OTHER FACETS

NEWS AND VIEWS ON THE INTERNATIONAL EFFORT TO END CONFLICT DIAMONDS

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VENEZUELA DROPS OUT The Withdrawal Method

In October, a large Kimberley Process delegation visited Venezuela to discuss the country's continued participation in the Kimberley Process. Venezuela, a mid-size diamond producer, has recorded almost no diamond exports in four years, and no imports at all, despite export data to the contrary from other countries. A 2006 investigation by Partnership Africa Canada, which exposed Venezuelan smuggling and KP non-compliance, led to almost two full years of paralysis on the issue within the Kimberley Process. While NGOs, the diamond industry and some governments called for Venezuela's expulsion, other governments continued to hold out hope that Venezuela might be rehabilitated. Because the KP works on a consensus basis, even one objection meant there can be no forward movement.

At the Intersessional Meeting in June 2008, Venezuela announced that it would "withdraw" from the KP. This was later clarified to mean that it still wanted to be a member, but that it would cease all imports and exports for two years while it reorganized its diamond industry. This was not exactly new: Venezuela had pretended for years that there were no imports and exports, despite evidence in the PAC report and from other sources that diamond mining and smuggling continued.

The October KP visit to Venezuela, led by India – the Kimberley Process Chair in 2008 – included representatives of the Chairs of every KP working group and a senior industry representative. Several governments agreed that the exclusion of civil society from the mission rendered it bogus, but that did not prevent a fulsome description by the team leader to the KP Plenary in New Delhi, repeating almost all that Venezuela had told the team. Details of an irrelevant side trip to a hydroelectric project (the team's only foray outside of Caracas) were omitted.

Venezuela's "withdrawal" is a polite diplomatic fiction designed to cover up the criminality of on-going diamond smuggling from Venezuela into the legitimate stream, and to veil the Kimberley Process's inability to get tough on non compliance.

Now come allegations that at least some Venezuelan diamonds have been channelled through Panama. The President of the **Panama Diamond Exchange**, writing to the Secretary-General of the **World Federation of Diamond Bourses** in July 2008, named an individual who had allegedly been dealing in a "large amount of rough diamonds originated in Venezuela" "for the past ten years". Neither the letter nor its contents were submitted by the diamond industry to the Kimberley Process, either in the context of the on-going debate about Venezuela, or in the context of Panama's current application for membership in the KPCS.

GUINEA COUP Something New or Déjà vu?

Following the death on December 22 of Guinea's long-time strongman president, **Lansana Conté**, a military coup took place under the leadership of **Captain Moussa Dadis Camara**. Conté, Guinea's second president in the 51 years since it achieved independence from France, had presided over a relatively peaceful but extremely impoverished country, one increasingly fraught with corruption and economic instability.

'In 1995, only 40 percent of the population lived on less than a dollar a day. Today it is 55 percent', said **Cellou Dalein**, a former prime minister under Lansana Conté and now head of the opposition Union of Democratic Forces in Guinea (UFDG).

Only days after taking power, the new government temporarily shut down all mining operation in Guinea, saying that it would open negotiations with mining companies 'within the coming days' and would work towards 'an advantageous collaboration for all parties.' **Rio Tinto, Alcoa Inc.**, Russia's **UC RUSAL**, South Africa's **AngloGold Ashanti Ltd**. and others were told that their existing contracts with the government would be re-evaluated. Coup leaders also said they would mount a crackdown on corruption and would hold democratic elections within two years.

Guinea produces 10% of the world's bauxite, and is believed to hold some of the world's largest reserves of iron ore. Bauxite sales account for nearly 20% of the country's gross domestic product.

After bauxite, diamonds are Guinea's second largest export. The bulk of formal sector diamond mining is undertaken at the **Aredor Diamond Mine**, near Macenta. Vancouver-based **Trivalence Mining Corporation** has an 85% share in the Aredor operation, which is based on alluvial mining. The company has also been exploring kimberlite potential in Guinea. Most of Guinea's diamond production, however, is produced by artisanal workers from alluvial workings.

A **Kimberley Process** review team visited Guinea in mid-2008, and found that administration of the country's KP-related regulations was weak, at best. Corruption in the sector was obvious and rampant, and Guinean authorities had no way of verifying where most of the diamonds that were being presented for export had actually come from.

ZIMBABWE DIAMOND ATROCITIES Kimberley Process not Interested in Human Rights

The government of Zimbabwe, no stranger to violence, has killed dozens of artisanal alluvial miners in order to clear them from the country's diamond fields. Urgent requests for action from NGO and industry observers in the Kimberley Process, supported by several governments and the European Union, have fallen on deaf ears.

In November, the armed forces of Zimbabwe used force to clear diamond miners away from the Chiadzwa diamond fields. Media reports said that more than 50 people were shot and killed, many of them from helicopters. The matter has been condemned by Zimbabwe Lawyers for Human Rights and many others. The international media are now calling diamonds from Zimbabwe "blood diamonds".

In addition, media reports and statements from Zimbabwe Central Bank Governor Gideon Gono speak of large volumes of Zimbabwe diamonds being smuggled to other countries in contravention of the KPCS. Two smugglers arrested in India in 2008 were said to be carrying more than \$600,000 worth of Zimbabwe diamonds. A woman recently arrested in Dubai with smuggled diamonds was a Zimbabwean citizen. Evidence mounts that Zimbabwe is no longer able to control a significant proportion of its diamond exports.

There is an additional concern. According to the statistics it has submitted to the KP, the Zimbabwe authorities are holding an unusually large stockpile of unexported diamonds, amounting to 1.3 million carats. At current per carat averages, this could have a very high market value. Nobody knows whether this stockpile remains intact, and there are worries that some of it may have been used as barter for weapons and other imported goods.

NGOs say that all of this reflects badly on the Kimberley Process, which was designed to halt conflict diamonds through an international regulatory regime based on internal controls in each participating country. If the enforcement of regulations leads to human rights abuse and indiscriminate extra-judicial killing, this is little better than the problem the KP seeks to end. And if a country cannot, even using these tactics, control the illegal export of its diamonds, the Kimberley Process must take action.

NGOs, industry and some governments have argued for a strong statement from the Kimberley Process condemning the violence, and some have argued for Zimbabwe's expulsion. Zimbabwe's most notable remaining friend in the region, however, argues that the Kimberley Process is not a human rights organization, and the 2008 Chair, India, said it would not issue any statements on any subject without full KP consensus. With Zimbabwe as a member of the KP, protected by at least one of its neighbours, that consensus would have been unlikely, even if the Chair had taken steps to seek it.

IS CONGO BURNING? Yet another Resource Conflict

Renewed fighting last August in the Kivu provinces of DRC has escalated in recent months, mainly the work of the Congrès National pour le Défense du Peuple (CNDP), led by Laurent Nkunda. An estimated 250,000 people have had to flee their homes, experiencing appalling atrocities, including mass rape which has long been seen as a "weapon of war" in the DRC. This latest wave of refugees joins an estimated one million others who have suffered the consequences of the instability in the Kivus. Nkunda claims that the conflict is about defending the Tutsi community from the threat of Rwandan Hutu rebels based in the DRC.

Much of the conflict, however, is about control of the Kivus' precious minerals, cassiterite (tin ore), gold, coltan (an essential component of mobile phones) and wolframite (from which tungsten is derived). It is no surprise that the illicit exploitation of these minerals has allowed the conflict to persist over several years. The issue may be further exacerbated by China's growing interest in mineral resources in the region.

DRC currently has one of the largest UN peacekeeping contingents in the world, with 7000 troops in the Kivus and another 3000 recently promised, but it remains to be seen how effective such a small number can be. In December, the UN Security Council passed two resolutions renewing its arms embargo on the region and aiming to end the illicit trade in natural resources. It is not clear how effective these measures will be.

It also remains to be seen what impact the January arrest of Laurent Nkunda will have on the conflict. Although diamonds are not yet a part of the current conflict, it demonstrates that the time for the Kimberley Process has not passed, and it is a not-so-gentle reminder that the KP cannot wait to tighten its controls until diamonds are once again being bartered for weapons.

Global Witness has produced a recent report on the issues, available at

http://www.globalwitness.org/media_library_detail.php/ 681/en/recommendations.

The text of the UN resolutions is available at <u>http://www.un.org/Docs/sc/unsc_resolutions08.htm</u>

KP PLENARY MEETS IN INDIA Venezuela "Settled"

The Sixth Plenary Annual meeting of the Kimberley Process took place in November in New Delhi, attended by 42 (out of 49) participants, and by World Diamond Council (WDC) and Civil Society delegations, the latter with representation from Belgium, Canada, the Democratic Republic of the Congo, Guinea, Liberia, the Netherlands and U.K..

One of the main achievements, as noted elsewhere in this edition, was resolution of the status of Venezuela. In October, the KP finally sent a "high-level delegation" to find facts in Venezuela (notably and regrettably with civil society representation excluded). In the end, the delegation reached the same conclusion as Partnership Africa did in its November 2006 report: Venezuela is unable to comply with KP minimum standards or even with its own laws on the regulation of rough diamonds. With effect from December, Venezuela has been effectively removed from the Kimberley Process Certification Scheme (KPCS), although where its smuggled diamonds end up remains anybody's guess.

In their opening remarks to the KP Plenary, Eli Izhakoff (WDC) and Ian Smillie (PAC) reminded participants that the Kimberley Process is a unique tripartite alliance between government, civil society and the business community, one that came together to eliminate conflict diamonds and their disastrous humanitarian consequences. The accomplishments of the KP thus far have been achieved, they said, through this important tripartite collaboration, and it must remain the centerpiece of KP discussions and decision making.

Other Business

A call from the NGO and industry coalitions to include the cutting and polishing centers in the KP monitoring system was ignored, but progress was made on a number of other issues, including a new set of "interim measures" that can be applied when a country is in a state of sustained noncompliance. Long demanded by civil society and industry, and long-debated, these measures will act as an early warning system, with progressive steps in advance of a country's full expulsion. The Working Group on Artisanal Alluvial Production agreed to a working relationship with the Diamond Development Initiative (DDI), and the Mano River Union Civil Society Platform was announced, a new regional NGO initiative for KP compliance-watching in Sierra Leone, Guinea, Liberia and Côte d'Ivoire. It was also agreed that there would be more rigorous follow-up on KP monitoring and statistical analysis.

In January 2009, Namibia took over the Chair of the KP, and Israel became the Vice Chair. Official documents of the Kimberley Process Meeting in New Delhi, are available at : <u>http://www.kimberleyprocess.com/</u>.

RALPH HAZLETON



On December 30, our good friend and colleague Ralph Hazleton died in Ottawa of a massive heart attack. He had been in fine form and had celebrated his 70th birthday only the day before.

Ralph was a man of great principle and dedication. Not long after completing a PhD in economics, he left his native United States in protest against the war in Vietnam. The US's loss was Canada's gain. Ralph worked for many years in the field of international development, among others with World University Service of Canada and CARE. With CARE, his work took him to some of world's toughest locations. He worked for a time in Liberia during its worst moments, and he ran CARE's operation in Goma at the height of the Rwanda genocidaire exodus.

He left CARE and "retired" about ten years ago after a heart bypass operation, but he quickly became bored, and when Partnership Africa Canada asked if he would like to work on the diamond issue in Sierra Leone, he jumped at it. Ralph co-authored PAC's first diamond study, *The Heart of the Matter: Sierra Leone, Diamonds and Human Security*. He represented PAC at the very first Kimberley Meeting in South Africa in 2000 and at the UN later that year, and he went on to author several other PAC studies of the diamond industry. He was one of the pioneers in the conflict diamond campaign, and was one of the architects of the Kimberley Process that now regulates the world's rough diamond trade.

We at PAC remember Ralph Hazleton as someone who worked for a better world, and as a friend who will be greatly missed. Number 29

BOOKS

Dust from our Eyes: An Unblinkered Look at Africa, Joan Baxter, Wolsak and Wynn, 2008, 429 pages, Can\$19.00

Hemingway once said that as a reporter he had always been sent by editors to find answers to the questions what, when, where and who, but never why. Joan Baxter has spent 25 years living in and reporting on Africa, and in her new book she confronts all of these questions, but her emphasis is on why. She visits countries that seldom make Western headlines - Mali, Burkina Faso, Sierra Leone, Cameroon - delving deep into their histories and culture, and into their relationships with outsiders. The book's theme is perhaps best summed up in a quote Baxter takes from Lewis Lapham: "The makers of American foreign policy don't have much talent for fostering the construction of exemplary democracies; [we are] drawn to dictators whom we hire represent our freedom-loving to commercial interests."

Baxter weaves chapters on gold, diamonds and coltan with others on cotton and the unrequited hopes of a "green revolution". She does not dwell on conflict diamonds, but describes their legacy in Sierra Leone with brutal honesty. There probably isn't a more concise or emotive description anywhere of the poverty, danger and squalor that surround artisanal diamond mining today. The wars are over, she says, but "does that mean they are *peace* diamonds? Ethically produced?"

Baxter travels in Africa not as a voyeur, but as someone who sees its charms and respects the culture, the customs and the traditions that have helped it to contend with its long and brutalizing relationship with outsiders, and with modern times.

Legal Timber: Verification and Governance in the Forest Sector, David Brown et al, Overseas Development Institute, London, 2008, 331 pages, £19.95

This book is about timber but it will have resonance for Kimberley Process participants and those who seek to make the Kimberley Process more effective. OTHER FACETS Page 4

The book investigates a topical issue in international forest policy: how to verify the legality of traded timber in ways that will satisfy both the commercial interests of producer states and the social and environmental concerns of civil society and consumers.

The House at Sugar Beach: In Search of a Lost African Childhood, Helene Cooper, Simon & Schuster, 2008, 354 pages, US\$25.00

Here is a poignant and beautifully written memoir about growing up rich, spoiled and oblivious in a failing nation. Helene Cooper, diplomatic correspondent for the *New York Times*, looks back and describes – through her eyes as an African child – how Liberia and an idyllic childhood fell to pieces.

MEDIAWATCH

A 478 carat white diamond was produced last year by Lesotho's **Letseng Mine**. According to **Diamond Intelligence Briefs**, the diamond, which has been named **Leseli La Letseng** (Light of Letseng), is the 20th largest ever recovered and could yield a D flawless diamond of up to 300 carats. This would make it the largest diamond of its kind since the production of the British crown jewels.

JCK surveys in the United States before Christmas found that the deepening U.S. recession, along with the credit and banking crises, had impacted more than half of the businesses in the North American jewellery industry, including retailers, manufacturers and suppliers. Most in the industry expect it to get worse over the next year or so, before it gets better.

In December, India's Gems & Jewellery Export Promotion Council appealed to the Indian government to provide "urgent and immediate interim relief" to prevent the loss of 25 to 30 percent of its labour force due to "recession-enforced layoffs."

The **Israeli diamond industry** reported an 11.8% decrease in polished diamond exports in 2008 over 2007, a significant number when the late onset of the economic downturn is taken into consideration. The impact is expected to be severe in **African producing countries** as well. The dramatic fall in

platinum, gold, copper and oil prices will all take a toll on African employment and on tax revenues. In **South Africa**, the mining industry employs 500,000 people and constitutes almost eight percent of the country's GDP.

Meanwhile, in Canada, **De Beers** announced that it will shut down its Snap Lake diamond mine in the Northwest Territories for ten weeks in 2009 in an effort to conserve cash. A six-week shutdown will take place during the summer, and a second, four-week shutdown will take place in December.

In a mid January report, RBC Capital Markets said it expected the diamond market to worsen before it would improve. The report said that disappointing Christmas sales and high debt levels in cutting centres would continue to depress prices. It also said that an ongoing investigation into some major diamond firms in Antwerp over allegations of transfer price and tax irregularities has further limited liquidity. "Debt levels in cutting centres remain stubbornly high at around \$15 billion. This is likely to persist in the near term as slow final jewellery demand will limit the cash flowing back to cutters and polishers as customers are slow to pay off credit. In India this will probably cause some bankruptcies among cutters," the report said. It warned that until final jewellery demand bottoms and liquidity improves, prices will remain depressed.

Diamond industry travails do not mean that people have lost interest in diamonds. In December, four armed men held up the fabled **Harry Winston** jewellery store in Paris and made off with sacks of emeralds, rubies and, according to the *New York Times*, "chunky diamonds the size of tiny bird eggs valued at more than 80 million euros, or US\$105 million."

OTHER FACETS

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