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AFRICA'S DIAMONDS: PRECIOUS, PERILOUS TOO?

HEARING

BEFORE THE

SUBCOMMITTEE ON AFRICA

OF THE

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INTERNATIONAL RELATIONS
HOUSE OF REPRESENTATIVES

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AFRICA'S DIAMONDS: PRECIOUS, PERILOUS TOO?

TUESDAY, MAY 9, 2000

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON AFRICA,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:15 a.m. in room 2172, Rayburn House Office Building, Hon. Ed Royce (Chairman of the Subcommittee) presiding.

Mr. ROYCE. This hearing of the Africa Subcommittee will come to order.

Over the last year, increasing attention has been given to the issue of conflict diamonds in Africa, that is, diamonds that have been mined by rebel groups who use the proceeds to wage war. The countries primarily suffering from this misuse of their resource are Sierra Leone and Angola. In the Democratic Republic of Congo diamonds illicitly being mined by rebel groups and warring countries are helping fuel a multistate conflict. There are some seven countries involved in war in that region.

While this and Africa's all too many other wars are occurring for numerous reasons, diamond revenues raise the stakes, while making these conflicts more deadly by funding otherwise unaffordable weapons purchases abroad. With this realization, the United States and the international community have been working to take diamonds out of the African conflict equation. The G–8 has agreed to look at ways to better control the international diamond trade while the State Department has been working with De Beers and others in the industry to see that diamonds do not undermine conflict resolution efforts in Africa.

Legislation passed just last week by the House requires that the administration report on how Sierra Leone's neighbors, including Liberia, are cooperating in stemming the illicit flow of diamonds from Sierra Leone. While proceeding with remedies which are needed, it is important that these gems do not become stigmatized in the minds of potential diamond jewelry buyers, half of whom are Americans. The vast majority of diamonds, 90 percent, originate in countries with well-regulated diamond mining and distribution systems. Moreover, diamond resources in some producer nations, including Botswana, Namibia and South Africa, are important and even critical to these nations' development.

Diamonds account for two-thirds of government revenue in Botswana, the world's largest producer of gem diamonds. In acting on the challenge of conflict diamonds, all interested should be very

aware of potential collateral damage to producer nations, which Nelson Mandela warns against and warned against last year in testimony.

This hearing is designed to better understand conflict diamonds and the proposals surrounding them. We are doing so against the backdrop of more death and destruction in Sierra Leone, death and destruction being perpetrated by RUF leader Foday Sankoh. Under the administration-backed loan-lease agreement, Sankoh, who gained notoriety for the RUF's policy of chopping off the limbs of little boys and girls—and it is important to note there has been 10's of thousands of amputations so far in Sierra Leone—he is to head a national commission charged with diamond mining operations and revenues in Sierra Leone. I have repeatedly expressed grave concerns about this policy and cannot support on moral or political grounds putting Foday Sankoh into what was a democratically elected government. The human rights groups, in my view, were right to condemn this deal in the first place.

Pragmatism has its limits, especially when it fails. So I look forward to hearing from the Administration on how it plans to pick up the pieces in Sierra Leone where the U.N. operation is on a lifeline.

I will now turn to Subcommittee Members for any statements.

[The prepared statement of Mr. Royce appears in the appendix.]

Mr. Meeks.

Mr. MEEKS. Thank you Mr. Chairman. They often say diamonds can be your best friends, but that's a statement that cuts like a double-edge sword. On one side they are a means of survival for many citizens who risk their lives and limbs in order to mine them by working in the mines or by chance find them in the river banks, as a chance to provide food and shelter for their families. On the other side, to have them, they are ways for control and power.

I have been thinking about this issue with reference to diamonds that we have in areas like Sierra Leone in the war that has gone on, and I am always so mindful of the history of that area. For a long period of time, for at least almost a century that Sierra Leone was controlled, well, colonized, and diamonds was a way for the colonial powers to hold wealth and the people never had an opportunity to benefit from any of its natural resources. Those resources always seemed to have been going out of the country.

Then came the era of independence, and when you have the era of independence, those same people who saw these diamonds as a mechanism of finally having and achieving something that they did not have under colonization; and so therefore you have had for the past 25 years, for example, the middle of the civil war, the fight for these diamonds which is, first, is a fight for power; and second, it is a fight for wealth. I am sometimes mindful of the early beginnings of independence with reference to this country and some of the things that were going on initially with some of the corruptness that took place, and I just feel that there has got to be a way to find a mechanism to make sure that everybody fits into this equation.

We know we talk about the rebels and we talk about the government, but as long as you have a country that is divided and split

as it is and no one feels that they are able to fit into the equation, then you are always going to have a kind of violence.

Finally we want to bring an end to the kind of destruction and the civil war within the government. I think that we have got to look at some ways of bringing everybody to the table, legitimizing the entire diamond industry, or otherwise we could be faced for a longer period of time with this kind of fighting that is going on. I know that President Clinton, for example, has talked about going back to Africa again; and we would urge that he visit Sierra Leone along with any of the other western coast nations that are there so that we could have a—and take a very serious look at all of the players and try to decide and see how we can make everyone feel a part of this, because I think that is the only way that we are really going to come to a resolution. Otherwise, it will be just talking, troops will always be in danger, and we will never then be fully able to accomplish anything there.

We have got to stop this vicious cycle, and this vicious cycle means that we have to have some true intervention in the sense of legitimizing some of the parties, both rebels and the governments, so that we can make sure they have a mechanism of working together.

Thank you, Mr. Chairman.

Mr. ROYCE. Thank you, Mr. Meeks. We will now go to Ms. Barbara Lee of California.

Ms. LEE. Thank you, Mr. Chairman, and thank you for conducting this hearing, and as yourself and Mr. Meeks has indicated, there are many dimensions to this whole diamond issue that hopefully we will be able to address here. One of the areas that I have always been concerned about and want to learn more about is the whole notion that African countries should be able to develop a diamond industry for African workers and for the African population, and what has happened in the past that has not allowed the creation of a diamond manufacturing industry, for example, in these countries that would allow the employment and economic development of African countries which hold diamonds as a natural resource.

I can remember many times hearing people who were shocked when they went to Africa and wanted to buy a diamond ring for example and found that the diamonds were actually sent out of the country to be cut and to be set and the jewelry actually was not made in Africa. So this hearing, I hope, will at least allow us to ask some of those kinds of questions so we can learn more about that aspect of the diamond industry in Africa also.

Thank you, Mr. Chairman. Look forward to the hearing.

Mr. ROYCE. Thank you, Ms. Lee. We have been joined by Mr. Steve Chabot of Ohio and two other prominent members of the Human Rights Caucus, members who have traveled to Freetown in Sierra Leone, Mr. Frank Wolf of Virginia and Mr. Tony Hall of Ohio; and I am going to go first to Mr. Wolf and then to Mr. Hall for any opening statements that they would like to make at this time. Mr. Wolf.

Mr. WOLF. I thank you, Mr. Chairman, and I appreciate you even inviting me. The Full Appropriations Committee is marking up, and I am going to go off to there; but I want to personally thank

you for holding this hearing and bringing this to the attention of the world and forcing this administration to deal with the problem that they have been negligent and have failed on.

Today, thinking of what is going on with moms and dads in Sierra Leone and in Freetown where they are afraid of their kids being killed and husbands and wives—and when I think of how little this administration has done, whether it be on Sudan, whether it be on Rwanda and now on Sierra Leone—I hope that the Committee can see fit to support Congressman Hall's bill with regard to diamonds, and also I will submit the statement; but I think that a permanent travel ban should be issued by the United States and Europe against the rebels and their families. They ought never to be permitted to enter the United States or by any other Western powers. Bank accounts of the rebels and their families' members in the United States and Europe should be frozen. They should be denied access to these accounts and the future commerce with the United States.

The rebel leaders, Sankoh and others, should be declared war criminals by the United States and other European countries, and the United States and Europe should direct our intelligence and police agencies to actively pursue apprehending rebels who have not disarmed and have been declared war criminals.

Last, the same conditions should be applied to Liberian Charles Taylor and all Liberians who have assisted in the atrocities that have taken place in Sierra Leone. Just look at the news knowing the frightening fear and that 90,000 have been killed, and frankly this administration has done just about nothing.

I thank the Chairman for having this hearing.

[The prepared statement of Mr. Wolf appears in the appendix.]

Mr. ROYCE. Thank you, Mr. Wolf. Mr. Hall.

Mr. HALL. Thank you, Mr. Chairman. Thanks for letting me and Frank Wolf participate today. Twenty years ago, I was on this Committee, and it's a great Committee. I appreciate the work that this Subcommittee does, as well as the Full Committee.

As Congressman Wolf has mentioned, we went to Sierra Leone together in December of last year. Frank and I are good friends. We travel a lot together. This was my second trip to Sierra Leone. I was there 10 or 12 years ago; and as you know, Sierra Leone is an interesting country, beautiful, great people, blessed with tremendous natural resources, diamonds, emeralds, platinum, gold, great soil, lots of rain, wonderful beaches. It could be a gem, but it actually ranks last in the world as United Nations ranks countries, by gross national product, infant mortality rates, etc. It should be maybe No. 1; but because of tremendous corruption and a lack of good leaders over the years, it has gone from bad to worse.

I don't think the United States is going to send troops into the current crisis, but we could help logistically. So what can we do? My feeling is you have to take the profit out of the war. Mr. Sankoh, who Frank and I talked with one night, who we consider to be a very evil man, turned a ragtag group of rebel soldiers into a force of 25,000 to 30,000 people who are well-armed. They are well-armed because they seized the diamond mines, and they have used the diamonds to supply their troops with the latest in arms.

We think our CARAT Act will go a long way in improving this situation. It will take the profit out of this war. This problem also affects Angola. It affects the Congo. It affects Liberia, and until we get a handle on these things, until we let Americans know what is going on, we are not going to stop this violence. This is about the only way the United States can get into this situation, in my opinion.

I want to thank President Haas of the Diamond Dealers Club of New York. They have written me a letter in support of our resolution on this whole situation in Sierra Leone. It is a strongly worded resolution that I hope that this Committee and the Full Committee would consider. The Diamond Dealers Club of New York has endorsed that particular resolution.

I want to thank Ambassador Melrose in Sierra Leone, who is in the middle of something that is very, very difficult. He works very hard. I know he is in touch with my office, and he is working every day, and he stays in touch with all the people over there; and it is almost an impossible situation.

I do hope, though, Mr. Chairman, that we can certainly consider this diamond bill, The CARAT Act. I think it is very, very important. It is not a perfect bill. A lot of people say it won't work. I don't believe that for a minute. I think the diamond industry employs very sharp people, some good business people. A lot of these conflict diamonds, I would say somewhere between 5 and 15 percent, are finding their ways into our country. I think our people ought to know about it so we should protect legitimate businesses in this country and in the world, but at the same time figure out a way to let consumers know that we are not going to buy these conflict diamonds anymore, especially when we buy 65 to 70 percent of all the diamonds in the world.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Hall appears in the appendix.]

Mr. ROYCE. Thank you, Mr. Hall. I also want to acknowledge Ambassador Leigh of Sierra Leone. Ambassador Leigh is with us today, if you will stand at this time. Thank you. Our thoughts and interests are with you today, Ambassador; and we have your testimony, and without objection I am going to submit that for the record. Thank you, sir.

[Ambassador Leigh's statement appears in the appendix.]

Mr. ROYCE. Cynthia McKinney, Congresswoman Cynthia McKinney from Georgia is with us; and I am going to ask if she has an opening statement she would like to give.

Ms. MCKINNEY. Mr. Chairman, I would like to commend you for calling this very important hearing, and I would just like to say that I agree with everything that has been said before me because there is really only one thing that can be said. However, I would like to just make a plea to the African countries, and also Belgium and Israel, to tighten up on the diamond industry and the diamond trade in those countries so that when we deal with them, we can understand that their profits are not at the expense of poor people in Africa and something must be done. I would like at the appropriate time for the Ambassador to speak about what it is that the American Government is doing to press Belgium and Israel in relation to their own activities with the diamond trade.

I would like to commend Ambassador Fowler for the Fowler Report at the United Nations, which took the bold step of naming names and naming countries that were evading the sanctions against UNITA, and finally and most importantly, the efforts that we do here in this Congress to make sure that the United States is on the moral high ground, as it has not been in the case of its relations with Africa.

Thank you, Mr. Chairman.

Mr. ROYCE. Thank you. We are now going to go to our first witness, Ambassador Howard Jeter. I should share with the members that we are also being telecast in Pretoria; and our second panel will testify from Pretoria. So at this time, let me go to Ambassador Howard Jeter, Deputy Secretary of State for African Affairs. He has had a very distinguished diplomatic career. He has served as the U.S. Ambassador to Botswana and special Presidential envoy for Liberia. In addition to his postings there, he has had postings in Lesotho, in Mozambique, in Namibia, and in Tanzania. Ambassador Jeter has been working very hard on this issue and we look forward to your testimony. Thank you.

STATEMENT OF AMBASSADOR HOWARD JETER, DEPUTY ASSISTANT SECRETARY, BUREAU OF AFRICAN AFFAIRS, U.S. DEPARTMENT OF STATE

Ambassador JETER. Thank you, Mr. Chairman.

Mr. ROYCE. Howard, the red button there. Thank you, Ambassador. Also, Ambassador Jeter, if you could summarize your statement, that would helpful.

Ambassador JETER. Mr. Chairman, thank you very much for that very kind introduction, and I have submitted a statement for the record, and I will now give you an oral testimony that pretty much summarizes that.

Mr. Chairman and distinguished Members of the Committee, I am honored and pleased to be here today on the question of what can be done to curb the powerful influence of the illegitimate diamond trade on African conflicts. This is a timely, important gathering on a complex subject that cannot possibly be overlooked or wished away, nor can it be reduced to quick, simple solutions.

Members of Congress, nongovernmental organizations and the media have all in the past year drawn increasing attention to this problem. I commend you, the administration commends you for taking the constructive step of calling us here together today to take account of the scope and nature of the problem, what has to be done to address it and the way forward.

I also wish to commend you for bringing together in today's dialogue several important figures integral to the evolving international debate over conflict diamonds. These witnesses are each dedicated individuals who have thought long and hard about what pragmatic steps make sense.

The central foreign policy challenge we face, Mr. Chairman, is to reconcile two critical imperatives: first, to devise feasible measures to curb the powerful influence on African conflicts of illegitimate diamond trading, both through the tightening of global marketing practices and direct assistance in building capacity to manage the diamond sector in conflicted States such as Sierra Leone; second

and equally important, to ensure we do no harm to the stable market democracies, Botswana, South Africa, Namibia, who depend heavily on gem stone diamond production and international consumer confidence.

Mr. Chairman, I would like to affirm and to affirm emphatically at the outset of this hearing that the administration will take no action in regard to trade in diamonds that puts at risk the national interests and economic welfare of Botswana, South Africa, or Namibia. That is a pledge we have made directly and repeatedly to those governments in our recent consultations in early March in southern Africa.

In the past year, our efforts on conflict diamonds have begun to achieve results. Most notable are the achievements of the U.N. Sanctions Committee on Angola, through the work of Canadian Ambassador Robert Fowler and the Experts Panel; the steps taken by De Beers to guarantee that none of the diamonds it issues at the central selling organization originate in conflict zones; the southern African initiative led by the South African Government and strongly supported by Botswana and Namibia to convene an international conference on May 11 and 12 in Kimberley, South Africa, to weigh options to tighten regional law enforcement, harmonize customs and enhance exchange of information; efforts, Mr. Chairman, by USAID, the diamond industry and the Sierra Leonean Government to lay the groundwork for the creation of the Commission on the Management of Strategic Resources, called for in the Lome Agreement to rationalize Sierra Leone's diamond sector; steps underway by the Belgian Government and the Diamond High Council in Antwerp to tighten the entry requirements of diamonds into the Antwerp marketing center.

Norms and practices are beginning to change in the international diamond industry, in recognition that it is in the industry's best self-interest to be proactive and to be responsible. The U.N. effort led by Ambassador Fowler has redirected international attention to sanctions enforcement on UNITA and has begun to narrow UNITA's options. New dialogues across industry, governments, and nongovernmental sectors have ensued. These, Mr. Chairman, I would submit are all very encouraging developments.

In July 1999, the State Department began to examine the role of diamonds in African conflicts in close collaboration with the British Government through a series of internal studies and consultation. We are still very much in the preliminary investigative phase of our attempt to grasp the scope and the role of unregulated diamonds in Africa.

The immediate impetus of our efforts was the imposition of the U.N. Security Council sanctions on UNITA diamonds in June 1998 and the subsequent establishment of the Experts Panel under the direction of Ambassador Fowler. These Security Council actions were taken out of the recognition that the Lusaka Protocol had failed because UNITA, one of the parties in the conflict, failed to comply with key parts of the Lusaka Protocol. It is estimated that from 1994 to 1998, UNITA's weapons acquisitions were financed by 3 to $4 billion in illicit diamond sales. A potentially stable peace was lost, and Angola returned to a cruel war that had already cost

half a million lives, internally displaced over 3.5 million people and generated over 300,000 refugees.

We were also motivated, Mr. Chairman, by an awareness of how integral illegitimate diamonds had become to ongoing conflict, violent displacement and the death of 10's of thousands of civilians in two other crises zones in Africa, Sierra Leone, and the Congo.

In Sierra Leone, Foday Sankoh's Revolutionary United Front used the proceeds from diamond smuggling to transform itself from a ragtag band of several hundred into a well-equipped force of perhaps as many as 20,000. In the process, the RUF killed an estimated 50,000 Sierra Leoneans, committed thousands of atrocities, generated half a million refugees, and displaced fully one-third of Sierra Leone's 4½ million citizens.

In the eastern Congo, diamonds are integral to the RCD (Congolese Rally for Democracy) and MLC (movement for the liberation of Congo) insurgencies, and their external allies in Rwanda and Uganda. Diamonds that move through underground channels are also integral to the war-making capacities of the Kabila Government and its external allies. The State Department has taken a leading role in raising the international profile of a conflict diamond issue.

Secretary Albright highlighted the arms/diamonds dimension to Africa's conflict and the urgent need to identify feasible measures to address the problem in a September 1999 Security Council ministerial and also at the December G–8 Berlin ministerial on conflict prevention.

In early October 1999, the State Department sponsored an international conference here in Washington with a special focus on the economies of war in Angola, Congo, and Sierra Leone. That was the occasion, Mr. Chairman, to open a direct dialogue with diamond officials in Botswana and from Angola. Soon thereafter, we conducted consultations with executives of the American diamond industry in Washington in November and again last week in New York.

In March, we sponsored a strategic planning exercise for the government of Sierra Leone with the participation of international diamond industry leaders, which resulted in proposals that we believe are realistic and hopefully workable if the situation in Sierra Leone can somehow be stabilized.

In late February and March, I visited southern Africa and Belgium, together with a representative of the United Kingdom. During that trip, at a conference in Gaborone, Botswana, that brought together diamond officials from Botswana, South Africa, Namibia, and Angola, we were able to build a consensus around the twin goals of defining pragmatic measures to combat conflict diamonds while taking special care to do no harm to the stable democracies of Botswana, Namibia, and South Africa.

Mr. Chairman, there is no single fix to the problem of conflict diamonds in Africa. Rather, it is essential that we press ahead simultaneously on multiple fronts and that we recognize that this is a difficult, complex problem that will take a long time to address.

In the coming months, we will actively seek to support progress in the following areas: in followup to Ambassador Fowler's innovative work, a 5-person panel will be appointed in May under the Secretary General's direction to continue investigation of effective

sanctions and enforcement measures on UNITA and to advise the Security Council. We anticipate providing technical assistance as warranted and as welcomed by the southern African states to support initiatives stemming from the Kimberley conference and the subsequent African ministerial meeting planned for July.

We will work with the British and with other G–8 partners to raise the profile of the link between conflict diamonds and development—develop pragmatic means of addressing the problem.

When the situation in Sierra Leone has stabilized, we will continue our efforts to support the establishment of the Sierra Leone commission on the management of strategic resources. Defining lines of authority and a detailed blueprint for the commission are essential next steps.

Mr. Chairman, we look forward to working closely with you, with the Subcommittee, and with members of your staffs in thinking through actions by the Congress which has taken a constructive and proactive interest in this difficult problem.

I thank you for your attention, and I welcome any questions you may have.

[The prepared statement of Ambassador Jeter appears in the appendix.]

Mr. ROYCE. Thank you, Ambassador Jeter.

Let me ask a few questions at this time. Since the Sierra Leone peace agreement was signed last July, the United States and others have been working, De Beers and other diamond companies, to regularize the diamond trade there. Now, we have seen the lethal RUF attacks on peacekeepers in Sierra Leone, and as of this morning there are approximately 500 peacekeepers being held hostage, a number of casualties, a number of deaths, armored vehicles—U.N.-armored vehicles now being manned by the rebels. I want to take this opportunity to ask the administration, after having endorsed and pressured for Foday Sankoh's entry into the government where he now heads the national commission charged with diamond mining operations and revenue, are we ready to change course? Is the United States still committed to seeing Foday Sankoh as part of the solution in Sierra Leone? That is my first question to you.

Ambassador JETER. Mr. Chairman, thank you very much. I think that our first and foremost priority in Sierra Leone at this point has to be gaining the release of the detainees and the hostages that are held by the RUF. A second priority must be to somehow enhance the capabilities of the UNAMSIL force on the ground. One of the problems in Sierra Leone was that as ECOMOG was leaving the country and as UNAMSIL was in the process of deploying, it had not reached its full strength in terms of troop deployments. We are working intensively with the United Nations and with countries in the West African region and beyond to try to address some of these problems.

We are also, as you may know, we have a team of U.S. military now in Nigeria to talk about what might be done by the region in terms of perhaps Nigeria's reentry in Sierra Leone. I think that it is clear that the problem we see in Sierra Leone at this moment was caused by Mr. Foday Sankoh. He has clearly violated the agreement, and we condemn that violation.

Our primary objective now, I believe, however, must be to get the peace process back on track and to do so by strengthening and helping UNAMSIL and first and foremost to get the release of the hostages.

Mr. ROYCE. I think we do need to be focused on that, but what jumped out at me in your written testimony was your reference to continuing efforts to support the Sierra Leone commission on the management of strategic resources when the situation is stabilized; and I just want to make the observation that things are not going to stabilize, at least they are not going to stabilize in the way the administration would like them to, with Foday Sankoh heading the commission. So I think that some new thinking on this crisis is desperately needed.

Let me make the observation that I have written the administration repeatedly on this, noting my grave concern over the consequences and implication of a power-sharing arrangement with the RUF to begin with; and I made the point at that time that in Mozambique, which is perhaps the most successful example of national reconciliation following civil strife in Africa, the government and the rebel organization followed the course of transforming the rebel organization into a political party, which subsequently contested elections and assumed its place in government as then a legitimately elected opposition party. My point was that if the RUF cared about democracy, this course and not a demand for a power-sharing deal should have been acceptable to them, and this is what the administration should have negotiated because, frankly, everything that I suggested would come to pass so far has come to pass; and I must say that I don't think at this point appeasement is going to work with Mr. Foday Sankoh.

I notice in the morning paper, in the Post, Nigeria offers to send reinforcement troops to Sierra Leone; and I would suggest that this offer for additional troops should be encouraged in the strongest terms, including U.S. air lift support which I understand has been announced, though it is unclear how extensive that will be. But I think the time is at hand to do something about the mayhem that is about to befall Freetown again if the international community does not take concerted action.

I would make the observation that in 1995, Executive Outcomes—and we all have concerns about Executive Outcomes—but in 1995 with 200 soldiers and sophisticated equipment they managed to push the RUF out of Freetown and out of the major diamond areas within about a month. They were cheered in the streets of Freetown for their efforts. Freetown is now under siege. How is it that 5,000 U.N. peacekeepers are flailing about now against the RUF, which supposedly has been disarming? I think the answer is they have not been disarming. I would also like to ask you, to the best of your knowledge, how is RUF marketing their illicit diamonds? I have heard some second-hand information. I would like to hear from the administration how they are marketing those diamonds. Thank you.

Ambassador JETER. Thank you, Mr. Chairman. I think obviously the question of what might be done with the commission can only be answered in the context of a restoration of peace and stability in Sierra Leone. We believe that one of the reasons that UNAMSIL

has had difficulties is that there is an unwillingness certainly on the part of the RUF and a demonstrated unwillingness on their part to abandon the diamond producing areas. I think that a restoration of a legitimate diamond sector in Sierra Leone is one of the only ways that we can manage to bring and restore peace to that beleaguered country.

We also see, Mr. Chairman, that we are not prepared at this moment to say that the UNAMSIL, U.N. peace process in Sierra Leone has failed. If you look at the statistics, out of an estimated 30,000 armed combatants, 23,000 of those combatants had been or had voluntarily disarmed, and that represented certainly a measure of progress. There is a perception that individual combatants within the RUF—and this is actually the origins of the current conflict that we are seeing in Sierra Leone—there were individual members of the RUF who actually wanted to disarm who had reported to a disarmament site independently in Makeni. RUF commanders in that area tried to stop them, and they did so through violent means. It led to the death of some of the Kenyan peacekeepers.

Certainly, we will do what we can to get a peace process back on track once the military situation in Sierra Leone has stabilized.

Mr. ROYCE. Let me just make the point that some of the 23,000 former rebels who were disarmed are now rearmed with U.N. equipment. This is a debacle. There is no other way to look at it. Just to close here, so you are not ready—the Administration's not ready yet to write Foday Sankoh out of political life in Sierra Leone? That is my question.

Ambassador JETER. I think, Mr. Chairman, one would have to think through the consequences of doing that, certainly at this stage. Foday Sankoh still has command over thousands of armed combatants in Sierra Leone, and somehow we are going to, and hopefully we will be able to, negotiate some solution to the situation that we see there now.

Mr. ROYCE. I'll just take the opportunity to read from the embassy here: "It is the view of this embassy (Sierra Leone) that Mr. Sankoh was never a legitimate political dissenter. He was merely a diamond thief and smuggler in collusion with outsiders who became so successful. He conned the world with bogus political rhetoric and fooled himself into believing that he had acquired the power to seize control of our government." And this, again from the Embassy in Sierra Leone. "We invite any United States public official who may have asked President Kabbah to release and give amnesty to Mr. Sankoh so he could negotiate the participation of RUF criminals in the present power-sharing government of Sierra Leone to clarify their position, given Mr. Sankoh's demonstrated contempt for the health and safety of the people of Sierra Leone and his continued corrupt and brutal exploitation of the wealth of our land." Now, that was the view of the elected government in Sierra Leone.

I would like to close with one last question. We sanction UNITA diamond sales. Why not sanction diamonds also from Sierra Leone rebels?

Ambassador JETER. Mr. Chairman, that is certainly something that should come under consideration and examination.

Mr. ROYCE. I will go to Mr. Meeks. Mr. Meeks of New York.

Mr. MEEKS. Thank you, Mr. Chairman. Thank you, Mr. Secretary—Mr. Ambassador, I should say. The RUF has been unwilling to relinquish its control of the diamond mining areas in Sierra Leone as mandated by the Lome Agreement. The RUF command claimed, though, that other areas of the Lome accord have also not been enforced, such as setting up a trust fund and the appointing of a senior cabinet—a senior cabinet appointment such as a foreign affairs or finance minister. Can you comment on this or on the slowness of this process?

Ambassador JETER. Thank you, Congressman Meeks. Some weeks ago, Foday Sankoh composed a letter that he sent out to numerous sources outlining his grievances about the Lome peace accord and its implementation. These were two of the issues I think that were addressed. There is a provision of the accord that would set up a trust fund to allow the RUF to transform itself into a political party. That trust fund has not to date been fully financed.

In terms of senior cabinet appointments, the Lome Agreement provided for 4.4 cabinet positions for the RUF. The RUF now encumbers two cabinet positions; the Armed Forces Revolutionary Council two positions. It was our perception certainly that the AFRC and the RUF were unified during the negotiations in Lome, and I think that that requirement contained in the Lome Agreement has been fulfilled.

I just want to comment briefly on the Accord and the agreement itself. I think that that agreement resulted from a determination on the part of the government of Sierra Leone that it was not going to be possible to defeat the RUF militarily. It had been tried on several occasions. It had failed on several occasions. With the announcement by Nigeria that it could no longer remain in Sierra Leone because of financial and other implications, I think that the government of Sierra Leone made a considered judgment that it had to negotiate a solution to this conflict. That decision was supported, and the process of arriving at the agreement was then supported fully by the region.

We were there on the sidelines as facilitators and did what we could when called upon to try to advance that process.

Mr. MEEKS. One other question, and I don't know maybe—I have been speaking to several individuals, so I am saying the bottom line may not just be sharing of the power in the government but actually just be a question of money. For example, the sharing of diamonds in most other countries—it is Israel and Belgium that may have a joint partnership with government officials as opposed to someone else from within the country itself—having and setting up, as my colleague, Barbara Lee, indicated a manufacturing business from within the Nation itself.

Have we looked at them being controlled by private individuals within that nation itself as opposed to having a joint partnership with another nation or having another nation actually being in control of some of those diamonds? Have we looked in this area about trying to set up a private situation with the government and private enterprise as far as control of the diamonds are concerned to set up a legitimate diamond industry within the country itself?

Ambassador JETER. I think precisely, Congressman Meeks, that is one of the things we are trying to do through AID. One of the

problems in Sierra Leone is lack of capacity, and one of the things that we are trying to do through our OTI program there is to help build that capacity. We also have to try to assist the government of Sierra Leone in restoring a regulatory and legal framework that will actually govern the diamond sector. Those are things that we are trying to do. We have also spoken with a number of very legitimate diamond buyers in our own country and overseas who now have taken an interest in trying to help the government of Sierra Leone restore legitimacy to that sector. That includes the Diamond High Council here. It includes De Beers. It includes others that actually have provided, I think, large contributions to or at least in terms of the initial steps of trying to regularize the system of diamond buying and selling in Sierra Leone itself, but the capacity has to be rebuilt and that is what we are trying to do.

Mr. ROYCE. We will go to Ms. Lee.

Ms. LEE. Thank you, Mr. Chairman. Let me ask you, Mr. Ambassador, with regard to the steps taken by De Beers, first of all, it has announced as you indicate in your testimony that its intention is to actually boycott conflict diamonds in Sierra Leone and Angola. Now De Beers does not have an office in Freetown, but I understand it has an office in Conakry, Guinea. Partnership Africa Canada indicates that it is really inconceivable that De Beers is not in one way or the other purchasing diamonds that have been smuggled out of Sierra Leone. What is the administration's take on this, and can you comment on that specific allegation?

Ambassador JETER. Thank you very much for that question. We had an opportunity to visit with De Beers both in London and during our trip to South Africa; and we actually spoke with Nicky Oppenheimer, myself and with Gary Ralfe, who is the chief operating officer. One of the reasons for our meeting was to enlist their support to help Sierra Leone, and I think that they responded to that request. There was someone who actually came from their London office and someone who came, I believe, from their operation in Guinea to sit down during the 2 days of the strategic planning session that we had in Sierra Leone to actually try to work out some modalities to legitimize the sector. I saw that, personally, as a very large and very positive step. De Beers has said to us, however, that they are not interested whatsoever in reentering into commercial relations in Sierra Leone in the diamond sector itself.

Ms. LEE. Let me ask you about the basis then—and I assume no one from Partnership Africa Canada is here—do you know what the basis is for their at least concern about that, given the office in Guinea?

Ambassador JETER. Their concern about?

Ms. LEE. With regard to De Beers, Partnership Africa Canada believes that it is inconceivable that this is actually the case in terms of De Beers not purchasing smuggled diamonds, given the fact that they are located now in Guinea and that this could be just another spot for them to do that kind of business.

Ambassador JETER. First of all, I think one of the things that we have talked to De Beers about is some kind of independent audit of their diamond reserves. I think it is a legitimate question; it is a legitimate concern. When you speak with Global Witness, I think it is something that they have pursued. Given the nature of conflict

diamonds, given the nature of the illicit trade, it is going to be very, very difficult, Congresswoman Lee, until there is some kind of mechanism in place to actually monitor and to make certain that you set up channels that would attract those diamonds that are produced in country. Right now, certainly, that does not exist in Sierra Leone.

Ms. LEE. Thank you.

Mr. ROYCE. Thank you. We will go to Mr. Hall.

Mr. HALL. Thank you, Mr. Chairman. Mr. Ambassador, who is going to pick up on this project now that Steve Morrison has left. You are, as I understand, going to be our Ambassador to Nigeria—who is going to pick up this whole idea of how to deal with conflict diamonds?

Ambassador JETER. There is someone who is already in our policy planning staff who follows the issue. There is a fine officer who has been recruited to replace Steve Morrison. Steve Morrison at the moment, and I think for the foreseeable future, remains on contract to the State Department to work exclusively on this issue; and it is Steve Morrison who is traveling to South Africa to actually participate in the meeting there.

Mr. HALL. Are there changes in U.S. law concerning the trafficking of diamonds that we can make in the Congress? For example, we have monitored diamond smuggling for a long time now, as part of the work that goes with fighting narcotic trafficking. Rebels' cash-flow goes through some banks. Is there a way we can get at this money? Are there any changes in the law that we need to make?

Ambassador JETER. I think, Congressman Hall, that that is something that needs to be looked at. As I indicated in my oral and in written remarks, we are now at the early stages of an initiative to try to control this phenomenon of conflict diamonds. There are certain banks, some of which are in Belgium, some of which might be in Israel, that have very large transactions with those in the diamond industry. It is our intent to engage those banks and the leadership of those banks in a dialogue in the future. I think that the legislation that you have introduced certainly represents one step in the right direction and shows the concern of the Congress on this issue. So I think that perhaps that is something that will have to be considered in the future. I don't think we are at a stage now where we can actually define what needs to be done.

Mr. HALL. Now, Canada has taken some pretty strong positions on conflict diamonds. So has Great Britain. I am very concerned that our own country needs to take some strong positions too. I realize that we have to protect legitimate businesses in the diamond industry; but at the same time, this whole issue needs to be pushed and the diamond industry needs to be pushed, De Beers needs to be pushed. There needs to be a better way of monitoring. Whether it is my legislation or some other legislation, I think it is important for our administration to take a position. We can't sit on the sidelines on this one. I think we have to come out swinging.

We have to take the profit out of this war, not only in Sierra Leone but any other nation that participates in trafficking conflict diamonds. This trade is fueling wars; it is killing people. I can't tell you how many people by the hundreds that Frank Wolf and I saw

when we were in Sierra Leone. If we sit on the sidelines, the administration and the Congress, on this issue—and I have been dealing with this issue for a year; all of you have probably been dealing with it much longer—if we don't come up with some concrete proposals, I think what is going to happen is Industry's worst fear, I think human rights groups will take off, and it will hurt a legitimate business; and I think it is incumbent upon you, the Congress and the diamond industry to come up with some darn good ideas; and we better start making some concrete proposals because I think people are going to get mad. This is getting crazy. So we need to take some positions here.

Ambassador JETER. I can only say that I thoroughly agree with your statement. I think that progress has been made. I think that we have been big and very influential supporters of the Fowler initiatives at the United Nations. We have now certainly contacted the major figures in the diamond industry. We have touched base with the legitimate producers in southern Africa. I think that we have been encouraging those governments to take a leadership role on this issue, and that I think will be the important result of the conference that is taking place in Kimberley. We put, I think, the international community on notice that this is an issue that matters to us and that we are going to do whatever we can to deal effectively with this issue of conflict diamonds. I outlined, Congressman Hall, some of the steps that we are planning to take in the future in my oral statement.

Mr. ROYCE. We are going to go to Mr. Chabot of Ohio. Thank you.

Mr. CHABOT. Thank you, Mr. Chairman. Mr. Ambassador, the Chairman referred a few moments ago to the fact that Sankoh's troops confiscated U.N. equipment and is now using that equipment, that they have also obviously killed and taken hostage U.N. personnel. Would you comment on the practice of sending U.N. peacekeepers into areas where there is no peace. I also remember Bosnia, a situation where U.N. troops were literally tied up and used as human shields in that instance. Is there any hope that the United Nations may learn something from these types of incidences, or are they just slow learners over there?

Ambassador JETER. Thank you very, very much, Congressman. I think that in the case of Sierra Leone, one of the things that actually occurred was a question of strategy on the ground. The troops that had arrived, there wasn't a full complement of the UNAMSIL force which should have been eleven hundred. I think that now it is in the neighborhood of perhaps 8,700 troops. In order to support the disarmament, the mobilization process, the UNAMSIL commander sent contingents, small contingents out to the countryside in Sierra Leone to disarmament sites so that UNAMSIL could have been of assistance there. That was perhaps a mistake. I don't want to try to second guess the force commander, but it seems that perhaps he should have waited until he had a full complement of troops on the ground.

The other deficiency that is very clear now was in the equipping and the equipment that was carried to Sierra Leone by the peacekeepers. There was not enough logistical support on the ground, not enough personnel on the ground, I think, to carry out their

mandate. One of the problems of course for U.N. peacekeeping operations like this is that there are some countries that are not paying their assessments, including our own.

Mr. ROYCE. We are going to go to Ms. McKinney of Georgia for her questions.

Ms. MCKINNEY. Thank you, Mr. Chairman. Thank you, Mr. Ambassador, for being here. In your testimony you have suggested that the administration has examined, held a conference and a planning exercise but that the administration is not yet ready to suggest policy proposals to curb the illicit diamond trade. Is that correct? Is that what you said?

Ambassador JETER. I think that the approach to genuine control of this issue of conflict diamonds has to be an international approach, and certainly we are working internationally now with the legitimate producers in southern Africa, with the United Nations there will be discussion of this issue during G–8 deliberations that are coming up, and I think that we want to make certain that we have touched all of the bases and that we support the multiple initiatives that are going on now before we get down to the issue of spoil. I think what we are doing actually represents policy.

Ms. MCKINNEY. Just to read into the record a little bit about what Congresswoman Lee, I believe, was referring to, I will just read it. A comparison of West African diamond export figures with Belgian imports is revealing. For example, while the government of Sierra Leone recorded exports of only 8,500 carats in 1998, the Belgian Diamond High Council recorded imports of 770,000 carats. Annual Liberian diamond mining capacity is between 100 and 150,000 carats; but the Belgian Diamond High Council records Liberian imports into Belgium of over 31 million carats between 1994 and 1998, an average of over 6 million carats a year. Ivory Coast, where the small diamond industry was closed in the mid-1980's, apparently exported an average of more than 1.5 million carats to Belgium between 1995 and 1997. This is not a new issue. It is not a new problem. Perhaps the scrutiny that it is undergoing now is new, and I am surprised that the administration would suggest that they are not yet ready to propose policy changes that can curb the illicit diamond trade.

Now, several times you have made reference to the Fowler Report. What about an arms embargo against those governments that are named in the Fowler Report that are currently engaged in acts of armed aggression?

Ambassador JETER. Thank your much for those questions. I think that certainly we agree with your analysis and the figures that you have quoted. It is our understanding that in 1999, the government of Sierra Leone realized less than $1.5 million in revenue from diamond sales. Production in Sierra Leone at a minimum I think would be in the neighborhood of 30 million. Liberia, as statistics indicate, may have realized as much as $300 million from diamond sales. There is no question that diamonds from Sierra Leone are going through Liberia. There is no question that some of those diamonds, illicit diamonds, are also going through countries like Burkina Faso and Cote d'Ivoire. We don't deny that. I think one has to be a bit careful, however, because of the laxity in the system.

What I have been led to understand is that a seller in Antwerp for example could simply declare that the diamonds that they brought in originated in a certain country, and this is where the system has to be fixed. I am certain that, as I said, that some of the diamonds coming out of Sierra Leone are going through Liberia and we need to do something about that.

In terms of an arms embargo, in the region an arms embargo in the case of Liberia already exists. I must admit I don't think that that embargo has been terribly successful because we have indications that there are arms going into Sierra Leone, have been transiting Liberian territory. The question is how do you shore up those kinds of embargoes without actually deploying people on the ground, and I think that we have been invited, for example, by the Liberian government to send troops and deploy those troops along the border. The Liberian government I think has invited ECOMOG when they were in Sierra Leone to send troops and deploy those troops along the border. That takes resources that we don't currently have, and I think that the idea of an embargo against the countries that are involved in this illegal trade certainly is something that deserves to be looked at.

Ms. MCKINNEY. That, in fact, is one of the 39 recommendations of the Fowler Report. What is the position of the administration? I would also like to just point out that all of this has happened under the watch of this administration. What is the position of this administration on the 39 recommendations of the Fowler Report?

Ambassador JETER. We have and do support the Fowler Report. We applaud what Ambassador Fowler has done. I think he has shown that when you have that kind of leadership and that kind of determination that the kinds of things that we have seen from the report actually can be done. I think that we would have to look at each individual recommendation, and I would be happy to get back to you with some of our views on those recommendations. But as a global document, we support the Fowler effort.

Ms. MCKINNEY. Finally, Mr. Chairman, I would just ask what has the administration said and done to stop the fighting in Kinsangani?

Ambassador JETER. I think that senior administration officials have been in touch with both Uganda and Rwanda at the Presidential level. I think that those contacts are going on even as we speak. There was another flair-up of conflict last night in the area. We are trying to touch base with President Museveni and with Kagame. One of the suggestions that has been made—and they themselves have been in contact at our urging—I think that there is a plan that has been developed now by the two that could lead to a cessation of hostilities. We are working to do that. We think there should be a disengagement of forces, and one of the recommendations that has been made is that the two respective governments should send their chiefs of defense staffs to Kisangani to make sure that that happens.

Ms. MCKINNEY. What about withdrawal from Democratic Republic of Congo?

Ambassador JETER. The withdrawal of?

Ms. MCKINNEY. The Ugandan and Rwandan forces that are fighting each other in Kisangani. Why not just ask them to withdraw from Democratic Republic of Congo?

Ambassador JETER. I think that ultimately that is our objective in the Congo in a global context. We would like to see all foreign forces out of the Congo, and we have done that before.

Mr. ROYCE. We thank you, Ambassador. Mr. Chabot had one last question.

Mr. CHABOT. Thank you, Mr. Chairman. I appreciate your indulgence here. Mr. Ambassador, have you any—have you received any reports that U.N. peacekeepers, Zambian peacekeepers who were taken hostage, have actually been pressed into labor at one of the diamond mines that is operated by RUF?

Ambassador JETER. No, Mr. Chabot, we haven't to the best of my knowledge.

Mr. CHABOT. If you find out differently could you followup with us on that?

Ambassador JETER. We will certainly report back to you.

Mr. CHABOT. Thank you very much.

Ambassador JETER. Thank you.

Mr. ROYCE. Ambassador, I would just like to make a couple of observations as we complete this panel, if I could. One, I would like to make the observation that the United States should have done more to support ECOMOG in their peacekeeping operation when the Nigerian forces and other ECOMOG forces were engaged on the ground in battle with the RUF and looking for support. I hope that we learn from that, and I hope that the Nigerian offer this morning that was—they referenced in the Washington Post for additional troops—I would hope that that would be encouraged in the strongest possible terms. Let me say that we should back Nigeria in this, and let me also make the observation that I hope the administration will agree with me that we should bring the United Nations to sanction diamonds from Sierra Leone's rebels. I think that is very do-able.

Let me also say as to the question of whether or not this agreement was engineered by the administration in terms of bringing Foday Sankoh into the government, in February 1999 in testimony before this Subcommittee, the Assistant Secretary for Africa referred to the negotiations between the Government and RUF as a result to a large extent of the energetic diplomatic efforts of the United States and others who have been leaning hard on the two sides to find a negotiated solution. In May 1999, Jesse Jackson in the role of special envoy for Africa, released a statement saying he brokered and signed a cease-fire agreement between the countries, President Kabbah and rebel leader Foday Sankoh. President Clinton soon after thanked Jackson for bringing about this agreement. Now the reason I bring this up is because during this period of time I was objecting to this approach and I believe that the government of Sierra Leone was objecting to this approach. I know the newspapers. I mean, the headline on the day that that occurred was "America kidnaps Kabbah," meaning gist of the story was that we were foisting upon that government in their view and upon the view of at least the particular newspaper in Sierra Leone a government that they did not wish to be part of, a government in which

the RUF was not elected but instead were brought into the process forcibly.

I think that the very notion of U.N. peacekeeping in Africa is on the line, and that is why I am very hopeful that we will take up the offer from the Nigerians and assist them in their effort.

We in my view have forced an immoral deal on the people of Sierra Leone, and I want to respond to the question which has come up in hearing after hearing which is, is Foday Sankoh part of the solution. I believe that after years of evidence of the killings and the maimings we can say with confidence, no, he is not part of the solution; and I believe that a professor I had in university who said some men are evil, I believe he was right. I don't think it is circumstances as stated in the testimony here. I think it is time we recognized evil when we see it; and I think that when we see it and recognize it, we need to take concerted action.

I know that you are busy with a tremendous challenge here, and I really want to thank you for appearing before us and testifying before our Committee today; and we wish you well in terms of this challenge. Sierra Leone is a small country in this world, but there is a lot more at stake here than Sierra Leone, and so we hope you are successful, Ambassador.

Ambassador JETER. Mr. Chairman, thank you very much. If I may be permitted just to make a brief remark.

Mr. ROYCE. Absolutely.

Ambassador JETER. I think that when the Lome peace agreement was concluded and we applauded President Kabbah—because I think it took a lot of courage and I think it took a lot of love of country to do what he did. As I said, I don't believe that you can—one can say that the United States forced this agreement on anyone. We were present at the creation. We were there to facilitate. We were not the final and ultimate decisionmakers. It was a sovereign decision, Mr. Chairman, made on the part of the government of Sierra Leone and one that I think made enormous sense when the agreement was concluded. Our hope had been that the terms of that agreement would have been honored. Unfortunately, the terms of that agreement have not been honored, and we are trying as best we can to put the pieces back together.

Let me also say a word or two about Nigeria. West Africa is the only region on the continent that I think has demonstrated that it is prepared to solve some of its own problems involving internal and cross-border conflicts. Nigeria has been at the center of that. We applaud them. We will try to help them as much as we can. Mr. Chairman, we will need certainly the support of the Congress to find the resources to do so. We certainly could have done a better job with ECOMOG when they were present in Nigeria and it was a question of resources. So we ask for your help on that issue.

We also ask for your help in trying to get the hole that is currently in place on the SEPA funding for UNAMSIL; and again, thank you very much for calling this hearing. I think it has been most useful and very valuable. Thank you.

Mr. ROYCE. Thank you, Ambassador. Before proceeding, without objection, I would like to submit for the record testimony from De Beers and the Diamond Dealers Club that has been submitted here.

[The testimony appears in the appendix.]

Mr. ROYCE. I would also like at this point to recognize the efforts of three of our interns over the last months for the Africa Subcommittee. I would like to recognize Brett Yellen, Eleanor Musarurwa, and Monica Kindles for their contributions and assistance; and I would like to ask them, they are standing here, I would like to again thank you for all they have done on behalf of the Subcommittee.

With that said, I think the time's at hand to go to our second panel; and this is being telecast. We want to thank Ms. Charmian Gooch, and we want to thank Nchakna Moloi for appearing with us, and Mr. Moloi is the special adviser to the South African minister for minerals and energy. Ms. Gooch has worked in the NGO sector—working at the Environmental Investigation Agency, a British NGO and then Media Natura, a British media communications charity that helped other countries develop professional communication skills. In 1993 she established Global Witness with two colleagues, Simon Taylor and Patrick Alley. So if you would like to begin your testimony.

I am going to ask—one last thing, Mr. Moloi, if I could ask you to summarize your testimony because we have the printed copy. We have read your reports, and if you could summarize to 5 minutes, we would very much appreciate it. Thank you.

STATEMENT OF NCHAKNA MOLOI, SPECIAL ADVISOR TO THE MINISTER FOR MINERALS AND ENERGY, THE REPUBLIC OF SOUTH AFRICA

Mr. MOLOI. Thank you. Mr. Chairman, distinguished Members of the Subcommittee, I would like to thank you for giving us the opportunity to present our views to the Congress on the issue of conflict diamonds and also to contribute to finding solutions to this very complex problem.

South Africa is a country that has a proud history of protection of human rights and has made significant progress in introducing and sustaining a democratic order. The country is involved in various initiatives throughout the continent and internationally to address the issue of conflict and violation of human rights, to promote democracy, rule of law, and respect for human life. It is against this background that South Africa is involved as a country and through organizations such as the nonaligned movement, organization of African unity and several other organizations to finding lasting peace and prosperity in countries which are currently involved in conflict.

Moving to diamonds, diamonds are a very important source of employment, foreign exchange, check revenue and new investment in South Africa. The South African Government intends to look at the diamond industry to play a larger and not a smaller role in the country's economic reconstruction and development. However, despite these exceptional human endowments, the benefits derived from the exploitation of this process have not made a significant impact on profit allegations and improvement of quality of life for the majority of our people. The realities of the exclusive policies of the past are still haunting us to the extent that today the partici-

pation of the historical disadvantaged in the ownership of the mining and minerals industry is insignificant.

In particular, it has been raised that very little investment invalidation in the situation of diamonds has actually taken place in South Africa and other major producing countries such as Botswana and Namibia in Southern Africa.

Coming to the act itself, we believe that the United States is the world's largest market for diamonds, and that is, any such proposal concerning the sale of diamonds in this market such as the current act H.R. 3188 introduced by the Congressman from Ohio is of vital interest to South Africa. We are grateful to Congressman Hall for his long-time concern for people of Africa, especially for those who suffer from hunger, from the denial of their human rights or from their the culture of war, including the rebellion in Angola, Sierra Leone and the DRC, which illicit diamonds helps to finance.

The growing global concern for this country's diamonds could backfire, Congressman Hall has rightly noted, fighting a general boycott of all diamonds and hurting the people of Botswana, Namibia and South Africa. We share Congressman Hall's concern and applaud his intentions and the good intentions of the many private and public bodies who have joined in the effort to shut down the sale of conflict diamonds, but we are extremely concerned that some of these efforts, including this proposed bill, would unintentionally undermine the very worthy goals that they set out to achieve. Because of the general interested to the Subcommittee, we wish to focus on this testimony.

Adoption of this legislation, contrary to the sincere hopes of this, would not provide the American continent with consistent, reliable and relevant knowledge as to the origin of the diamonds they buy, would not deprive rebel forces in the three conflict areas mentioned of their ability to profit from the sale of illicit diamonds. It would not protect the legitimate diamond industry and economic well being of the people of South Africa and other legitimate diamond producing countries from international counter measures at the sale of conflict diamonds, but would in fact lead to heightened confusion and concern about diamonds in general which could eventually lead to a decline in global service which has significant negative impact on the economies of several African countries, including our own.

To be more specific, this bill will require each American diamond processor, jeweler or manufacturer, wholesaler or other importer to certify the national source of virtually every diamond he or she imports.

Now, there are two broad methods which can be employed to ascertain the origin of a diamond. One is the administrative system, such as the one that is currently operating in South Africa, Botswana and Namibia. These systems are practical, functional and implementable. However, they are not foolproof and could still be improved on.

Other systems which could be employed are of course scientific systems, and here you could either use observational systems where you look at the physical characteristics of diamonds and use them to fingerprint the origin of diamonds, and this would actually be developed in the formative process of diamonds.

The second process that you can use would be your chemical and spectroscopic techniques. Now a lot of work has actually been done to develop processes that can be used using chemical characteristics of diamonds and other spectroscopic characteristics to identify their source. But however, to date, we are not aware of any technology that can be applied and marked and thereby be effective.

Now, there are other complications which you could see arising from the way these diamonds are used. Some diamonds are found and transported by the original processors. Now the issue that I should really mention here is that most of the diamonds, which form part of what we call conflict diamonds, are actually individual diamonds, and these are the diamonds which are being transported by river systems over at least a 100 million years. These diamonds come from multiple sources. The logistical problems which they represent cut across political boundaries, and it would be very difficult in our opinion to use those systems.

One of the things that actually could be considered when developing anything pertaining to technology and systems is the economic feasibility and the practicality of the implementation, and we think that is very important in Africa.

Now, the fact that there are still significant reports which are required to develop a reliable and practical system and scientific efforts is necessary to verify or fortify a diamond's origin open an opportunity for illicit diamond buyers and traders to explore certain gaps. This is so, even if the certification is developed in the consumer market. In short, starting a certification process in the United States at the end of the marketing trade and in that market only could well have unintended effects of confounding the whole process, thereby confusing consumers, changing the reputation of the entire industry, and greatly damaging the economies of several African countries.

Many consumers we fear are unsure of distinguishing one African rebellion from another or perhaps even one African state from the other and will simply play it safe by not buying any diamonds that come from anywhere in Africa. This is in our opinion confirmed by the fact that an average person from the northern hemisphere actually regards Africa as a country and not as a continent. Some consumers who are well informed may decide to avoid helping either side and refrain from purchasing even legitimate diamonds from countries in conflict, thereby setting back efforts by those governments and the United States and the United Nations to begin the process of reconstruction and development. Furthermore, the other unintended consequence of the measures as proposed could be to fuel Afro-pessimism.

The important thing is that we have a problem that needs to be dealt with, a problem that needs to be resolved. So we cannot close our eyes and actually be in a denial mode. The African diamond producing countries have decided to take a lead on this issue in formulating such measures as a coordinated certificate of origin system to be required at the beginning of the marketing trade and with a rigorous audit trade that can isolate and penalize those dealing in uncertified diamonds, thereby providing an incentive to virtually the whole industry to stay with authentic certified dia-

monds and provide diamond consumers in every market with reassuring and reliable information.

The initiative of the African-producing countries was actually started in February 2000 when the ministers from African-producing countries met in Cape Town, South Africa, to weigh different options that could be followed to find lasting solutions to avert the potential threat that conflict diamonds can bring on the economy of the producing country.

It was decided that a joint initiative of African-producing countries be established to address the potential threat of conflict diamonds by agreeing on a state of regulatory and monitoring systems which African governments should be responsible for and lead. It was thought that the high-level continent-wide government-sponsored conference be held in July 2000 in South Africa to cement ties of the joint initiative of diamond-producing African countries. In that theme, the nongovernmental organization, labor and other officials will also participate in the conference. Governments and government-related institutions from the major diamond markets internationally, as well as the United Nations, are also being invited to the conference.

As already mentioned, as part of the broad consultative process leading up to the conference, intended to organize and gather inputs as well as to clear contentious issues, a technical forum of diamond experts from government, industry and civil society will be held in Kimberley, South Africa, from the 11th to the 12th of May; and the focus areas of this technical forum will be to reach at the appropriate regulatory and enforcement monitoring systems, the role of the diamond industry in the rehabilitation of economies, and also the issue of creating a conflict-free and functional society.

The forum of experts will debate and come up with practical and implementable remedial measures to effectively regulate the diamond industry, develop cross-border enforcement mechanisms and monitoring systems and propose measures which can be implemented and resourced to develop the institutional capacity of some African countries to comply with the proposed regulations, enforcement and monitoring systems.

Furthermore, the technical forum will propose a proactive campaign to promote and develop the industry so that it could have an impact on the rehabilitation and reconstruction of the economies of the producing African countries.

I thank you.

[The prepared statement of Mr. Moloi appears in the appendix.]

Mr. ROYCE. We thank you, Mr. Moloi.

We will now go to Ms. Charmian Gooch, director of Global Witness. Good afternoon.

STATEMENT OF CHARMIAN GOOCH, DIRECTOR, GLOBAL WITNESS

Ms. GOOCH. Good morning, Mr. Chairman; and thank you for giving me the chance to give testimony today. To correct you on one point, it is Charmian Gooch, not Charmain, but there we go.

I would briefly like to explain a little bit about Global Witness and why we are working on conflict diamonds. Global Witness was set up about 6 years ago to focus on the role of natural resources

in funding conflicts. Most of the organization's work to date have been on Cambodia and the way in which the illegal trade in timber is used by both Khmer Rouge and the government to fund the conflict, in the process threatening to destroy the country's only future source of revenue. We continue to work on reforms in the timber trade within Cambodia and are a not-for-profit nonparty organization.

To move on, I would like to ask you all to imagine the following scenario. It's not meant to sound flippant but to give a clear explanation of the nature of this problem that we are all talking about today. So if you can imagine it is July 2000, and in the State of Arkansas, the Arkansas Liberation Army, the ALA, have started mining high-quality gem diamonds and selling them in the world's diamond market. They are using the revenue to buy weapons, explosives, land mines and tanks, and as a result thousands of American citizens are being killed and maimed. The diamonds are easy to move around the globe because there is no way currently of verifying the true country of extraction, and so traders can claim that the diamonds are from anywhere. Traders have even begun to set up offices and front companies in Canada and other neighboring countries in order to buy diamonds smuggled out by the rebels.

ALA representatives start to sell diamonds in New York's diamond district. What does Congress do? What does it ask other governments to do? Does it consider it acceptable that the trade continues to buy these conflict diamonds, because as traders say so often, if I don't buy them someone else will, and does it consider it acceptable for government to adopt a laissez-faire approach to diamond control?

Of course, as far as America is concerned, this is just a scenario; but for a number of countries in Africa, it is the grim reality and has been for the last decade as diamonds mined by rebel forces have been and continue to be sold with relative ease on the world's market. Global Witness is campaigning on this issue that conflict diamonds, as you have already very much heard today, are having a devastating impact on people, on regional security and economies in Africa. We believe government and the diamond trade have to work urgently to put controls in place to tackle the problem.

Exactly what is a conflict diamond? Although conflict diamonds have been sold for at least a decade, the term has only been in use for about a year and a half, and many people are still working on a definition. However, conflict diamonds can be defined as diamonds sold by rebel forces who are fighting democratically elected and internationally recognized governments.

It should be emphasized that conflict diamonds are not an African problem. They are a problem that affects all of those involved in the trade, and the development of conflict diamonds has only been profitable because of the total absence of controls in the market and the industry and also because the industry has spent a lot of time promoting the idea that such diamonds had to be bought up on the open market in order to keep prices stable. However, recently this has begun to change.

The issue of conflict diamonds has, since November 1998, come to the fore on international agendas in just 16 months. By some

measures, this is a remarkably short period of time for the issue to be understood and established, governments begin to move, U.N. initiatives to happen and for the trade to begin to accept it is a problem and to begin to address the issue; but it is too slow for people who are suffering in those countries, affected countries in Africa, and action is definitely required.

Now can anything be done? We have heard some ideas already today. We believe on the basis of research we have carried out that it is very possible to put controls in place. In a document that we are launching tomorrow called "Conflict Diamonds: Possibilities for Identification, Certification and Control," we outline some of the technologies and information currently available and make recommendations aimed at governments in the trade. We are taking this document to the technical forum on conflict diamonds hosted by the South African government that Mr. Nchakna Moloi has already mentioned; and we really welcome the initiative of the South African Government and the other diamond-producing countries in Southern Africa on this conference.

Now, initial research, which is not exhaustive, has identified applicable technology that is either developed or is being developed and could be used in the implementation of controls. We are advocating that trade in government consider, and I say consider advisedly because this is a complex process and it does need both the government who needs to look at regulation and the diamond industry who need to look at self-regulation that can be audited and checked on to consider some of these possibilities.

Currently, there are systems already that can calculate and record the individual surface profile of rough diamonds; confirm the identity of a parcel of stones that has been registered using this method; mark rough diamonds with individual bar code or other readable inscription; mark cut diamonds with code, bar code and logos; identify and verify the identity of cut or rough diamonds that have been coded; recode and verify the individual optical signatures that a cut diamond exhibits using laser refraction.

Now, a system using elements of these coupled with improved regimes in exporting countries, and that is important, the exporting producer countries are the key starting point for any controls that are going to be effective, and these countries do need support on this issue. So a system using elements of this, coupled with improved regimes in exporting countries and the introduction of relatively low technology identification pending, including work on surface features and profiling of mine production could be used as a basis for reform by both governments in the trade.

Country of extraction, as Ambassador Jeter has mentioned, is absolutely key to developing a control system. This is a central point, and it has to be addressed; and indeed the work of the United Nations on UNITA diamonds has had a serious impact and effective impact and shown what collectively international will can do when focused effectively. The report of the expert panel is right to conclude that greater transparency is needed within the industry and that a system to identify countries of extraction is needed.

In conclusion, Global Witness believes that America has a special responsibility to work on conflict diamonds and welcomes the work of the State Department on this issue. America consumers, as you

have already heard, buy more diamond jewelry than anywhere else in the world, and America accounts for about 48 percent of total world sales. Japan is the next biggest market, and it accounts for just 14 percent.

Also, high-value diamonds, the sort often sold by rebels, are an important sector of the market. In 1999 jewelry sales, which is not just diamond jewelry, but all jewelry, accounted for approximately 25 percent of all consumer spending in America in competition with clothing, consumer electronics, toys, and sporting goods, which I think gives an indication of how important this sector is.

We think that American consumers, indeed all consumers, should be able to buy a diamond which is sold as a gift of love, confident that it has not helped to purchase a land mine, knowing it wasn't part of the estimated $3.7 billion generated by UNITA in just 6 years and used by them to undermine the peace process in Angola, knowing that it did not help fund the Sierra Leonean Rebel United Front to mutilate thousands of civilians. This is why with three other NGO's we launched the Fatal Transactions Consumer campaign in October 1999, and this is to encourage consumers to demand conflict-free diamonds, very much a pro-diamond campaign but antiwar; and we were looking at how diamonds could be used to help build lives and build economies.

We would urge Congress to closely monitor the results of the technical forum on conflict diamonds, as already mentioned. This is a highly important initiative for African diamond-producing countries; and in starting the complicated process of reforming the industry, Congress should seek to support reform initiatives within Africa, and that should also include financial support. However, the G–8 countries as importers of most of the world's diamonds also play a key role in pushing reforms through and the United Nations also has the potential to work on this.

The simple truth is that the way the trade currently operates is completely unacceptable and has to change. The legislation proposed by Hall and Wolf has been a very valuable catalyst in forcing the industry into realizing that change is inevitable, and if the trade doesn't swiftly put some of the fine statements that they have issued recently into meaningful action, then Congress should look at putting a lot of support into this bill, as it should do in any case.

Finally, and I apologize—I think I have probably run over time here—we would urge Congress to take some immediate and urgent action on Sierra Leone. If the current instability is not resolved within the next few days, then a U.N. embargo should be considered for all diamonds on Sierra Leone because the source of revenue has to be stopped. The United Nations needs to reconsider its policy on diamonds if it is to learn from the tragic lessons of Angola.

As of February of this year when my colleague and I visited Sierra Leone, we found that the United Nations did not have a single member of staff in place to monitor diamonds, which was of grave concern. There should, we believe, also be a re-examination of the role of Foday Sankoh and the commission for strategic mineral resources; and whilst it may be important to try and build the capacity of that commission, the already-existing government gold and

diamond office and the ministry of minerals, their capacity is also vital. There are systems and structures already in place that could be used to bring more legitimate controls into Sierra Leone.

I will finish with that. Thank you.

[The prepared statement of Ms. Gooch appears in the appendix.]

Mr. ROYCE. Thank you, Ms. Charmian Gooch.

We appreciate very much your testimony, and let me just ask you a couple of questions, if I could. One of the things in your written testimony, one of the things you argue is that organized crime utilizing offshore tax havens and the global banking system is trying to acquire extensive concessions of natural resources in Africa in return for weapons. What do we know about this international crime, I would ask you. That is the first question.

Ms. GOOCH. Unfortunately not nearly enough is known. There are some individuals, such as the arms trader whose name pops up all over the place in different countries. We would urge that this Subcommittee should consider holding a full meeting on this issue and calling in a wide range of witnesses to give testimony.

We have seen in Angola in terms of oil, but it is a problem. We have seen in Sierra Leone it is a problem and elsewhere, and we think that there does need to be a lot more work done on this issue.

Mr. ROYCE. I think that's a very good suggestion, and I am going to followup and do just that. I appreciate that. Let me also ask you, the Sierra Leone peace process based on the Lome accord is all but collapsed with the abduction now of 500 U.N. peacekeepers and other personnel. How did the fact that the U.N. mandate did not address the issue of control of diamond mines influence the course of events, in your view?

Ms. GOOCH. I think it is very hard to give a precise answer on that. I think it is clear to say that looking at the way in which the revenue continued to be gathered by our United States and there was no hinder on diamond sales from our U.S.-controlled areas that must have played a factor because in the same way with Angola and UNITA, if a rebel group is able to keep generating revenue, then if the political process doesn't go the way it wants, it can just go back to war. That is why we think that there does now need to be some focus on looking at the flows of IUS diamonds and there really should be an embargo we believe on all Sierra Leonean diamonds which we know will have an impact on government.

I am afraid we haven't had a chance to talk to them about this; but again, as Ambassador Jeter mentioned, the revenue last year was, in fact, 3.2 million. That wasn't actually revenue. That was the total official export. Revenue was a few hundred thousand dollars, not even enough to run the gold and diamond office, which is the export office. So we think that perhaps with the assistance of the international community those few hundred thousand dollars could be replaced.

Mr. ROYCE. What role has Liberia and Burkina Faso played in enabling Sierra Leonean diamonds to fuel the civil war in that country, and what is the Liberian role in diamond-related criminal activity, money laundering, and gun running, in your view?

Ms. GOOCH. I am afraid I am not an expert on Liberia, but it is clear—and I think that the work carried out by Partnership Africa Canada in their very good report on this whole issue in Sierra

Leone—the heart of the matter goes into that very well. It is clear that Liberia is a major problem, and it is going to be a major problem in terms of any sort of peace process in Sierra Leone because it is facilitating the trade in diamonds; and it is facilitating international traders to be able to work in that country, and I can see it very much a developing problem of the United Nations and the international community needs to develop policy on because right now there doesn't seem to be a neat policy on how to deal with this problem, and I think there should be consideration of arms embargoes and other issues where they consider those countries.

Mr. ROYCE. Let me also ask you one last question, and that has to do with the role that diamonds play in the Congo crisis. Who is profiting from them, and would that war be sustainable without diamonds?

Ms. GOOCH. That is a difficult question to answer in terms of would the war be sustainable. I think that war is being fought for a number of reasons; and as in many cases, diamonds may not be the main reason there is a war; but they are a causal factor in its continuation. On all sides, all parties are profiting from diamonds. I think it is fair to say that where both Rwanda and Uganda are involved, diamonds were a big draw for them, as were other natural resources. I believe that the U.N. Secretary General has called for a commission or expert panel to look at the role of natural resources in the conflict in DRC, Democratic Republic of Congo, and again we would welcome that and say it should be set up immediately or urgently.

Mr. ROYCE. I thank you. I will ask the last question of Mr. Moloi; and that question would be, what can the United States do to support the efforts of African diamond-producing countries to contain and eliminate conflict diamonds? I know you spoke about the concern that Botswana and South Africa and other countries have about stigmatizing diamonds. Maybe you could speak a little bit to that issue and what we could do in your view to try to eliminate conflict diamonds. Mr. Moloi.

Mr. MOLOI. Thank you. As I have said, the African diamond-producing countries have taken initiatives to come up with concrete solutions to the problem of conflict diamonds as far as the regulation of the movement of those diamonds actually is concerned from source to terminal market.

The second important thing would be for the United States to support that program and participate effectively in it. Second, one of the problems identified which has also been discussed is the issue of lack of capacity of some of the diamond-producing countries to implement any form of legislative proposals which it might have on the table. So investment in development of capacity, the capacity of those governments to implement and enforce and monitor legislation would be a very, very important asset.

Third, we believe that one of the issues that is actually furthering conflict in Africa is the issue of profiting; and we believe that the United States could help in developing and investing in programs that are targeted at profit alleviation.

Thank you.

Mr. ROYCE. Thank you. We are going to go to Mr. Meeks now of New York for his questions.

Mr. MEEKS. Thank you, Mr. Chairman. Can you tell us what is on the agenda for the Kimberley meeting this week and what you hope to accomplish?

Mr. MOLOI. The issues which are on the agenda, we have got three broad themes. The first theme looks at reaching consensus on the development of a practical and implementable regulatory and enforcement and monitoring regime, which will be like as implemented at least certainly at the producing-country level. That is the first thing.

The second theme, we will be looking at the role of the diamond industry in the negotiation of conflicts and how the industry could be changed to be corrupt free and to contribute positively to economic development.

The third theme, we will be looking at what we call creating functional society and that looks at the drivers of conflicts, the capacity of governments to implement legislation. It also looks at putting into place measures which will eliminate corruption.

Mr. MEEKS. When you talk about economic development in the country, are you talking about creating an opportunity for individuals from within the African countries, in South Africa in particular, where the people have the opportunity to become or to create manufacturing businesses themselves so that they can manufacture some of the diamonds? Can you just further expand what you mean by economic development?

Mr. MOLOI. By economic development—actually, you are very correct. One of the things is to ensure that we facilitate meaningful participation of the historically disadvantaged South African in the economy, both from the mining, exploration, and monitoring sites but also creating more opportunity for value adding, that is, cutting, polishing and the development of the jewelry industry. That will be the core of what we will be looking at. Thank you.

Mr. MEEKS. Thank you.

Mr. ROYCE.Ms. Lee.

Ms. LEE. Thank you, Mr. Chairman. Let me ask Mr. Moloi a question with regard to his testimony. You indicated that conflict diamonds comprise only a small percentage of the world's annual supply of diamonds, far less than consumer demand, and that there is no such technology and also the cost factor makes tagging of diamonds virtually impossible. In your opinion, if the conflict diamonds are a small market, do we need to invest resources for tagging? How realistic is tagging, and do you have any indication of De Beers' response or position with regard to the tagging of diamonds?

Mr. MOLOI. Clearly conflict diamonds will contribute to less than 5 percent of the annual supply of diamonds, but we do believe that it is because of the brutality that is associated with conflict diamonds in countries such as Sierra Leone and Angola and also the DRC, definitely legislation has to be put in place to ensure that we eliminate profiteering from conflict diamonds. That is the very clear thing.

But on the technology side, from our investigation we are not aware of any scientific system that is developed enough at the moment that could be satisfactory and that could actually be implemented to identify the origin of diamonds without question. OK.

We believe that systems are there that are being developed, but there are still quite a lot of loopholes in them.

As far as tagging is concerned, at the moment we are not aware of any technology that can actually stop the process.

Ms. LEE. Let me just ask you the final point in my question with regard to De Beers. Have you had any discussions with them—are you aware of what they think with regard to the tagging of diamonds?

Mr. MOLOI. We have had extensive discussions with De Beers, as far as other technologies are concerned. I know that De Beers is developing a technology called diamond branding which is almost a similar thing to tagging but where they will brand manufactured diamonds. Now if there are greater and more investments in the cutting, polishing and manufacturing of diamonds in the African producing countries, that may very well be available technology in the future, but we believe that with the current movement of RUF and the fact that we are not aware of any technical device manufacturing of diamonds, we do not believe at the moment that this might be a feasible option. Thank you.

Mr. ROYCE. We are going to go to Ms. McKinney of Georgia.

Ms. MCKINNEY. Thank you, Mr. Chairman. First of all, I would like to commend Ms. Gooch for the work that Global Witness is doing, has done and is doing. But now on this issue of being able to identify diamonds from their origin source, it is my understanding that there is such a way of identifying diamonds. Could you elaborate on that, Ms. Gooch, for me, please.

Ms. GOOCH. All right. The issue comes down to what type of diamonds you are identifying. A lot of the work that has been done on diamond identification has been geological exploration, or it has been aimed at mine security. So people are looking at individual stones, they are looking at someone picking up a diamond, dropping it in their pocket and trying to smuggle it out. Now in terms of conflict diamonds, we are not talking about that scale of trade at all. We are talking about parcels of diamonds and diamonds worth tens or hundreds of millions of dollars a year in some cases, and that is not a single stone type of trade. Occasionally, you will get very large diamonds worth millions of dollars. That is a completely different scenario.

What we are advocating is trying to put more controls and regulations in place in producing-countries so that parcels of diamonds can be tracked from the point where they are extracted through to export and trying to create a product-audit trail so diamonds can be verified from where they have come from. We are not talking about finding a system of identification or tagging that is going to provide the manufacturing process. We are talking about overlapping that process.

You did mention De Beers. I think it is very interesting that they have put forward this commitment that they are not going to sell conflict diamonds. I think they should be asked to make a public commitment to never do that again, because so far they have been very, very hazy on that point; and you know, if they are going to make meaningful and structural reform to the industry, as to how they operate, they have to undertake never to ever buy conflict dia-

monds again, and they also need to put in place an audit trail for their goods so that that can be independently verified.

Ms. MCKINNEY. Ms. Gooch, you can consider that at this hearing today I will request of De Beers that they say never again on the purchase of illicit diamonds; and I will await their response, but I am not going to hold my breath.

Ms. GOOCH. Thank you very much.

Ms. MCKINNEY. Now, I guess my final question—I have read all of the testimony that has been presented before us and apparently some still cling to the belief that the industry can be trusted to police itself. What is your opinion of that, Ms. Gooch?

Ms. GOOCH. Me?

Ms. MCKINNEY. Yes.

Ms. GOOCH. Absolutely not. It has spent a decade doing nothing about it, trying to tell governments and the rest of the world that there is not a problem. It has not very belatedly woke up to the horror of the issue, and it is rediscovering or rather discovering ethics, but while not actually welcomed, I think like many industries, self-regulation without independent monitoring is just not a way to go—and it has really been made very clear at this hearing—it is vital that the legitimate countries and their production and their economies are protected.

We think that if the diamond trade is able to put forward a system that doesn't get much scrutiny and isn't possible to independently verify, then there will be problems shortly down the line. So what we would like to see is a system—the diamond trade coming up, it has expertise to do it—come up with a system that will work all the way through from point of extraction right through to the jewelry shop on High Street or in the shopping mall.

Ms. MCKINNEY. Finally, Mr. Chairman, I would just like to say that Global Witness and Ms. Gooch have touched on some very rich, powerful people; and these people obviously don't care one bit about human life, and I just hope that the personal security of those people who are involved in exposing this is something that they consider for themselves. Thank you, Mr. Chairman.

Mr. ROYCE. Thank you, Ms. McKinney. I want to thank Ms. Charmian Gooch of Global Witness, and I want to thank Nchakna Moloi, special adviser to the South African Minister of Minerals and Energy for their testimony. This has been a first for our Subcommittee here to try a telecast like this, and I think it has worked out well. I also want to thank Ms. Gooch for the concept for a future hearing, and I also think we should thank Ambassador Jeter for his testimony here today.

What is it, about 4:30 in the afternoon now there in Pretoria—well, 6:30. It has been a longer hearing than I had anticipated. Thank you again so much for your participation and we stand adjourned.

[Whereupon, at 12:15 p.m., the Subcommittee was adjourned.]

A P P E N D I X

MAY 9, 2000

U.S. House of Representatives

Subcommittee on Africa

255 Ford House Office Building, Washington, D.C. 20515

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MEDIA Contact: Bryan Wilkes
(202) 225-4111

Statement of Chairman Ed Royce on Africa's "Conflict Diamonds" – Precious, Perilous Too?

With a special focus on Sierra Leone

WASHINGTON, D.C. – The following is the statement by House Subcommittee on Africa Chairman Ed Royce at the beginning of Tuesday's hearing on "conflict diamonds." The subcommittee hearing included a special focus on Sierra Leone.

"Over the last year, increasing attention has been given to the issue of 'conflict diamonds' in Africa - that is, diamonds that have been mined by rebel groups, who use the proceeds to wage war. The countries primarily suffering from this misuse of their resources are Sierra Leone and Angola. In the Democratic Republic of Congo, diamonds illicitly being mined by rebel groups and warring countries are helping fuel that multistate conflict. While these and Africa's all-too-many other wars are occurring for numerous reasons, diamond revenues do raise the stakes, while making these conflicts more deadly by funding otherwise unaffordable weapons purchases abroad.

"With this realization, the United States and the international community have been working to take diamonds out of the African conflict equation. The G-8 has agreed to look at better controlling the international diamond trade, while the State Department has been working with De Beers and others in the industry to see that diamonds do not undermine conflict resolution efforts in Africa. Legislation passed just last week by the House requires that the administration report on how Sierra Leone's neighbors, including Liberia, are cooperating in stemming the illicit flow of diamonds from Sierra Leone.

"While proceeding with remedies, which are needed, it is important that these gems do not become stigmatized in the minds of potential diamond jewelry buyers, half of whom are Americans. The vast majority of diamonds, well over 90 percent by some estimates, originate in countries with well-regulated diamond mining and distribution systems. Moreover, diamond resources in some producer nations, including Botswana, Namibia, and South Africa, are important and even critical to these nations' development. Diamonds account for two-thirds of government revenue in Botswana, the world's largest producer of gem diamonds. In acting on the challenge of 'conflict diamonds,' all interested should be very aware of potential collateral damage to producer nations, which Nelson Mandela warned against last year.

"This hearing is designed to better understand 'conflict diamonds' and the proposals surrounding them. We are doing so against the backdrop of more death and destruction in Sierra Leone, death and destruction being perpetuated by RUF [Revolutionary United Front] leader Foday Sankoh. Under the administration-backed Lome peace agreement, Sankoh, who gained notoriety for the RUF's policy of chopping off the limbs of little girls and boys, is to head a national commission charged with diamond mining operations and revenues. I have expressed grave concerns repeatedly about this policy and cannot support on moral or practical grounds putting Foday Sankoh into what was a democratically-elected government. The human rights groups were right to condemn this deal. Pragmatism has its limits, especially when it fails. So I look forward to hearing from the administration on how it plans to pick up the pieces in Sierra Leone, where the U.N. operation is on a lifeline."

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Statement by Frank R. Wolf
Sierra Leone & Conflict Diamonds
Subcommittee on Africa, House International Relations Committee
May 9, 2000

Mr. Chairman, as I am not a member of this Committee, thank you for allowing me to sit in today.

My interest in conflict diamonds comes from my travels to Africa as a Member of Congress and in particular, from a visit to Sierra Leone with Congressman Tony Hall last December. As recent events remind us, the people of Sierra Leone have suffered greatly by the flow, trade, and control of conflict diamonds. I have a trip report from our time in Sierra Leone that I would like to include for the record.

In my trip report I say that bad leaders motivated by greed and power have nearly destroyed a nation and its people--this statement has equal application for all of the areas in Africa in which the control and trade of conflict diamonds and minerals have occurred--the Congo, Angola, and Sierra Leone to name a few.

While the West lets the problem of conflict diamonds fester, conditions where this illicit trade occurs, continue to worsen. As evidenced by recent events in Sierra Leone, where rebels now are not only terrorizing the civilian population, but are killing, harassing, and robbing at gunpoint U.N. peacekeepers---chaos reins, and millions suffer at the hands of brutal and selfish thugs.

I have written to the Administration several times about the problems in Sierra Leone and about the issue of conflict diamonds. Upon returning from Sierra Leone, I sent Secretary Albright and National Security Advisor Sandy Burger a copy of my trip report that made several recommendations for the U.S. including:

- **seeking their support of Congressman Hall's bill that would require a diamond purchased in the U.S. to have a certificate of the diamond's country of origin**
- **the U.S. enlisting its European allies to exert pressure on the present and former Sierra Leonian rebel leadership to comply fully and quickly with the Lome Peace Accord**
- **the U.S. enlisting its European allies to send the rebel leadership a strong message that unless peace is achieved, they and their families will be denied visas to the West and that unless they comply fully with the Lome Peace accord, they will be treated as war criminals**
- **exerting similar pressure upon Liberian President Charles Taylor to ensure that arms and his soldiers do not enter Sierra Leone.**

To date, the Administration has done little or nothing on any of these recommendations. I would like to include copies of my correspondence with the Administration for the record.

In March of this year, when the Sierra Leonian rebels continued their terror unabated, I again wrote Secretary Albright saying that the time had come to declare a fixed date that the Administration thought was reasonable, by which the rebels should be completely disarmed.

And if the rebels did not disarm by that date, the U.S. should take the following action unilaterally and also seek these actions multilaterally:

- a permanent travel ban should be issued by the U.S. and Europe against the rebels and their families
- Bank accounts of the rebels' and their family members in the U.S. and in Europe should be frozen and they should be denied access to these accounts and to future commerce with the U.S. and Europe
- the rebel leaders should be declared war criminals by the U.S. and other European countries and the U.S. and Europe should direct our intelligence and police agencies to actively pursue apprehending rebels who have not disarmed and who have been declared war criminals
- these same conditions should also be applied to Liberian Charles Taylor and all Liberians who have assisted the rebels in Sierra Leone.

To my knowledge, none of these recommendations have been followed by the Administration or Europe. On May 1, I wrote to President Clinton sending him a copy of this same letter I sent to Secretary Albright, urging him to act upon the outlined recommendations.

As a New York Times editorial from last week says, "It is now clear that Sierra Leone is unlikely to enjoy real peace until [rebel leader Foday Sankoh]...and his confederates are held accountable for their crimes." In a resolution Mr. Hall and I will shortly introduce, we hope to convey the sense of Congress to that same point. It is time for Sankoh and his commanders to be held accountable for their crimes.

Many of the problems concerning conflict diamonds can be addressed. The lives being lost in Africa and because of the continued trafficking of diamonds demands a swift and encompassing response. I urge this committee to favorably report Congressman Hall's legislation on conflict diamonds, H.R. 3188.

Statement of

U.S. Rep. Tony P. Hall

before the Africa Subcommittee of

the House International Relations Committee

May 9, 2000

Mr. Chairman, Mr. Payne, and Members of the Committee: thank you for letting me join you again as you focus on Africa's diamonds and its diamond wars.

While I no longer serve with you on the International Relations Committee, I know that your work is invaluable to the Congress and to the people whose difficulties you spotlight. I have seen the great good that results from your work in dozens of African countries, and I want to thank you for refusing to let the other matters that compete for your time divert you from your efforts here.

I also want to thank our colleague Frank Wolf for his eloquence, and for his passion. You never want to be on the opposite side of Frank when he's fired up – but you can't ask for a better ally. I learned that during our visit to Sierra Leone last year, and I am reminded of it as we work toward our goals of peace and justice in that embattled little country.

You already have heard me talk about my bill, the CARAT Act. It would enlist consumers in the work of ending Africa's diamond wars; I urge you to consider joining us in supporting this bill.

Danger of Diamond Boycott

If Africa's diamond wars don't end -- if we continue to see photos of butchered human beings, of suffering refugees, of murdered U.N. peacekeepers -- I believe that diamonds will go the way of fur in the eyes of consumers. The Consumer Access to a Responsible Accounting for Trade, HR 3188, will help consumers direct their disgust at the real problem – and away from the peaceful, democratic nations of South Africa, Botswana and Namibia, whose economies depend on diamond mining.

Concern about a boycott's unintended consequences is not idle. The protests that first targeted the World Trade Organization have spread to the World Bank, and show no sign of ending soon. In their zeal, well-meaning activists could easily tarnish the image of **all** diamonds. While I commend Global Witness for the care it has taken, I don't think we should trust the broader protest movement to observe sensible limits.

U.S. Interests

We have a national security interest in preserving democracy in Africa; we have American businesses and American jobs that depend on the diamond trade; and we have consumers who don't want their money to support mayhem. Providing information about a diamond's origins will protect all three.

We in Congress also have a duty to invest taxpayers' funds wisely. In the past 10 years, we have spent $2 billion in humanitarian aid to Sierra Leone, Angola, Liberia and Congo. But at the same time **$10 billion** in profits from smuggling diamonds has poured out of these four nations – and into the hands of rebels, who have bought more weapons with this money and inflicted more damage. Not even our rich country has enough money to keep patching up wounds, and it is irresponsible to try without **also** trying to get to the root of the problem: the diamonds.

As long as a rag-tag bunch of 400 guys can storm in and take over a diamond mine, and then quickly use the profits to turn themselves into a well-equipped force of 25,000, we will not see peace in Africa. That is what happened in Sierra Leone, and the story isn't much different in Angola, Liberia and Congo.

A quirk of geology makes these countries especially vulnerable, because it put "alluvial diamonds" within their borders. Instead of being deep in the Earth, as diamonds in southern Africa are, alluvial diamonds are just a few feet from the surface. That means all you need to mine these diamonds is a shovel and a pickaxe. And since alluvial diamonds are scattered over a wide area, that means innocent civilians are living on ground armed rebels want to mine.

Time for an Economic Solution

The problem you are focusing on today has evaded diplomatic solutions. Joe Melrose, our ambassador in Freetown, for example, is as tough and canny as they come and both the United States and Sierra Leone are fortunate he is there. Howard Jeter, your witness, has devoted tremendous time and effort to the broader problem. Secretary Albright and her British counterpart, along with the G-8 nations, have had no better luck.

This problem also has evaded military solutions – although Sierra Leone's Army, hired mercenaries, Nigerian troops, and United Nations peacekeepers have tried. And it's hard to see a U.S. national security interest that justifies sending American troops to any of these countries.

An economic approach has not been tried, though, and rebels' greed makes it a promising solution. Just because the United States cannot send our troops, doesn't mean we cannot do anything. As the world's top consumer of diamonds, we hold a commanding economic position – one that could be leveraged to bring peace; one I believe were obliged to try.

Long and Short-Term Solutions

The CARAT Act offers the possibility of preventing the **next** war for diamonds from breaking out -- because it will persuade the diamond industry to nip the breakdown of civil society in the bud. The power of these businesses to lean on troublemakers is the stuff of legends. Wars aren't unleashed overnight -- and if a war might tarnish the image of diamonds, I'll bet the industry will see to it that it doesn't break out at all.

To bring economic power to bear on the most urgent situation, in Sierra Leone, Congressman Wolf and I are introducing a Sense of the Congress resolution. It calls for comprehensive U.N. sanctions against diamonds sold by Sierra Leone rebels -- like the ones imposed after Angolan rebels broke the peace agreement they had signed. It has been nine months since Sierra Leone's peace agreement was signed; that is long enough to determine the dishonorable intentions of its rebels.

Our resolution takes other steps too, and I urge you to consider joining us in registering the outrage of this Congress at the latest casualties in Africa's diamond wars.

I look forward to hearing today's witnesses, and thank you again for allowing me to participate, Mr. Chairman.

Sam Gejdenson

COMMITTEE ON INTERNATIONAL RELATIONS
RANKING DEMOCRATIC MEMBER

U.S. House of Representatives B-360 Rayburn Building Washington, D.C. 20515 (202) 225-6735

Gejdenson Cites Need For Crackdown on "Conflict Diamonds"

FOR IMMEDIATE RELEASE CONTACT: MARK CLACK, 225-6735

Washington, D.C., May 9, 2000—U.S. Rep. Sam Gejdenson (D-CT), Ranking Democrat of the House International Relations Committee, announced today that the time has come for the international community to crack down on the illicit conflict diamond industry. Gejdenson, whose legislation to provide critical support to the fragile Lome Peace Accord recently passed the House of Representatives, noted that "conflict diamonds" are those sold to finance arms sales for war.

Gejdenson cited the tragic situation today in Sierra Leone as a prime example of diamond greed disguised as a quest for freedom. "The tragic situation in Sierra Leone today is being driven by diamond greed. When the time came for the Revolutionary United Front (RUF) to return the nation's diamond wealth to the people of Sierra Leone the whole peace process fell apart" commented Mr. Gejdenson.

The RUF control the diamond producing area of Sierra Leone and have been reluctant to allow United Nations peacekeepers access to these areas to demobilize and disarm RUF combatants. The RUF smuggles its diamonds through Liberia and onto the markets in Antwerp, Belgium.

"The United Nations and the international community must work together to impose greater sanctions on conflict diamonds and monitor the Sierra Leone-Liberia border for illicit diamond smuggling" commented Gejdenson.

Representative Gejdenson further stated that "we can no longer turn a blind eye to the actions of the leaders from nations such as Burkina Faso and Liberia. These leaders not only enable the circumvention of international anti-conflict diamond efforts, they also enrich themselves at the expense of poor innocent civilians in other countries."

Gejdenson recommends the United Nations, the international community and the diamond cartel create a negotiated campaign to stop the sale of illicit conflict diamonds.

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Testimony of

Deputy Assistant Secretary of State for African Affairs

Howard F. Jeter

House of Representatives

Committee on International Relations

Subcommittee on Africa

"Africa's Diamonds: Precious, Perilous Too?"

Tuesday, May 9, 2000

Mr. Chairman, distinguished members of the Committee: I am greatly honored and pleased to appear here today on the question of what can be done to curb the powerful contribution of illegitimate diamond trade to African conflicts. This is a timely, important gathering on a complex subject that cannot possibly be overlooked or wished away; nor can it be reduced to quick, simple formulations. Members of Congress, non-government organizations, and the media have all, in the past year, drawn increasing attention to this problem. I commend you for taking the constructive step of calling us together today to take account of the scope and nature of the problem, what has been done to address it, and the way ahead.

I also wish to commend you for bringing together in today's dialogue several important figures integral to the evolving international debate over conflict diamonds.

These diverse witnesses are each dedicated individuals who have thought long and hard about what pragmatic steps make sense. They are essential players, if we are to build an effective international coalition, comprised of producing and consuming countries, market centers, private industry and non-governmental bodies, dedicated to advancing pragmatic, feasible incremental reforms related to this complex issue.

Our Dual Foreign Policy Interests

The central foreign policy challenge we face is to reconcile two critical imperatives:

1. First, to devise feasible measures to curb the powerful contribution to African conflicts of illegitimate diamond trading: both through tightening of global marketing practices and direct assistance in building capacity to manage the diamond sector in conflicted states such as Sierra Leone;

2. Second, and equally important, to ensure we do no harm to the stable market democracies -- Botswana, South Africa, Namibia -- who depend heavily on gemstone diamond production and international consumer confidence.

For the record, I want to reaffirm emphatically at the outset that we will take no action in regard to trade in diamonds that puts at risk the national interests and economic welfare of Botswana, South Africa and Namibia. That is an unequivocal pledge we have made directly and repeatedly to these governments in our recent consultations in early March in southern Africa. We have stood by that pledge consistently, and will continue to do so.

Achievements to Date

Mr. Chairman, in the past year there have been many promising initiatives launched in regard to conflict diamonds that we will hear much about today.

More than we anticipated, these efforts have begun to achieve concrete results that we need to acknowledge and systematically build upon now.

Most notable are:

- The achievements of the UN Sanctions Committee on Angola, through the work of Canadian Ambassador Robert Fowler and the Experts Panel;

- The steps taken by De Beers to guarantee that none of the diamonds it issues at the Central Selling Organization originates in conflict zones;

- The southern African initiative, led by the South African Government and strongly supported by Botswana and Namibia, to convene an international conference May 11-12 in Kimberley to weigh options to tighten regional law enforcement, harmonize customs, and enhance exchange of information;

- Efforts by USAID, industry and the Sierra Leone Government to lay the groundwork for the creation of the Strategic Resources Commission, called for in Article IX of the Lome Accord, to rationalize Sierra Leone's diamond sector and make it a force for stability, national welfare, and development as opposed to a contributor to continued war.

- Steps underway by the Belgian Government and the Diamond High Council in Antwerp to tighten the entry requirements of diamonds into the Antwerp marketing center.

Certainly much more work remains to be done. Each of these endeavors is still at an early point, and no single endeavor answers the entire challenge. But we have made considerable progress in the last twelve months.

Norms and practices are beginning to change in the international diamond industry, in recognition that it is in the industry's best self-interest to be pro-active and responsible. The UN effort led by Ambassador Fowler has redirected international attention to sanctions enforcement on UNITA and has begun to narrow UNITA's options. New dialogues across industry, governments and the non-government sector have ensued. These are all highly encouraging developments.

The Administration's Approach

Allow me a moment to comment briefly on the evolution of the Administration's approach.

In 1999, the State Department began to examine the role of diamonds in African conflicts in close collaboration with the British Government.

Our immediate impetus was the imposition of UN Security Council sanctions on UNITA diamonds in June 1998, and the subsequent establishment of the Experts Panel, under the direction of Canadian Permanent Representative Robert Fowler, Chairman of the UN Sanctions Committee on Angola. We recognized the central need and importance of these actions, and began searching for ways to support Ambassador Fowler's efforts.

These Security Council actions were taken out of recognition that the Lusaka Protocol had failed, in 1998, because UNITA, one of the parties in the conflict, failed to comply with key parts of the Lusaka Protocol. It is estimated that from 1994 to 1998, UNITA's weapons acquisitions were financed by an estimated $3-4 billion in illicit diamond sales. These arms enabled a continuing war; a potentially stable peace was lost. Angola returned to a cruel war that had already cost half a million lives, displaced over three and a half million (3.5 million) persons within Angola, and forced another 300,000 to flee to neighboring countries. Almost overnight a million persons who had returned to their homes, in hope that peace would hold, were again displaced violently. Soon thereafter, Angola again became one of the world's worst humanitarian crises.

We were also motivated by an awareness of how integral illegitimate diamonds had become to ongoing conflict, violent displacement, and the death of tens of thousands of civilians in two other crises zones in Africa, Sierra Leone and Congo.

The Revolutionary United Front (RUF) insurgency in Sierra Leone, on the strength of diamond smuggling, swiftly transformed itself in the 1990s from a rag-tag band of several hundred into a well-equipped force of perhaps as many as 20,000. In the process, it killed an estimated 50,000 Sierra Leoneans, committed thousands of atrocities, generated half a million refugees, and displaced fully one third of Sierra Leone's four and a half million citizens.

That is a staggering human catastrophe that would not have been possible, even in the midst of such chaotic political

conditions, were it not for illicit, smuggled diamonds that found markets and were readily converted into arms shipments and other material of war.

When the Lome Accord was signed in July, 1999, and called for the establishment of a Commission on the Management of Strategic Resources to rationalize the diamond industry, we recognized the need to mobilize our own technical support and that of other governments and the industry itself to help build this essential capacity.

Tragically, this past week the RUF is presumed to have killed seven Kenyan peacekeepers and to have detained and or surrounded more than 2,000. This crisis clearly has its roots in the RUF's continued capacity to arm and equip itself through clandestine cross-border channels that make use of friendly neighbors, most notably Liberia, and that rely on diamond exports. Estimates of the value of this illegitimate diamond trade vary widely, from $30 to $100 million per annum. Indeed, the current violence is at least partly rooted in the RUF's unwillingness to give up the diamond-producing areas.

In eastern Congo, diamonds are integral to the Congolese Rally for Democracy (RCD) and the Movement for the Liberation of the Congo (MLC) insurgencies, and their external allies in Rwanda and Uganda. Diamonds that move through underground channels are also integral to the war-making capacities of the Kabila Government and its external allies.

Illegitimate trade in diamonds in Congo is estimated today to exceed $400 million per annum, but we know far too little, certainly less than in Angola and Sierra Leone, about how precisely this sector sustains an economy of war in the Congo. What is undeniable, however, is that conflict diamonds skew incentives heavily in favor of continued conflict.

It is out of recognition of this disturbing reality that UN Secretary General Kofi Annan recommended that the Security Council consider creating a Panel of Experts to investigate the illegal pillaging of Congo's natural resources. Members of the Security Council are giving full and active consideration to creation of such a panel.

We are still very much in the preliminary investigative phase of our attempt to grasp the scope and role of unregulated

diamonds in Africa, as they relate to devastating conflicts in Angola, Sierra Leone, and Congo. We commissioned internal studies and carried out joint consultations with the British in July, 1999.

These efforts were followed by Secretary of State Albright's statement at the September, 1999 Security Council Ministerial, in which she highlighted the arms/diamonds dimension to Africa's conflicts and the urgent need to identify feasible measures to address it. Subsequently, she pressed these same points in December at the G8 Berlin Ministerial on conflict prevention.

In early October, 1999, the State Department sponsored an international conference here in Washington with a special focus on the economies of war in Angola, Congo and Sierra Leone. That was the occasion to open a direct dialogue with diamond officials from Botswana and Angola. Soon thereafter we conducted consultations with executives of the American diamond industry, in Washington on November 19, and again last week in New York.

In March, we sponsored a Strategic Planning exercise for he Government of Sierra Leone, with the participation of international diamond industry leaders, which resulted in proposals that are realistic and workable.

In late February and early March, we and our British counterpart visited southern Africa and Belgium. During that trip, at a conference in Gaborone that brought together diamond officials from Botswana, South Africa, Namibia and Angola, we were able to build consensus around the twin goals of defining pragmatic measures to combat conflict diamonds while taking special care to do no harm to the stable market democracies of Botswana, Namibia and South Africa. Beginning on Thursday of this week in Kimberley, in the Republic of South Africa, we will participate in a regional conference organized by the South African Ministry of Mines and Energy.

Next steps

Mr. Chairman, there is no single fix to the problem of conflict diamonds in Africa. Rather, it is essential that we press ahead simultaneously on multiple fronts and that we recognize this is a difficult, complex problem that will

take time to address. As I indicated at the opening of my presentation, we have dual imperatives:

- To devise feasible measures to curb the damaging contribution of illegitimate trade in diamonds in the Congo, Angola and Sierra Leone.

- To ensure we do no harm to Botswana, Namibia and South Africa, stable market democracies heavily dependent on diamonds.

In the coming months, we will actively seek to support progress in the following areas:

- To follow-up Ambassador Fowler's innovative work, a five-person panel will be appointed in May, under the Secretary General's direction, to continue investigation of effective sanctions enforcement measures (for diamond as well as other sanctions) on UNITA and to advise the Security Council of additional actions.

- As the situations in the Congo and Sierra Leone evolve, the Security Council will need to weigh how best to address the arms/diamonds dimension that constrains efforts to bring about a durable peace in these two countries.

- We anticipate providing technical assistance, as warranted and welcomed by the southern African states, to support the initiatives of the Kimberley conference, and the subsequent African Ministerial meeting planned for July.

- We will work with the British and other G8 partners to raise the profile of conflict diamonds and the pragmatic means of addressing it.

- When the situation in Sierra Leone has stabilized, we will continue our efforts to support the establishment of the Sierra Leone Commission on the Management of Strategic Resources. Defining lines of authority and a detailed blueprint for the Commission are essential next steps.

- We look forward to working closely with you, Mr. Chairman, with the sub-Committee and with members of your staffs in

thinking through actions by the Congress, which has taken a constructive and proactive interest in this difficult problem.

Thank you for your attention. I welcome any questions you might have.

Testimony

U.S. House of Representatives
Subcommittee on Africa
House International Relations Committee
May 9, 2000

Mr. Nchakna Moloi
Special Advisor to the Minister for Minerals and Energy
The Republic Of South Africa

1. BACKGROUND

South Africa produces 9% of the world's diamonds ranking the country as the fifth largest diamond producer in the world. Diamond mining constitutes an important part of the country's minerals industry, and sales contribute greatly to the country's foreign exchange earnings. The industry also plays an important role in regional development by providing employment and enhancing the overall economic well-being of local communities. The country has been referred to as "the land of geological superlatives" to correctly describes its exceptional mineral resource endowment. South Africa still presents the investors with good opportunities to explore for and discover good diamond deposits.

In South Africa, as in almost all diamond producing countries of the world, diamonds are an important asset. They are a valued source of employment, foreign exchange, tax revenue and new investment. The South African Government intends to look to its diamond industry to play a larger, and not smaller, role in the country's economic reconstruction and development.

The value of South Africa's exports of worked and unworked gem and industrial diamonds amounted to $1,2 billion in 1998, averaging $115 per carat. In terms of its share of the domestic economy, diamond mining contributed 0,4 per cent to GDP and accounted for 5,4 per cent of the country's mining GDP.

Diamond mining in South Africa employed a workforce of over 14 500 employees in 1998. Total remuneration of the workforce amounted to $166 000 at an average annual salary of $11 000 per person compared with $7 000 for the mining industry as a whole. If linkages with domestic suppliers of goods and services are taken into consideration, the diamond industry maintains an additional 47 000 indirect jobs in the rest of the economy, worth some $217 million in remuneration. In addition several hundred small-scale diggings are in operation for which official figures are not available.

However, the benefits derived from the exploitation of these resources have not made a significant impact on poverty alleviation and improvement of quality of life for the majority of its citizens.

The realities of the exclusive policies of the past are still haunting us to the extent that, to date, the participation by the historically disadvantaged in the ownership and management of the mining and minerals industry is insignificant.

To address these and other problems facing the mining and minerals industry in general and the diamond industry in particular, the South African Government undertook two parallel processes:

1. The review of the mineral and mining policy for South Africa.
2. Instituted the Commission of Inquiry into the South African Diamond Industry.

The following is a brief overview of the key issues contained in the White Paper on *A Minerals and Mining Policy for South Africa*, and a summary of the main issues addressed by the Commission of Inquiry into the South African Diamond Industry.

2. THE NEW MINERALS AND MINING POLICY

The Government has in recent years made a special effort to review and modernize the South African minerals and mining policies and legislation. To this end the Government has published a White Paper on the new minerals and mining policy for South Africa. The key objectives of the White Paper can be summarized as being to create a stable macro economic and regulatory environment, encouraging economic growth, development and increasing international investment.

As part of the implementation of the White Paper the Government is presently drafting new legislation for the mining and minerals industry, and proposals for reform call for:

- The maintenance of a stable legal and fiscal climate.
- The prevention of the hoarding of mineral rights and sterilization of mineral resources.
- State ownership of mineral rights, in the long-term, to facilitate access to mineral rights with due regard to constitutional rights and security of tenure.
- Recognition of the state as the custodian of the nation's mineral resources for the benefit of all its citizens.

It is Government's intent to conduct the regulatory and promotional activities in a transparent and efficient manner, and to regulate the minerals industry to meet national objectives and bring optimum benefit to the nation.

The policy recognizes the complexities surrounding the vesting of all mineral rights in the state and thus proposes a transitional arrangement where the state will unlock sterilized mineral rights through the utilization of the "use-it and keep-it" principle. This effectively implies the vesting of the right to mine and prospect in the state.

The new legislation currently being developed is to be used as the main instrument through which Government policy as envisaged, in the White Paper, will be implemented. The aims are to enable South Africa to meet its quest to be internationally competitive in the mining industry and redress past imbalances as well as to introduce greater economic and social equity.

The first draft of the new act, the Mineral Resources Development Bill, should be available during the second half of this year

3. THE COMMISSION OF INQUIRY INTO THE SOUTH AFRICAN DIAMOND INDUSTRY

The Commission of Inquiry into the South African Diamond Industry was proclaimed by the State President on 13 December 1996. The terms of reference of the Commission were to investigate and report on all aspects of the South African diamond industry to the Minister of Minerals and Energy. A total of 80 submissions were received by the Commission from various parties.

Following the Commission's unfortunate passing away of the chairperson, the cabinet in early 1999, approved the appointment of a Task Team comprised of officials from the DME and the SA

Diamond Board to summarize and analyze the contents of the written and oral evidence received by the Commission of Inquiry and to prepare a report for the Minister of Minerals and Energy.

The following is a summary of some of the key conclusions of the report.

a) It was concluded that in order to align the diamond legislation with the Constitution and Government policy as well as to remove practical problems such as lack of clarity and conflict of interest, the Diamonds Act 56 of 1986 should be reviewed in its entirety, with special attention being paid to:

- The role of the SA Diamond Board with reference to;
- the creation and growth of the local industry;
- the role of the Diamond Board in the control of Diamond imports;
- the composition and funding of the Diamond Board.

- Some of the aspects of the Diamond act which require specific attention are:
- section 59 agreements and export duty;
- trade in unpolished diamonds;
- the functions of the Government Diamond Valuator with reference to, amongst others, the manner in which the value of diamonds are assessed.

b) There is support for the continued control of marketing of diamonds and that trading in rough diamonds without the necessary permits and licenses should remain a criminal offence. It was also recommended that greater cooperation and coordination with both the legislative and institutional enforcement, as well as monitoring in the SADC region, be prioritised.

c) The report recommended a strengthening of the mechanism of collection of State revenue through diamond mines' income tax, royalty payments in respect of mining leases on areas where the State owns the mineral rights, and export duty. The Government's view is that the total fiscal figure over the past 17 years which amounts to only 5.8% of total diamond sales, may not represent sufficient compensation for the existing opportunity costs in respect of alternative resources use.

d) The continued shedding of jobs throughout the value chain of the diamond industry (from mining to production of finished products) needs to be addressed. Employment levels in the polishing industry have dropped from a peak in 1989, in the financial rand era to a low of approximately 1500 employees in 1998. One of the ways of ensuring that sustainable jobs are created in the diamond industry is the promotion of increased beneficiation and, in particular, an active support for the diamond cutting and polishing industries as well as jewellery manufacturing. The Government of South Africa has identified promotion of jewellery manufacturing as one of the key deliverables of the new mineral and mining dispensation in South Africa and, to this end, has instituted a multi-disciplinary committee to undertake an in-depth analysis of widely promoting jewellery manufacturing be in South Africa.

e) The report noted with concern the fact that South Africa and other diamond producing countries in Africa have not succeeded in attracting substantial investments in the diamond manufacturing sector, as compared to other countries such as Israel, Belgium, and the USA. What is even more worrying is the fact that the number of carats cut in South Africa by local cutters has experienced a sustained decline from 1 500 000 carats in 1989 to 261 252 carats in 1998. If this decline continues we will not have a diamond cutting and processing industry in the near future. It was recommended that the existing legislative and institutional framework in South Africa should be reviewed if we are to achieve the objective of making the country a major international diamond jewellery manufacturing and trading centre. The new Mineral Resources Development Bill, which is due to be released for public comment during the second half of 2000, will contain a chapter specifically dedicated to the diamond industry.

4. DIAMONDS FROM AREAS OF CONFLICT

Background

4.1 In June 1998, the United Nations Security Council adopted a resolution, number 1176, which included an embargo on the direct or indirect importation of unofficial diamonds (diamonds

without a Certificate of Origin issued by the Angolan government). Thus far, Resolution 1176 has been ineffective.

4.2 In October 1998, several European NGOs, including Global Witness, Niza, Medico International and Novib, launched an international diamond campaign, "Fatal Transactions", to highlight the way in which natural resources such as diamonds are used to finance armed rebellion. Furthermore, an NGO, PAC released a report highlighting the role of diamonds in fuelling conflict and human suffering in Sierra Leone.

4.3 Various Governments in Africa, and elsewhere, expressed their support for efforts to alleviate war-induced suffering of people in conflict areas. However, the African governments expressed concern that approach taken must not be another campaign to fuel pessimism. The minerals industry, and diamond industry in particular should be part of a programme to rehabilitate the economies of African counties and be part of poverty reduction initiatives which will eventually decrease conflict in ht e continent. The fight for peace should also be the fight for prosperity by concerned international bodies, governments and business in support of African people and governments.

The African Producing Countries' Initiative

1. The Minister responsible for Mining and Minerals from diamond producing countries in Africa, who attended the Mining Indaba 2000 conference, met in Cape Town, South Africa on 10 February 2000 to weigh different options that could be followed to find lasting solutions to avert the potential threats of the conflict diamonds campaign on the economies of the producing countries.

2. The Ministers confirmed that various diamond-producing countries have introduced measures to regulate the mining, trading and exports of diamonds. South Africa, Botswana and Namibia have functioning diamond pipe-line tracking system whilst Angola has introduced a new system to fight illegal mining and trading in diamonds, to improve the

government revenue collection which is lost through illegal activities from diamond sales and investment in rural development particularly in diamond mining areas. It was however, recognised that there are weakness within the existing legislative and institutional framework throughout the diamond pipeline which needs to tightening and improved inter-Governmental co-ordination as well as monitoring.

3. Angola is introducing a new system to fight illegal mining and trading in diamonds to improve the government revenue collection which is lost through illegal activities from diamond sales and investment in rural development particularly in diamond mining areas. It was however, recognised that there are weaknesses existing within the existing legislative and institutional framework throughout the diamond pipeline which need tightening and improved inter-governmental co-ordination as well as monitoring.

4. The key problem is the lack of resources, expertise and institutional capacity in some diamond producing countries of Africa to effectively police illegal diamond activities. The matter is further complicated by the lack of meaningful involvement by the private sector including the mining companies in the economic rehabilitation of Africa. Poverty is identified as one of the major contributors to illegal activities.

Decisions on way forward

1. It was decided that a joint initiative of African producing countries be established to address the potential threat of the conflict diamonds campaign by agreeing on a set of regulatory and monitoring systems, which African governments should be responsible for.

2. In the medium to long-term measures need to be developed to ensure that the diamond industry is accountable, transparent, free of corruption and contribute positively to local economic development as well as national revenue.

3. A policy environment must be established which ensures broader participation in the diamond industry by nationals, job creation through increased investment in exploration, mining and benefication of diamonds in producing countries.

4. It was resolved that a high-level continent wide government-sponsored conference be held in July 2000 in South Africa to concretise the joint initiative of diamond producing African countries. Industry, NGOs, Labour and other social structures will also participate in the conference. Governments and government related institutions from the major diamond markets internationally as well as the United Nations are also being invited to the conference.

5. As part of the broad consultative process leading up to the conference intended to organise and gather inputs as well as to clear contentious issues, a Technical Forum of diamond experts from Government, Industry and Civil society will be held in Kimberley, South Africa, from 11 to 12 May 2000.

Areas of Focus of the Technical Forum

1. The Technical Forum will focus on the following challenges facing the diamond producing countries:

- Regulatory, enforcement and monitoring systems
- The role of the diamond industry in rehabilitation of African economies
- Creating functional societies

2. The Technical Forum of experts will debate and come up with practical and implemental remedial measures to effectively regulate the diamond industry, develop cross-border enforcement mechanisms and monitoring systems, and, propose measures which could be implemented and resourced to develop the institutional capacity of some African countries to comply with the proposed regulatory, enforcement and monitoring systems. Furthermore, the Technical Forum will propose a proactive campaign to promote and develop the industry so

that it could have an impact on the rehabilitation and reconstruction of the economies of the producing African countries.

H. R 3188, The Carat Act

1. Gem diamonds constitute one of South Africa's major export industries, and the united State is the world's largest market for diamonds. Thus any legislative proposal concerning the sale of diamonds in this market, such as H.R 3188, introduced by Congressman of Ohio, is of vital interest to South Africa. We are grateful to congressman hall for his long-time concern for people of Africa, especially for those who suffer from hunger, from the denial of their human rights or from the brutality of war, including the rebellions in Angola, Sierra Leon and Congo which illicit diamonds helped to finance. The growing global concern for these conflict diamonds could "backfire", Congressman hall has rightly noted, "sparking a general boycott of all diamonds and hurting the people of Botswana, Namibia (and) South Africa."

2. We share Congressman Hall's concerns, and applaud his good intentions and the good intentions of the many and various private and public bodies who have joined in the efforts to shut down the sale of conflict diamonds. But we are extremely concerned that some of these efforts, including H.R 3188, would unintentionally undermine the very worthy goals that they set out to achieve. Because of that bill's general interest to this subcommittee's general interest at this hearing we wish to focus on H. R. 3188 in this testimony.

3. It is the South African Government's belief that adoption of this legislation, contrary to the sincere hope of its sponsors:

- would not provide American consumers with consistent reliable and relevant knowledge as to the origin of the diamonds they buy;

- would not deprive rebel forces in the three conflict areas mentioned of their ability to profit from the sale of illicit diamonds;

- would not protect the legitimate diamond industries and economic well being of the people of South Africa and other legitimate diamond producing countries from international counter-measures aimed at stopping the sale of conflict diamonds,

- but would instead, like the campaign against the fur industry, lead to heightened confusion and concern about diamond in general, which could if unchecked lead to a decline in global sales, with a significant negative impact on the economies of several African countries, including our own.

4 To be more specific: this bill will require each American diamond processor, jewellery manufacturer, wholesaler or other importer to certify the national source of virtually every diamond he/she imports. There are two methods which could be employed to ascertain the origin of diamonds:

- An administrative system such as the one currently in operation in South Africa, Botswana and Namibia and the one which has been introduced in Angola. These systems are practical, functional and implementable. However, as mentioned these systems are not fool proof and could still be improved.

- Scientific systems: there are two scientific approaches which may be used to identify the provenance of diamonds

  - An observation system: diamonds development distinctive diagnostic shapes, mineral inclusions and surface feature which are generated by the formative processes during transport to the earth's surface or depositional environment in the alluvial transport environment or marine networking and re-concentration processes. These physical characteristics could be used to develop fingerprints of diamonds from certain deposits or geological provinces. However, for this technique to work a representative sample is required. Therefore, it would seem extremely difficult to use this technique to uniquely characterise the origin of small parcels, individual stones and mixed parcels

of diamonds. It is also important to note that geological provinces and/or mineral deposits for that matter, may not necessarily coincide with political boundaries.

- Chemical and spectroscopic techniques: To use chemical techniques it is important to understand the chemical composition of diamonds and the nature of the processes through which diamonds are formed. It is believed that diamonds are crystallised from carbon rich magma fluids as they migrate through the earth's crust. Chemically a diamond is pure substance, which is made almost entirely of carbon. However, during the process of crystallization trace amounts of other substance such as nitrogen, oxygen, fluids of the parent magma and other minerals are trapped inside diamonds. There has been significant scientific progress made in developing chemical techniques, which use these inclusions to identify the provenance of diamonds. However, to date none of these techniques has been developed far enough to provide conclusive proof that a diamond originates from a particular deposit or geographical area. One of the hey problems is that gem diamonds are by their very pure substances which contain minute traces of impurities that could be used for identification.

5. In addition to the limitations of the probable certification techniques discussed further limitations will arise from:

- Geology: Diamonds are formed deep in the earth's mantle - at depths greater than 200 kilometres beneath stable cratons. The host rocks in the mantle from which diamonds originate show an extreme degree of consistency of composition throughout the world. These host rocks will to a large extent determine the composition of inclusions or impurities found inside diamonds. Diamonds are brought to the earth's surface as passage in the explosive eruption of molten rocks known as kimberlites or lamproites which, form the characteristic predominantly carrot-shaped pipes. These are the primary diamond sources which are mined in South Africa, Botswana, Russia, Australia and Canada. The overwhelming supply of world diamonds is derived from these primary deposits. Surface erosion over a long period of time (~ 100 million years) has resulted in diamonds being released from their primary sources into river systems. Because of their hardness and

relatively density diamonds are then reconcentrated to form alluvial deposits. Alluvial diamond-bearing deposits commonly yield predominantly gem quality diamonds. This is ascribed to the fact that in the process of transportation and redeposition the poorly formed stones and those with cleavages and inclusions were either lost or destroyed, leaving behind only those which were able to withstand attrition and continuous sorting during transportation. These are the secondary deposits which, occur in South Africa and constitute most of the production in Angola, Democratic Republic of the Congo and Sierra Leone. The river systems which transported, reworked and redeposited these diamonds over the past 100 million years or so have continuously changed courses and traversed the plains of Africa sampling primary sources in their way and cutting across what we may today refer to as political boundaries. These diamonds come from multiple-sources and have been reworked and remixed many times by the natural alluvial depositional processes. Unlike, diamonds from the primary kimberlite or lamproite sources, these diamonds present a formidable challenge to any technique intended to fingerprint their origin. These are the diamonds that form the backbone of the illegal diamond mining and trading activities. It must be stressed however, that a significant number of alluvial diamonds come from legitimate sources in South Africa, Namibia and Angola. Alluvial diamonds, because if their relative ease of accessibility provide far greater opportunities for empowerment and upliftment of local communities than kimberlite source. Therefore the proposed legislation might end up hurting the people we are attempting to help.

In Namibia and South Africa, diamonds which were ultimately transported from their inland sources long the water courses, to as far as the west coast, occur in littoral and marine deposits extending from above the shore line to the edge of the continental shelf. These represent the highest quality gemstones deposits. They are also the most mixed in terms of their geological provenance.

- Economic feasibility and practicality of implementation: The final litmus test of any of the certification and fingerprinting techniques and technologies is the economic feasibility and practicality of implementation. The success of any such system is dependent on its application at source and establishment of a vigorous audit trail to the

end-consumer. Any such technology or system should also be accessible to smaller companies and easy enough to be used by less literate people without compromising the integrity of its results. If a system is complicated and the costs are prohibitively high, only the legitimate diamond merchant and producers will be forced to comply. The rest of the industry will be forced underground and the problem will be perpetuated as opposed to being resolved.

- The conflict diamonds comprise only a small percentage of the world's annual supply of diamonds, far less than consumer demand. Our estimate is that these diamonds do not exceed five percent of the total annual world supply of diamonds. Table.1 below is a breakdown of annual world diamond supply in 1998.

Table. 1 Estimated World Rough Diamond Production, 1998

Country	**Production**		
	Carats 000	%	Rank
Australia	40900	34.4	1
DR of Congo	21200	17.8	2
Botswana	19781	16.6	3
CIS	15000	12.6	4
South Africa	10705	9	5
Angola	4300	3.6	6
South America	2100	1.8	7
Namibia	1460	1.2	8
Sierra Leone	900	0.8	9
Guinea	600	0.5	10
Central Africa Republic	550	0.5	11
Ghana	550	0.5	11
Canada	250	0.2	12
Liberia	250	0.2	12
Tanzania	93	1	13
Other	361	3	

Other: Zimbabwe, China, India, Indonesia, Ivory Coast and Lesotho

Estimates of legitimate Government production say in Angola and the percentage of gemstones produced in each country will confirm our estimates.

6 Tagging of diamonds: It has been proposed that a technique be devised that could be used to tag diamonds at source and therefore allow easy recognition of legitimate diamond producers. Information at our disposal indicates that there is no such technology available which could survive the manufacturing process. Furthermore, the costs of implementing and maintaining such a system appear to be prohibitively high.

7 An administrative process with rigorous audit trails of diamond parcels enhanced by viligance from all players modelled along the current systems in South Africa, Namibia and Botswana therefore seems to be the only practical, implementable system which will achieve concrete results.

8. The fact that there are still significant resources which are required to develop a reliable and practical scientific method either verifying or falsifying a diamond's origin opens an opportunity for illicit diamond miners and traders to exploit certain gaps. This is even more so if a certification system is developed in the consumer market. In short, starting the certification process here, at this end of the marketing chain, and in this market only, could well have the unintended effect of confounding the whole process, thereby confusing consumers, tainting the reputation of the entire industry, and badly damaging the economies of several African countries. Many a consumer, we fear, unsure in distinguishing one African rebellion from another (or perhaps even one African state from another) will simply play it safe by not buying any diamonds that come from anywhere in Africa. This is confounded by the fact that an average person from the Northern Hemisphere regards Africa as a country and not as a continent. Some consumers who are well informed may decide to avoid helping either side and refrain from purchasing even legitimate diamonds from countries in conflict, thereby setting back efforts by those governments and the USA and United Nations to begin the process of reconstruction and development. Furthermore, the other unintended consequence of the measures as proposed could to fuel Afro-pessimism.

9. The African diamond-producing countries have decided to take a lead on this issue, in formulating such measures as a coordinated certificate of origin system to be required at the beginning of the marketing chain, and with a rigorous audit trail that can isolate and penalize those dealing in uncertified diamonds, thereby providing an incentive to virtually the whole industry to stay with authentic certified diamonds, and provide diamonds consumers in every market with reassuring and reliable information.

Africa's Diamonds: Precious, Perilous Too?

Testimony of Charmian Gooch
Director
Global Witness
Before the House Africa Subcommittee
Chairman Edward R. Royce
May 9, 2000

AFRICAN DIAMONDS:PRECIOUS OR PERILOUS TOO?
CONGRESSIONAL HEARING MAY 9TH

INTRODUCTION

Global Witness is a British based not for profit non-governmental organisation (NGO) which focuses on the links between environmental and human rights abuses, especially the impacts of natural resource exploitation upon countries and their people. Using pioneering investigative techniques Global Witness compiles information and evidence to be used in lobbying and to raise awareness. Global Witness' information is used to brief governments, inter-governmental organisations, NGO's and the media. Global Witness has no political affiliation.

Global Witness started working on the issue of conflict diamonds with the publication of its report 'A Rough Trade' in December 1998. This work was carried out due to the role that the diamonds, diamond companies and governments were playing in the protracted and brutal civil war in Angola and the devastating effects upon its population. This was the first time that a critical examination of the diamond trade in Angola had taken place.

The funding of conflict by diamonds though, is not the whole story of Central and Southern Africa's on-going wars, and Global Witness believes that the wider role of natural resources other than diamonds, as well as that of organised crime and corruption, requires urgent and full discussion. Clearly this is beyond the scope of this hearing, but because of its importance, brief mention will be made here.

In Angola the corrupt and un-transparent use of growing oil revenues by the Angolan Government has led to an absence of accountability of government and a situation where over-priced arms deals are arranged more on the basis of cronyism, than on value for the state. Global Witness estimates that the Angolan State generated between US$ 1.8 – 3.0 billion annually from oil, and this figure is set to double over the next decade. Despite the scale of this revenue, it is hard to see any notable contribution this revenue has made to the development of Angola, and the country continues to languish at the 160th position out of 174 countries assessed by the UN's Human Development Index (HDI).

In effect, we are seeing a gradual move of organised crime into this region, whose aim is to acquire extensive concessions of the region's natural resources, in return for the supply of weaponry and other resources, which are fuelling conflict in this region. These structures are benefiting from the use of off-shore tax havens, and the global banking systems. As such, it is vital that the international community looks more carefully at this problem, with a move to close down this activity.

CONFLICT DIAMONDS

There are two key questions that are central to the whole debate. Firstly does the problem of conflict goods need to be addressed, and consequent upon that, what kind of system is required to severely restrict the entry of conflict goods into the legitimate market . The humanitarian, economic and ethical arguments are overwhelming. It is clear that governments and the commercial trade are looking to address the problem of conflict goods. Unfortunately, due to the high value of these goods, a system based solely on declarations of intent and unenforceable declarations of self-regulation are unlikely to significantly address the core problems, and may even lead to consumer cynicism about claims made by the diamond industry. This could have unfortunate knock-on effects on other issues that are at the heart of maintaining industry integrity and consumer confidence, such as assurances that diamonds are not treated or not synthetic

In recent years it has become increasingly apparent that gem diamonds, one of the most concentrated forms of wealth known to man, were and are playing significantly destructive roles in some of Africa's brutal conflicts. The control and exploitation of diamond rich deposits by rebel factions in order to fund their campaigns of terror and for personal enrichment has tarnished the image of diamonds away from the traditional images of love and beauty. The industry has known of the connection between diamonds and conflict for at least a decade, indeed in many cases it has structured its buying so as to be directly from combatants. But the trade had done nothing to try and address the problems. Indeed the trade, particularly De Beers, spent time and money promoting the concept that it was 'essential' to buy the conflict diamonds to maintain a steady world market price. However there is still time for the diamond trade to act together to end this trade in death and ensure that the image of diamonds is not tarnished even further.

The basic debate is that the majority of the diamond industry is well organized and controlled but that a minority of diamonds from rebel armies in countries affected by conflict are entering the world market with destructive impacts upon those countries. There is also considerable concern that the legitimate diamond markets will suffer from a consumer backlash as the association between diamonds and conflict is made more apparent by the worlds media. The negative impact of revenue from diamonds within some of these countries is well documented, but was little understood until recently. More importantly, the humanitarian and economic costs have been devastating to those affected countries and are completely unacceptable. In Angola, Unita used revenue from its massive sale of diamonds, up to $3.7 billion between 1992 and 1998, to undermine its part in Angola's failed peace processes and to re-arm. In Sierra Leone, analysts have pointed to the key role that control of diamond fields played in the conflict and is playing in the return to peace. In Liberia diamonds from Sierra Leone played a significant role in the financing of their destructive civil war. Currently in the Democratic Republic of the Congo diamonds are playing a fundamental role in the funding of the conflict for all factions. The

positive economic aspects of diamonds are clear understood as in the significant economic success of Botswana. Namibia and South Africa have also both benefited from their diamond resources. It is very important that the diamond revenue is not negatively effected in these countries, and others, where diamond production is not funding conflict.

Partly due to the launch of the Global Witness report, 'A Rough Trade' in December 1998, there has been a shift in world opinion on the issue of conflict diamonds, which in itself is a new term. No longer is the 'soaking up' of 'open market goods' from areas of conflict deemed to be an inevitable consequence of the need to stabilize the world price of diamonds. Governments have ceased to accept this as an argument for non-interference, as have consumers. Indeed, perhaps most importantly, in terms of long-term change, the commercial part of the diamond industry has itself begun to change its position on this issue. There have been encouraging actions and statements but these have been in response to pressure from governments, the United Nations and from a small number of non-governmental organizations.

It is vital that a long-term solution to this very complex problem be found, and that can only work if some of the underlying structures are addressed rather than the commercial sector of the industry dealing with each problem country on a case-by-case basis. This is no way to protect the legitimate diamond economies nor to deal with the atrocities and horrors inflicted upon the peoples of affected countries. It is clear that there is a need to create a 'chain of custody' within the diamond trade – an auditable trail from the mine to the consumer that can work with existing structures and patterns of trade. The initiative of the South Africa Government on bringing together government and industry in a Technical Forum, on the 11–12th May 2000, to work on ways to address the problem is to be welcomed and should be widely supported.

The total world production of diamonds for 1999 is estimated at $6.8 billion. Of this total $3.8 billion was from countries that are well regulated, namely South Africa, Namibia, Botswana, Canada and Australia. The remaining $3 billion came from Russia, which is difficult to assess, Angola $600 million, which appears to be attempting to reform controls, and also smaller production from a wide range of countries, which accounts for $800 million (Democratic Republic of Congo would account for a significant proportion of this). In other words, just over half of the world's production by value came from five countries with tightly controlled diamond production, and just a small number of mines. Russia's production is very significant and is from a small number of mines and it is difficult to obtain information on the controls. Diamonds are mined in a total of approximately 26 countries. The overwhelming majority of diamonds are mined under government control and about 80% of all diamonds mined are used for industrial purposes. The working of diamonds takes place in about 30 countries worldwide.

Polished production in 1998 amounted to approx. 860 million stones with India polishing the vast majority of these stones. In 1999, $13 billion of diamonds were sold in jewellery sales worldwide with a wholesale value of approx. $27 billion, and this in turn was worth $56 billion in retail sales. The diamond content of jewellery varies widely and an accepted average is that 23% of diamond jewellery retail value is actual diamond value. The wholesale market breaks down as follows: the USA was the largest market with $6.24 billion (48%); Japan the second largest with $1.82 billion (14%); Asia Arabia $1.43 billion (11%); Europe $1.56 billion (10%); Asia Pacific $1.3 billion (10%); the remainder was $0.65 billion (5%). In terms of retail sales the percentages are very similar, although the values are much higher: the USA accounted for 44% of sales ($24.6 billion); Japan for 19% ($10.6 billion); Europe 14% ($7.8 billion); Asia Pacific 5% ($2.8 billion); and Asia Arabia 4% ($2.2 billion). De Beers has estimated that the value of diamond jewellery at wholesale terms was $27 billion in 1999. The US has a special responsibility to take action due to the huge percentage of high quality diamond jewellery (nearly 50% of the global market) that is sold there annually.

The diamond industry is a major player in the economies of a number of countries. In Africa it is a significant contributor to the South African economy, the Guinean economy and to others, and is the dominant revenue source in Botswana and Namibia. In Russia the picture is less clear but the country produces about $1.6 billion of diamonds. In Canada the importance of diamonds is growing fast, with a projected 12% share of total world production within the next few years. Belgium is the world's biggest market for rough diamonds, with an estimated 80% of rough and more than 50% of polished diamonds passing through Antwerp. Although tax income to government is very low, the sector employs c2,000 people directly. Switzerland is important because it is the country through which large quantities of diamonds are transferred by De Beers' London based Central Selling Organisation (CSO) for, it seems, tax purposes. Britain plays a unique role as it is the country from which De Beers, through its sightholder system, sells its diamonds, which alone account for approx. 70% of all diamonds mined.

Angola:
The importance of diamonds in funding Unita's war effort over the last decade is well known and in the light of recent publications of studies, such as the United Nations expert panels report, increasingly well understood. Diamond revenue became increasingly important for a number reasons including the political changes in the post Cold War era. Between 1992 and 1998 Unita obtained an estimated minimum revenue of US$3.7billion solely from diamond sales. This international trade in diamonds has been a major obstacle to any possible progress towards peace and played the major role in enabling Unita to restock its munitions and maintain a flow of supplies which in turn enabled it to disregard the 1992 election results. United Nations sanctions were finally imposed on Unita's diamond sales by the adoption of UNSC Resolution 1176 which activated Security Council resolution 1173 on the 24th of June 1998. This prohibited the

direct or indirect. export of unofficial Angolan diamonds, defined as those not accompanied by a Certificate of Origin issued by the Angolan government.

However there were considerable problems with the certificates of origin which were victim to institutional corruption, poor coordination and administrative negligence. It was increasingly apparent that it was possible for Unita to launder their diamonds through the legitimate government channels and thus obtain the Certificates of Origin. Governments of importing countries also failed to insist on improved Angolan GURN COs – an important point not fully addressed by the aforementioned UN Expert Panel report. Significant international pressure on the Angolan government resulted in a renewed Certificate of Origin system, tighter export controls, tighter purchasing agreements and changes in national legislation relating to diamonds. Recently agreements between the Antwerp based Diamond High Council (HRD) and the Angolan government to work together to eradicate any loopholes and actively pursue the smugglers of Unita origin diamonds. It is hoped that this will make it increasingly difficult for Unita diamonds to enter into the legitimate diamond market although given the climate of corruption within Angola and the role of diamonds in unofficial funding of Angolan army generals caution needs to be expressed. There are also considerable concerns relating to the new exclusive selling agreement that was arranged between the Angolan government and the company Ascorp and the Russia/Israel based businessman Lev Leviev. De Beers has launched a legal challenge to this new agreement and question marks have to be raised as to the claims made by majority share holder, Lev Leviev, over how he is to ensure that Unita diamonds do not enter into the legitimate Angolan production that he is purchasing.

Sierra Leone

Diamonds were discovered in Sierra Leone in 1930 and significant production began in 1935. By 1937 Sierra Leone was mining one million carats annually, reaching a peak of 2 million carats in 1960. From 1930 to 1998 approximately 55 million carats were officially mined in Sierra Leone. At an average price of $270 per carat with the total value being close to US$15 billion. From the late 1970s to the early 1990s, aspects of Lebanon's civil war were played out in Sierra Leone. Lebanese militia sought financial assistance from their compatriots in Sierra Leone, and the country's diamonds became an important informal tax base for various factions. In 1987, following a failed coup, opportunities arose in the country for a number of Israeli 'investors' with close connections to Russian and American crime families, and with ties to the Antwerp diamond trade. In 1991 the Revolutionary United Front (RUF) was created. From the outset of the war Liberia acted as banker, trainer and mentor to the RUF. With a negligible diamond production of its own, Liberia's dealings in stolen Sierra Leone diamonds have been a major concern to successive Sierra Leone governments since the great diamond rush of the 1950s. What was different and more sinister after 1991 was the active involvement of official Liberian interests in Sierra Leone's brutal war – for the purpose of pillaging rather

than politics. By the end of the 1990s Liberia had become a major centre for massive diamond-related criminal activity, with connections to guns, drugs and money laundering throughout Africa and considerably further afield. In return for weapons, it provided the RUF with an outlet for diamonds and has done the same for other diamond producing countries.

The civil war lasted from 1991 until the signing of the Lome peace accords in July 1999. During this period an estimated 75,000 died, 2 million were displaced and tens of thousands were mutilated by amputation. During the signing of the Lome peace accords the control of diamond resources was central to the signing of the accord. As a result the Commission for the Management of Strategic Resources, National Reconstruction and Development was created. In an apparent compromise for peace this body was to be headed by RUF leader Foday Sankoh. The United States, who were key negotiators in the Lome peace accords, have through the Office of Transition Initiatives (OTI) provided US$1million for technical assistance to the Commission. The aim of the technical assistance is to 'assist the Government of Sierra Leone in establishing national policies and practices for the efficient and legitimate exploitation of diamonds and gold, and the transparent utilization of those resources in funding national reconstruction and development.' The UK government are also extensively involved in working towards solutions regarding Sierra Leone's diamond industry.

The commission began with what appeared to be a promising start – the banning of diamond mining in Sierra Leone and the review of all contracts. However when commission chairman Foday Sankoh stated that all mining was to be banned in Sierra Leone it was supposed to be a joint announcement with President Kabbah. Also it was only supposed to relate only to the cessation of illegal diamond mining, the majority of which is still being carried out by Foday Sankohs RUF troops. Recent moves regarding Sierra Leone and its diamonds have been the publication of a detailed study of the Sierra Leone diamond trade by Partnership Africa Canada and recommendations made by US congressmen Tony Hall and Frank Wolf who have called for an embargo of illicit Sierra Leone diamonds. This would mirror the current UN diamond sanctions in Angola. However in what could become a tragic repeat of the highly destructive impact of diamonds on the Angolan peace process, the UN in Sierra Leone does not appear to have learnt any lessons. The current UN mission, UNAMSIL has been given no mandate to halt mining or even gather information about diamond mining by the RUF rebel forces. A technical workshop involving diamond companies and government officials has taken place in an attempt to present solutions to Sierra Leone's continuing diamond problems however no solutions have been presented. As the UN mission unfolds the strategic issue of diamond mine control will become ever more apparent and urgent.

DRC

The current conflict in the Democratic Republic of the Congo, dubbed by many as Africa's first world war, involves the nations of Angola, Namibia, Zimbabwe, Uganda, Rwanda and Chad. The DRC is abundantly rich in many natural resources, including diamonds. This has led to all sides in the conflict deliberately targeting these resources in a bid for economic superiority and financial advantage. Many of the leaders of these nations have been accused of profiteering from the exploitation of these resources and deliberately targeting resource rich areas in attempts to gain control of them rather than any interest in regional stability or peace processes.

Diamonds are the economic lifeline for Laurent Kabila, earning his regime an estimated US$100 million in income in 1997 from total diamond exports of $616 million. Congo has two main diamond producing areas in Mbuji Mai and Kisangani. The government controlled diamond mines in Mbuji-Mayi are protected by Angolan and Zimbabwean troops. Diamonds showed how integral they are to the conflict in the DRC when in September 1999 the Zimbabwean defence minister, Moven Mahachi, stated that the armed forces of Zimbabwe and the DRC had set up a joint business venture to pay for the war through the mining and marketing of diamonds. In April 2000, UN Secretary General, Koffi Annan announced the need for an expert panel to look into the role that diamonds and gold is playing in the financing of the conflict in the Congo.

CONCLUSION

The diamond industry is currently facing one of the most serious crises in its history. It has to face up to the fact that its current systems of trading are having devastating impacts in Africa which are spilling over to neighboring countries and are damaging the entire image of diamonds, which will last for many years to come. Some sectors of the diamond industry are slowly realizing this and recent developments seem encouraging – however there is still a long way to go.

There is an urgent need for a system of controls that can demonstrate that diamonds are from controlled sources. A key part of such controls will be the rigor with which they are implemented by those within the industry. As UK Foreign Secretary Robin Cook noted in December 1999 at the G8 summit "If the [diamond] industry could do it itself by self-regulation and by other proposals, that would be very welcome and I think the more we are seen to be pursuing this earnestly, the more it is likely they will do so." Governments, both producers and importers, have a central role in setting a regulatory framework within which industry self-regulation can be a meaningful part of the process of controls. A certain amount of responsibility for the success of any proposed control system lies with the countries that actually produce the diamonds. A number of these countries, such as Namibia, Botswana, South Africa, Australia, and Canada are already operating systems that are well controlled and that can easily be developed as part of a wider control system. Importing and exporting countries and the international community need to examine how their own customs procedures and national legislation can be adapted to ensure that conflict

diamonds no longer enter into legitimate diamond marketing channels.

The independent auditing of company claims and the verification of the control systems, coupled with the use of technology systems will go a long way to ensuring that the dark shadow of conflict diamonds that is currently looming over the industry will end. This will ensure its long term survival and more importantly go a long way to ensuring that no longer can factions, armed with increasingly sophisticated weaponry hold countries, governments and the international community to ransom due to the fact that they have access to the source and the markets of a highly lucrative and easily transportable commodity.

TEL: (202) 939-9261 / 9262
FAX: (202) 483-1794
Sierrale@umbc7.umbc.edu

EMBASSY OF SIERRA LEONE
1701 NORTH GREENVILLE STREET
WASHINGTON, D.C. 20036

May 9, 2000

The people and the elected government of the Republic of Sierra Leone hereby endorse the CARAT BILL and the "SENSE OF CONGRESS" resolution pending before the Africa Subcommittee of the House International Relations Committee; together with the statement of the Honorable US Representative Tony P. Hall (D-Ohio) in support thereof.

By executing international peacekeepers, disarming, disrobing, relieving them of their valuables; holding them hostage and denying it; the Revolutionary United Front ("RUF") and its leader, Mr. Foday Sankoh, have now displayed for the whole World - and beyond all shadow of a doubt - their total contempt for international law, the Lome Peace Agreement, and the need for peace and security in our homeland.

By ordering his troops to shoot point blank from his residence into a vast crowd of peaceful demonstrators exercising their constitutional right to peaceful assembly; Mr. Sankoh has again demonstrated beyond all shadow of a doubt his depraved indifference for the sanctity of human life.

Mr. Sankoh and his RUF have committed, and continue to commit, egregious crimes against the people of Sierra Leone for no other reason than his determination to steal and smuggle Sierra Leone diamonds for supply to the international black market diamond trade. The CARAT ACT will begin to introduce accountability into the international diamond trade and thus reduce violence to the innocent people of Sierra Leone. The SENSE OF CONGRESS Resolution will demonstrate Congress's concern for a timely resolution of the issues surrounding the violence against civilians in Sierra Leone.

It is the view of this embassy that Mr. Sankoh was never a legitimate political dissenter. He was merely a diamond thief and smuggler in collusion with outsiders and who became so successful, he coned the World with bogus political rhetoric and fooled himself into believing that he had acquired the power to seize control of our government.

We invite any United States public official who may have asked President Kabbah to release and give amnesty to Mr. Sankoh so he could negotiate the participation of RUF criminals, including Mr. Sankoh, in the present power-sharing government of Sierra Leone to clarify his/her position, given Mr. Sankoh's demonstrated contempt for the health and safety of the people of Sierra Leone and his continued corrupt and brutal exploitation of the wealth of our land.

EMBASSY OF THE DEMOCRATIC REPUBLIC OF THE CONGO
1800 New Hampshire Avenue NW Washington, D.C. 20009. ◆ Tel.:(202) 234-7690. ◆ Fax:(202) 234-2609

Africa's Diamonds: Precious, Perilous Too?

Statement to the United States House of Representatives
Subcommittee on Africa

By

H.E. Faida M. MITIFU
Ambassador of the Democratic Republic of the Congo

May 8, 2000

Mr. Chairman:

On behalf of President Kabila and the Government of the Democratic Republic of the Congo, I want to express appreciation to the Subcommittee for allowing me to submit a statement concerning the current exploitation of diamonds in my country which, as you know, is enduring its 27th month of foreign invasion. It has become clear to many observers of the Great Lakes region that the current occupation and Congo's mineral wealth are intertwined.

In a letter to the UN Security Council [Lettre no 132.61/RDCONU/A2/320/000 May 5, 2000. Annex 1], my government asked for the immediate withdrawal of Rwandan, Ugandan and Burundian armies from Congolese soil as well as an end to the illegal exploitation of my country's mineral resources. Mr. Chairman, the fear of insecurity at their borders initially advanced by the invading troika –Rwanda, Uganda, Burundi-- has turned out to be a pretense for a handful of money launders, arm-dealers and diamond traffickers to make my country a hub for their illicit and often deadly business.

Indeed, the current instability in the Great Lakes region by no means justifies the occupation of close to half of my country nor does it explain why the front line of the Rwandan, Ugandan and Burundian armies should lay about 1000 Km from their borders. Furthermore, the fighting between the Rwandan and Ugandan armies to control the mines surrounding Kisangani first in August 1999 and again on May 5, 2000, illustrates those countries complete defiance of international laws and is in violation of the Lusaka Accord. Mr. Chairman, on both occasions, innocent Congolese civilians paid with their lives.

Clearly, what is truly at stake in this war, today, is henceforth the control and mineral exploitation of the riches of my country. The Congo's great mineral wealth: copper, cobalt, uranium, diamonds, gold, silver, tin derivatives to name a few, are the envy of many countries

and with good reason. Properly exploited, this wealth could generate an income estimated to 2 or 3 billion US dollars. For instance, the diamond market alone is worth 600 to 700 million US dollars a year; the mines of KILO-MOTO alone represent 1 to 2 thousand tonnes of gold or the equivalent of 25 to 30 billion dollars according to a recent study published by Observatoire Gouvernance Transparence (OGT), a Congolese NGO.

Mr. Chairman, my Government and my People ask once again for the United States to exert its influence as super power and peace-broker to pressure the governments of Rwanda, Uganda and Burundi into withdrawing immediately from our land. My Government strongly believes that severe sanctions on sales of all diamonds of questionable origin will deter trafficking of all kinds from overtaking the legitimate economy in the Great Lakes region and elsewhere in Africa.

Mr. Chairman, I want to commend you, the committee members and other members of Congress, and the Administration for the positive role the United States is playing in bringing peace and stability to the Great Lakes region. Mr. Chairman and members of the Sub-Committee, on behave of my Government allow me to express my sincere thanks for your continued interest in the Democratic Republic of the Congo.

BOTSWANA'S SUBMISSION TO THE AFRICA SUB-COMMITTEE OF THE HOUSE OF REPRESENTATIVES OF THE US CONGRESS HEARING ON CONFLICT DIAMONDS

Diamonds, and the revenues that have flowed from diamond mining, have enabled Botswana to lift itself from the ranks of the world's poorest countries to the category of "middle-income" countries (according to World Bank definitions). Gross Domestic Product per capita has risen to over US$3000 which is nearly ten times the level of the world's poorest countries today (though it is still only about one tenth of the level in the world's richest countries.

2. In the fiscal year 1999/2000, direct revenue to Government from diamond mining (including taxes, Royalties and dividends) amounted to roughly P6.5 billion (roughly US$1.3 billion. This amounts to about $1000 p.a. for every Botswana citizen. This year was a particularly good one for diamonds and the revenue accounted for 55% of all revenues and grants flowing to Government and about 57% of Government's total recurrent and development expenditure.

3. Obviously we are concerned about conflict in Africa because we all live on the same continent and nobody can remain isolated if they trade in the same markets. Botswana sells all of its diamonds through the Central Selling

Organisation of De Beers and we are proud of the fact that Botswana diamonds carry none of the stigma of the so-called "conflict diamonds" or "bloody diamonds" about which we hear so much. In fact, like the bulk of diamonds traded through legitimate and legal channels, Botswana's diamonds provide enormous benefits to the people and the economy of the producing nation. Diamond jewellery may be purchased only by wealthy consumers, but many poor people around the world derive their livelihood from the mining and polishing of gem diamonds for that rich market. For obvious reasons we are keen to see that the problems from conflict areas, and any measures taken to address those problems, should not damage the legitimate diamond trade from which so many of our people benefit.

4. You can't deal with any industry very well unless you have political stability based on the rule of law and transparent democratic governance. We have enjoyed all of these for many years in Botswana but, tragically, the same cannot be said for the other countries which have experienced conflict. Botswana also has the world's largest diamond resources and its mines enjoy the lowest production costs - so even without civil strife, these other countries, with their much larger populations, could not aspire to a diamond industry capable of generating development benefits on the scale of Botswana's.

5. As a responsible African nation Botswana has loudly condemned conflict at the OAU and SADC fora and we have voted in support of the UN Security Council Resolution imposing sanctions on UNITA in Angola. We have gone further to lend our support to the work of the UN Sanctions Task Force on Angola which has just recently issued a comprehensive report on "sanctions busting" in Angola.

6. Our concern as the largest diamond producer is that the issue of conflict diamonds has been so publicised as to imply that diamonds are the root cause of conflict in DRC, Angola and Sierra Leone. It would defeat all logic to think that stopping illicit diamond trade in these countries would bring an end to conflict as there is similar conflict around the world in areas where there is no diamond mining or trade what so ever.

7. Diamonds may have played a role in some of the conflicts taking place in Africa. But we must seek to understand their role and how it came about before we can put a disproportionate blame on diamonds per se.. In our view, the problem starts with rebel movements with a political motive acquiring arms largely manufactured outside Africa and using those arms to prevail over the national defence forces to capture alluvial diamondiferous areas. Only with a

sustained supply of arms and ammunition can the rebel movements hold onto these areas for the perpetuation of conflict. Therefore illegal acquisition or trade in arms is at the centre of all conflict around the world. This is what the international community should begin to focus its attention on.

8. Targeting conflict diamonds, besides not bringing conflict to an end, carries the risk of destabilising the diamond market to the detriments of the economies of democratic countries such as Botswana which for many years have thrived on the diamond business and through that have enjoyed political and economic stability based on the rule of law and transparent democratic governance.

9. If the diamond market were to be damaged by the international efforts to curb conflict diamonds Botswana stands to suffer more than the countries currently experiencing conflict as it is far more dependent on diamonds than Angola, Sierra Leone and DRC.

10. Whilst the campaign against so called conflict diamonds threatens to undermine the entire world diamond business, the Angolan Government has publicly announced reforms to end illicit trade of Angolan UNITA diamonds.

It has announced a new certification system which it believes to be extremely effective in the control of diamond exports. It has taken control of the entire Angolan Air space and has recaptured UNITA's Main Airports within Angola ending all illegal flights into and out of the country.

11. We observe with great satisfaction the progress towards a complete cease fire in Sierra Leone where a prosperous diamond business will soon be required to restore economic stability in that country. In DRC as well we believe that a cease fire could be achievable sooner rather than later, judging from the latest Africa summit held in South Africa under the Chairmanship of Algeria's President who is also the chairman of the OAU.

12. All these developments we believe should obviate the need for any form of campaign that could put the diamond market in jeopardy.

13. Botswana has a record of running its affairs well and the manner in which it has organised its diamond industry and managed the fortunes from this industry is a good example of how seriously its Government takes its responsibilities towards economic developments and upliftment of the standard of living of its people. But even so the country is far from wealthy by global

standards. It remains a developing country with its fair share of social and economic problems and challenges characteristic of such countries.

14. Amongst the country's problems is the HIV/AIDS epidemic which is currently affecting sub-saharan Africa. The prevalence of HIV infection rate in the country which has increased from 13% in 1996 to 17% in 1998 is putting a lot of stress on the country's resources, virtually all earned from diamonds. The country's unemployment rate is currently estimated at 20% with significant (but not quantified) under-employment due to lack of diversity in an economy centred around diamonds.

15. In the last 20 years the country has experienced two drought spells each lasting for at least 7 years. This has further accentuated dependence on diamonds as the agricultural potential was destroyed completely and now requires more capital to resuscitate it. As if this was not enough, the millennium started with another extreme weather condition with floods destroying infrastructure and leaving many people without shelter. Again diamond resources are being diverted from funding the Government's programme of economic diversification to rehabilitating infrastructure and extending assistance to flood victims.

16. Another major challenge facing the country is poverty. Despite the diamond fortunes a 1997 study on poverty and poverty alleviation revealed that 47% of Batswana individuals and 38% of households were living in poverty in 1993/94. Until the economy of Botswana can be diversified the country will continue to look to diamond revenues to deal with its problems and maintain economic progress.

17. Just as some countries unfairly blame diamonds for causing conflict, and are seeking to disturb the diamond trade, we see in diamonds a solution to an array of problems which our country faces and feel entitled to fight for the protection of the diamond industry.

18. We share the concern about conflict and have supported research efforts by Global Witness and the UN Task Force on sanctions against UNITA. We trust that, through these and other efforts, we will identify effective measures to assist in quelling conflict without adversely affecting us as the largest and most dependent diamond producer. We are a small country without much influence on the resolution of conflict by the international community. But we deserve to be consulted on every step that the international community might want to take on conflict involving diamonds for the reason that we are the country that is

likely to be affected by the consequences of intervention in the way the international diamond industry operates today.

Diamond.conf 2

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DE BEERS
A DIAMOND IS FOREVER

De Beers Consolidated Mines Ltd. &
De Beers Centenary AG

Written testimony before
The United States Congress

House Committee on International Relations
Subcommittee on Africa

Hearings into the Issue of "Conflict Diamonds"

May 9, 2000

I. Introduction

De Beers would like to thank the members and staff of the House Subcommittee on Africa for their invitation to offer written testimony on the issue of "conflict diamonds." The company is pleased to present its views on the scope of the problem, to describe the unilateral steps it has taken, and to suggest some further solutions that the world's governments and diamond industry participants might implement to ensure that funds from the sale of illicitly-mined diamonds do not find their way into the coffers of those who would solve their nations' problems through violence.

II. De Beers

De Beers is the oldest and the largest diamond mining company in the world. Established in the Kimberley diamond fields of South Africa in 1888, it owns and operates eight mines in South Africa as well as the offshore and deep-sea diamond mining company, Debmarine. Outside the borders of South Africa it is an equal partner with the government of Namibia in Namdeb, the Namibian diamond mining company; with the government of Botswana in Debswana, the largest producer by value of gem diamonds in the world; and with the government of Tanzania in the Williamson diamond mine.

In 1999 total rough diamond production from these sources was $3.012 billion out of total world production of $6.857 billion. In addition to this production, De Beers' marketing arm also purchases under contract a proportion of the rough diamond production of Russia and Canada. De Beers' own production together with goods purchased under contract amounts to approximately 65 percent of world production.

Until October 1999 the company also maintained an outside buying operation, largely in Africa. De Beers was one of hundreds of companies active in this market, of which it had only a small share. The company's African open market purchases over the last decade accounted for less than five percent of the company's total intake.[1]

The De Beers marketing arm, the Central Selling Organisation, deals almost exclusively in rough diamonds. These are sorted into over 14,000 categories, according to carat-weight, cut, colour and clarity, before they are sold to the dealers and manufacturers of the international diamond industry at "sights" which are held at five-weekly intervals throughout the year.

De Beers' customers then take the rough diamonds to the world's four major cutting centres: Antwerp, Tel Aviv, New York and Mumbai. The international cutting industry employs 790,000 workers around the world. The largest centre is Mumbai in India where the industry gives direct employment to 700,000 people.

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[1] De Beers withdrew its buying operation from Sierra Leone and Liberia fifteen years ago.

Although De Beers is not active in polished diamonds or in the diamond jewellery trade, it supports the retail diamond industry with a vigorous world-wide promotion and consumer advertising campaign for diamonds and diamond jewellery at a cost of $170 million a year. The jewellery industry in the United States is a significant employer, with an important cutting industry in New York and more than 25,000 retail outlets across the U.S.

III. Diamonds and Africa

As a company with its roots and many of its assets in Africa, De Beers has a vested interest in the promotion of economic and political stability on the continent. It has therefore long made substantial investments in a wide range of projects to improve the lives and welfare of the peoples of the countries in which it operates. In a five-year period from 1993 to 1998 it spent nearly $90 million on community projects around the world, but mostly in Africa. In 1999 nearly four percent of its dividends were committed to community projects world-wide.

De Beers is therefore dismayed by the continuing conflict in many African states, the suffering of their peoples, and the destruction of those nations' political and physical infrastructures. Moreover, as a major mining company De Beers knows all too well the deleterious effects that conflict and political instability often have on potential large-scale investors. Diamond mining is a highly capital-intensive field, typically requiring initial capital investments on the order of $500 million or more. Political stability is critical if such commitments are to bear fruit.

Furthermore, having spent hundreds of millions of dollars on advertising its product, De Beers is deeply concerned about anything that could damage the image of diamonds as a symbol of love, beauty, and purity.

For all these reasons, De Beers has been appalled by the link that has been made between diamonds and the funding of weapons purchases by rebel armies in Africa. The company has been particularly saddened because it has first-hand experience of the contributions diamonds can make to a country's economy through royalties and taxes, provided that they are exploited under an orderly, predictable, transparent and well-regulated mining regime. Such regimes are the norm in those Southern African countries where the diamond industry has been crucial to economic development: South Africa, Namibia, and most recently Botswana.

Nowhere has this been more apparent than in South Africa, where the mining industry was the flywheel of the nation's industrial machine. Before the discovery of diamonds 140 years ago, South Africa was an impoverished, agrarian society. Some of the thousands who flocked to Kimberley at the time were little more than fortune-seekers. Others stayed to create order out of the chaos of the Kimberley diamond fields and to lay the foundation of an industry that has lasted for more than a century. To service the needs of that industry and the later development of the Witwatersrand gold fields, South Africa developed the secondary industries and the physical and financial infrastructure which have ensured its place as the leading industrial country on the African continent.

South Africa is no longer the world's major diamond producer, although it still produces $0.8 billion worth of diamonds annually. However, the diamond industry still makes a major contribution to the wealth of the country through taxation and employment. South Africa's diamond industry gives direct employment to 11,500 people, of whom De Beers employs 7,913. In addition to mining, and in sharp contrast to most other producing countries, South Africa maintains a well-developed cutting industry. More than fifty percent of De Beers' local rough diamond production is sold to South African cutters for beneficiation. De Beers is also one of South Africa's largest corporate tax payers with more than fifty percent of its mining profits going to the State in the form of mining tax.

In Namibia, the organised diamond industry goes back to the end of the First World War. Today, it is the largest single employer and its annual production of $0.4 billion accounts for forty percent of the country's foreign exchange earnings. Moreover, the orderly development and management of the industry has allowed for the development of its offshore and deep-sea diamond deposits as its onshore deposits have diminished

Botswana provides the best example of what diamonds can mean to a developing country when its deposits are exploited for the benefit of the many, not the few. Botswana is the largest producer of gem diamonds in the world, producing $1.7 billion worth in 1999. Last year Botswana's foreign reserves stood at $6.5 billion. With an annual growth rate of nine percent Botswana is one of the fastest-growing economies in the world. It remains dependent on the diamond industry for seventy-five percent of its foreign exchange earnings, sixty-five percent of all government revenue, and thirty-three percent of GDP. Botswana is not merely an economic success story, it is also a rare political success in Africa: a stable, peaceful, multi-party democracy. This political stability ensures that its diamond industry operates within an orderly, transparent and predictable legislative framework, and that all of its citizens benefit from its diamond income.

IV. Diamonds from Conflict Areas

For all the reasons stated above, De Beers deplores the use of diamonds to fund civil wars. It has consequently gone to considerable lengths -- further even than United Nations Sanction 1173 (1998) requires -- to ensure that its diamonds are "conflict-free." The company is also devoting considerable energy to encourage and persuade all involved in the international diamond industry to follow its example. De Beers takes issue, however, with the grossly inflated figures used to describe the dimensions of the problem by some non-governmental organisations and commentators.

De Beers believes that "conflict diamonds" are properly defined as diamonds mined or stolen by rebels who are in opposition to the legitimate Government of a country. As illegal products, it is obviously difficult to quantify them with absolute certainty. According to De Beers' own research, in 1999 only $255 million of the world's rough diamond production of $6.8 billion, or

roughly 3.7 percent, could accurately be described as coming from areas which were under rebel control in 1999 (see Annex 1).[2]

The diamond-producing countries most affected by civil war, and therefore the primary source of "conflict diamonds," are Angola, Sierra Leone, and the Democratic Republic of Congo. The factual bases for the estimates De Beers lists in Annex 1 for each of these countries are described below.

A. Angola

De Beers estimates that approximately $150 million worth of rough diamonds were produced by areas of Angola that were under rebel control in 1999. This estimate is based on the company's knowledge about Angolan diamonds, the history of the civil war in Angola, and its effects on the diamond markets in recent years.

Angolan diamonds come primarily from two regions of the country: the Cuango Valley and the northeastern region of Lucapa. Cuango Valley diamonds are typically yellow in colour and somewhat rounded in appearance, while those from Lucapa tend to be more angular and greyish-white in colour. This distinction is important, as it allows those in the diamond trade to estimate the source of Angolan diamonds with some degree of accuracy.

For most of the period from 1995 to 1997 UNITA was in control of the best areas of the Cuango Valley. During that period, the volume of readily identifiable product from those mines increased substantially on the diamond market in Antwerp. Although the Angolan government does not publish the known positions of UNITA rebels, it is generally accepted that their army withdrew from the diamond-rich Cuango Valley diggings during 1997, during which time the flood of Cuango Valley diamonds into Antwerp ebbed noticeably. This would have effectively reduced UNITA's potential recovery by approximately fifty percent. If the volumes were larger than the $150 million per annum estimated by De Beers, the company believes that the goods would spill over into the general diamond trade as they did during the period of 1995-97. Since 1997, UNITA appears to have concentrated itself in the north-east, working some Lucapa-type mines and others further south with which De Beers is not familiar.[3]

Finally, further limiting UNITA's share of the Angolan production is the fact that UNITA's diamond production is in very few hands (although many dealers try to get into the circuit, very few succeed.) As suggested by U.N. Ambassador Fowler's report, the UNITA diamond trade is a

[2] De Beers believes that its sources are more reliable than those that are often cited. For example, official Belgian import statistics are often seriously distorted by the inclusion of diamonds from other countries which are falsely described as "African" in order to avoid the 0.3 percent import levy that Belgium charges on non-African goods.

[3] The company notes that these southern Angolan mines produce stones that resemble South African and Namibian goods, rather than the usual northern Angolan mixtures. This could explain why the diamond trade fails to see UNITA goods on the market today -- they could easily be disguised by mixing and matching them with alluvial production from other countries.

tight, limited circle of trusted individuals who provide other services for UNITA beyond diamonds.

B. Sierra Leone

De Beers estimates that approximately $70 million worth of rough diamonds were produced by areas of Sierra Leone under rebel control in 1999. The distinctive rough diamonds of the three diamond regions in Sierra Leone -- the districts of Kono/Koidu, Tongo Field, and Kenema/Bo -- are marketed in Antwerp by relatively few dealers, all of whom spent over twenty years in these districts before moving to Belgium when life in Sierra Leone became too precarious. An informal survey of these traders yielded the estimate cited by De Beers in Annex 1.[4]

This estimate is based on De Beers' and the traders' knowledge of Sierra Leone's diamond deposits. It has been suggested that Sierra Leone's alluvial reserves have been seriously depleted after over forty years of mining, and that the proven reserves of the mines at Tongo Field and Koidu/Yengema have been overstated to enhance the share prices of small mining companies listed on the Canadian Stock Exchange. Approximately half of Sierra Leone's total production comes from the Kono/Koidu district, where the larger stones of very fine colour and quality are recovered (they are often found in the old tailings left by the defunct S.L.S.T. mining company). If the production from rebel-held diamond regions exceeded $70 million per annum, such a volume of stones would be highly visible on the Antwerp market. The production contains a high percentage of crystals -- octahedrons with sharp flat sides which produce "Princess" cuts -- and such stones are enjoying a surge in demand. A larger volume than that estimated by De Beers and its contacts in the diamond trade would result in highly visible activity among the dealers.

Finally, using Liberian imports into Antwerp as a measure for calculating Sierra Leonian production, as some do, is questionable methodology. Most so-called "Liberian" production emanates from other sources (most notably Russia), and is falsely declared "Liberian" for tax purposes.

C. The Democratic Republic of Congo

De Beers estimates that approximately $35 million worth of rough diamonds were produced by areas of the DRC under rebel control in 1999. At present in the DRC there is only one diamond-producing area of note in rebel hands: Kisangani, in the north-eastern part of the country.[5] At the peak of its importance the region produced $50 million per annum and supported approximately twenty small buying companies. At present De Beers' sources estimate that the Kisangani production is half of what it used to be. However, the company believes that a $25 million estimate may be too low, as some diamonds go out of the DRC to Kigali in Rwanda. This explains the company's $35 million estimate.

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[4] The company notes, however, that when speaking at a recent U.S. A.I.D. conference Lawrence N'Dola Myers, the Government Valuator in Freetown, estimated that the production was only $50 million.

[5] The important diamond regions of Kasai, Tshikapa, and Mbuji-Mayi remain in government hands, and account for the bulk of the DRC's $290 million annual production.

V. Problems with the "Conflict Diamonds" Campaign

Although it shares the concerns of many governments, non-governmental organisations, and commentators around the world about the role "conflict diamonds" are playing in the financing of civil wars in Africa, De Beers has some significant concerns with the public relations campaign being waged by some concerned parties.

A. Inaccurate and unsubstantiated estimates

It has been suggested that twenty percent of the diamonds sold world-wide come from conflict areas. On the contrary, as outlined above De Beers believes that fully 96 percent of world production does not emanate from conflict areas. Half of world production comes from the three successful economies in Africa -- South Africa, Botswana, and Namibia -- where diamond mining is crucial to economic growth, employment and prosperity. Solutions to the problem must deny the flow of funds from diamonds to rebel leaders without damaging the legitimate diamond trade and the constructive role it plays in the economies of these developing countries. Grossly inflated estimates of the scope of the problem do not assist this process.

B. Negative effects on legitimate and economically critical trade

De Beers shares the concerns that have been expressed by countries such as Botswana, South Africa, Namibia, and India (where nearly 1 million people are directly and indirectly dependent on employment in the cutting industry) about the effects of any relentless focus on a very small percentage of world diamond production. Such a campaign could, at best, tarnish the image of diamonds and erode consumer confidence in the product. At worst, it could lead to a consumer boycott, which would destroy the economies of countries like Botswana and Namibia. This point was made by former South African president Nelson Mandela in a statement at the end of 1999, when he insisted that the campaign against "conflict diamonds" should be wary of damaging "this vital industry. If there is a boycott of diamonds, the economies of Botswana and Namibia will collapse."

C. Persistent confusion over the political history of Angolan diamond fields

A baseless figure of $4 billion is frequently cited as the value of "conflict diamonds" which have found their way into UNITA's coffers during the civil war in Angola. De Beers believes that this figure is purely notional, and ignores the fact that UNITA would be unlikely to realise even half the value of the stones produced from diggings under its control. Furthermore, this figure does not acknowledge that during the war control of the Cuango and other diamond fields swung regularly between UNITA and the MPLA forces.

This unsubstantiated figure also ignores the fact that from 1990 to 1998 a peace process was underway in Angola, brokered by the United Nations. These efforts by the government, UNITA and the United Nations continued throughout this period until March 1998, when they finally broke down. However, during this period UNITA was brought into the Government of Unity

and National Reconciliation as a recognised political party (indeed, the Minister of Mines was himself a member of UNITA). De Beers lent its assistance by, among other things, signing a new sales agreement with the Angolan government in 1991 to help it develop its diamond industry. That agreement included a $50 million loan to help increase alluvial production in the Cuango area.

Sadly, in 1998 the situation deteriorated once again, and by June 1998 all sides had abandoned the peace process. On June 24, 1998 the United Nations invoked full sanctions against UNITA. However, De Beers believes that to regard as "conflict diamonds" all diamonds emanating from areas of Angola which were from time to time under UNITA control during this period muddles history to make a dubious point. De Beers makes no secret of the fact that during this period it purchased Angolan diamonds on the outside market, although it never at any stage bought diamonds from UNITA itself. These purchases were made in good faith and under normal and customary market terms. At no time did De Beers attract criticism from the United Nations for its activities, nor did it receive censure from other organisations or commentators. In fact, at no time did the U.N., which was monitoring the peace process, suggest that UNITA was using its diamond funds to re-arm.

D. Recognition & Certification

It has been suggested that one possible solution to the "conflict diamonds" problem lies in the physical identification and certification of all polished diamonds. De Beers contends that this suggestion ignores the complexity of the diamond industry. Furthermore, the company believes that pursuit of this illusory solution detracts focus from the many practical measures which can be taken to reduce or eliminate trade in rough diamonds from conflict areas, and risks further damage to the legitimate diamond industry and the positive role diamonds can play in economic reconstruction and development.

It is possible for a diamond expert to source a complete parcel of rough diamonds as having come from a particular area or region using a number of different clues. For example, artisanal diamonds from the same source will have the same "skin" in the rough, as they have been washed down rivers over many thousands of years. These sources and rivers, however, do not recognise political boundaries. For example, some Angolan production comes from the same sources as some diamonds found in the DRC.

An expert in rough diamonds will look at the parcel of diamonds as a whole. All production, whether artisanal or from a mine, has a "footprint" -- the proportion of large to smalls, colour range, etc. -- with which a diamond expert will be familiar. A large parcel of rough diamonds from one source produces a coherent picture, which can be interpreted by an expert to determine whence it came. However, once that picture is broken up it becomes like a jigsaw puzzle with many missing pieces. Identification then becomes a matter of guesswork. It is this kind of expertise which De Beers is willing to offer officials in the Diamond Importation Offices of rough diamond-importing countries to improve vigilance in the granting of import certificates.

While the identification of individual rough diamond parcels can be extremely difficult, marking a rough diamond so that its identity will remain secure throughout the cutting and polishing process is completely impractical, because more than fifty percent of a diamond's weight is lost in the polishing process. Moreover, the overwhelming majority of diamonds are of a size and quality such that the cost of marking would so erode the margin to the manufacturer as to make it economically unfeasible. (This is particularly so in India - the world's largest cutting centre - which deals largely in small stones.) It is simply not technically possible, nor is it economically feasible, to mark a stone in such a way that the mark will survive from rough to polished, even with advanced laser techniques. Those who offer this as an easy solution are instead offering a golden opportunity to counterfeiters and fraudsters to pass off conflict or illegal diamonds. This in itself could have the perverse effect of undermining legitimate attempts to curtail the trade in diamonds from conflict areas.

Finally, if only "certificated stones"' could be traded, the many millions of diamonds now in (or on) private hands, which have been mined throughout history, could lose their value overnight, with disastrous consequences for the whole of the international diamond industry and millions of consumers around the world.

VI. De Beers' Unilateral Actions

De Beers has taken numerous steps to ensure that the diamonds in which it trades are conflict-free, and has adhered strictly to both the letter and the spirit of the United Nations' diamond sanction of June 24 1998.

- Regarding Angolan production, the company's outside buying offices -- which conducted their business in partnership with the Angolan government through the parastatal, Endiama -- accepted only those Angolan diamonds that were accompanied by an official certificate of provenance from the Angolan government. In October 1999, moved by concerns over the reliability of some of the certificates of provenance, the company went even further, ending its participation in all buying operations in Angola and placing a world-wide embargo on the purchase of all Angolan diamonds by any of its offices.[6]

- The company subsequently reviewed all of its buying operations in West and Central Africa, because of the possibility that Angolan and Sierra Leone stones could be mixed with other productions and sold through third countries in Africa. The company has since ceased all of its outside buying operations.

- In March 2000 De Beers began to issue guarantees on all invoices that none of its diamonds emanated from conflict areas in Africa. The guarantee reads: "No diamonds in this box have

[6] This did not include goods from the joint venture mining partnership SDM. De Beers has a contract with Endiama, the official Angolan parastatal, to purchase SDM diamonds. On March 28 the Angolan Government unilaterally revoked the contract and announced that it would sell all Angolan production through a new entity, Ascorp, in contravention of the agreement between Endiama and De Beers. This agreement included a substantial loan to Endiama that is still outstanding. De Beers is now pursuing its legal rights.

been purchased in breach of UN Resolution 1173. The intake of diamonds being purchased by De Beers and its associated companies and being sold into the market through the Sight system does not include any diamonds which have come from any area in Africa controlled by forces rebelling against the legitimate and internationally recognised government of the relevant country." As De Beers has stopped all outside buying, and as all of the diamonds it sells come from its own mines in Botswana, Namibia, South Africa, and Tanzania, or are purchased from Canada and Russia, these guarantees are secure.

- De Beers has also announced that it will not buy diamonds from conflict areas at any time in the future.

- De Beers has announced that it will not sell diamonds to clients found to be dealing in diamonds from conflict areas, and has strongly lobbied both the rest of the industry and the diamond banks who advance loans to the trade to follow its lead.

- Although De Beers withdrew its buying operations from Sierra Leone and Liberia fifteen years ago, it recently acceded to a U.S. State Department request to send one of its experts to Sierra Leone to advise that nation on how it can begin to derive financial benefits from its diamond resources for reconstruction purposes.

Above and beyond these measures De Beers has also co-operated closely with the United Nations:

- In January 1999, De Beers wrote to the UN Secretary General confirming its support for UN Resolution 1173 and its commitment to the restoration of peace.

- The company has also offered advice, help and support to Ambassador Robert Fowler and the UN Panel of Experts charged with investigating UNITA sanctions-busting and the funding of UNITA weapons. Since then it has liased with Ambassador Fowler, the Panel of Experts, and with the US State Department in attempting to resolve the issue.

- The company has also lent support to the British Foreign Office, and has received expressions of appreciation from Ambassador Fowler, the US State Department, and the British Minister in the Foreign Office, Peter Hain.

VII. Possible solutions

Any solution to the "conflict diamonds" problem, first and foremost, must seek to eliminate the trade in illicit (smuggled) diamonds completely. This will require that governments legislate, establish, and police transparent, orderly and predictable mining regimes. Of course, these regimes require democratic governments and institutions if they are to work properly. It is a necessary, albeit long-term solution.

A more immediate solution would be to make it as difficult as possible for diamonds that emanate from areas of conflict to be hidden in official channels. A suite of suggested solutions could include:

(1) ***Increase the cost of getting caught.*** It might discourage some diamantaires if the World Federation of Diamond Bourses and all other trade bodies made a declaration that anyone found guilty of breaking U.N. Resolution 1173 would be banished from all diamond organisations world-wide, even if the case against them was brought after hostilities had ended and sanctions had been lifted.

(2) ***Increase government support with new laws.*** Concerned governments should pass laws to empower their diamond import control offices and officers to refuse entry to wrongly declared or described rough diamonds. Governments should also empower the trade bodies to control their members through the courts.

(3) ***Build up a reference "library" of local alluvial productions.*** Each diamond producing country with a potential or actual rebel problem should facilitate the international diamond controlling authorities to acquire, at their own expense, original run-of-mine alluvial samples from the diamond districts for future reference and distribution among the world's diamond cutting centres.

(4) ***Publish those diamond regions that are "out of bounds."*** The Sierra Leone government could publish, for the benefit of international diamond controllers, the positions of rebel troops in relation to the diamond regions of Makeni, Bo, Kenama, Tongo Field, and Koidu districts. The Angolan government should also publish the last known positions of UNITA troops in the diamond regions of Angola, on a quarterly basis. (Those in the diamond trade can spot the difference between Cuango and Lucapa productions if samples are used.)

(5) ***Tighten the financial restraints on "conflict diamond" dealing.*** The cutting centre diamond banks should agree on a standard, non-conflict diamond declaration form which all of their trade customers would be required to sign and abide by in order to enjoy diamond bank facilities.

(6) ***Exchange of staff.*** Staff or experts from alluvial diamond producing countries should spend some time in cutting centre import/export offices, to assist and train staff in distinguishing between the origin and provenance of rough diamonds, and to harmonise the import/export paperwork between those countries. Staff or experts from each cutting centre should spend a period of time in alluvial producer countries' diamond export offices, to familiarise themselves with the physical appearances of the local run-of-mine productions and to establish and harmonise the import/export paperwork, for rough diamonds to and from those centres.

(7) ***Improve diamond recognition ability as much as possible.*** Each rough diamond cutting centre's diamond importation/exportation office should have samples of the

original run-of-mine diamond productions, to assist in the task of distinguishing between origin and provenance.

(8) ***Make the diamond trade more aware of the volumes.*** The publishing of official annual rough diamond import/export statistics by all countries that handle rough diamonds should become mandatory. Currently, only Belgium publishes a detailed list.

(9) ***Distinguish between "origin" and "provenance."*** At present, it is not a legal requirement to state the source of a stone (origin), but only the country that exported it (provenance). Distinguishing clearly between origin and provenance is therefore a precursor to tightening up the control on the movement of rough diamonds. This could be accomplished through the introduction of a new international standard export/import form, which would make it more difficult to circumvent export/import controls. A standard document, adopted by all centres simultaneously, would have the effect of discouraging the use of official channels by those who wish to conceal the origins of their stones. Penalties for false origin disclosure could include forfeiture of the diamonds.

Measures such as these can help ensure that "conflict diamonds" are forced out of the official channels of the diamond industry, in the same way that the banking industry successfully pushed drug money out of the official banking system.

VIII. Assistance from De Beers

In furtherance of solutions outlined above, and in addition to the unilateral actions it has already taken, De Beers offers the following assistance to the effort to eliminate "conflict diamonds" as a source of funding for those who would solve the political problems of Africa through violence:

(1) At the request of the cutting centre authorities or their governments, De Beers offers to attach ex-diamond buyers to assist in the process of teaching how to distinguish between the provenance and origin of rough diamonds.

(2) At the request of the international diamond trade, De Beers offers to help in the creation of a new, standardised international import and export document designed to distinguish between the origin and provenance of rough diamonds.

(3) At the request of the diamond banks, De Beers offers to assist in the drafting and implementation of an *"International Conflict Diamond Declaration,"* to be signed by all diamond bank customers and to have the status of a legally binding undertaking.

(4) At the request of the cutting centres and with the permission of the U.N. Authorities and the U.S. government, De Beers offers to help facilitate the purchasing of run-of-mine rough diamond samples from all diamond producing areas which are associated

with conflict for retention and reference in all rough diamond cutting centres, world-wide.

(5) At the request of the diamond cutting centre authorities, De Beers offers to help train their control experts in rough diamond recognition using samples of run-of-mine productions from the relevant areas in Africa, such as Guinea, Sierra Leone, Liberia, the Ivory Coast, D.R. Congo, and Angola.

IX. Conclusion

De Beers is the world's leading diamond mining company. It has over a century of experience in the mining of diamonds and in the diamond trade, and it has an enormous amount of history, effort, and resources tied up in the diamond trade. More importantly, our company has its roots on the African continent. We are overwhelmingly concerned with the welfare of Africa's economies, its resources, and its peoples. We are eager to see the situation resolved, and are therefore pleased to have had this opportunity to offer our thoughts on possible solutions to this Committee.

De Beers stands ready to offer assistance to those who would work constructively towards a solution that cuts off the trade in "conflict diamonds" while protecting the very real gains many African economies have made as a result of the legitimate diamond trade. Along with the members of this Committee and groups of concerned people across the world, De Beers shares a vision of a peaceful and economically strong Africa, and we thank the Committee for its consideration.

Annex 1: Conflict Diamonds – Estimate Against Total World Production, 1999 (US$million)

COUNTRY	CONFLICT	NON-CONFLICT	TOTAL
BOTSWANA	-	1,782	1,782
RUSSIA	-	1,625	1,625
SOUTH AFRICA	-	776	776
ANGOLA	150	468	618
NAMIBIA	-	430	430
CANADA	-	405	405
DEM. REP OF CONGO	35	361	396
AUSTRALIA	-	367	367
VENEZUELA	-	120	120
SIERRA LEONE	70	-	70
C.A.R.	-	67	67
BRAZIL	-	54	54
GUINEA	-	40	40
TANZANIA	-	24	24
IVORYY COAST	-	20	20
GUYANA	-	14	14
CHINA	-	14	14
GHANA	-	12	12
LIBERIA	-	10	10
INDIA	-	8	8
LESOTHO	-	3	3
INDONESIA	-	2	2
TOTAL WORLD PRODUCTION	255	6,602	6,857
CONFLICT PRODUCTION AS % OF WORLDWIDE PRODUCTION			3.7%

STATEMENT

of

ELI HAAS, PRESIDENT

DIAMOND DEALERS CLUB

for the hearing on

AFRICA'S DIAMONDS: PRECIOUS, PERILOUS TOO?

by the

SUBCOMMITTEE ON AFRICA

COMMITTEE ON INTERNATIONAL RELATIONS

U.S. HOUSE OF REPRESENTATIVES

May 9, 2000

DIAMOND DEALERS CLUB, INC.
580 FIFTH AVENUE
NEW YORK, N.Y. 10036

(212) 869-9777

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On behalf of the Diamond Dealers Club we welcome this opportunity to present this statement on "Africa's Diamonds: Precious, Perilous Too?"

The Diamond Dealers Club is a trade association of close to 2,000 diamond dealers, brokers and manufacturers. Conceived in 1931, we have since our beginning been located in New York City. Our members come from more than 30 different countries and import the overwhelming percentage of diamonds that enter the United States. Pursuant to our By-Laws, we early recognized that a key goal of our organization is "to cooperate with governmental agencies." This statement is presented with that goal in mind.

The tragic consequences of the use of diamonds to finance civil wars in Africa, particularly Angola, have in recent months received considerable public and private attention both in the United States and worldwide. The focus of the articles, discussions and meetings on this subject is that diamonds have been used by rebels to pay for weapons in Angola, Sierra Leone and Congo, weapons that have led to the deaths and amputations of limbs of tens of thousands of innocent victims of these conflicts.

Two years ago the United Nations Security Council adopted a resolution that prohibited the purchase of diamonds from UNITA forces in Angola. Endorsed by the United States, these sanctions prohibit nations from the "direct or indirect import from Angola" to their territory of all diamonds that are not controlled through certificates provided by Angola's recognized government.

The resolution's basic objective was that without funds generated by such sales the rebel forces led by Jonas Savimbi would no longer be able to continue the campaign of terror and rebellion against Angola's government. Since then, the UN Security Council Committee on Angola, chaired by Canadian Ambassador Robert Fowler, issued a report in March 2000 which found that the UN sanctions are frequently violated.

According to the UN report, UNITA's military activities are sustained by its "ability to sell rough diamonds for cash and to exchange rough diamonds for weapons." The investigation of UNITA'S diamond sales led by the former Swedish ambassador to Angola implicated the presidents of Togo and Burkina Faso as involved in the illegal trading operations with Mr. Savimbi's forces. It also concluded that Bulgarians were shipping arms to UNITA and that the Antwerp diamond industry played a role in the illegal trade.

Several months before the March report, Ohio Congressman Tony Hall, a person long devoted to human rights causes and combating world hunger, introduced in the U.S. House of Representatives the "Consumer Access to a Responsible Accounting of Trade Act (CARAT)" a bill mandating that any diamond "sold in the United States" that retails for more than $100 be accompanied by a certificate stating the name of the country in which the diamond was mined. According to the Congressman this would encourage consumers to "participate in a global human rights campaign" thus removing the financial support for some of Africa's civil wars.

We feel that Congressman Hall's bill has the worthwhile purpose of protecting innocent people caught in brutal internal conflicts. Each of us has seen photos of the frightened victims of these conflicts, victims who may have been killed or had limbs amputated simply because they were in the path of maniacal, well-armed thugs (often teenagers). All of us deplore these acts of terrorism.

Unfortunately for the innocent victims of these ongoing conflicts, the Hall proposal, however well-intentioned, would neither lead to the successful implementation of the UN sanctions nor end the ongoing civil wars and the concomitant deaths of innocent civilians. Rather, it would harm the diamond industry worldwide and have serious negative implications for stable and developing countries in southern Africa.

Even if enacted and implemented, the Congressman's proposal would have but negligible impact on the UN sanctions. Diamonds are fungible and tens of millions of them are mined annually. No organization in existence today is qualified to certify that a stone sold in Rwanda was not mined in Angola, two nations which share a porous border several hundred of miles long. Furthermore, rampant corruption and fraud easily leads to the fraudulent certification of stones from rebel areas -- something which Ambassador Fowler's report documents.

Moreover, mandating that certificates accompany all diamonds "retailing" for more than $100 would mean that tens of millions of certificates would have to be issued annually. The record keeping for this task would be monumental and costly and would inevitably harm the retail jewelry industry which is dominated by small businesses. It is also important to understand that De Beers, the company that sells most of the world's rough diamonds reported that it no longer purchases any from conflict areas. In March it announced that it would henceforth provide written guarantees that its diamonds do not originate with African rebels.

While there is some discussion of the development of a technology to come up with identifying marks or fingerprints to determine particular countries of origin of diamonds, no such technology is currently available. Indeed, even those involved in this research and development report that at best success is years away. Furthermore, even if country of origin was determinable, it would still not indicate whether a diamond comes from mines in government-held territory or from rebel-held mines.

In fact the proposed legislation would penalize and have a harmful impact on legitimate and responsible African producers of diamonds such as Botswana, Namibia and South Africa. In these countries diamonds provide the engine for economic growth and account for a substantial

percentage of the gross domestic product. Diamond production has been so successful for Botswana that it now has one of the most rapidly growing economies in the world.

In South Africa, former President Nelson Mandela has expressed concern that his nation's vital diamond industry is not damaged by "an international campaign." Surely, the U.S. Congress does not wish to retard economic development in friendly developing countries because it is fueled by diamonds. In fact, this "unintended consequence" would follow from this legislation.

The American diamond and jewelry industry is united in both its abhorrence of terrorism in the Congo, Sierra Leone and Angola and in support of the UN sanctions regarding the latter. To successfully keep conflict diamonds out of the world diamond market we believe the problem must be attacked at the source. We feel that the efforts of the international community should be concentrated on the small number of firms and individuals who are actively engaged in helping illicit diamonds enter the mainstream of the legitimate diamond commerce. The international community has already achieved significant positive results with its efforts to cast light on firms, individuals and countries involved in trading with the rebel forces. While the portability of diamonds means that some stones from conflict areas will continue to enter the world economy, a greater international effort can reduce this to a minimum.

Members of the organized diamond community, including the close to 2000 member Diamond Dealers Club in the United States, strongly oppose the sale of diamonds that do not comply with the UN resolution. Indeed, in July 1999, months before the current media attention, the DDC's Board of Directors went on record in support of the UN sanctions prohibiting our members from trading in diamonds which do not comply with the position taken by the UN and the U.S. government.

While the above is important in preventing the sale of unlicensed diamonds, to be truly effective we believe it is necessary to initiate a proactive approach, one that will encourage stability, accountability and transparency. More specifically, we must establish a direct relationship between African diamond mining nations and the American diamond cutting industry. This means that the American diamond industry should be able to deal directly on a business-to-business basis with African diamond producing nations to purchase stones that have been

licensed for export by legitimate governments. In doing so we would pay the world market price, a price which is substantially above the payments received for diamonds that are now being used to contribute to the internal conflicts.

One other major advantage of this proposal is that the transparency and accountability which is the hallmark of the American industry's style of operation surely would lead to a decline in corruption and other illegal activities. This would result in fewer stones sold through either "leakage" or other unauthorized sources as well as reduce the corruption that is often associated with diamond commerce in several producing nations.

The benefit to African diamond producing nations is clear. With U.S. government involvement, the American diamond industry would also benefit since the establishment of a direct pipeline would play a significant role in overcoming the current shortage of rough diamonds. In turn, this would revitalize our cutting and polishing industry.

Ultimately, we believe that our proposal represents a win-win situation for the American diamond industry and the diamond producing nations of Africa. Instead of diamonds being used to finance internal conflicts and the death and destruction of innocent civilians, they would become - - as is already the case in the other African nations -- a major opportunity for gainful employment for tens of thousands of people and a major source for economic development in the diamond producing nations of Africa. At the same time, diamonds would strengthen the American industry, thereby providing new opportunities for employment, and tax revenues.

CONSULTANTS:

Martin Hochbaum, Ph. D.
Managing Director
Diamond Dealers Club

Mayer Herz, Chairman
Government Liaison Committee
Diamond Dealers Club

FRANK R. WOLF
10TH DISTRICT, VIRGINIA

COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEES
TRANSPORTATION CHAIRMAN
TREASURY, POSTAL SERVICE
GENERAL GOVERNMENT
FOREIGN OPERATIONS
EXPORT FINANCING AND
RELATED PROGRAMS

COMMISSION ON SECURITY AND
COOPERATION IN EUROPE

Congress of the United States
House of Representatives

241 CANNON BUILDING
WASHINGTON, DC 20515-4610
(202) 225-5136

13873 PARK CENTER ROAD
SUITE 130
HERNDON, VA 20171
(703) 709-5800
(800) 945-9653 (IN STATE)

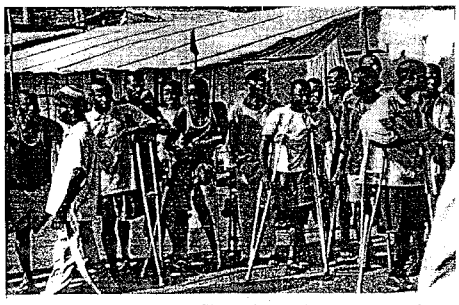
110 NORTH CAMERON STREET
WINCHESTER, VA 22601
(540) 667-0990
(800) 850-3463 (IN STATE)

www.house.gov/wolf/

Observations by U.S. Rep. Frank R. Wolf of Virginia
Visit to Western Africa: Sierra Leone After a Decade of Civil War
November 30 - December 8, 1999

This report provides details of a trip Congressman Tony Hall of Ohio and I made to Western Africa to see the conditions in Sierra Leone and in refugee camps nearby in Guinea. We spent two days in Sierra Leone and an additional day visiting refugee camps in bordering Guinea. The people desperately need an end to years of civil strife, terrorism and brutality. Humanitarian assistance in the form of food, medical and public health assistance is urgently required. The country's leaders are struggling with a most fragile peace accord and the community of nations must do whatever it can to strengthen it.

Our trip to Western Africa provided the opportunity to observe conditions in and around Sierra Leone resulting from a decade-long civil war. I have been to Africa a number of times, but this was my first time in Western Africa. Congressman Hall had visited Sierra Leone once about 10 years ago. I have followed the history of this country for a long while and have been looking for ways to help the people.



Victims of amputation in Sierra Leone face an uncertain future.

Sierra Leone is a part of the immense portion of Africa that juts westward into the Atlantic Ocean just above the equator. It is slightly larger than West Virginia and has a population of about 4.6 million of which about one half million people live in the capital of Freetown. Though the country is rich in natural resources, per capita income is only about $285,

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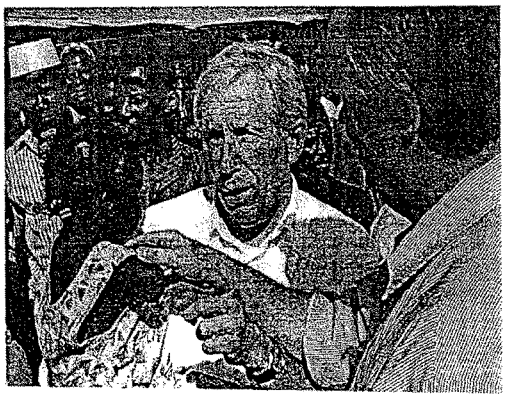
which ranks Sierra Leone among the very poorest nations in the world. This can be attributed primarily to civil strife and rebel terrorism.

Sierra Leone gained independence from Great Britain in 1961 and a continuing struggle for self governance has followed. The elected government was toppled by an army coup in 1992 and a state of civil war has largely existed since. Elections were again held in 1996 when current President Kabbah emerged as the winner. He has held office ever since and his government, with military assistance from The Economic Community of West African States Military Observer Group (ECOMOG), has continued to battle rebel forces made up of the Revolutionary United Front (RUF) and the Armed Forces Revolutionary Counsel (AFRC). In July 1999, the Lome Peace Accords were finally signed and a very fragile peace is beginning to take hold in the region. Presently, it is the best hope if not the only hope to end years of brutality, poverty and despair in Sierra Leone.

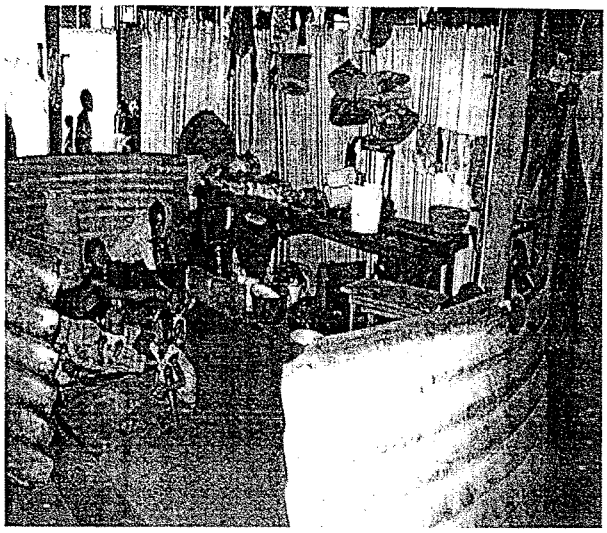
On December 5, we visited two refugee camps in the Forecariah Provence of Guinea located about 20 kilometers across the border from Sierra Leone. Each camp held thousands of refuges, some of whom have lived there for years. Barely adequate food supplies are dwindling and there was some unrest. There is little progress in educating the children or in pursuing efforts to upgrade an existence reduced to the most basic of simply sustaining life.



Congressmen Frank Wolf and Tony Hall comfort a tiny amputation victim in Freetown, Sierra Leone.

On December 6 and 7, we visited Sierra Leone and its capital of

Freetown. We met with the President and with leaders of Parliament. We met rebel leaders, members of the clergy and Non-Governmental Organizations (NGO) representatives. And we met with many victims who will carry throughout their lives horrible physical and emotional scars of years of civil war perpetrated because of greed and power.



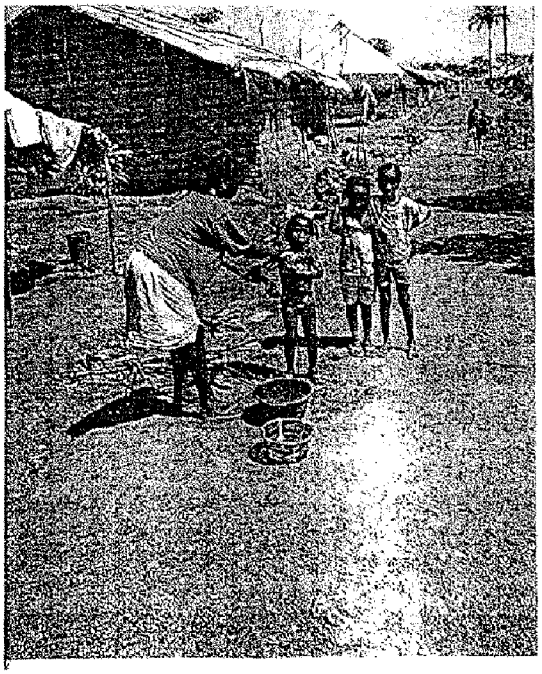
Families make a home wherever they can.

Existence for too many in Sierra Leone is one of hunger, homelessness, poverty and pain. And this seems strange. Sierra Leone is, or should be, an agricultural oasis. Its temperate climate, fertile soil and abundant rain should result in the production of crops and goods far above what the people could consume. The Atlantic Ocean yields an unending harvest of seafood and offers immediate access to important trade routes around the world. And the country is rich in diamonds and minerals for which there is a huge market and huge demand. Yet, because of the civil war, people are without even the basic necessities of life.

We visited a housing reclamation project established by Catholic Relief Services (CRS). Much of Freetown has been destroyed, looted and burned by rebel forces and CRS has started a program of helping people to rebuild their lost homes. The Sierra Leonians supply the labor, the muscle and much of the raw material from other destroyed structures and CRS offers guidance, harder-

to-get building supplies, food rations and a great deal of encouragement. Many new homes are rising out of the rubble. It is a good program.

We visited the Holy Mary Clinic. Two doctors, a husband and wife team, have been operating a clinic for several years to deal with young children who are the worst victims of the war. About 3,000 girls and boys have been taken hostage by rebel forces and many continue to be held today. Some 500 young girls have been returned. They have been horribly sexually abused and were used as sex slaves, temporary wives and household workers. They have been returned or have escaped and are psychologically devastated. Some have no parents left alive and have no one to turn to, no family to help them. Many are pregnant and have sexually transmitted diseases (STD). These are young girls, many are barely 14-years-old. The boys taken by the rebels are also young children and have been brainwashed, probably drugged and then recruited into the rebel army.



Bath day in a refugee camp near the border in Guinea.

Holy Mary Clinic does a wonderful job of dealing with this trauma and with young infants and pregnant girls needing pre-natal and medical care and counseling. The clinic doctors rely on friends, colleagues and family from Italy for supplies, medicines and equipment. They are doing an outstanding job, but are stretched so thin and could use help. The AIDS virus adds to the despair and the

hopelessness, too. We visited a therapeutic feeding center where dozens of starving infants hover on the edge of death. These young children are so malnourished they have no strength to eat and are being force fed in an attempt to sustain life. They are so thin and so fragile that we were afraid that they would break if we just even touched them.

New homes for a new generation must arise from the rubble.

We saw a former railroad repair factory converted to housing for displaced persons where thousands of homeless refugees are being warehoused. This huge former factory building provides a roof over the refugees' heads and little more. There were few indications of real help being applied to return refugees to a self-sufficient life.

Family dinner preparation under the hot sun in a refugee camp.

The Murray Town amputee camp is where victims of rebel brutality go after having their limbs mindlessly hacked off with machetes, axes or knives simply to frighten and terrorize. The amputees receive counseling, some medical care and the beginnings of assistance with crutches and prostheses. They are also fed and have a place to stay.

One of the first people we saw was a 14-year-old girl whose parents had been killed. She was pregnant, having been raped by rebel soldiers, and had both hands cut off above the wrist. We saw tiny children who had lost limbs. We heard tales of a grotesque lottery where a person drew a slip from a bag. If the slip contained the word "hand", "arm", "leg", "ear", "both feet", "head" or other parts of the body, then the rebels proceeded to carry out the sentence. This sounds unbelievable, but we saw the painful results. Sometimes the rebel butcher offered a choice -- long sleeve or short sleeve. That meant: do you want your arm cut off at the wrist or above the elbow?

Congressman Hall comforts a starving infant in a Sierra Leone therapeutic feeding center. The child whose parents were killed is being cared for by her sister.

Yet one of the camp leaders who had lost his right arm this way told us of seeing the two rebels who mutilated him when they paid a visit to the amputee center. He said that he had forgiven them. He said it was time to move forward from this chapter of despair. Reconciliation is what he was talking about.

We heard a member of the clergy tell of listening to a small boy ask of the camp counselor, "When will my hands grow back?" The rebels abused children too young to even have an inkling of what was happening to them.

Comments and Recommendations

The West, including the U.S. and European Union (EU) nations, should quickly provide food and medical supplies to save lives which are in danger. The World Food Programme has asked that more food supplies be directed to Guinea and Sierra Leone so basic food needs can be met. We were told that the

1,400 a day.

The civil war is largely being funded by the sale of unregulated diamonds (conflict diamonds) being mined in regions held by rebel forces. Congressman Hall has introduced legislation to certify the country of origin of all diamonds. Thus a diamond buyer will know where diamonds have been mined and a purchaser can avoid buying conflict diamonds. Not only are the profits from these illicit diamonds used to fund a war of terror against the people of Sierra Leone, but the people are being deprived of the benefits that these natural resources could offer their society. Passage of Congressman Hall's bill would be a huge stride in ending this practice. Also, we have written United Nations Secretary General Kofi Annan asking the U.N. to sanction black-market diamonds that are not certified by the government of Sierra Leone.

Congressman Wolf talks with victims at an amputation camp.

Every effort should be made to support the current disarmament program which is in place but wobbly. More needs to be done to make it desirable for the rebels to turn in their weapons, come in out of the bush and rejoin society. So far only a few thousand out of about 45,000 rebels have surrendered their arms.

The West should exert every possible leverage on rebel leaders and also Charles Taylor in Liberia, who is aiding the rebels, to end the civil war. The fragile peace agreement between the government, the RUF, the AFRC and their leaders must be sustained, enforced and nourished. There is an African saying

we heard, "When the elephants fight, the grass dies." This is certainly the case here. Bad leaders motivated by greed and power have nearly destroyed a nation and its people.

Pressure from the U.S. government and others including European Union (EU) nations on the leadership of the RUF/AFRC to implement the provisions of the accord would be helpful in ensuring success.

Similar pressure on Liberian President Taylor to ensure that arms and men do not enter Sierra Leone from Liberia would also help.

The U.S. government joined by EU nations should send these leaders the message that unless peace is achieved, they will not be welcomed in the West. Their families and children will not be welcomed. No visas will be issued. Outside their borders, these leaders will be treated as war criminals and there will be no place for them to run and no place for them to spend their ill-gotten gains.

And the process of reconciliation for the people of Sierra Leone needs to begin. Here, as elsewhere around the globe, lasting peace will depend upon the people being able to reconcile their differences.

Lastly, I would like to acknowledge and salute all those in the region who came from America and elsewhere to lend a hand to the people of Sierra Leone. The ambassadors and embassy staff personnel, the NGO representatives, doctors and medical staff and clergy who are there at personal risk and discomfort are truly making a difference, and I was so proud to see the job they are doing.

We saw the great service of citizens from Congressman Tony Hall's district in Dayton, Ohio. They have been working for years on schools, housing, training academies for the blind and other terribly needed programs that have been helping the people of Sierra Leone. It has been said that it is better to light a candle than to curse the darkness. The people of Dayton have ignited an eternal flame in Freetown.