



# World Diamond Council

---

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

MARK VAN BOCKSTAEL  
Chairman  
WDC Technical Committee

## Report of the WDC Technical Committee

This meeting of the WDC in Catania in the shadow of Europe's biggest and most active volcano - Mount Etna- is a fitting location to hold our 4<sup>th</sup> General Meeting. The visible presence of the Etna will help us to remain focused and not forget that, just like with volcanoes, it is very unwise to think that all is well and that nothing can go wrong anymore. Just like the inhabitants of Pompeii experienced almost 2000 years ago, falling asleep on a volcano can have dire consequences. The next crisis, if unprepared, could be disastrous.

Let us now take some time to look back at some of the technical issues that have remained unresolved or that are becoming critical since the start of the Kimberley Process Certification Scheme in early 2003.

### Value

The first and foremost problem for the diamond industry today is without any discussion the issue of the mention of "THE" dollar Value on the Kimberley Process Certificate. During the negotiation of -what was then called- the Kimberley Process Framework document, dollar value was only added at a late stage into the discussion. Within the industry an overwhelming majority opposed the inclusion of this parameter on the KP document, unfortunately there proved to be an unbridgeable gap between the positions of the WDC and other stakeholders at the negotiation table. The inclusion of value was deemed necessary to be able to properly authenticate that goods had indeed been certified.

Now after 3 years of implementation the consequences of this inclusion are becoming all too visible. Where at the early days of the implementation, the value on the KP certificate was merely a problem of severe undervaluing at points of export in some third world diamond

producing countries, today we witness a shift in focus to disagreements in valuation between sophisticated trading nations. At first the differences could be explained by corruption of underpaid officials, today the differences are rather a result of professional disagreements between valuation experts of exporting and importing participants. And it is true that the presence of the value on the KP Certificate has for a great part contributed to the dramatic increases in export values recorded in a number of African participants that are regularly quoted as the great successes of the Kimberley Process.

In this new situation there is not much that the dealer can do in order to alleviate the problem. In the recent months we have been witnessing a steadily growing number of shipments that have been stopped by KP Authorities at import and subsequently resulted in the goods being seized or returned to the exporting country. On both counts it was the industry that was paying the costs involved! The reasons why these goods were seized or returned were in most cases unrelated to conflict diamonds or the KPCS. Most of the time, the reasons mentioned were related to anti-money laundering (AML/CFT) requirements and the interpretation of existing differences between values mentioned on the KP Certificate and on the regular commercial documentation. Whatever the outcome of the "Valuation Methodologies" study undertaken by the KP Working Group of Diamond Experts, it is now becoming clear that this issue has all the characteristics of becoming a classic case of a "Technical Barrier to Trade". In view of the necessary renewal of the WTO-waiver, a creative solution has to be found. It has been suggested that even a simple change in name could be enough to end most of the current issues. At the same time it would preserve all the positive effects its inclusion has had, such as better statistical data.

### **HS Classification**

Another very technical issue that is today also in the front light is the difference in interpretation of the Harmonised System code classification. In August 2004 new Explanatory Notes emerged from discussions within the KP and most of the changes have been very well received, while mainly dealing with the differences between KP goods (rough) and non-KP goods (polished). Unfortunately, the KP Certificate also lists details of the HS classification and this is becoming quite problematic as one customs authority in the exporting participant may have a different interpretation than the customs inspector on the importing end on what they consider "industrial" versus "non-industrial" diamonds. This difference in opinion invariably results in seized shipments, delays, administrative fines and sometimes returning of the goods and criminal

charges against the importer. At the WDC we were of the impression that we only had ONE Kimberley Process Certification Scheme. But in fact we seem to have THREE (as there are three separate HS codes under the KPCS-cover).

### **Statistical non-compliance**

Since the Moscow Plenary, non-submission of statistical data in the required format and at the required deadlines is considered to be statistical non-compliance. Potentially, significant statistical non-compliance may cause the -temporary- suspension from a participant, and consequently a ban to trade in rough diamonds. The first victims of such a situation emerging will be without any doubt the diamond industry. Until today, the diamond industry has plaid only a complacent, passive role in this arena, almost as a victim, it is time to change that attitude and become more involved.

WDC's Technical Committee is planning to engage the local diamond industries to force the KP authorities of the countries in which they operate to respect deadlines and commitments.

### **Review of the KPCS**

Since our last meeting in Dubai in April 2004, much in the Kimberley Process Certification Scheme has evolved from the negotiated framework document that became our "KP Constitution" to the work on the three year review that will be presented to the KP Plenary end of this year in Botswana. Other speakers have emphasised the importance of this "overhaul" of the KPCS. Some of the proposed changes may have important consequences to the diamond industry worldwide. Some of these proposed changes may have very negative, adverse effects on the free trade of the legitimate rough diamond sector. Some of the proposed changes may be met by disbelief and resent by our constituencies. Some of these proposed changes will be inevitable and necessary to safeguard what the Kimberley Process has set out to do - eradicate the link between armed conflict and the rough diamond trade, while protecting the legitimate rough diamond trade.

It is important to emphasise that a strong WDC-submission is called for, let us not forget that the 3-year review of the KPCS by the ad hoc Working Group on Review, is an excellent opportunity to try to correct some of the more controversial issues that the diamond industry had to endure.

### **Liberia and Cote d'Ivoire**

Since last December

