



global witness

## Broken Vows

### The diamond industry's failure to deliver on combating blood diamonds

**C**onflict diamonds, also known as blood diamonds, have contributed to wars in Africa that have killed millions of people, destroying lives and wrecking countries. Since 2000, the diamond industry has not done enough to fulfil the pledges it has made to eradicate blood diamonds from international trade.

In response to pressure from Global Witness, Partnership Africa Canada, and other civil society groups, the key trade bodies representing the global diamond industry agreed to a voluntary system of self-regulation aimed at helping to prevent the trade in blood diamonds and in supporting the government-run Kimberley Process Certification Scheme (Kimberley Process).<sup>1</sup> The polished and retail sectors of the diamond industry opposed stringent government regulation when the Kimberley Process was being negotiated, and the industry was left to police itself.



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The diamond industry keeps a close eye on its valuable diamonds, but is less interested in creating an auditable tracking system to ensure they are conflict free.

Six years after the blood diamond issue came to international attention, the industry has failed to change its practices. The World Diamond Council is spearheading an aggressive public relations campaign, falsely claiming that blood diamonds are no longer a significant problem. This claim is all the more disturbing given recent United Nations reports that blood diamonds from Cote d'Ivoire are entering the legitimate diamond trade. International diamond trade bodies have issued countless press releases and statements claiming that the problem has been solved, but have provided little information on what they have actually done to fix it and fulfil their promises. Despite vast profits made by many in the diamond industry—in 2005 diamond jewellery sales were over US\$60 billion—little has been invested to ensure that blood diamonds will not be able to enter the legitimate trade.<sup>1</sup>

### How the diamond industry has fallen short

- **The diamond industry has failed to create an auditable tracking system to ensure that diamonds are conflict free.** As a key part of the self-regulation, the diamond industry agreed to track diamonds from where they are mined to where they are sold through buying diamonds only from suppliers that provide a written guarantee on invoices that diamonds are conflict-free. The industry also committed to keep records of these invoices and have them audited every year.

But the industry did not clarify how this tracking system would work or how it would be audited. A written guarantee simply stating that diamonds are not from conflict sources is meaningless unless it is backed up by actions and policies to monitor that the statement is true. However, there are no clear standards detailing how records are to be kept and other elements that should be examined.<sup>3</sup> It is clearly not an auditable chain of warranties as there is very little for auditors to verify.

A Global Witness investigation and a joint survey with Amnesty International showed that many in the industry do not meet even the basic measures of the self-regulation and that there is confusion throughout the industry about what the measures actually mean in practice.<sup>4</sup> Research carried out by the Diamond Trading Company demonstrated that these findings are very largely correct. The World Diamond Council's misleading public relations campaign is not matched with meaningful action. A new website provides education packs for consumers and retailers, but provides no information about how adoption of the self-regulation will be monitored and reviewed.<sup>5</sup> This system of warranties is unable to prevent blood diamonds from entering the legitimate trade and to give consumers adequate assurances that diamonds are conflict-free.

In response to pressure from Global Witness and other NGOs, major diamond mining companies and jewellery retailers have created the Council for Responsible Jewellery Practices (CRJP) to develop a chain of custody backed by independent, third-party auditing measures.<sup>6</sup> While participants include a cross section from the diamond and jewellery supply chain, many in the diamond

industry have not yet signed up, especially small and medium sized companies, and implementation will not begin until 2008. We welcome the initiative of the CRJP, but it is too early to say how effective it will be and what impact it will have in improving practices within all sectors of the diamond trade.

- **The diamond industry has failed to implement a code of conduct adequately to stop the trade in blood diamonds.** Although there are fewer blood diamonds now than there were during the 1990s, this is largely due to the fact that wars in Angola and Sierra Leone have ended. However, diamonds are playing a role in the conflict in the Ivory Coast and the Democratic Republic of the Congo. The illicit trade in smuggled diamonds is also flourishing which shows where there are weaknesses in control systems that can be used by those trading in blood diamonds. Global Witness' field investigations in November 2005 found that diamonds mined in West Africa are regularly smuggled and given Kimberley Process certificates by countries other than their country of origin. Some of these are blood diamonds, and they are being certified as conflict-free.<sup>7</sup>

Given this current situation and the destructive role diamonds have played in the past, diamond companies should be making every effort to carry out due diligence when selecting suppliers to make sure that the diamonds they purchase only come from legitimate sources. The Kimberley Process scheme and industry compliance with this must be robust so that consumers can buy diamonds originating in any country, confident that they are conflict-free.

### **The diamond industry's promises:**

In October 2002 the diamond industry agreed to implement a system of self-regulation to support the Kimberley Process to prevent blood diamonds from entering the legitimate trade and to give consumers assurances that diamonds are conflict-free. All sectors of the diamond industry made three promises:

1. To implement a code of conduct to prevent buying or selling of blood diamonds
2. to implement a system of warranties requiring that all invoices for the sale of diamonds and jewellery containing diamonds must contain a written guarantee that diamonds are conflict free
3. to inform company employees about the industry's policies and government regulations to combat the trade in blood diamonds

However, members of the industry continue to trade in conflict and illicit diamonds and diamonds are still being used by organised crime, for money laundering and for other illicit purposes.<sup>8</sup> In Belgium, an ongoing investigation into illicit trading may involve up to half of the diamond trade there and millions of dollars in fraudulent activity.

- **The diamond industry has failed to clean up its membership and to operate in a more transparent manner.** Major international trade bodies such as the International Diamond Manufacturers Association (IDMA) and the World Federation of Diamond Bourses (WFDB) agreed to expel members that do not meet the self-regulation requirements or comply with the Kimberley Process. They agreed to publicise names of the expelled members. However, these trade bodies have not provided any information to the public or to civil society about any members who have been expelled. Nor have they shown what measures are being taken to ensure that the self-regulation is being adhered to. There has not been adequate monitoring to assess whether members are meeting these commitments. While many in the legitimate industry know who is trading in blood diamonds and using diamonds to fund criminal and other illegal activities, the trade is still secretive and unwilling to tackle this problem head on.

## Matching rhetoric with action

Millions of lives have been lost in diamond-funded wars, but the industry has yet to fully deliver on its stated commitments. This undermines efforts to prevent conflict and protect the legitimate trade in African diamonds. Lack of strong action on the part of governments and industry has allowed diamonds to be used to fund terrorism and conflict, to launder dirty money, and to fuel corruption in some of the world's poorest countries.<sup>9</sup>

**Governments have let the diamond industry off the hook. Given the industry's failure to change, governments must step in and make sure that the diamond industry as a whole fundamentally changes the way it operates to ensure that diamonds can never again fuel conflict.**



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The diamond industry must strengthen controls all along the supply chain to ensure that blood diamonds do not enter the legitimate trade.

Governments must require that the diamond industry put meaningful systems in place:

- Diamond trade bodies must develop a comprehensive, auditable system to track diamonds from mine to point of sale, based on clear standards (including standards on how records are to be kept, technical details on stocks, counts of Kimberley Process certificates, cross-checks of records of diamonds bought with diamonds sold, carry-overs of stock from previous years, and accounting periods), that has to be implemented by every company or individual trading in diamonds. This system must prevent blood diamonds from entering the legitimate trade by requiring diamond companies to demonstrate that the diamonds they are buying and selling have been imported with a Kimberley Process certificate.

Governments must require proof of audit, and should undertake spot checks to ensure compliance with the Kimberley Process and the self-regulation. The systems that each company, including those dealing in polished diamonds, sets up must be independently audited on an annual basis.

- When buying diamonds, companies must exercise due diligence in choosing their suppliers. They must ask for proof that their suppliers are only buying and selling diamonds that are conflict free and have auditing measures in place. A chain of custody must be solid and must have systems in place that inspire confidence that all diamonds sold were imported with a Kimberley Process certificate.

- Diamond companies must publish their policy to combat blood diamonds.
- The diamond industry needs to actively support the strengthening of the Kimberley Process. They should support stronger government controls and oversight of the industry, support transparency, in particular the publication of statistical data, and should help provide financial support to the Kimberley Process (for more information please see fact sheet on Kimberley Process).
- The diamond industry as a whole must clean up its act by working more proactively with law enforcement agencies to expose those individuals and companies that are breaking the law.

## References

- 1 IDEX "2005 diamond pipeline" [http://www.idexonline.com/pdf\\_files/IDEX\\_Online-2005\\_Pipeline.pdf#search=%22diamond%20jewellery%20retail%20sales%202005%22](http://www.idexonline.com/pdf_files/IDEX_Online-2005_Pipeline.pdf#search=%22diamond%20jewellery%20retail%20sales%202005%22)
- 2 The major international diamond trade organizations are International Diamond Manufacturers Association (IDMA) and the World Federation of Diamond Bourses (WFDB). IDMA and WFDB passed a resolution in October 2002 endorsing the self-regulation. The World Diamond Council (WDC) was created to represent all sectors of the diamond industry on the conflict diamond issue and at the Kimberley Process meetings.
- 3 This includes information on Kimberley Process certificate counts, cross-checking recorded amounts and value of diamonds bought with diamonds sold, and cross-referencing records with current stocks.
- 4 Global Witness reports *Déjà vu* and *Broken Vows* presented results of surveys of the diamond jewellery industry showing that major diamond jewellery retailers in the US and the UK were falling short in implementing the self-regulation and were not able to give consumers adequate assurances that diamonds are conflict-free. Reports are available at [www.globalwitness.org/diamondreports](http://www.globalwitness.org/diamondreports)
- 5 See [www.diamondfacts.org](http://www.diamondfacts.org) downloaded 21 August 2006.
- 6 See [www.responsiblejewellery.com](http://www.responsiblejewellery.com) downloaded 21 August 2006.
- 7 See "Making it Work" Global Witness, November 2005. <http://www.globalwitness.org/reports/show.php/en.00082.html>
- 8 In its report "For a Few Dollars More" Global Witness highlighted how Al Qaeda infiltrated the diamond trade and used diamonds to launder funds. <http://www.globalwitness.org/reports/show.php/en.00041.html>
- 9 See "For a Few Dollars More: How al Qaeda moved into the diamond trade", Global Witness, April 2003



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