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Let me begin with a quotation that sums up our view as Chair as well as anything I have seen:

The KP today finds itself at a crossroads, largely as a result of the passing of time, and to some degree because of its own success. It was established at the turn of the millennium to tackle the threat of diamonds in the legitimate pipeline being used to finance civil war, and to a very large degree it has met that challenge.

The diamonds in the trouble-spots that we are looking at today do not neatly fall under the original definition of a conflict diamond. This certainly does not mean that we should not address such issues, but it does require that the Kimberley Process must evolve, and that process should be managed carefully and with a good deal of forethought and planning.

If those words sound familiar, it is because they were spoken by none other than Eli Izhakoff at the 2010 WDC meeting, and they are truer now than ever. I hope you will all keep them in mind as I deliver my remarks.

In every interview and presentation I've given as KP Chair, I have stressed how critical I believe it is that we understand where we are and where we have been, so we can see clearly where we need to go now.

In late April, as you are aware, Charles Taylor was convicted by the International Criminal Court for the many horrific crimes for which he was responsible. It was a notable moment, demonstrating how the world holds leaders criminally accountable for atrocities. We know that diamonds helped finance his activities, and his conviction was a stark reminder of why we are together here now.

It was a courageous and forward-thinking group from industry, civil society, and governments that gathered from around the world in Kimberley more than a decade ago. They came in response to the South African government's call to collaborate, and to commit to addressing dire concerns about the role that diamonds were playing in fuelling in Charles Taylor's brutal wars in Liberia and Sierra Leone, as well as deadly conflicts in Angola and the DRC. It was in Kimberley that the International Community was asked loudly and clearly by the South African government to act to ensure that diamonds not be the engine of misery and bloodshed.

And the International Community did just that: it acted clearly and decisively. That meeting gave birth to the Kimberley Process – many of you were there, and have been part of the KP ever since. To create the KP, the founders built upon the good work already taking place in parts of the diamond industry, and developed a certification scheme that applied to all rough diamonds worldwide.

We now take this for granted – but it was in fact an exceptional achievement. No other commodity anywhere at the time – or to this day – has a certification scheme applicable to cross-border shipments everywhere in the world. And the KP's effectiveness has relied on a unique collaboration between the public and private sector: for although it is administered by governments, this scheme could not function without industry's diligence and cooperation.

As we look back, we can see two distinct but related principles as the underlying impetus for the KP: one was the moral desire to end violent conflict against legitimate governments by choking off the diamond-based source of its funding. The other was the economic interest to help safeguard the market for diamonds – and millions of livelihoods supported by them – by providing a level of positive assurance to the consumer.

Since the Kimberley Process launched its Certification Scheme in January 2003, the list of its achievements related to these principles is long: The KP helped bring improved governance and transparency to the trade, particularly in countries that were previously marked by conflict. The KP then helped foster improved monitoring in the vast range of producing, trading, and consuming countries; and this year, there is a new level of transparency, as most annual reports on implementation are also now available to the public.

At the KP's direction, detailed statistics on the diamond trade were collected that were simply unobtainable before the KP's existence. The KP has also facilitated the development of detailed diamond footprints in producing countries, an invaluable contribution to those nations' capacity to make the best use of their resources. In addition, the KP has been a platform for focusing on diamond-related development, particularly when it comes to artisanal mining communities. All of these advances have required, and received, the cooperation of industry, with leadership from the WDC.

So do we rest? Do we say that the system is basically adequate as is? Do we think that we only need to devote more resources to educating people about the KP? Is there a viable option called, "do nothing and leave things unchanged?" Not only do I personally think not, I judge that the KP, taken as a whole, understands that change must happen. The issue is now: what change do we need and how shall we make it come about through the consensus in the KP?

It is certainly true that an element of the KP's future involves perfecting the system we already have – both governments and industry need to do more. And the United States, as Chair, is doing a lot this year to address these issues.

Examples include a customs-focused training seminar in West Africa that we sponsored this past February, an improved method of communication with the World Customs Organization on fake certificates, and the dynamic program we have developed for Intersessional that will bring together leaders from law enforcement, natural resource governance, and development institutions. Our objective is to inform members and to ensure that the KP is up to date on best practices and more engaged with complementary initiatives.

So we agree that perfecting the existing system is a vital task. But if there is one thing I, as KP Chair, have heard since I started, from U.S. industry to NGOs to African governments to traders in India, Belgium, and China – it is that **the system** needs to be improved. That it needs to **modernize** learn from the experience of its first decade, look at how other initiatives have been successful, and keep diamonds on the cutting edge.

Everywhere I have travelled, I have also heard from the industry – mining, trading, manufacturing, and retail – that the KP must avoid politicization. That we must work together to ensure that diamonds do not fund conflict by implementing a clear, consistent, and predictable model of limited certification and do so in a way that does not enable politics to disrupt business. No matter what your perspective on the substance of the issues, it is indisputable that in recent years those thresholds – clear, consistent, predictable – were not met.

I am here to say that we feel we have done our part thus far to de-politicize the system, to put the focus back on the KP and the rough diamond sector. And you have my commitment that that will be the case for the entirety of our term as Chair.

So as we work to address implementation and enforcement, and the issue of politicization, that leaves the task of defining and adopting those few but critical changes needed to the substance and the processes underlying the KP. Although we will get into this in more detail in just a few weeks in Washington, I want to take a few moments to discuss what we view as the most critical change with all of you – because, I repeat, we will not get where we need to be without industry's strong support.

What then are our top priorities as Kimberley Process Chair, what are the issues on which we need industry's vocal support?

Certainly the KP's need for **administrative support** is urgent, as are improved implementation and enforcement, monitoring and working group functioning. But the **critical issue**, as we see it, is to **modernize the definition of a conflict diamond**. Let me clearly state that we will, of course, continue to support and work through the consensus-based systems of the KP, starting with the Committee on KP Review mandated by the Plenary and led by Botswana, to deal with these issues. At the same time, however, you need to know where we, as Chair, stand on the most critical issues.

Responses to the questionnaire circulated by the KP review committee show that many governments and the observers in the KP want to see the Kimberley Process address issues such as violence throughout the rough diamond supply chain. Though there are various ways of saying it, and approaches to doing it, a modern and relevant definition is on many minds. **So the need for this modernization is actually less controversial than some would have us think, and we believe it is essential.**

Let me sketch out for you some of the elements we, as Chair, consider to be key. We operate from the assumption that although the KP cannot and should not be all things to all people, it must adequately and comprehensively cover its own area of responsibility: rough diamonds.

And for the term “conflict diamond” to encompass today’s and tomorrow’s challenges adequately, and for it to respond to the expectations of current and anticipated consumers, changes are needed. **Simply put, the term “conflict” that underlies the mandate must as accurately reflect today’s concerns as the 2003 definition reflected the concerns of a decade ago. If the KP cannot address today’s concerns, industry will be left to do so, which will divide the industry and could undo much of what has already been achieved by the KP.**

In sum, we have proposed that:

1) The definition of “conflict diamond” used within the KPCS could be modified to cover “rough diamonds used to finance, or otherwise directly related to, armed conflict or other situations of violence.” **I want to emphasize that** this modified definition will encompass situations already encountered and dealt with in *ad hoc* manner by the KP and will include clear guidelines derived from international legal principles that ensure all nations and trading entities know exactly what diamonds must be prevented from entering the supply chain, on a mine-by-mine or site-by-site basis. This new definition of conflict diamond would, like the present one, **represent a minimum requirement for certification.**

2) As for broader concerns in the supply chain beyond conflict, these would separately be the focus of the KP as the voice of the entire supply chain and stakeholders gathered around a single table. The KP would adopt **as a goal** the promotion of sustainable economic development. Unlike the conflict diamond definition, this objective would not represent a minimum requirement for certification. It would be formally accepted as a commitment to improving technical assistance and adopting best practices. We are convening a development conference after Intersessional to advance this effort.

Here are some key points to consider:

- To repeat: the KP should continue to implement a certification system of rough diamonds that only excludes those diamonds related to armed conflict and other situations of violence. It would apply to diamond-related conflict specifically, not to any and all conflicts that may take place in a country or region;

■ This could be implemented on a mine-by-mine, site-by-site level, such that industry and governments can implement the scheme in a reliable and effective manner with minimal unintended consequences;

■ There must be a specific definition of conflict, accompanied by clear guidelines, which provides consistency for the industry, governments, and the public, and there must be a clear and verifiable relationship between the conflict or violence and the diamond sector.

In practice, there is nothing new about much of this. In some ways we are advocating the **codification of current ad hoc practice**. For example, the KP is already implementing a mine-by-mine compliance approach to Marange. And in 2011, pursuant to the Chair's vigilance notice, diamonds from Central African Republic's Bria region were addressed on a site-specific basis which left other CAR production unaffected.

What we need now is to **formalize agreed-upon rules** so that the KP can officially (not de facto) look at mine-site compliance, or exclude diamonds from armed groups engaged in violent activity that do not seek to overthrow a legitimate government. Without clear rules and guidelines, we remain susceptible to politicization, to competing interpretations of compromise texts, to inconsistency and unfairness.

Of particular importance it seems to me is that this lack of clarity and predictability also makes it difficult for KP members and industry to do business, and if business is hindered, jobs creation suffers and revenues for development decline. This negatively affects producing countries as well as cutting/polishing countries. We can't just say "we did it before, so we can figure it out next time." Winging it can no longer be the answer.

Here is the bottom line: to say that no change is warranted is to stand for the proposition that the last several years have been fine. We all know that is not the case, that we must constructively use the lessons learned to make us better, and we trust that with clear and concerted cooperation from all involved, we can bring needed reforms to the KP, starting in 2012.

I am not too proud to say that I need your vocal support to help member states understand what is at stake economically and how change will ultimately be less painful than clinging to the past while the world, and the markets, change around us.

As Eli said in the quotation I began with, the KP can evolve in a careful way, with planning and forethought. But we must get specific and get serious very quickly. I will end with another quotation from Eli, this time from 2007:

There can be no turning back to the days when we were seen to be turning a blind eye.

Although Eli was addressing the WDC at the time, I take this as a charge to everyone in the KP. We stand today again at such a crossroads, and we look forward to working with you to make sure we do not again stand accused of turning a blind eye.