## **OTHER FACETS**

NEWS AND VIEWS ON THE INTERNATIONAL EFFORT TO END CONFLICT DIAMONDS

Number 21 October 2006

## BRAZILIAN DIAMOND EXPORTS RESUMED Fraud Wider Than Originally Believed

Following a suspension of all rough diamond exports in February this year, Brazilian authorities resumed shipments in September after the introduction of new Kimberley-related regulations. Before the suspension, according to an internal report commissioned by the DNPM – Brazil's Kimberley Process authority – fraudulent diamond shipments valued at an estimated \$46 million had been covered by Brazilian Kimberley Process certificates. The report concluded that of the 147 certificates issued by Brazil since it joined the Kimberley Process, 49 were fraudulent.

The findings followed two reports on Brazilian diamonds issued by Partnership Africa Canada in 2005 and 2006 (*The Failure of Good Intentions: Fraud, Theft and Murder in the Brazilian Diamond Industry; Fugitives and Phantoms: The Diamond Exporters of Brazil* – available at <a href="www.pacweb.org">www.pacweb.org</a>), and a nation-wide police investigation known as *Operation Carbon*. This resulted in the arrest of several diamond dealers and officials of the DNPM, with charges ranging from smuggling to tax evasion, money laundering, conspiracy and tax-related crimes. The DNPM has claimed that part of the problem resulted from a lack of interest by government in the mineral sector and a lack of resources. The Director General of DNPM, Miguel Antonio Cedras Nery was quoted in the Brazilian press as saying that the DNPM did not even have an integrated computer network. "We were living in the stone age," he said.

A Kimberley Process review team visited Brazil in June and has submitted a draft report, although it had not been finalized when the new regulations were put into effect. The challenge for Brazil will be to enforce the new regulations, which are largely computer-based, in a system where huge volumes of diamonds are mined by diggers with no legal land title and no Internet access. Under the old regulations and again under the new, there was no way for these diamonds to enter the formal system legally. This, in turn, led to fraudulent documentation and smuggling.

## SIERRA LEONE WAR CRIMES TRIALS Taylor Enters Pre-Trial Phase

The trial of Charles Taylor, the former Liberian warlord president, is tentatively set to begin on April 2, 2007. Taylor's 32 month sojourn in Nigeria ended in April with an attempted escape to Cameroon, capture and an ignominious arraignment before the UN-backed Special Court for Sierra Leone in Freetown.

Soon after Taylor's arrival in handcuffs in Freetown, the Special Court began making plans to have the venue of the trial shifted to the facilities of the International Criminal Court in The Hague. The trial will still be conducted by the Special Court for Sierra Leone, but a change in venue, it was thought, would offer greater security for the Court and for witnesses. Problems arose, however, when the Netherlands insisted that a third country would have to provide prison facilities for Taylor, should he be found guilty. Several countries reportedly refused to assist, including Sweden and Austria, before Britain finally made an offer in June.

Within days Taylor was moved from Sierra Leone to The Hague, but his attorney has told the Special Court that Taylor will not be ready for trial before July 2007. Taylor has pleaded not guilty to 11 charges of war crimes and crimes against humanity. Meanwhile, in August the Prosecution concluded its case in the trial of three former RUF rebel leaders, each accused of 18 counts of war crimes, crimes against humanity and other serious violations of international humanitarian law. This is the third of the ongoing trials in which the prosecution has closed its case. The other two trials are currently hearing witnesses for the defence.

## CONFLICT DIAMONDS TRANSIT GHANA

### **UN Report Calls for Tough Action**

A Report released this month by the United Nations Expert Group on Côte d'Ivoire has found that conflict diamonds from Côte d'Ivoire, possibly worth as much as \$23.5 million annually, has been exported from Ghana as Ghanaian diamonds. The report, presented to the Security Council at the beginning of October, found that Ghana's diamond exports had almost doubled in volume and in average per carat value since 2000, while actual diamond mining in Ghana has declined. Diamond dealers who once operated from Abidjan have now moved to Accra, the report says, and diamond brokers in Belgium and Israel who once dealt exclusively with Abidjan have now become major importers from Ghana.

"Ghana may look like the best diamond bourse in West Africa," the report states, but the lack of a good internal control system prior to export "allows conflict diamonds to enter the market, undermining the whole KPCS."

The KPCS sent its own review team to Ghana and Togo in December 2005, but their report had still not been completed ten months later, when the UN report was issued. NGOs who serve as observers in the KPCS have expressed deep concern to KP Chairman Kago Moshashane, and have suggested that Ghana should voluntarily suspend all diamond exports until adequate controls, endorsed by the KPCS, can be put in place. If Ghana will not do this, they say, it should be suspended from the KP.

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#### **USGAO REPORT ON CONFLICT DIAMONDS**

#### **Recommends Improved Oversight**

A report issued in September by the US Government Accountability office (GAO) has recommended major changes in the way the US government monitors the rough diamond trade in the United States. The report, entitled "Conflict Diamonds: Agency Actions Needed to Enhance Implementation of the Clean Diamond Act", contains recommendations to the Departments of State, the Treasury, Homeland Security, and Commerce. It recommends improvements in the accuracy of US rough diamond trade data and in processes used for importing and exporting rough diamonds, including the need to conduct periodic physical inspections and confirmation of rough diamond import receipts with foreign exporting authorities. It recommends stronger oversight of the activities of the US Kimberley Process Authority and its licensees who issue Kimberley Process certificates.

The report finds that "Without an effective monitoring strategy that includes a plan for conducting physical inspections periodically or regularly, the United States cannot be assured that its internal controls for exports sufficiently prevent export of illicit shipments. This weakness of the U.S. export process could allow illicit diamonds to enter the legitimate trade."

The GAO, commonly called the investigative arm of Congress or "the congressional watchdog", is independent and non-partisan. The GAO advises Congress and the heads of executive agencies about ways to make government more effective and responsive. The GAO report is available at <a href="http://www.gao.gov/">http://www.gao.gov/</a>

#### **CONFLICT DIAMONDS GO TO THE MOVIES**

When the diamond wars were at their height in the mid to late 1990s, there was little international interest in the subject outside the NGO world. Since then, however, the UN Security Council, UN peacekeepers, the diamond industry, the media and academia have all become involved. Now it is Hollywood's turn.

The Blood Diamond, starring **Leonardo Di Caprio** and **Jennifer Connelly**, and directed by **Edward Zwick** (*The Last Samurai, Courage under Fire*), is the tale of an unscrupulous soldier of fortune who sets out to retrieve a very large diamond during the height of Sierra Leone's horrific RUF war. In the process (much mayhem and fighting, a bad diamond company named "De Wente"), he learns something positive about humanity. A preview of the film can be seen at <a href="http://www.iklipz.com/Movies.aspx?MovieID=8174fb25-4332-4153-877b-9a7082fccb71">http://www.iklipz.com/Movies.aspx?MovieID=8174fb25-4332-4153-877b-9a7082fccb71</a>

The Blood Diamond is set for release on December 15, and Warner Brothers is keen to see two other documentary films about conflict diamonds released around the same time. The first, Blood on the Stone, produced by Insight News Television and aiming for airtime on CNN, is being made with the assistance of Zwick, Di Caprio and others working on The Blood Diamond. It will show that many of the issues raised in the fictional story remain alive and well today. Bling grew out of hip hop artist Kanye West's 2005 recording, "Diamonds from Sierra Leone", which won a 2006 Grammy Award. This documentary, which aims for a theatrical release, is being produced by Article 19 Films, with assistance from UNDP and

others, and targets an audience of hip hop fans. The film recounts the story of the war and conflict diamonds, and follows five hip hop artists to Sierra Leone where they examine the state of today's diamond miners.

Joining the rush is the **History Channel**, with a two-hour film that aims to coincide with the release of *The Blood Diamond*. And bringing up the rear, with a planned March 2007 release is *The Diamond Road*, a documentary by **Kensington Productions** of Toronto. It too will focus on Sierra Leone but is more likely to deal with the challenges of the present than the horrors of the past.

The advent of *The Blood Diamond* has galvanized the diamond and jewellery industry into a public relations blitz, including the creation and launch of a new website called Diamondfacts.org (see article on page 3), while some NGOs are reportedly gearing up to use the films as a platform to criticize industry shortcomings. Sierra Leoneans are understandably concerned that portrayals which accentuate the negative and focus on the way things were will not help the country with reconstruction and new investment. "Where were all these journalists and filmmakers when we needed them in 1998?" asks **Lansana Gberie**, author of *A Dirty War in West Africa*. "The resilience of Sierra Leoneans and our efforts to reconstruct could be hugely damaged if these films don't show what is being done to rebuild lives and the economy. Sierra Leone deserves at least some credit and a little good news."

## CIBJO MEETING HEARS ABOUT DEVELOPMENT DIAMONDS

#### "A Huge Challenge"

The Kimberley Process alone will not end the spectre of conflict diamonds. That was the message given by Ian Smillie, Research Coordinator for Partnership Africa Canada, to the Annual Congress of the World Jewellery Federation in Vancouver in July. "The peace that the KPCS has helped to bring about is fragile," he said, "and it is supported by large United Nations peacekeeping operations in Liberia, Côte d'Ivoire and the Congo. These three peacekeeping operations have a combined troop strength of 38,000, with annual budgets to the end of June this year totalling \$2.3 billion. That is \$2.3 billion," he added for emphasis.

This level of intervention is completely unsustainable, Smillie said. "Something has to take the place of high-cost UN peacekeepers, the casino diamond economy, and the vulnerability of diamond diggers to the predators who eagerly await a return to what used to pass as 'normal'." Part of that "something", he said, could be the Diamond Development Initiative (DDI).

According to Smillie, the DDI's basic challenge is to encourage better work environments and better prices for diggers. This will involve education for miners, access to credit and basic mining equipment such as shovels sieves and small pumps; it will mean training in diamond valuation, government intervention to help streamline marketing, and improved labour laws.

"The DDI has huge potential," Smillie said. "If it works, if it gets the kind of support it needs, if we can excite the world's development agencies – USAID, DFID, CIDA and others – this could be one of the biggest development initiatives in Africa."

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### **MEDIAWATCH**

The July issue of *Vanity Fair* featured cover girl, **Sandra Bullock**, speaking about her new engagement ring, a 1910 Tiffany piece with two square diamonds. "Someone else had worn it," Bullock said, "but how they had made it made sense to us, and it wasn't a conflict diamond."

Former US Secretary of State Madeleine Albright spoke about conflict diamonds in her August keynote address to the Gemological Institute of America's 4<sup>th</sup> International Symposium in San Diego. Albright said that she did not think diamonds were responsible for what happened in Sierra Leone, but she also said companies have to be socially responsible in countries where they operate. "I went to Sierra Leone, and I was in a state of shock," she said. "I went to this camp. People were divided according to what limbs they had lost. Whatever the industry can do through the Kimberley Process to make sure diamonds are not part of this problem is in the great tradition of [social responsibility.]"

Diamonds are apparently no longer a girl's best friend, according to **Teenage Research Unlimited** in a survey of 1400 women for the U.S. cable **Oxygen** network. A plasma television is now a girl's new best friend: the study found that three out of four women would pick a plasma TV over a solitaire diamond necklace. According to the survey, women are increasingly passionate about technology. The modern woman values cellphones, iPods and digital cameras over fancy shoes, gems and holidays. Four out of every five women in the study reported that they felt comfortable using technology and another 46 per cent said they were confident performing their own computer troubleshooting.

In August, police in Brazil's diamond-rich state of Rondonia arrested a man with 666 rough diamonds hidden in his underwear. The police became suspicious during a routine check when they found jeweller's scales in his car. When they searched the man, they found the booty in his briefs. Police suspect the diamonds originated on the **Cinta Larga Indian Reservation** where all diamond mining has been banned. Brazil's diamond industry has been in a state of limbo since February, when all diamond shipments were suspended. Exports resumed in September.

# WDC Launches New Website about Diamonds

The World Diamond Council (WDC) launched a new website in September, aimed at educating consumers and the trade about the positive side of diamonds. The launch, which was accompanied by full page advertisements in ten major US and international newspapers, including the *New York Times, The Times of London* and *USA Today*, is a pre-emptive measure aimed at building confidence in diamonds before the upcoming blitz of films about conflict diamonds (See *Conflict Diamonds Go to the Movies*, Page 2).

Diamondfacts.org provides information about the history of diamonds and the Kimberley Process Certification Scheme

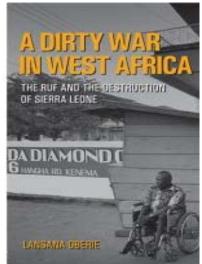
(KPCS), showing how it works to eliminate conflict diamonds from the international trade. It describes the WDC's chain of warranties system, and shows how important diamonds have been to the economies of developing countries such as **Botswana** and **Namibia**. The website also recounts the story of conflict diamonds, giving details on countries such as **Liberia**, **Côte d'Ivoire** and the **Republic of Congo** where diamonds remain problematic. In a section entitled "Opinion Pieces", the website links readers to papers produced by the Diamond Development Initiative (DDI) and by Partnership Africa Canada, including PAC's 2005 exposé of the Brazilian diamond industry: *The Failure of Good Intentions: Fraud, Theft and Murder in the Brazilian Diamond Industry*.

The British NGO, **Global Witness**, is sceptical about the initiative. "The diamond industry claims that the problems of conflict diamonds have been solved," said **Susie Sanders**, "but they have only just now launched a full educational programme to encourage members of the trade to comply with the system of warranties supporting the Kimberley Process. Governments should increase their oversight of industry compliance with the Kimberley Process to ensure that companies actually have substantive policies that are being implemented to stop the trade in conflict diamonds."

# A DIRTY WAR IN WEST AFRICA

This new book is a hard-hitting, first-hand narrative on the crushing war in Sierra Leone, by Partnership Africa Canada Research Associate, Lansana Gberie.

A Dirty War in West Africa recounts Lansana Gberie's harrowing experiences as a journalist during the decade-long civil war in Sierra Leone. After 1991, this West African nation was brought to its knees by a series of coups, violent conflicts, and finally,



outright war. Focusing the group spearheading the violence, the Revolutionary United Front (RUF), Gberie exposes the corruption and appalling use of rape and mutilation as tactics to overthrow the former government. Gherie looks closely at the rise of the RUF and its ruthless leader, Foday Sankoh, as he seeks to understand personalities and parties involved in the war. This

sobering and powerful account reveals the domestic and international consequences of the Sierra Leone conflict. Available from Indiana University Press. Copies are also available from Partnership Africa Canada for C\$30.00, plus postage and handling.

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### **Kimberley Corner**

In September, **New Zealand** became the 46<sup>th</sup> Participant in the Kimberley Process Certification Scheme. Including the EU's 25 members, this brings to 70 the number of countries covered by the scheme.

Also in September the KPCS conducted a review of **Tanzania's** compliance with KPCS minimum standards. More than 30 such reviews have now been conducted. Only foor Participants have not yet requested a KP review: **Bulgaria**, **Croatia**, **Indonesia** and **Venezuela**.

### **Books**

Tom Zoellner, *The Heartless Stone: A Journey Through the World of Diamonds, Deceit and Desire*, St. Martin's Press, New York, 2006, 293 pages, US\$24.95

This book reads like a collection of essays on diamonds, featuring the author's breakup with his fiancée and her abandoned engagement ring as a leitmotif. Some of the chapters - on Angola, Brazil and the Central African Republic - are like an investigative travelogue reminiscent of Paul Theroux, but with a greater emphasis on beggars, garbage and raw sewage. Other chapters are more historical in nature, and some read like an update of twice-told tales: here again are Erasmus Jacobs, the brothers De Beer, Cecil Rhodes and the Oppenheimers. There is a wonderful seven page essay on the diamond industry's favourite iconoclast, Martin Rapaport, and an odd side trip to the 1845 Franklin Expedition in Northern Canada, some distance removed from the diamond story.

Zoellner does not delve deeply into the conflict diamond issue, but he clearly doesn't think much of the Kimberley Process. Regarding the KP's expulsion of the Republic of Congo he has this to say: "The wonder was that the nation had ever been admitted to the international scheme with such a slipshod record. Kimberley's cheerleaders nevertheless held it up as proof that the system was not — as sometimes alleged — a toothless tiger."

There are some odd gaps in the stories he tells. He goes all the way to Russia, the world's second largest producer of natural diamonds, but devotes

all of his attention there to artificial diamonds. In Brazil he paints a marvellously evocative portrait of the plight of the country's garimpeiros, but fails completely to mention the diamond problems (and murders) on the Cinta Larga Indian reservation. And there are mistakes, some historical, some current. Like Ian Fleming, he swallows whole the tales of someone named John Blaize, who claimed to have worked for De Beers. In fact most of what "Blaize" - in reality a former MI5 operative named John Collard - told Fleming, and most of what Fleming wrote in his only non-fiction work, The Diamond Smugglers, was complete hogwash.

In Belgium Zoellner swallows the Antwerp version, hook, line and sinker. There, he says, "Even before the Kimberley Process got off the ground, the industry tried to police itself," through a "powerful industry collective called the Diamond High Council". We read about investigations of the Republic of Congo and learn that "Mark Van Bockstael and a team of geologists had done aerial surveys of the nation's alluvial mines," leading to the country's expulsion from the Kimberley Process.

Glitches notwithstanding, *The Heartless Stone* is a good read – more like a series of Spanish tapas than a set meal – but a book that captures much of the adventure as well as the deceit and desire that infuse the world of diamonds.

#### Liberian Diamond Sanctions Remain in Place

United Nations Security Council sanctions against Liberian diamonds have been renewed for another six months until December, and the UN Panel of Experts on diamonds has also been reappointed for the same period. Both the Panel and Kimberley Process observers have concluded that Liberia does not yet have an adequate system of internal controls for compliance with Kimberley Process minimum standards.

Meanwhile, in June, UNDP, the Government of Liberia and International Alert co-hosted a regional meeting on "Diamonds for Development". The conference, opened by newly elected President Ellen Johnson Sirleaf, focussed on issues of harmonization (licensing, land tenure, taxation, labour and environment), legal, social and fiscal

issues. and strategies for making positive diamonds force development in the region. The conference was part of a planned UNDP diamond initiative known as D4D, or Diamonds for Development. Conference proceedings can be found www.lr.undp.org/governances7.htm

#### ARM Consultation on Fair Trade Artisanal Gold

"Standard Zero" for fair trade artisanal gold is a set of draft principles and standards produced by the **Association** for **Responsible Mining** (ARM). They are an adaptation of the **Fair Trade Labelling** standards for small producers to the situation of artisanal and small scale mining.

ARM is an independent, international and multi-institutional organization that aims to bring credibility, transparency and legitimacy to the development of a framework for responsible artisanal and small-scale mining. ARM's main purpose is to act as an accreditation body for local certifiers, and to use certification and ecological restoration, together with access to fair trade and ethically responsible markets, as tools to promote more responsible community mining practices.

ARM is inviting small scale miner's organizations, NGOs, jewellers, gold traders, refiners, government officials, academic researchers, mining company employees, and others in the supply chain of gold and precious metals produced by ASM to review the draft document and to provide comments before November 15th, 2006.

Information on ARM and the draft standards can be found at <a href="http://www.communitymining.org/">http://www.communitymining.org/</a>.

#### **OTHER FACETS**

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Supporters include: Foreign Affairs Canada, Irish Aid, the International Development Research Centre, the Canadian Autoworkers Social Justice Fund and others.

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