

MINI GUIDE

UNDERSTANDING THE PROCESSES THAT BAN CONFLICT DIAMONDS



BACKGROUND AND HISTORY OF CONFLICT DIAMONDS

■ In the late 1990s, the world became aware that certain rebel movements in Africa were selling, among other things, diamonds illegally traded to fund conflict against legitimate and internationally recognized governments.

As awareness of these conflict diamonds grew, aided, in part, by the efforts of non-governmental organizations (NGOs) such as Global Witness, the industry became increasingly concerned about the grave human suffering being caused by several rebel organizations.

Even though conflict diamonds represented a very small proportion of the world's trade (4%), the diamond industry recognized the clear moral imperative to act decisively on the issue and galvanized its members to present a united front in the campaign to stop the trade in conflict diamonds. Because of these efforts and as announced by Kimberley Process authorities in 2004, well over 99% of the world's diamond supply is certified to be from sources that are free from conflict.

THE KIMBERLEY PROCESS

■ In 2000, a joint initiative was begun by governments, the international diamond industry and NGOs to ensure diamonds were not used to fund rebel activities. The initiative became known as the Kimberley Process and was immediately supported by the United Nations General Assembly. This was the first time a global industry of any kind had cooperated with the UN, governments and NGOs to address an important humanitarian issue.

On November 5, 2002, fifty-two governments ratified and adopted the Kimberley Process, an initiative intended to rid the world of diamonds illegally traded to fund conflict. Today, 68 governments, in partnership with NGOs and the diamond industry, are committed and legally bound to the UN-mandated process.

ROUGH DIAMOND EXPORTS

■ Under the Kimberley Process, each shipment of rough diamonds being exported and crossing an international border is required to be transported in a tamper-resistant container. This is accompanied by a government-validated Kimberley Process Certificate assuring the diamonds are certified to be from sources free from conflict. Each certificate must be resistant to forgery, uniquely numbered and include data describing the shipment's content. The shipment can only be exported to a co-participant country in the Kimberley Process. No uncertified shipments of rough diamonds will be permitted to enter a participant's country.

The Kimberley Process requires participant countries to institute internal controls so that when diamonds move to the point of first export, they are protected.



RE-EXPORTATION OF ROUGH DIAMONDS

Any rough diamonds being re-exported will also require a Kimberley Process Certificate, which will be issued by the exporting country. These re-exports can be comprised of any combination of rough diamonds that have been previously imported and certified through the Kimberley Process.

THE SYSTEM OF WARRANTIES

The diamond industry also adopted a System of Warranties to assure consumers of the origin of their diamonds. Under this system, which has been endorsed by all Kimberley Process participants, every buyer and seller of polished diamonds and jewelry containing diamonds must make the following assurance statement on all invoices:

"The diamonds herein invoiced have been purchased from legitimate sources not involved in funding conflict and in compliance with United Nations resolutions. The seller hereby guarantees that these diamonds are conflict free, based on personal knowledge and/or written guarantees provided by the supplier of these diamonds."

■ In addition, each company trading in rough and polished diamonds is obliged to keep records of all warranty invoices issued and received when buying or selling a diamond. These warranties must be audited and reconciled on an annual basis by the company's own auditor. If asked for by a duly authorized government agency, these records must be made available to establish that a company buying or selling diamonds is in compliance with the Kimberley Process and the System of Warranties. Under this system, it would be considered a violation to issue a warranty assurance statement on any sales invoice unless it can be corroborated by warranty invoices for purchases. You have the responsibility to require written assurances from all diamond and diamond jewelry suppliers that these vendors subscribe to the System of Warranties and you should ensure that the System of Warranties Assurance Statement described earlier appears on every invoice received from your vendors.

THE CLEAN DIAMOND TRADE ACT

■ Each country participating in the Kimberley Process must have a corresponding law in place, which enforces the need for KP certification upon export and import into that country. The Clean Diamond Trade Act is the United States' corresponding law that was passed in 2003. This Act requires annual reviews of the standards, practices and procedures of any entity in the United States that issues KP certificates for the import and export of rough diamonds.

THE U.S.A. PATRIOT ACT

■ Further ensuring the legitimacy of the diamond supply is a provision in the Patriot Act where dealers in precious stones or jewels are required to have established anti-money laundering programs to detect attempts to launder money and finance terrorism through businesses.

Critical to the success of these programs is your knowledge of the identity of your business partners and your ability to monitor your transactions in order to establish their legitimacy. Compliance with the Kimberley Process and System of Warranties go hand in hand with setting up such programs to comply with the Patriot Act.

With these processes in place you can tell your customers that your diamonds come from legitimate sources and furthermore, are free from links with terrorist organizations.



THE DIAMOND DEVELOPMENT INITIATIVE (DDI)

■ The Diamond Development Initiative (DDI) was organized to build on the important work of the Kimberley Process. While the Kimberley Process addresses the trade of rough diamonds, the DDI seeks to address the production of rough diamonds in some of the poorest countries in Africa. These countries have a prevalence in artisanal mines.

Unlike the more traditional closed and regulated mines found in South Africa, Botswana and Namibia, artisanal mines are found on river beds where diamonds have been washed up from great depths, close to the surface where they can be mined using hands or simple tools. By their very nature, these areas are vulnerable to exploitation.

The focus of the DDI will be the creation of a multilateral partnership that will allow interested parties to pool their resources, experience and knowledge, and to integrate various initiatives that are being developed in this field. These parties include but are not limited to, governments, NGOs, donors, and industry and development organizations.

This partnership could achieve real change. By bringing artisanal alluvial diamond mining into the formal sector, there could be the establishment of free and open markets for these diamonds. These steps are intended to create major benefits for artisanal mining communities and governments alike, and the diamond industry at large.

DIAMONDS AND ECONOMIC DEVELOPMENT

■ The international diamond industry employs some 10 million people directly and indirectly, many in third world and developing countries. Diamonds, like other natural resources, are vital to the economic development of a number of countries in Africa and elsewhere in the world.

The vast majority of the world's diamonds come from sources that aid development and provide sustainable employment. When governments assure good governance and appropriate laws, diamonds are a vital source of revenue for the building of infrastructure and essential social services.

The measures agreed on by the industry within the Kimberley Process are designed to protect all countries with diamond interests, whether they be producing, processing or consuming nations. Well over 99% of the world's diamond supply is certified to be from sources that are free from conflict.

To view more information on the diamond industry, and find helpful tools to better explain the Kimberley Process and System of Warranties to your sales staff and customers, visit our website at www.diamondfacts.org.

For more information about the Kimberley Process please visit www.kimberleyprocess.com.



WORLD
DIAMOND
COUNCIL

WORLD DIAMOND COUNCIL IN ALLIANCE WITH THE
FOLLOWING U.S. ORGANIZATIONS:
JEWELERS VIGILANCE COMMITTEE, JEWELERS OF
AMERICA, AMERICAN GEM SOCIETY, MANUFACTURING
JEWELERS & SUPPLIERS OF AMERICA, DIAMOND
DEALERS CLUB, DIAMOND MANUFACTURERS &
IMPORTERS ASSOCIATION OF AMERICA, JEWELRY
INFORMATION CENTER