



World Diamond Council

WORLD DIAMOND COUNCIL 4TH ANNUAL MEETING
CATANIA ~ FEBRUARY 5 - 8, 2006

HARRISON MITCHELL
Campaigner
Global Witness

Making it Work: Further steps towards eradicating the trade in conflict diamonds

Good Afternoon everyone. I would first like to thank the World Diamond Council for inviting Global Witness along to speak here. We really appreciate this opportunity to put our thoughts forward to members of the diamond community directly.

I should first introduce myself and my organisation. My name is Harrison Mitchell and I work on the diamond campaign at Global Witness. I'm sure some of you will know the names and the work of some of my colleagues Alex Yearsley, Charmian Gooch, Corinna Gilfillan and Susie Sanders.

Most of you will also know of Global Witness already, but to describe our work very quickly: we are a non-partisan non-governmental organisation. We focus primarily on understanding and exposing the links between natural resources, conflict and corruption.

We have published several reports specifically on conflict diamonds, diamonds which are used to fund conflict, beginning with one in 1998 entitled "A Rough Trade" which looked at the way diamonds were used to fund the war in Angola. More recently, in a report called "For a few dollars more" Global Witness examined the way in which diamonds are used by terrorist groups such as Al Qaeda to launder funds for their activities.

Our information is used to brief governments, inter-governmental organizations such as the UN and World Bank, NGOs, the media and of course, the business sector. We advocate at the highest levels for a

coherent approach to manage natural resources transparently and equitably.

Today I'm going to talk mainly about the issues raised in our latest report released just a few months ago in November 2005. The report's title is Making it Work: Why the Kimberley Process Must do More to Stop the Trade in Conflict Diamonds. The release of the report coincided with the Annual Plenary meeting of the Kimberley Process in Moscow and focuses on two areas which we believe to be particularly important.

1. Conflict diamonds from Cote d'Ivoire
2. Best practices in the cutting and polishing industry

I'm going to talk about these issues, but I would also very much like to hear your opinions on the matters as well, so please come and talk to me after the speech if you are interested.

Before I go on though, I just want to quickly mention something. As some of you may know, the Kimberley Process is currently being reviewed to assess its effectiveness in combating conflict diamonds. We feel this is an extremely important moment for the Kimberley Process. The KP has made enormous progress in a very short space of time, which is a credit to all involved. These first three years have seen a lot of work to establish the process, putting the systems in place and establishing the relationships necessary to make the systems work.

The next three years are really all about implementation. Although much has been done, key issues such as internal controls, statistical analysis and controls in artisanal mining countries still need to be tackled. We believe that the review needs to look at how to improve countries' compliance with Kimberley Process requirements.

It should also look at how to clamp down on those in the trade that continue to undermine the Kimberley Process. There must also be adequate resources to do all of this. We very much hope that the diamond industry will continue to support these efforts and the Kimberley Process.

We at Global Witness feel positive about these issues, that all of us within the Kimberley Process whether governments, the diamond industry or civil society, can work constructively to make the KP a truly world class system.

I would encourage you as representatives of the diamond industry to participate in the review process and to send your comments through your trade bodies.

Cote d'Ivoire

As many of you are no doubt aware the current situation in Cote d'Ivoire is extremely unstable. To give you a bit of background; Cote d'Ivoire is a country in West Africa with a population of around 17 million. From 1999 there were a series of uprisings which culminated in a mutiny by soldiers in September 2002 and effectively split the country in two; the north controlled by the rebel group the Forces Nouvelles and the south controlled by the government.

Cote d'Ivoire's diamond mines are in the north of the country, under the control of the Forces Nouvelles. Cote d'Ivoire is a member of the KP, but the government placed a ban on the export of diamonds from the country in 2003. Despite this, the information we have currently suggests that there are significant diamond mining operations occurring in rebel-controlled areas in Cote d'Ivoire. A United Nations Panel of Experts that studied the extent of diamond mining in Cote d'Ivoire estimated the production in a November 2005 report to be around 300,000 carats per year. Global Witness also went to West Africa, to Mali, Guinea and Sierra Leone in September 2005, to investigate the reports of conflict diamonds coming from Cote d'Ivoire. What we found in fact, was that diamonds from Cote d'Ivoire are crossing the borders into Mali, into Guinea and into Sierra Leone. You can see in our report a picture of Cote d'Ivoire diamonds taken in a dealers office in Conakry, Guinea. In interviews with local fixers in Mali, we were told that they arrange for dealers from the UK, Russia, the US and South Africa to come and buy diamonds from Cote d'Ivoire.

When our report was released in November, we called for UN sanctions to be placed on diamond exports from Cote d'Ivoire, as well as an immediate investigation to uncover those individuals who were trading in conflict diamonds. After a strongly worded recommendation from the KP Plenary, the UN Security Council placed sanctions on diamonds coming from Cote d'Ivoire in December (resolution 1643, 15 December 2005). The resolution also mandates a group of experts to further investigate the financing of the war in Cote d'Ivoire. The Kimberley Process is also taking action to try and stop this trade.

But as well as requesting these international bodies to take steps, our report asks the diamond industry to also take action. We need the diamond industry to disseminate this information widely. Firstly, we need the industry bodies such as the World Diamond Council and the World Federation of Diamond Bourses, to disseminate this information among your members, so that diamond traders will know that it is illegal to trade in diamonds from Cote d'Ivoire. This information must be spread widely so that it has an impact with those on the ground in the region. It is not just illegal but trading in these diamonds is fuelling conflict and instability.

In addition, Global Witness urges industry bodies gathered here to ask their members to approach the UN Panel of Experts on Cote d'Ivoire if they have information on individuals or companies trading in diamonds

from Cote d'Ivoire. Assistance in this way from the diamond industry, from you, is essential if the international community is to stop the trade in conflict diamonds.

Best Practices in the Diamond Cutting and Polishing Sector

I want to move now to a second part of my talk regarding best practices in the diamond cutting and polishing sectors. This is an issue which I would like to have your input on either when I've finished talking, or afterwards one to one.

As you know, when the KP was established, the diamond industry also agreed to implement a voluntary system of warranties so that cut and polished diamonds could continue to be tracked right up to point of sale. In theory this should ensure that diamonds could be tracked from mine to jewellery counter,.

However over the last couple of years Global Witness has become concerned over reports that polishing factories are being set up in countries, including alluvial producing countries, which have little oversight of their diamond sector. While we welcome initiatives to develop the economies of diamond producing countries, we are concerned that without sufficient oversight, factories run by unscrupulous individuals will be able to launder conflict or illicit diamonds through their systems. This could undermine the aims of the Kimberley Process if conflict diamonds enter factories and are polished, becoming unidentifiable and untraceable. An example of this is of one diamond buyer interviewed by Global Witness who is involved in plans to set up a polishing factory in Sierra Leone and buys diamonds from Liberia, which are under UN sanction.

This clearly endangers all the hard work done by the diamond trade represented here today particularly regarding the voluntary system of warranties and of course, currently falls outside the systems of control put in place by the Kimberley Process on rough diamonds. It suggests that cutting and polishing factories are a weak point between the Kimberley Process and the voluntary system of warranties. Cutting and polishing factories outside Africa are also vulnerable. Conflict and illicit diamonds could be inserted into the legitimate trade directly into cutting and polishing factories in many countries, including Kimberley Process participants.

However, before you conclude that we are considering expanding the Kimberley Process to cover these diamonds as well, I want to suggest that the diamond industry can help to address this problem through best practices. Full implementation of the system of self-regulation and

having systems audited by independent auditors will help to ensure that appropriate systems are in place and being implemented effectively to prevent conflict diamonds entering legitimate trade. This is the interest of the company too. Having an independent review gives greater confidence to consumer that policies are robust.

In our experience most large diamond cutting and polishing factories already record the diamonds that enter the factory. They also document the manufacture of cut and polished stones and the residual rough diamonds for export. These records are kept for their own internal tracking systems and for security reasons.

What we are suggesting is that this information could then be audited by independent auditors to make sure that no conflict diamonds have entered the legitimate system. We also believe that governments should carry out checks to verify that companies are complying with the self-regulation. This system is enshrined in law in Botswana, the largest diamond producer in the world and current Chair of the Kimberley Process.

In order to make sure that conflict diamonds cannot enter the factories; third-party independent audits of the systems of control to support the Kimberley Process would provide an extra layer of protection and help insure that systems put in place are robust. It is also important for consumer confidence, so that when a consumer asks for a conflict-free diamond, a jeweller can show them the chain of warranties and also confidently state that his systems have been audited.

In summary on behalf of Global Witness, I would like to say that we believe that eradicating conflict diamonds is the responsibility of all of us, from the miners to the traders to the jewellers to the consumers and we hope that we can continue to work constructively together to protect the legitimate diamond trade and ensure that diamonds are conflict-free.