OTHER FACETS

NEWS AND VIEWS ON THE INTERNATIONAL EFFORT TO END CONFLICT DIAMONDS

Number 28 October 2008

VENEZUELA SAGA CONTINUES

KP Ineptitude Endangers Global System

Venezuela has been a thorn in the side of the Kimberley Process – and the industry it seeks to protect – almost from the beginning. A charter member of the KP from 2003, Venezuela basically stopped reporting on diamond production and trade early in 2005. An endless series of KP communications through 2005 and 2006 failed to make any contact at all with the country's diamond authorities. At the end of 2006, Partnership Africa Canada issued a damning investigative report on Venezuelan diamonds, which showed that the government had lost control of the industry, and that 100% of the country's production was being smuggled out, mainly through Brazil and Guyana.

No longer able to pretend that the situation would resolve itself through e-mails, the Kimberley Process went into diplomatic overdrive, and Venezuela's Deputy Minister of Mines was persuaded to attend two KP meetings in Brussels during 2007. There, he attacked the NGO critics and pledged allegiance to KP rules and procedures. Little changed, however. Venezuela failed to organize a KP review visit, and through the first half of 2008 continued to report almost no diamond mining, zero exports, and zero imports. Matters came to a head at the KP Intersessional meeting in New Delhi in June this year, but a clash was averted when Venezuela's ambassador to India announced that the country wanted to "separate" from the KP for two years while it got its diamond house in order. The KP Chair was invited to visit Venezuela to begin a dialogue that might lead to Venezuela's eventual diamond rehabilitation.

All of this seemed reasonable enough, even if it did not solve the continuing problem of diamonds being smuggled out of the country. But four months later, the situation was still as clear as mud. Venezuela, it seems, wanted remain a participant in the Kimberley Process in all respects except for diamond exports. This interpretation, supported by at least one or two other governments but not clearly articulated until September, would allow Venezuela to import the industrial diamonds it needs for its manufacturing sector, while allowing it to avoid any KP obligations to control and report on its own diamond mining and exports.

In September, a meeting was organized in Brazil by the country's Kimberley Process authorities, bringing together officials from that country, Guyana and Venezuela to discuss diamond issues in the tri-border area. The idea for such a meeting was proposed by PAC in 2006 as a way of beginning to deal with the smuggling issues that confront all three governments. The meeting, held in Boa Vista, was the first of its kind.

Meanwhile, the KP Chair's visit to Venezuela ballooned into a mid-October jamboree, including the Chairs of all Kimberley Process Working Groups, plus representatives of Namibia, Brazil, Angola, Russia and the private sector. Notably excluded, civil society set up a howl of protest. "If this special arrangement for Venezuela is allowed to continue," said Bernard Taylor, Executive Director of Partnership Africa Canada, "the Kimberley Process will appear deeply hypocritical. Allowing a country to continue importing as a participant, while at the same time letting it completely off the hook for all of its responsibilities, makes absolutely no sense and is reprehensible. This will seriously undermine the Kimberley Process itself."

PAC's report on Venezuela, *The Lost World Diamond Mining and Smuggling in Venezuela*, can be found at http://www.pacweb.org/e/images/stories//16_thelostworld_nov2006.pdf.

REKINDLED WAR IN DRC

Staring in late August, there has been an escalation in the conflict between rebel leader Laurent Nkunda's Congrès National pour la Défense du Peuple (CNDP) and the Armed Forces of the Democratic Republic of the Congo (FARDC). The fighting has taken place in the country's eastern provinces of North and South Kivu. The two sides signed a ceasefire in January, but renewed fighting has driven more than 100,000 people from their homes. The UN peacekeeping mission in the Congo, MONUC, says the number of dead could be in the hundreds. MONUC

reports fighting in a number of locations and there are reports that dozens of government soldiers have been wounded or killed.

The latest clashes have heightened tensions between the governments of the DRC and Rwanda. There is widespread concern that Rwanda, which accuses the DRC government of harbouring a Hutu militia within its borders, has been supporting the CNDP. Nkunda's forces control areas rich in cassiterite (tin ore) and other minerals, while Rwandan rebels allied with the government actively work coltan and cobalt mines.

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'POROUS BORDERS' JUST AN EXCUSE PAC Releases 2008 Diamond Review

In recent years, Partnership Africa Canada has produced stand-alone "annual reviews" of the diamond industries in Angola, the Democratic Republic of the Congo and Sierra Leone. These have been generally well received and have played an important role in building greater transparency into the postwar diamond economies of these countries.

This year, with input from contributors in several countries, PAC has combined the three reports into one and added sections on other countries: Guinea, Liberia, Ghana, and Zimbabwe, Brazil and Guyana and others. The new publication is called the *Diamonds and Human Security Annual Review*, and it sheds new light on old and continuing problems.

The most notable are the very weak internal controls that exist in most countries where diamonds are produced artisanally. The *Annual Review* states without hesitation that the governments of several countries have no way of knowing the origin of the bulk of the diamonds that are presented in capital cities for export. This would not be so disturbing, if the Kimberley Process was actively involved in improving the situation. But, the report says, "the KP's habit of noting things during a review and then disappearing for four years is no way to advance reform or halt conflict diamonds."

The report discusses continuing human rights abuse around diamond mining in Angola, and says that unchecked undervaluation of diamonds in the DRC benefits a few, while robbing the country of tens, if not hundreds of millions of dollars annually.

Where the KP is concerned, the report notes some of its achievements, but in the end, it is critical. "The trustworthiness and reputation of the world's entire diamond industry," it says, "should not depend on the willingness of NGOs to act as its watchdog." It says that the KP must get a lot tougher on participants over their internal controls. "Excuses about 'porous borders' are the last refuge of tyrants and ineffectual bureaucrats. There may not be an easy solution to smuggling," the report concludes, "but Ghana has shown over the past 18 months that a lot can be done. And the United States has shown that better internal controls are possible in industrialized countries. For starters, KP review teams can start getting a lot tougher in their critiques, and they must insist on follow-up on what they recommend."

The full report can be found at

http://www.pacweb.org/e/images/stories/documents/ar diamonds_2008_eng.pdf

KIMBERLEY STATISTICS REVEALED'Limited Utility' says Critic

For several years the Kimberley Process has been gathering data on the world's diamond production and trade. Each participating country must submit quarterly trade statistics, and – if it is a producing country – semi annual production data. During 2003 and 2004 there were severe teething pains, although the system now runs more or less on time and more

or less smoothly, thanks to work done by Canada's Department of Natural Resources, which compiles the data, hounds dilatory participants, and manages an annual data analysis process.

Until recently, very little of the data was made public. The industry and some governments worried that it might differ from the customs and trade data gathered and posted by other departments. This year, however, it was agreed that annual data for each participant should be made public. And the critics, or at least one critic, was quick to pounce. Chaim Even-Zohar, Editor of Diamond Intelligence Briefs, said that the data had 'limited utility'. He was most critical of the values attached to production and export. He estimates the undervaluation of diamonds in the DRC, for example, to be worth as much as \$400 million, meaning that production value in that country may be understated by 60%. He notes the huge markups in Dubai, also reported in Partnership Africa Canada's Diamonds and Human Security Annual Review, and concludes that the KP figures - at least where value is concerned – are close to worthless.

It can be argued, however, that the issue here is not the statistics, but governmental oversight on valuation. The KP statistics at last reveal major anomalies in the diamond trade, and provide interested parties with an opportunity to do something about them. If the huge price differentials revealed in the statistics are not just a matter of tax avoidance, and are more akin to what Even-Zohar calls "a game of corruption and kickbacks", the publication of the data provides regulators with information and ammunition. Even-Zohar agrees. Although he says that "most people won't care; diamond statistics aren't trusted in any event." But, he says, the inherent controversy contained in this KP data may "give impetus to a drive to do something about it."

KP statistics can be found at

https://mmsd.mms.nrcan.gc.ca/kimberleystats/default.asp

LIBERIANS FOLLOW TAYLOR TRIAL

A poll undertaken by the international NGO Search for Common Ground found that Liberians are closely following the war crimes trial in The Hague of former Liberian president Charles Taylor. The July poll, which was based on 497 respondents, found that 70% were following the trial, and that 65% could clearly identify why Taylor was being tried. Twenty percent thought he was on trial for war crimes in Liberia, while 65% said that it was for war crimes in Sierra Leone.

A large majority agreed, or agreed strongly that the trial has been fair, with only 18% believing that it is unfair. Twenty two percent of female respondents were more uncertain of the trials' fairness than men, of whom only 8% had doubts.

Taylor's trial entered its 10th month in October. Daily summaries and other information are available at a website called *The Trial of Charles Taylor: International Criminal Justice in the Making*, at http://charlestaylortrial.org/. The actual Taylor trial proceedings are streamed over the internet, and can be seen with a 30 minute delay when the court is in session through a link at http://www.sc-sl.org/Taylor.html.

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MEDIAWATCH

Sierra Leone's Ministry of Mineral Resources produced an interesting newsletter in July, and promised more to come. Unfortunately it does not appear to be linked to the Ministry's web page, but it can be found by Googling *Sierra Leone Yours to Discover*

In July, **John Grobler**, a freelance journalist for *The Namibian*, won the prestigious **CNN Economics & Business Award** for a story about illicit diamond links between a Mafiosi wanted in Italy and former president Sam Nujoma's son, **Zackey Nefungo Nujoma**.



An uplifting report of vigilance from the Brazilian Policia Federal: In July they arrested a woman at Sao Paulo's Cumbica Airport with 685 grams of small diamonds hidden in her bra. The woman was in transit from Roraima in Brazil's diamond country, to Dubai the United Emirates. She did not have a Kimberley Certificate.

Conflict diamonds

remain a popular topic for Hollywood screenwriters in search of a hook. The popular American TV show, *Without a Trace*, tells stories about US marshals dealing with criminals in a witness protection program. A recent episode told the tale of a woman in witness protection being chased by (South?) Africans unhappy that she had filched \$10 million worth of their "conflict diamonds".

In July, 61 suspects, including eight men from Colombia and Venezuela and a number of local accomplices, appeared before a **Freetown High Court** on charges of smuggling illegal drugs into the country. The court appearances followed the seizure of a **Venezuelan-registered aircraft** on July 13, when it crash-landed unannounced at Sierra Leone's international airport. The plane, which was abandoned on the runway, was said to be carrying 600kg of cocaine, worth an estimated \$54m, as well as automatic rifles and ammunition.

Adeyormie Sandy, head of the **Sierra Leone Investment and Export Promotion Agency**, has called on the government to ban the 2006 **Warner Brothers** film, *Blood Diamond*. The film, he says, damages Sierra Leone's image and its effort to attract international investors. Sandy had apparently not checked to see how many international investors go to the cinema while visiting Sierra Leone. He may also not have noticed that the film has already left most international cinemas, video stores, and even pay TV. His demand recalls the Australian government's ban on a **Barry Humphries** book in the 1970s. The ban drew so much attention worldwide that Humphries, the Australian comedian a.k.a. **Dame Edna Everidge**, asked if Australia would also please ban his next book. Sandy's call, picked up by **Agence**

France Presse, has been widely reported everywhere. When contacted by *Other Facets*, Warner Brothers had no comment on the welcome publicity for its film.

In September, a 478 carat diamond was recovered from the **Letseng Mine** in Lesotho. According to the company, the diamond has the potential to yield a 150 carat cut stone of the very best colour and clarity, and could sell for tens of millions of dollars. Such a stone would be significantly larger than the 105 carat **Koh-i-Noor** diamond, now part of the British crown jewels.

Also in September, the *Times of India* reported that two diamond smugglers had been arrested in Surat after several visits to the city. **India's Directorate of Revenue Intelligence** recovered diamonds from three different polishing units. **Youssef Osseily** of Lebanon and his maternal uncle, **Robai Hussain** of Guinea, were charged with possession of diamonds without the required Kimberley Process documentation. The diamonds, worth \$660,000, were said to have originated in Zimbabwe and to have reached India via Tanzania and Dubai.

Writing in the September 25 edition of *Diamond Intelligence Briefs*, longtime diamond industry-watcher **Chaim Even-Zohar** weighed in on the issue of Venezuela: "There is one law for Venezuela. There is apparently another one for…the rest of the world…If the next KP Plenary Meeting fails to address the issue, it should adopt a motion declaring itself 'irrelevant'."

US TOUGHENS DIAMOND REGULATIONS

In response to recommendations from the Government Accounting Office and elsewhere, the U.S. Treasury Department announced two important amendments to the Clean Diamond Trade Act in May. The first states that U.S. Customs will not release a shipment of rough diamonds, no matter how small, without the formal entry documents.

The second amendment requires all rough diamond importers and exporters in the U.S. to file an annual report by April 1 of the year following the reported period. The report must include contact information regarding the identity of the importer or exporter and the total amount of activity in rough diamonds for the year. This must include the total amount of carats of each classification of rough diamonds imported and exported, the total number of import and exported shipments and information on remaining stockpiles or rough diamonds as of the end of the reporting year, both in the number of carats and approximate value. The first report for the calendar year 2007 was due on September 1, 2008.

Failure to file the annual report can expose a rough diamond importer or exporter to a civil fine of \$10,000 for each instance of non-compliance, or criminal penalties of up to \$50,000 in fines and 10 years imprisonment.

The new regulations will enhance U.S. data gathering and reporting, and will make it much easier for U.S. authorities to track diamond flows into and out of the United States. Cecilia Gardner, President and CEO of the Jewelers Vigilance Committee and Director of the US Kimberley Process Authority said, "This effort to improve the data gathered on imports and exports of rough diamonds will further strengthen the US industry's efforts to end the trade in conflict diamonds."

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Sierra Leone: A New Era of Reform?

The International Crisis Group issued a new report on Sierra Leone at the end of July, entitled Sierra Leone: A New Era of Reform? The question mark is cautiously intentional. The ICG report says that Sierra Leone has made much progress since the civil war ended in 2002, but a number of social and economic time bombs must still be defused to ensure an enduring peace. The 2007 elections, in which Ernest Bai Koroma won the presidency and his All People's Congress (APC) wrested the parliament from the ruling Sierra Leone People's Party (SLPP), gave legitimacy to the electoral process. The world's media, in fact, ignored Sierra Leone's peaceful transition, which in many was bigger news than the violence that followed elections this year in Kenya and Zimbabwe, where old parties simply refused to accept the results.

In Sierra Leone, the ICG report says, Koroma's reform agenda promises but must overcome much big challenges. The majority of population lives in abject poverty, and an ever-growing army of unemployed, socially alienated youth is a perennial threat to security. Patronage networks and identity politics (a nice term for tribalism), though evolving, continue to constrain government decisions. The new government faces a fundamental political challenge in building public confidence in its agenda, while donor support to post-war reconstruction is gradually scaled down. It needs to do more than call for "attitudinal change" and a renewed "social contract" if it is to improve accountability and combat corruption.

The report says that the new president has exacerbated regional political rivalries bv dismissing numerous functionaries appointed by previous administration replacing them with APC-supporting northerners. Returnees from the sizeable overseas diaspora, a major source of campaign election money, contributed to the pressure on him to reward party faithful with government jobs. Koroma nevertheless has sought to fulfil his promise to run government "like a business concern". He has streamlined the ministerial system, put civil service reform back on the political agenda and required ministers to sign performance contracts whose targets they must meet to keep their jobs. The ICG report is available at http://www.crisisgroup.org/home/index.cfm?id=5608&l=1

BOOKS

The Heart of the Matter, Graham Greene, Penguin Classics, 2004, 288 pages, US\$16.00

2008 marks the 60th anniversary of the publication of Graham Greene's The Heart of the Matter. Set in Sierra Leone during the war years, it tells the story of a passed-over colonial police officer struggling with his Catholic beliefs against a backdrop of infidelity, corruption and dishonour. In order to send his unstable wife on a holiday, the central character, Scobie, takes a "loan" from a Syrian trader who has a sideline in diamonds. As if the obvious compromise here is not enough, Scobie embarks on an affair with a young shipwreck survivor, ensuring that his downward spiral will be complete.

This was Greene's 12th novel, and like many others that were set in hot, tropical backwaters, it has a strong sense of time and place – perhaps because it recalls Greene's own posting to Sierra Leone as an intelligence officer during the war. Although it is less well known than some of his books – *The Quiet American, Our Man in Havana or the Third Man – The Heart of the Matter* is arguably one of his best.

In a single paragraph written in 1948, Greene unwittingly captured a refrain heard from diamantaires over the decades: "Oh, the diamonds, diamonds, diamonds, Yusef wearily complained. "I tell you Major Scobie, that I make more money in one year from my smallest store than I would from diamonds. You cannot understand how many bribes are necessary. Diamonds are the novel's leitmotif, and this quotation was used in Partnership Africa Canada's very first report in 2000 on conflict diamonds, The Heart of the Matter: Sierra Leone,

Diamonds and Human Security. The title and the quotation highlight the unfortunate role that diamonds have played in the country's difficult history.

The Heart of the Matter was made into a film in 1953, and unusually - at a time when film crews rarely ventured into colonial Africa – this one spent a lot of time on location in Sierra Leone. Greene's overwrought struggle with his own Catholicism doesn't translate very well on screen after half a century. Even Scobie's 19 year-old mistress says she doesn't understand it. But the film offers a fascinating look at a colonial Freetown a few vears before independence: all neat and tidy, with "boys" rushing after "masters" who are little more than unhappy second-rate civil servants trapped in a hostile environment. The tag-end of empire displays no sense of its impending conclusion, but the book and the film beg a question about how it was ever sustained for so long.

The film starred Trevor Howard and several actors who would make their mark in the 1960s and 1970s: Maria Schell, Denholm Elliot, Peter Finch. There is KP connection in the film as well. It was directed by George More O'Ferrall, father of Rory More O'Ferrall who recently retired from De Beers and from the Kimberley Process in which he was a central player. George More O'Ferrall had first visited Sierra Leone on his way to India on a troopship, and was fascinated by it, which explains why so much of the film was actually shot in Freetown. Coincidentally, Rory did his diamond apprenticeship in Sierra Leone during the 1960s, a time when the diamond world - in hindsight - looked like a more innocent place. The Heart of the Matter reminds us that it was not.

OTHER FACETS

Other Facets, a periodic newsletter about the international effort to end diamond-related conflict, is a publication of Partnership Africa Canada. Views expressed in Other Facets are those of the authors and editorial staff alone.

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

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