraisers, and how congressional activity might impact daily efforts to conduct their businesses.

The World Diamond Council, established by the Antwerp Resolution, appears to be making a concerted effort to lay out and put into effect plans to deal with this problem at the source; the only place where it can be dealt with most efficiently and in a manner which would avoid needless and unjustified harm to this important industry. We all owe a debt of gratitude to the sponsors of the C.A.R.A.T Act of 2000 as it made clear that the United States will be a leader in resolving this world problem. However, the CARAT Act can not be administered from a practical standpoint and would present an unjustified burden on all segments of the trade. Unfortunately the well intentioned proposals in the Act would also make it a meaningless burden as it would be close to impossible for many trade segments to comply.

Once rough diamonds leave their country of origin they are then bought and sold, and resold, in varying configurations and parcels, in diamond centers all over the world. Once polished it gets even more complex and efforts to track and label every polished diamond (above some relatively low dollar base) would cause total chaos—if it could be done at all. It should not be difficult to envision how polished diamonds move from importer to finished jewelry. They are sorted by shapes, sizes and quality grades as well as in melange (mixed) parcels.

Manufacturers and diamond suppliers then do their own sorting based on the needs of their customer base and their in house quality control procedures. Customs laws would have to be changed to have country of origin labeling reflect the place of mining, rather than the current designation requirement that it be the country of processing, or polishing. But that is where the problems would only begin. If each diamond had to be labeled based on country of origin, diamond suppliers would have to separate all their current categories of diamonds by as many subcategories as there are diamond producing countries. For jewelry manufacturers and small manufacturing retail jewelers it would be even more complex.

Such smaller manufacturers go through numerous parcels to mix and match qualities and sizes for a particular item. In addition, many retailers buy "semi-mounts" which are jewelry items containing the smaller stones and then separately buy center stones or maintain an inventory selection of such stones. If such a manufacturer, or manufacturing retailer could somehow manage to keep track of each individual stone, compliance with the CARAT Act could result in one small ring having five designations on it for the countries of origin of each diamond. Even that might have to then be changed if a small diamond broke in setting and had to be

replaced. This is just one example of the chaos that could ensue when good and honest folks make a sincere effort at CARAT Act compliance.

Small gemologist and appraisal practitioners will not be able to avoid being dragged into the fray either. Once this snowball starts to roll there will invariably be consumers asking us to confirm that their diamonds are from the country represented at point of sale. We will not have the ability to do so and confusion will reign supreme as fodder for media expose sensationalists always on the hunt for a good story or some free publicity.

It seems to make much more sense, and seems more practical and efficient to nip the whole thing in the bud at the source. If current industry proposals can succeed in sealing and certifying rough diamonds before leaving their country of origin then we could all know from that point on that those diamonds, the overwhelming majority of diamonds mined, are OK wherever they then go. We urge Congress to avoid precipitous action and allow the international trade leadership reasonable time to develop, foster and implement such procedures.

For the Gems & Jewelry Reference and the Appraisers' Information NetWork, thanks for taking the time to consider our comments.

EMBASSY OF THE REPUBLIC OF LIBERIA
WASHINGTON, DC
September 12, 2000

The Honorable Philip Crane
Chairman, Subcommittee on Trade
House Ways and Means Committee
1104 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

I have the honor to first thank the Subcommittee for the opportunity to submit a statement on behalf of the Government of Liberia on the issue of conflict diamonds. The issue is critical to our neighbor, Sierra Leone, but it is also of vital importance to my country, also a diamond producer.

I am attaching to my statement a copy of a letter written on August 28, 2000 to United Nations Secretary General, Mr. Kofi Annan, by the President of Liberia, Dr. Charles Ghankay Taylor. A similar letter was also sent to President William Jefferson Clinton. In both letters, President Taylor re-affirms Liberia's unreserved support for Security Council resolution 1300 (2000) which calls, *inter alia*, for an end to the smuggling of diamonds from Sierra Leone. In addition to our support for the UN resolution, Liberia recently undertook several new initiatives to assist in the international battle against conflict diamonds and the dangerous purposes for which they are traded—namely, arms to fuel civil conflicts in Africa.

We have enacted a statute criminalizing the export of undocumented or uncertified diamonds. We have undertaken the enforcement of legislation requiring the Central Bank of Liberia to issue certificates of origin for Liberian diamonds. We have asked the International Monetary Fund and the World Bank to provide experts who would assist in the development of a transparent certification process. Further, we have called for assistance from the international community to urgently convene a meeting of international experts to focus on the trade and certification process in the Mano River Union Countries (Liberia, Sierra Leone and Guinea).

Liberia has taken these steps not only out of concern for the peace and stability of the region, but also to ensure our territorial integrity as well as the security of our citizens. Liberians are no less impacted by the illegal diamond trade than our neighbors and have the same interests in seeing it halted as the rest of the international community.

Mr. Chairman, I appreciate the opportunity to provide this information that I trust will assist your committee in its deliberations. If I can answer any questions regarding Liberia's views, please do not hesitate to contact me.

Please accept, Mr. Chairman, the renewed assurances of my highest consideration.

Sincerely,

WILLIAM V.S. BULL
*Ambassador to the United States of the
Republic of Liberia*

Attachment:

**Letter from the President of Liberia to the United Nations Secretary
General contained in UN Security Council**

I extend compliments on behalf of the people of Liberia and in my own name to you on the occasion of the convocation of the Millennium Summit, where leaders of the world would be expected to define problems besetting our global family and determine solutions the alleviation of those problems, engendering hope in the future of our one world and carving new aspirations for the United Nations. Against this background, I am pleased to acquaint you with the current status of Liberia's engagement in Sierra Leone, a troubled portion of our global village.

You may recall the commitment of the Government of Liberia to remain constructively engaged in the resolution of the crisis in the sisterly country of Sierra Leone. Recently, our involvement, among other things, culminated in the release of over 500 United Nations peacekeepers who were unfortunately held against their will by the Revolutionary United Front (RUF). Our Government will continue to be steadfastly bound to an immediate, peaceful and diplomatic solution to the crisis in the subregion, and will continue to offer public and practical expressions to these endeavours.

However, the apparent silence of the international community to the repeated violations of our territorial integrity by armed insurgents from the area of the Guinea-Sierra Leone borders, including a third and most recent attack emanating from the Republic of Guinea, which is ongoing, continues to overburden the Liberian Government with unnecessary loss of lives and property and the displacement of a large number of our people. It is the request of the Government of Liberia that you utilize all forms of influence at your disposal to ensure the sanctity of our borders and the maintenance of peace, security and stability within the framework of the Mano River Union.

As the inviolability of the borders between Liberia Guinea and Sierra Leone remains a crucial issue, I recommend the following and request the support of the United Nations in ensuring their speedy implementation:

(a) The Government of Liberia again calls for a monitoring presence of the United Nations at these borders to monitor all crossing points capable of conveying vehicular traffic. We recognize the enormous cost to individual nations of policing the entire length of these borders and suggest the utilization of an airborne multi-spectral service in detection of any unusual movements along the entire border.

Intelligence gathered therefrom could be shared by all appropriate authorities. The cost, which is relatively minor, could be borne by the international community;

(b) On the status of RUF, as has been previously done, the Liberian Government has again called for the immediate disarmament and simultaneous deployment of troops from the Economic Community of West African States (ECOWAS) under the United Nations Mission in Sierra Leone (UNAMSIL) in areas recently considered as RUF-dominated.

Along these lines, RUF has announced a new leadership acceptable to ECOWAS and has informed EDOWAS through its Chairman that it welcomes our call for disarmament and demobilization and that it has begun the process leading to the transformation to a political entity and subsequent reintegration into society. Additionally, RUF has informed ECOWAS of its wish to return weapons retrieved from United Nations peacekeepers and its desire to establish communication with the High Command of UNAMSIL, to facilitate and accelerate the return of the weapons and the process of confidence-building.

In keeping therewith, it is our recommendation that these initiatives be immediately exploited by the United Nations, leading to a ceasefire; the withdrawal of all belligerent forces to positions as at 7 July 1999; the simultaneous deployment of ECOWAS troops, under UNAMSIL; and the total disarmament and demobilization of the armed factions.

You are doubtlessly aware of our unreserved support for Security Council resolution 1306 (2000), calling for an end to the smuggle of diamonds from Sierra Leone. As evidence of this, we are undertaking several initiatives, including the enactment of a statute criminalizing the export of undocumented or uncertificated diamonds; the enforcement of legislation requiring the Central Bank of Liberia to issue certificates of origin; and our request to the International Monetary Fund and the World Bank to second experts who would assist in the development of a transparent process. Furthermore, the Government calls for assistance from the international com-

munity to convene a meeting of international experts to focus on the trade and certification process in the Mano River Union countries.

The Government of Liberia assures you of its continued commitment to the pursuit of peace and stability both at home and in the subregion and welcomes the convening of this Summit with hope and anticipation for the evolution of solutions that will make our world a safer place for our children.

Finally, I wish to request that you kindly circulate the present letter to all members of the Security Council as a document of the Council.

DAHKPANNAH DR. CHARLES GHANKAY TAYLOR

DIAMOND DEALERS CLUB, INC.
NEW YORK, NEW YORK
September 19, 2000

Congressman Philip M. Crane, Chairman
Subcommittee on Trade
House Committee on Ways and Means
Longworth House Office Building
Washington, D.C.

Dear Congressman Crane,

I am pleased to have the opportunity to offer our comments regarding the hearing on trade in African diamonds convened by the Subcommittee on Trade of the Committee on Ways and Means that was held on September 13, 2000.

The Diamond Dealers Club is a trade association of diamond dealers, brokers and manufacturers established in 1931. Since the founding of our organization, we have been located in New York City. Our nearly 2,000 members come from more than 30 different countries and are importers of the overwhelming percentage of diamonds that enter the United States. Our By-Laws embody our founders' recognition of our organization's key goal "to cooperate with governmental agencies." The following comments are presented with this goal in mind.

As mutilations of civilians and severe civil rights violations occurring in certain civil wars in Africa became more frequent, we became increasingly appalled. Particularly alarming to the diamond industry was the news that diamonds, which enter the world diamond market from these countries, are responsible for these violations and are used to finance civil wars. Therefore, beginning in 1999, we devoted considerable attention to resolving the problem of conflict diamonds. We have met and worked with members of the U.S. Congress, representatives of foreign governments and industry leaders to come up with an effective solution to this problem.

Our commitment to eliminating the sale of conflict diamonds is evident. Our membership-elected Board of Directors adopted the following resolution to battle the sale of conflict diamonds: **"Dealing in conflict diamonds shall constitute conduct unbecoming of a member for which suspension shall be instituted."**

The Diamond Dealers Club supports the resolution adopted by the World Diamond Congress on July 19, 2000. We believe that the effective implementation of this proposal would go a long way towards eliminating the problem of conflict diamonds and their use to purchase arms and finance civil wars.

Clearly, the WFDB proposals would benefit both the diamond-producing nations as well as the American industry. Their strict implementation would mean that instead of diamonds being used to finance the death and destruction of innocent civilians, they would provide—as they have in such countries as South Africa and Botswana—employment for tens of thousands of Africans as well as encourage economic development in diamond-producing nations.

Concomitantly, we feel that proposals that could lead to a boycott of diamonds would be harmful to the entire diamond industry. This includes the miners and governments in the producing nations that have benefited from these resources as well as the small business dominated diamond industry in several countries including the United States.

We hope that the Subcommittee finds these comments useful in its deliberations on the subject of trade in African diamonds. We look forward to working with you to resolve the problem of conflict diamonds. If you have any requests for additional information from the Diamond Dealers Club, please do not hesitate to contact us.

Sincerely,

JACOB BANDA
President

**Statement of Mary Diaz, Executive Director, Women's Commission for
Refugee Women and Children, New York, New York**

The Women's Commission for Refugee Women and Children is an expert resource and advocacy organization working to improve conditions for refugee women and children around the world. The Women's Commission has sponsored several fact finding missions in West Africa, including Sierra Leone, Liberia and Angola over the past five years and released a report assessing the protection and assistance needs of Sierra Leonean children and adolescents. As part of a campaign to monitor the situation in Sierra Leone, the Women's Commission has supported local women's organizations, who are working to rebuild their country.

THE FOLLOWING QUESTION AND ANSWER PIECE WAS INITIALLY PREPARED TO RAISE AWARENESS AMONG CONSUMERS ABOUT THE PROBLEM OF CONFLICT DIAMONDS AND TO PROMOTE POSSIBLE SOLUTIONS.

Diamonds: Symbols of Love or War?

Questions and Answers

1. *Why should I be concerned about diamonds?*

Diamonds from Sierra Leone, Angola, and the Democratic Republic of the Congo have been used by rebel groups to purchase weapons and commit unspeakable atrocities against civilian populations. In Sierra Leone, with the aim of conquering diamond-rich areas and securing the mines for themselves, rebels have used machetes to brutally chop off the limbs of women, children, and even babies. They have forcibly recruited and drugged child soldiers. They have also abducted thousands of women and young girls as sex slaves who are often beaten and gang-raped. This violence has displaced almost a million people within Sierra Leone, created 460,000 refugees in neighboring countries and abroad, and left thousands of children disabled by dismemberment and mutilation. American consumers buy about 65 percent of diamonds worldwide, and while diamonds are usually regarded as symbols of love and commitment, diamonds mined from conflict areas are actually a source of horror.

2. *How can the United States play a leadership role in stopping diamond fueled conflict?*

The US can play a leadership role by enacting the Consumer Access to a Responsible Accounting of Trade (CARAT) Act. Currently, there is no way of guaranteeing where diamonds sold in the US, or anywhere else in the world, originate. The CARAT Act would require the diamond industry to provide US consumers with information about whether a diamond for sale originated from a conflict area. The Consumer Access to a Responsible Accounting of Trade Act, otherwise known as the CARAT Act (HR 3188) was introduced by Congressman Tony Hall (D-OH) and Congressman Frank Wolf (R-VA) in November of 1999. A revised version will be introduced this September. This bipartisan legislation acknowledges that some diamonds fuel Africa's wars and seeks to give Americans crucial information about the diamonds they buy.

3. *What are conflict diamonds?*

Conflict diamonds are diamonds mined or stolen by rebel forces who are fighting the legitimate and internationally recognized government of that country. Currently, these conflict diamonds are mined in *Sierra Leone, Angola, and the Democratic Republic of the Congo*. They are often smuggled out of these countries and into neighboring countries such as *Liberia* and the *Ivory Coast*. The latter have negligible diamond resources themselves but sell millions of US dollars worth of diamonds to trade centers around the world. Liberia's illicit diamond trade is widely recognized by diamond industry experts; to illustrate, Liberian diamond mining capacity is only about 100,000 to 150,000 carats per year but the country has exported over six million carats annually.

4. *Can the American consumer help break the cycle of violence in the illegal diamond trade?*

Yes. The Women's Commission has joined a broad based coalition of non-governmental and humanitarian assistance organizations that are committed to educating consumers about the illegal diamond trade and providing information that will allow

consumers to make informed diamond purchases. Independent diamond experts have estimated that about 10–15 percent of the world’s supply of diamonds are from conflict areas in Africa. Although this is a relatively small percentage of the overall diamond market, it is significant because the diamonds from these conflict countries are largely gem quality diamonds. Gem quality diamonds are the most valuable portion of the diamond market and constitute 75 percent of the diamond profit. Because rebels are able to sell diamonds throughout the world at a large profit, they are able to sustain the wars in these countries. Therefore, it is imperative that consumers know where their diamonds are from in order to make informed purchasing decisions and eliminate these conflict diamonds from the market.

5. Are all diamonds from conflict areas?

No. In fact, diamonds from Africa can have a very positive effect on those countries with legitimate diamond industries and cutting centers. In Botswana, Namibia, and South Africa, the diamond industry has bolstered the economies, making them among the most prosperous and stable countries in Africa. Diamond cutting centers in India and Israel employ large numbers of people. If you buy a diamond from these areas, you will actually be supporting a vital industry. We are not advocating for a total boycott of diamonds because this would prove detrimental to these vital legitimate industries. Rather, informed consumers can do the responsible thing by buying legitimate diamonds and avoiding conflict diamonds.

6. What can be done to end the trade in conflict diamonds?

- Support the CARAT Act (HR 3188) that would provide consumers with information about where their diamonds originate;
- Educate consumers about diamonds that fuel Africa’s wars, such as those from Sierra Leone, and those from legitimate diamond industries, such as Botswana;
- Demand that every diamond be accompanied by full forgery-proof documentation of the country of origin, not just the place of purchase or export;
- Support government regulation to bring transparency to diamond transactions such as through Customs offices that employ statistical procedures to identify the number of carats exported from a particular country and ensure that the export number is consistent with that country’s mining capacity;
- Support technology for diamond “fingerprinting” to reliably determine the origin of diamonds.

This research was compiled based in part on information from the following sources:

Ashton, Hilton. “Technical Forum on the Issue of “Conflict Diamonds,” summary by BoE Securities of “Conflict Diamonds—Maintaining Consumer Confidence,” forum held May 11–12, 2000 in Kimberley, South Africa. May 25, 2000.

De Beers Mining Company. “De Beers: U.S. Congressional Hearings,” Written testimony before the US Congress, House Subcommittee on Africa, hearing on “Conflict Diamonds.” May 9, 2000.

Global Witness. “Conflict Diamonds: Possibilities for the Identification, Certification, and Control of Diamonds.” May 10, 2000.

Harden, Blaine. “Africa’s Gems: Warfare’s Best Friend.” *The New York Times* on the Web, April 6, 2000.

Rapaport, Martin. “Guilt Trip.” April 7, 2000. Available at www.diamonds.net

Smillie, Ian, Lansana Gberie and Ralph Hazleton. “The Heart of the Matter: Sierra Leone, Diamonds, and Human Security.” Partnership Africa Canada, January 2000.

Other useful sources:

Collier, Paul. “Economic Causes of Civil Conflict and their Implications for Policy.” World Bank. June 15, 2000.

Fowler, Robert R. “Report of the Panel of Experts on Violations of Security Council Sanctions Against UNITA.” Report to the United Nations Security Council. March 10, 2000.

Global Witness. “A Crude Awakening: The Role of the Oil and Banking Industries in Angola’s Civil War and the Plunder of State Assets.” January 2000.

Global Witness. “A Rough Trade: The Role of Companies and Governments in the Angolan Conflict.” December 1998.

Kempster, Norman. “Dripping in Diamonds—and Blood.” *Los Angeles Times*. May 12, 2000.

National Intelligence Council. “Africa: The Economics of Insurgency in Angola, the Democratic Republic of the Congo, and Sierra Leone.” Report from State Department conference on October 5, 1999. October 1999.

Rapaport, Martin. "Blood Money." Rapaport Corporation. November 5, 1999. Available at www.diamonds.net

"Report of the Panel of Experts on Violations of Security Council Sanctions Against UNITA" Report to the United Nations Security Council. March 10, 2000.

Statement of Rory E. Anderson, Government Relations Manager, and Africa Policy Specialist, World Vision

Thank you, Mr. Chairman, for the opportunity to present testimony to the Trade Subcommittee on solutions to the "conflict diamond" trade in Africa. I am Rory E. Anderson, Government Relations Manager and Africa policy specialist for World Vision, the largest privately-funded international relief and development organization in the U.S. Later this month World Vision will celebrate its 50th anniversary. Currently, World Vision implements more than 6,000 relief, rehabilitation and long-term development projects in 95 countries.

Natural resources, from diamonds to oil, have a significant role in igniting and fueling human conflict. In Africa, the shape of Post-Cold War conflict has increasingly been financed and perpetuated by natural resources, which conveniently do not demand any ideological loyalty. The May 4th capture of UN peacekeepers in Sierra Leone has brought widespread scrutiny to the causes of this 9-year conflict, and has forced policymakers at all levels to ask why war seems intractable in many parts of Africa. In the recent conflicts of Sierra Leone, Angola and the Democratic Republic of the Congo, diamonds are at the heart of the matter, and access to this and other resources have become a primary incentive for war.

CONFLICT DIAMONDS DEFINED

There are various nuanced definitions of the term "conflict diamonds." In this testimony, I attempt to describe both potential as well as current situations where the sale of diamonds are used to sustain violent conflict. As defined here, conflict diamonds are those which originate from areas under the control of forces that are in opposition to democratically elected and internationally recognized governments,¹³ or diamonds used by State institutions or non-State forces to fund campaigns of human rights abuses against civilians. Many critics of the term "conflict diamonds" argue that diamonds don't kill people, rather, people and guns kill. But in each of the above cases, diamonds fund the purchase of small arms which perpetuate conflict. Diamonds are lucrative stones. In 1998 the diamond industry produced an estimated 115 million carats of rough diamonds with a market value of US\$6.7 billion. At the end of the diamond pipeline, this was converted into 67.1 million pieces of jewelry worth close to US\$50 billion.¹⁴ At both ends of the diamond pipeline—from mine to finger—there are huge financial incentives. Further, diamonds are easily smuggled. To the untrained eye, rough diamonds look like mere pebbles, which can innocently be wedged in a shoe, sock, or any kind of body orifice, and can go undetected through most metal detectors or x-ray machines.

The most visible examples of diamonds and their role in conflict have been in Sierra Leone, Angola and the Democratic Republic of the Congo (DRC). In all three of these cases, guaranteed access to the diamond mines has been a dominant incentive for war, and, ironically, war has enabled the diamond industry to prosper. Because diamonds can move so easily and quickly, a dealer can buy low, sell high and reap windfall profits, particularly during the height of a war. For the seemingly intractable wars of Sierra Leone, Angola and the DRC, the point of each of these wars may not be to actually win them, but to engage in profitable crime under the cover of warfare. Over the years, the informal diamond mining sector, long dominated by what might be called "disorganized crime," has now become increasingly influenced by organized crime and by the transcontinental smuggling of diamonds, guns, drugs, and vast sums of money in search of a laundry. Each of these smuggled items has become critical components to warfare, and thus, violence becomes central to the advancement of those with vested interests.¹⁵

¹³*Conflict Diamonds: Possibilities for the Identification, Certification and Control of Diamonds*, briefing document by Global Witness, June 2000, p. 1.

¹⁴Smillie, I., Gberie, L., Hazelton, R. *The Heart of the Matter: Sierra Leone Diamonds and Human Security*, Partnership Africa Canada, Ottawa, Canada: January 2000, p. 1.

¹⁵Smillie et al, p.1.

CONFLICT DIAMONDS IN AFRICA

In the current deliberations on conflict diamonds there have been fewer references to the DRC, yet diamonds from this area are equally problematic. Several warring factions, including the rebel government and multiple international armed forces who all desire access to the DRC's mineral resources, have wrecked a humanitarian crisis that is quickly outpacing the enormity of the Sudan. This factor, coupled with gross human rights abuses committed among all factions, warrants the label of conflict diamond for any stone originating from the DRC. In Sierra Leone, two inseparable factors have enabled the violence to perpetuate. A legacy of decades of official corruption—much of which was rooted in the diamond trade—has left remnants of a weakened State unable to defend its territory from internal and external threats, which has resulted in the breakdown of law and order. This absence of national security has expanded the economic opportunity of conflict diamonds.

In Angola, political power implies a license for kleptocracy over the country's resources. Rather than accept the 1992 elections which foreign observers judged free and fair, UNITA (Union for the Total Independence of Angola) rebel leader Jonas Savimbi simply resumed his war by seizing control of the Cuango River Valley, Angola's richest diamond territory. UNITA began a major mining operation that made them the richest rebels in Africa. Diamond money paid for UNITA offensives that in the 1990s elevated Angola's civil war to a new plateau of savagery, killing more than half a million, displacing 4 million, and maiming 90,000 as a result of land mines.¹⁶

THE HUMANITARIAN IMPACT

For every conflict diamond sold, there is a corresponding humanitarian crisis. It has been said that Angola is the worst place to be a child. Thirty percent of Angolan children die before they reach their fifth birthday.¹⁷ As of April 2000, a total of 3.7 million people were classified as "war affected" by the UN, defined as "those who depend on emergency humanitarian assistance due to war and the resultant loss of assets and earning opportunities."¹⁸ Of these, over 1.7 million are displaced, three-quarters of whom are women and children.¹⁹ One-hundred and fifty thousand (150,000) people are estimated to have either been killed or permanently maimed due to landmine accidents.²⁰ Two-thirds of the Angolan population live in absolute poverty.

In the DRC, it has been found that since August 1998 there has been at least 1.7 million deaths in war-affected areas over and above the 600,000 that would normally be expected. The overwhelming majority of these additional deaths are attributable to preventable diseases and malnutrition—a tragic consequence of a health care system destroyed by war. On average, some 2,600 people are dying every day, and further research is finding that the first months of the year 2000 were even worse than 1999.²¹ Thirty four percent of these deaths have been children under the age of five (over 590,000), and 47 percent of all violent, war-related deaths are women and children. The highest death rates are among populations displaced by the fighting, and civilians continue to be targeted by all sides in the conflict. As one NGO leader has explained this: "The loss of life in the Congo has been staggering. It's as if the entire population of Houston was wiped off the face of the earth in a matter of months."²²

Ranked last on the UN Human Development Index, the war in Sierra Leone has exacted a heavy humanitarian toll on the population. An estimated 70,000 people have been killed since the war started in 1991. Approximately 5,000 were killed in and around Freetown in the January 1999 rebel offensive against the capital. Civilian and child amputations have been a trademark atrocity, with estimates of 1,800 amputees. Currently, almost 1 million Sierra Leonians are internally displaced, in addition to the 470,000 refugees who have fled to neighboring Guinea and Liberia. Thirty percent (30 percent) of Sierra Leone's population of 4.6 million have been uprooted because of this conflict. Humanitarian response continues to be hampered by the issue of access to war-affected populations trapped in the northern and eastern

¹⁶ "Africa's Diamond Wars," Harden, B. *The New York Times on the Web*, www.nytimes.com/library/world/africa/040600africa-diamonds.html.

¹⁷ UN Secretary General's report to UN Security Council, 23 November 1998.

¹⁸ UN Consolidated Appeal for Angola for Jan-Dec 2000, November 1999

¹⁹ IRIN-SA. "A grim humanitarian outlook by UNICEF," 13 Jan 2000

²⁰ UN Consolidated Appeal for Angola for Jan-Dec 2000, November 1999

²¹ *Mortality in Eastern DRC: Results from Five Mortality Surveys*, International Rescue Committee Report, May 2000.

²² *Ibid.*

parts of the country. Fifty-five percent (55 percent) of the population live in conflict affected areas and are inaccessible by humanitarian aid.

REMEDIES: COORDINATED AND STRUCTURAL SOLUTIONS

This humanitarian legacy of conflict diamonds is indelible and undeniable; so are the solutions. Although not necessarily complicated, an effective solution strategy first requires the recognition that it is actually a marriage of two components: coordinated and structural solutions. This recognition enables stakeholders to manage and ultimately contain the problem of conflict diamonds. Coordinated solutions mean actions implemented and communicated by the specific primary and secondary stakeholders. Assuming that all concerned stakeholders have the same goal of ending the trade in conflict diamonds, solutions will naturally compliment and not compete with one another, but the effectiveness is in the communication and coordination of action so that loopholes are closed. Structural solutions involve remedies aimed at providing alternatives to conflict diamonds.

COORDINATED SOLUTIONS

I have identified three stakeholders as the first line of defense against conflict diamonds:

- Industry Local civil society groups in diamond producing countries,
- Rough diamond exporting governments, and
- The diamond, especially rough stone traders.

Secondary stakeholders in the second line of defense include:

- Rough diamond importing governments,
- Cut diamond consuming governments,
- International regulatory and trade bodies, and
- Cut diamond consumers.

Each stakeholder has a unique role to play:

- *Local Civil Society.* In Africa, particularly in rural areas, because communal obligations are usually placed above the individual, informal networks are strong. Because of this, it is well known who are the specific individuals mining and purchasing conflict stones. Grassroot organizations in diamond producing areas need to formalize this knowledge by documenting evidence so that this part of the solution does not turn into a witch hunt, but, rather, an effective monitoring tool.

- *Diamond Exporting Governments.* Because the profit incentives are so high, it is important that diamond exporting governments maintain tight regulations over this resource, otherwise anarchy results—as in the case of Sierra Leone and the DRC—and different factions violently compete over access to these lucrative resources. Closely associated with this strategy of regulation is reinvestment. National and local governments must reinvest diamond wealth in public goods like healthcare, education, roads and electricity, so there are fewer incentives for factions or individuals to trade in diamonds for the purpose of providing these basic needs.

- *The Diamond Industry.* The industry proposal laid out in Antwerp in July 2000 was a critical step for delineating specific actions needed by various stakeholders, while committing the industry to play a part in the solution. The industry has two unique mandates: the first is taking leadership in establishing its proposed rough controls, where stones are “sealed and registered in a universally standardized manner” (Joint Industry Statement, July 19, 2000); and, second, enforcing the code of conduct. Because the industry is organized and takes pride in its structure of informal networks, such as the production level, members within the industry know individuals who are dealing with conflict stones. Therefore, the industry’s second mandate is to maintain its commitment to the code of conduct stated in the Antwerp document, whereby “failure to adhere to [an ethical code of conduct] regarding conflict stones [will] lead to the expulsion from the World Federation of Diamond Bourses, the International Diamond Manufacturers Association, and all other relevant organizations.” Though the specific language is slightly vague in that no ethical codes of conduct were explained in the statement, the intent of the Antwerp document is very clear: any member of the industry caught dealing in conflict stones will be expelled from the industry. Given this intent, it is the industry’s sole responsibility to enforce this code.

- *Rough Diamond Importing Governments.* The role of importing is to reject parcels which are not sealed and registered by accredited diamond export authorities. Legislation must be passed and customs officials must be trained to implement new rough diamond control laws.

- *Cut Diamond Importing Governments.* Cut diamond importing States must enact responsive laws to prohibit the possibility of conflict diamonds from entering the market. In the U.S., the proposed Carat Act effectively does this. With tracking regimes, customs officials will subsequently be able to reject or accept parcels according to any international embargoes. An additional tool which both types of importing governments can use is one of diplomacy. As in the case of Liberia a known trans-shipment agent of conflict diamonds, diplomatic tools are helpful to politically isolate rogue countries involved in this type of trade.

- *International regulatory and trade bodies.* The proposed international diamond council, which will be comprised of industry, civil society and government, should be an important player in 1) the accreditation process of rough stone exporting centers; 2) monitoring the rough control system; and 3) auditing both industry and exporting governments' handling of rough stones. Beyond this, it is also necessary to involve international governing and trade regimes like the WTO and the UN who have the authority of international law to arbitrate trade disputes and to enact sanctions against transgressor countries.

- *Consumers.* Although consumers are at the very end of a somewhat convoluted pipeline, they are the final but the most effective line of defense against conflict diamonds. The power of the purse can never be underestimated, particularly with the benefits of a free market economy where consumers can easily choose alternative gems or synthetic diamonds. If lawmakers and the industry fail to implement the described necessary changes, consumers could merely boycott diamonds all together, severely damaging both the conflict and the legitimate diamond business. Given the positive trends of reform, a boycott may not be necessary, but consumers still have an obligation and a right to know the origins of such a costly purchase. To maintain pressure on the industry and lawmakers to limit this trade in misery, consumers should demand to know the origins when purchasing a diamond, even if that information is not yet readily available.

I have described the key stakeholders who have critical roles to play in the solution to end trade in conflict diamonds. The necessity and the miracle of involving so many coordinated players in the solution is like constitutional checks and balances; individual stakeholder actions can offset any weak link in the chain.

STRUCTURAL SOLUTIONS

Reinforcing Weak Links

Solutions are also needed to address the structural causes for conflict diamonds. These structural solutions can essentially be categorized in the areas of reinforcement and economic incentives. I recommend these solutions:

1. Reinforce support of rough diamond exporting governments to establish viable certificate of origin schemes and systems of regulation over diamond mining areas. This could include capacity building in export licensing systems and establishing appropriate punitive actions for individuals who are found trading in illicit and conflict diamonds.
2. Assist rough diamond exporting countries in the areas of good governance, linking all types of financial assistance to poverty reduction and social reinvestment.
3. Build capacity among grassroot civil society groups to effectively monitor and report on the diamond trade at the local level, while being careful to ensure the safety of local evaluators.

Income Generation

Along with solutions of structural reinforcement, there is a foundational need to address the economic reasons why individuals trade in conflict diamonds in the first place. Some of these reasons can be addressed at the government level, but many of the solutions have to reach the individual by providing economic alternatives to conflict diamonds and rebel violence. Micro-enterprise loan funds have been successful throughout the world in providing a way out of poverty by providing income choices. Expanded support for proven successful initiatives is important.

Operational non-governmental organizations (NGOs) in Angola, DRC and Sierra Leone have to deal with the impact of conflict diamonds every day. In trying to provide structural solutions, World Vision, like many other NGOs, has found that a combined approach of temporary emergency relief coupled with income generation and civil society mobilization, are all important elements toward building long term peace and stability. In Sierra Leone, World Vision is finding success in the following ways:

- *Food Aid.* World Vision's food aid program in Sierra Leone is based on three premises: 1) give the farming population the tools and the best seeds they need to produce again, assist them with the best possible technical assistance and provide

food to them so they do not eat their seeds and so they have strength to cultivate and harvest; 2) provide food to those populations who cannot provide for themselves, such as the vulnerable (elderly, institutionalized), the severely malnourished; and 3) give skilled tradesmen food so they can begin to reconstruct homes, clinics and schools. More than 10,000 metric tons of US food will be used. The goal of this project is to significantly improve household food security and sustained productive capacity of the Sierra Leonian waraffected communities in 16 chiefdoms in Bo, Bonthe, and Pujehun and in 11 chiefdoms in the Kono diamond district. This program addresses the acute food needs of 149,000 vulnerable persons through increased availability of, and access to food. It also increases household food security of 10,000 waraffected, returning farm families through increased availability of, and access to food and agricultural inputs (labor, seed rice, etc.). This program will improve organizational, physical, and productive infrastructure in rural areas through food-for-work activities, engaging 70,000 individuals, and it will enhance community interest and participation in the formal and nonformal education of youth via support to 4,500 at risk youth. This program is funded by USAID, Food for Peace.

- *Transition Initiatives through Civil Society.* The World Vision Sierra Leone Transition Initiatives Program was first established in January 1997 to address grassroots reconciliation and peace building issues. Funding was suspended after the May 25, 1997 military coup and was reinstated in 1998 after the return of democracy. This program aims at facilitating the process of raising awareness on civic rights; local capacity building for peace, constructive engagements with combatant and other differing factions; effective consensus building; reconciliation and peaceful coexistence; youth recovery from marginalization and exploitation, and generally supporting the process of youth empowerment, so as to deter them from the lures of rebel warfare. World Vision works with over 50 different community and civic groups in Sierra Leone to accomplish the objectives of this program, which is funded by the Office of Transition Initiatives.

- *Support for agriculture.* The agriculture productive infrastructure of Sierra Leone started to deteriorate even before the war began in 1991. According to FAO reports, production of the country's staple crop, rice, fell 18 percent between 1990 and 1997. As a result of the war, estimates have only half of the nation's requirement for rice being produced locally in 1999. People are beginning to return to their land and World Vision, with the support of the Office of Foreign Disaster Assistance, is helping to improve food production in Sierra Leone through support to the agriculture sector. There are three main objectives: 1) provide seeds and tools to 16,000 returnee and vulnerable farm families in the Kono district (10,000) and Kailahun district (6,000) during this year's crop season; 2) capacity building to improve agricultural practices among 48,396 farm families in our target communities through increased access to a network of strengthened communitybased extension services; and 3) improve agricultural productivity for 21,841 farm families in the Southern region by addressing other issues of agricultural recovery beyond the emergency supply of seeds and tools.

Conclusion

Effective, holistic solutions are not implemented in a vacuum. Wise policymakers recognize that the solution to conflict diamonds is a constellation of actions involving key stakeholders, coupled with solutions addressing the fundamental causes for the proliferation of conflict diamonds. The diamond industry has an incentive to eliminate conflict diamonds by better monitoring the flow of rough stones. However, much of the success of these initiatives will have to come from importing and exporting governments and international regulatory and trade regimes. Given the present media attention and consumer scrutiny, there has been a lot of movement at government levels to address the issue of conflict diamonds. It is essential that civil society in diamond importing and exporting countries watch both industry and governments, and hold them accountable. No system is perfect, but no system means war. As long as greed exists, conflict diamonds won't entirely go away, but cooperative and consistent action can help to minimize the economic incentives for war.

Thank you, Mr. Chairman, for the opportunity to present this testimony to the committee. I look forward to answering questions of the committee. Also, World Vision is prepared to work with the Congress and the Administration to implement any solutions that will lessen the suffering of people caused by conflict diamonds and restore stability, peace and responsible governance in Africa.

