

CONFLICT DIAMONDS

HEARING
BEFORE THE
SUBCOMMITTEE ON TRADE
OF THE
COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES
ONE HUNDRED SEVENTH CONGRESS
FIRST SESSION

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OCTOBER 10, 2001
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Serial No. 107-46
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“CONFLICT DIAMONDS”

WEDNESDAY, OCTOBER 10, 2001

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON TRADE,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:07 a.m., in room 1100 Longworth House Office Building, Hon. Philip M. Crane (Chairman of the Subcommittee) presiding.

[The advisory and revised advisory announcing the hearing follow:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON TRADE

FOR IMMEDIATE RELEASE
September 25, 2001
No. TR-6

CONTACT: (202) 225-1721

Crane Announces Hearing on Trade “Conflict Diamonds”

Congressman Philip M. Crane (R-IL), Chairman, Subcommittee on Trade of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on “Trade in African Diamonds.” **The hearing will take place on Tuesday, October 9, 2001, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 4:00 p.m.**

Oral testimony at this hearing will be from both invited and public witnesses. Invited witnesses will include officials from the U.S. Department of State and Office of the United States Trade Representative. Also, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee or for inclusion in the printed record of the hearing.

BACKGROUND:

Last year, the Subcommittee on Trade held a hearing on the diamond trade and its link to illegal arms trafficking and civil war in Africa. “Conflict diamonds” generally come from mines controlled by rebel forces and are traded for arms to fuel civil war in Africa.

Many claim that the Sierra Leone rebel organization Revolutionary United Front has been trading “conflict diamonds” to finance its war against the government of Sierra Leone. The United Nations has adopted several resolutions calling for embargoes against diamonds from Sierra Leone and other African countries. The resolutions call on member states to ban the importation of rough diamonds unless those diamonds are exported under a certification system approved by a Security Council Sanction Committee. The Administration has responded with several executive orders implementing these resolutions. See the White House website at: <http://www.whitehouse.gov/news/releases/2001/05/20010523-11.html>.

The United States has been actively involved in efforts to curb the trade in “conflict diamonds” and in developing an international regime known as the “Kimberley Process” to help countries identify the source of diamonds in order to implement the United Nations resolutions. This month in London, further agreement was reached on control procedures. However, many important questions remain to be decided, and these questions need to be resolved in the next several meetings in order to successfully conclude the negotiations and report to the United Nations by November.

Under current U.S. law, the origin of a cut diamond is the country where the diamond was cut, and U.S. Customs does not require any information relating to the country of mining of the imported cut diamond. Most experts agree that once a diamond has been cut and polished, it is difficult to determine the country where it was mined.

FOCUS OF THE HEARING:

The focus of the hearing will be to evaluate legislative options available that: (1) are administrable and WTO consistent, (2) will not undermine ongoing Administration efforts to reach an international consensus banning such trade, and (3) will effectively curtail conflict diamond trade without impacting the legitimate diamond trade. In announcing the hearing, Chairman Crane stated: "I would like to explore what progress the Administration has made since our hearing last year in building an international coalition to stop these 'conflict diamonds' from Africa, with a view toward moving an appropriate legislative proposal this year."

DETAILS FOR SUBMISSIONS OF REQUESTS TO BE HEARD:

Requests to be heard at the hearing must be made by telephone to Traci Altman or Bill Covey at (202) 225-1721 no later than the close of business, Monday, October 1, 2001. The telephone request should be followed by a formal written request to Allison Giles, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. The staff of the Subcommittee on Trade will notify by telephone those scheduled to appear as soon as possible after the filing deadline. Any questions concerning a scheduled appearance should be directed to the Subcommittee on Trade staff at (202) 225-6649.

In view of the limited time available to hear witnesses, the Subcommittee may not be able to accommodate all requests to be heard. Those persons and organizations not scheduled for an oral appearance are encouraged to submit written statements for the record of the hearing. All persons requesting to be heard, whether they are scheduled for oral testimony or not, will be notified as soon as possible after the filing deadline.

Witnesses scheduled to present oral testimony are required to summarize briefly their written statements in no more than five minutes. **THE FIVE-MINUTE RULE WILL BE STRICTLY ENFORCED. The full written statement of each witness will be included in the printed record, in accordance with House Rules.**

In order to assure the most productive use of the limited amount of time available to question witnesses, all witnesses scheduled to appear before the Subcommittee are required to submit 200 copies, along with an *IBM compatible 3.5-inch diskette in WordPerfect or MS Word format*, of their prepared statement for review by Members prior to the hearing. **Testimony should arrive at the Subcommittee on Trade office, room 1104 Longworth House Office Building, no later than Friday, October 5, 2001.** Failure to do so may result in the witness being denied the opportunity to testify in person.

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE:

Any person or organization wishing to submit a written statement for the printed record of the hearing should *submit six (6) single-spaced copies of their statement, along with an IBM compatible 3.5-inch diskette in WordPerfect or MS Word format, with their name, address, and hearing date noted on a label*, by the close of business, Tuesday, October 23, 2001, to Allison Giles, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Trade office, room 1104 Longworth House Office Building, by close of business the day before the hearing.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be

printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be submitted on an IBM compatible 3.5-inch diskette in WordPerfect or MS Word format, typed in single space and may not exceed a total of 10 pages including attachments. Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.

4. A supplemental sheet must accompany each statement listing the name, company, address, telephone and fax numbers where the witness or the designated representative may be reached. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press, and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are available on the World Wide Web at "<http://waysandmeans.house.gov>".

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

* * * **NOTICE—HEARING RESCHEDULED** * * *

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON TRADE

FOR IMMEDIATE RELEASE
October 5, 2001
No. TR-6—Revised

CONTACT: (202) 225-6649

Hearing Rescheduled for Subcommittee Hearing "Conflict Diamonds" Wednesday, October 10, 2001

Congressman Philip M. Crane (R-IL), Chairman, Subcommittee on Trade of the Committee on Ways and Means, today announced that the Subcommittee hearing on "Trade in African Diamonds," previously scheduled for Tuesday, October 9, 2001, at 4:00 p.m., **has been rescheduled for Wednesday, October 10, 2001, at 10:00 a.m.**, in the main Committee hearing room, 1100 Longworth House Office Building.

All other details for the hearing remain the same. (See Subcommittee press release No. TR-6 dated September 25, 2001.)



Chairman CRANE. Welcome to this important hearing on conflict diamonds. I especially want to thank the witnesses, many of whom had to reschedule their plans so they could testify.

Last year, we had a hearing to take testimony from many of these same witnesses about the same state of affairs in Africa. I think no one disputes the tragic facts of the illicit diamond trade and how it continues to fund the rebel wars and poverty in Africa. This hearing takes all of that as a point of departure. Our focus is to look at where international negotiations are, what progress has been made in stopping the conflict diamond trade, and what legislation may be appropriate this year.

I am mindful that international relations and negotiations are supposed to conclude this year and in this delicate time of international diplomacy, we must be especially careful not to disrupt the administration's efforts, however well intentioned we may be, 85 percent of the world's rough diamonds pass through Antwerp, Belgium, and then to central selling offices in London and other places for sale to diamond cutters. Experts everywhere agree that once a diamond is cut and polished, it is almost impossible to tell the country where the diamond was derived and mined.

To effectively end trade in conflict diamonds, the countries exporting and importing rough stones, in particular, must work together to make sure that these diamonds do not have a market so that conflict diamond peddlers cannot stay in business. I am pleased that the diamond industry based in Antwerp recognizes this, and I applaud the industry for taking steps toward achieving this goal.

We will hear first from our esteemed colleagues from Congress about their concerns on the progress of solving the problem of trade in conflict diamonds, and then we will hear from the administration for a response and comment on legislation. Finally, representatives from the diamond industry and non-government organizations will testify.

I ask everyone to address the legislative criteria that this Committee is bound to follow. Will legislative proposals be administrable and consistent with our international trade obligations? Will legislation undermine the administration's efforts to reach an international consensus? And if so, how? Will the proposals be effective in curtailing trade in conflict diamonds? And finally, how will these proposals adversely affect the legitimate diamond trade in the countries in Africa that depend upon such trade?

Any legislation must help, not hinder, the solution to this illegal trade. And I would now like to recognize our distinguished ranking member, Mr. Levin, for any statement he would like to make.

[The opening statement of Chairman Crane follows:]

Opening Statement of the Hon. Philip M. Crane, a Representative in Congress from the State of Illinois, and Chairman, Subcommittee on Trade

Welcome to this important hearing on conflict diamonds. I especially want to thank the witnesses, many of whom had to reschedule their plans so that they could testify.

Last year we had a hearing to take testimony from many of these same witnesses about the state of affairs in Africa. I think no one disputes the tragic facts of the illicit diamond trade and how it continues to fund rebel wars and poverty in Africa. This hearing takes all of that as a point of departure. Our focus is to look at where international negotiations are, what progress has been made in stopping the conflict

diamond trade, and what legislation may be appropriate this year. I am mindful that international negotiations are supposed to conclude this year, and in this delicate time of international diplomacy, we must be especially careful not to disrupt the Administration's efforts, however, well-intentioned we may be.

Eighty-five percent of the world's rough diamonds pass through Antwerp, Belgium, and then to central selling offices in London and other places for sale to diamond cutters. Experts everywhere agree that once a diamond is cut and polished, it is almost impossible to tell the country where the diamond was mined. To effectively end trade in conflict diamonds, the countries exporting and importing rough stones, in particular, must work together to make sure that these diamonds do not have a market so that conflict diamond peddlers cannot stay in business. I am pleased that the diamond industry based in Antwerp recognizes this, and I applaud the industry for taking steps towards achieving this goal.

We will hear first from our esteemed colleagues from Congress about their concerns on the progress of solving the problem of trade in conflict diamonds, and then we will hear from the Administration for a response and comment on legislation. Finally, representatives from the diamond industry and non-government organizations will testify.

I ask everyone to address the legislative criteria that this Committee is bound to follow. How will legislative proposals be administrable and consistent with our international trade obligations? Will legislation undermine the Administration's efforts to reach an international consensus, and if so, how? Will the proposals be effective in curtailing trade in conflict diamonds? Lastly, how will these proposals adversely affect the legitimate diamond trade and the countries in Africa that rely upon such trade? Any legislation must help, not hinder, the solution to this illegal trade.

I now recognize our distinguished Ranking Member, Mr. Levin, for any statement he would like to make.

Mr. LEVIN. I thank you, Mr. Chairman, and on behalf of my Democratic colleagues that are not here, only because, as you may have heard the rumors, we have a caucus for the election of a whip, and so I want to enter into the record a few remarks on behalf of Mr. Rangel who is our ranking member on the full Committee and myself.

Chairman CRANE. Without objection, so ordered.

Mr. LEVIN. Thank you for holding this hearing. The issues of trafficking in conflict diamonds is being considered in our Committee because it has trade ramifications. That being said, we think we all agree that the importance of the issue extends beyond its effect on U.S. trade laws and goes more directly to the issue of what our responsibility is to assist the nations of sub-Saharan Africa with bringing peace to that continent.

Diamonds should enrich the lives of the African people. Instead of wealth, however, diamonds in Angola, Sierra Leone and elsewhere are bringing pain and suffering. The two Security Council resolutions calling for United Nations (U.N.) members to prohibit the trade in conflict diamonds from Sierra Leone and Angola are welcome first steps toward preventing rebel groups from financing their civil war activities and human rights abuses through illegal diamond trade.

We are encouraged that the administration has been actively engaged along with a wide range of other governments, industry representatives, and non-governmental organizations (NGOs) in the Kimberley Process, which will develop a system for monitoring the rough diamond trade that will enable governments to restrict trade in illegal diamonds.

Congress has a critical role to play. H.R. 2722 is broadly supported legislation; it demonstrates our commitment as a country to curbing the trade in conflict diamonds, and sends a powerful message to the international community that they need to work as quickly as possible to develop an international system for monitoring the diamond trade.

Time is of the essence. Every day we delay action will prolong the trade in conflict diamonds and the atrocities associated with it. We look forward to listening to our representatives from the U.S. Trade Representative (USTR), the U.S. Department of State, the private sector, and representatives from human rights groups as well as our distinguished colleagues in the House and in the Senate.

As you know, last year, the Congress passed and the President signed into law historic legislation that recognizes that the nations of sub-Saharan Africa can be our partners in economic progress and prosperity. In working to pass that legislation, my colleagues and we recognize that the bill would not be a panacea for the African continent. We understood that creating a new framework for closer economic cooperation with the region while a good first step was only the beginning.

So today our Committee and our Subcommittee continues its commitment to the nations of sub-Saharan Africa with this hearing. I hope we will enforce that commitment with passage of H.R. 2722. Thank you, Mr. Chairman.

[The opening statement of Mr. Rangel follows:]

**Opening Statement of the Hon. Charles B. Rangel, a Representative in
Congress from the State of New York**

Diamonds should enrich the lives of the African people. Instead of wealth, however, diamonds in Angola, Sierra Leone, and elsewhere are bringing pain and suffering. For several years, rebel groups in sub-Saharan Africa have been using diamonds extracted from illegally controlled mines to finance arms purchases and civil war activities. The sale of these so-called "conflict diamonds"—estimated to account for about 4 percent of the global diamond trade—has played a key role in financing organizations that have killed several million people, driven millions more from their homes, and committed countless human rights abuses.

The two Security Council resolutions calling for UN Members to prohibit the trade in conflict diamonds from Sierra Leone and Angola are welcome first steps toward preventing rebel groups from financing their civil war activities and human rights abuses through illegal diamond trade.

We are further encouraged that the Administration has been actively engaged, along with a wide range of other governments, industry representatives, and non-governmental organizations, in the Kimberley Process, which will develop a system for monitoring the rough diamond trade that will enable governments to restrict trade in illegal diamonds.

Congress has a critical role to play in this process. As you know, the Clean Diamonds Trade Act, H.R. 2722, has been referred to this Committee. This broadly supported legislation demonstrates the United States' commitment to curbing the trade in "conflict diamonds" and sends a powerful message to the international community that they need to work as quickly as possible to develop an international system for monitoring the diamond trade.

Time is of the essence—every day we delay action will prolong the trade in conflict diamonds and the atrocities associated with it. We ask that we all work together to pass this legislation before the end of the year.

As you know, last year the Congress passed and the President signed into law historic legislation that recognizes that the nations of sub-Saharan Africa can be our partners in economic progress and prosperity. In working to pass that legislation, we recognized that the bill would not be a panacea for the continent. We understood that creating a new framework for closer economic cooperation with the region, while a good first step, was only the beginning.

Now we continue our commitment to the nations of sub-Saharan Africa, calling for effective measures that will sever a key source of funding for organizations that have been causing pain and suffering in many nations. In doing so, we will preserve the dignity of an industry which can and should be a source of wealth for countries around the world.

Chairman CRANE. I would now like to recognize our first panel of members from the House and from the Senate. Our first three witnesses will be Senator DeWine, Congressman Hall, and Congressman Wolf, and I welcome you all, and we shall defer to our distinguished colleague from the other chamber, who is on a tight time constraint, and then, Mike, you are excused if you have to run after you have made your statement.

**STATEMENT OF THE HON. MIKE DeWINE, A UNITED STATES
SENATOR FROM THE STATE OF OHIO**

Mr. DEWINE. Mr. Chairman, Congressman Levin, thank you very much. It is good to be back in the Longworth Building. I spent 8 years here. It is good to be home and good to be with my friends. Thank you for holding this hearing on this very, very important topic. Your colleagues and my colleagues Congressman Hall and Congressman Wolf have really been the leaders in this, and they are the driving force behind this bill.

I have tried to take the lead in the Senate along with several of my colleagues to try to complement their efforts. As you know, the diamond trade, and as you pointed out, Mr. Chairman, is one of the world's most lucrative industries. With its potential for extreme profitability, it is not surprising that a black market and illicit trade have emerged alongside the legitimate industry.

Candidly, diamond trading has become an attractive and sustainable income source for violent rebel groups and terrorist networks around the world. In fact, the sale of illicit diamonds has yielded disturbing reports that an associate of bin Laden is involved in the trade, and that there clearly is an established link between Sierra Leone's diamond trade and well-known Lebanese terrorists.

In Africa currently where the majority of the world's diamonds are found there is ongoing strife and struggle resulting from the fight for control of the precious gems. While violence has erupted in several countries including Sierra Leone, Angola, the Congo, and Liberia, Sierra Leone in particular has one of the world's worst records of violence.

In that nation, a nation embroiled in civil war for nearly a decade, rebel groups, most notably the Revolutionary United Front (RUF) have seized control of many of the country's diamond fields. Since the start of the rebels' quest for control of Sierra Leone's diamond supply, the RUF has conscripted children, children often as young as 7 or 8 years old, to be soldiers in their makeshift army.

They have ripped an estimated 12,000 children from their families. This rebel army, child soldiers included, has terrorized Sierra Leone's population, killing, abducting, raping, and hacking off the limbs of victims with their machetes.

We can do something about this. We can begin to change things. We have the power to help make a difference, to help end the indiscriminate suffering and violence in Sierra Leone, Angola, and elsewhere in Africa.

Mr. Chairman, we have this power and we simply must use it. As the world's biggest diamond customer purchasing the majority of the world's diamonds, the United States has obvious clout. With that clout, we have the power, the power to remove the lucrative financial incentives that drive the rebel groups to trade in diamonds in the first place.

Simply put, Mr. Chairman, if there is no market for their diamonds, there is little reason for the rebels to engage in their brutal campaigns to secure and protect their diamonds. Specifically, our legislation would prohibit the import of diamonds and diamond jewelry into the United States, unless the exporting countries have a system in place that includes forgery-proof certification documents as well as a uniform database to track and monitor the global diamond trade.

This means, Mr. Chairman, that every diamond brought into the United States would require a certificate of origin and authenticity indicating that it was not laundered onto the market by a rebel group.

Finally, Mr. Chairman, our bill also stipulates that fines and proceeds from seized contraband will be contributed to the USAID's War Victims Fund. These funds would be returned to the very people, the very people who suffer from the profitable sale of the diamonds. This legislation, Mr. Chairman, represents a turning point, a point of unity among the industry and the international community, and it is our hope that the bill will bring immediate attention to the violence in Africa and add momentum to international promises of action.

Mr. Chairman, I thank the chair, and again thank my two colleagues from the House for their tremendous leadership on this very important issue.

Chairman CRANE. Well, we want to thank you, Mike, and we appreciate your problems with scheduling and all, and so you are free to leave, but we are grateful that you came and testified to open up the hearing this morning.

Mr. DEWINE. Thank you, Mr. Chairman.

[The prepared statement of Mr. DeWine follows:]

Statement of the Hon. Mike DeWine, a United States Senator from the State of Ohio

Chairman Thomas and Ranking Member Rangel—thank you for allowing me to testify at this very important and very timely hearing today. As you know, the diamond trade is one of the world's most lucrative industries. With its potential for extreme profitability, it is not surprising that a black-market and illicit trade have emerged alongside the legitimate industry.

Candidly, diamond trading has become an attractive and sustainable income source for violent rebel groups and terrorist networks around the world. In fact, the sale of illicit diamonds has yielded disturbing reports that even Osama bin Laden is involved in this trade. The February 22, 2001 U.S. District Court trial, *United States vs. Osama bin Laden* attests to this. Additionally, there is an established link between Sierra Leone's diamond trade and well known Lebanese terrorists.

In Africa currently, where the majority of the world's diamonds are found, there is on-going strife and struggle resulting from the fight for control of the precious gems. While violence has erupted in several countries, including Sierra Leone, An-

gola, the Congo, Guinea [gih-knee], and Liberia, Sierra Leone—in particular—has one of the worst records of violence. In this nation—a nation embroiled in civil war for nearly a decade, rebel groups—most notably, the Revolutionary United Front (RUF)—have seized control of many of the country’s diamond fields. Once in control of a diamond field, the rebels confiscate the diamonds; launder them onto the legitimate market through other nearby nations, like Liberia; and ultimately finance their terrorist regimes and their continued efforts to overthrow the legitimate government.

Upon reaching the market, it is nearly impossible to distinguish the illegally gathered diamonds—also known as “conflict” or “blood” diamonds—from legitimate or “clean” stones. And so, over the past decade, the rebels have been able to smuggle out at least \$10 billion dollars in diamonds.

Since the start of the rebel’s quest for control of Sierra Leone’s diamond supply, the children of this small nation have borne the biggest brunt of the insurgency.

For over eight years, the RUF has conscripted children—children often as young as *seven or eight years old*—to be soldiers in their make-shift army. They have ripped an estimated *12,000* children from their families. After the RUF invaded the capital of Freetown in January 1999, at least *3,000* children were reported missing.

As a result of deliberate and systematic brutalization, child soldiers have become some of the most vicious—and effective—fighters within the rebel factions. The rebel army—child-soldiers included—has terrorized Sierra Leone’s population, killing, abducting, raping, and hacking off the limbs of victims with their machetes. This chopping off of limbs is the RUF’s trademark strategy. In Freetown, the surgeons are frantic. Scores of men, women, and children—their hands partly chopped off—have flooded the main hospital. Amputating as quickly as they can, doctors toss severed hands into a communal bucket.

I cannot understate nor can I fully describe the horrific abuses these children are suffering. The most vivid accounts come from the child-soldiers, themselves. I’d like to read a few of their stories, taken from Amnesty International’s 1998 report called, “Sierra Leone—A Year of Atrocities against Civilians.” According to one child’s recollection:

“Civilians were rounded up, in groups or in lines, and then taken individually to a pounding block in the village where their hands, arms, or legs were cut with a machete. . . . Men were then ordered to rape members of their own family. If they refused, their arms were cut off and the women were raped by rebel forces, often in front of their husbands . . . victims of these atrocities also reported women and children being rounded up and locked into houses which were then set [on fire].”

A young man from Lunsar, describing a rebel attack last spring, said this:

“Ten people were captured by the rebels and they asked us to form a [line]. My brother was removed from the [line], and they killed him with a rifle, and they cut his head with a knife. After this, they killed his pregnant wife. There was an argument among the rebels about the sex of the baby she was carrying, so they decided to open her stomach to see the baby.”

Rape, sexual slavery and other forms of sexual abuse of girls and women have been systematic, organized, and widespread. Many of those abducted have been forced to become the “wives” of combatants. According to Isatu, an abducted girl now 18:

“I did not want to go; I was forced to go. They killed a lot of women who refused to go with them.”

She was forced to become the sexual partner of the combatant who captured her and is now the mother of their three-month-old baby.

Mr. Chairman, we are losing these children—an *entire generation of children*. If the situation does not improve, these kids have no future. But, as long as the rebels’ diamond trade remains unchallenged, nothing will change.

We can do something about this. We can make a difference. We have the power to help put an end to the indescribable suffering and violence in Sierra Leone, Angola, and elsewhere in Africa. We have that power, Mr. Chairman, and we must use it.

As the world’s biggest diamond customer—purchasing the majority of the world’s diamonds—the United States has tremendous clout. With that clout, we have the power to remove the lucrative financial incentives that drive the rebel groups to trade in diamonds in the first place. Simply put, if there is no market for their diamonds, there is little reason for the rebels to engage in their brutal campaigns to secure and protect their cache.

That is why, along with my distinguished Senate colleagues, Senator Durbin and Senator Feingold, I have introduced legislation called the “Clean Diamonds Act of 2001” to remove the rebels’ market incentive. My colleague from Ohio, Congressman Tony Hall, and Congressman Frank Wolf from Virginia have introduced a similar measure in the House.

Our bill is very simple. The whole idea behind it is to facilitate the implementation of a system of controls on the export and import of diamonds, so that buyers can be certain that their purchases are not fueling the rebel campaign.

Specifically, our legislation would *prohibit* the import of diamonds and diamond jewelry into the United States unless the exporting countries have a system in place that includes forgery-proof certification documents, as well as a uniform database to track and monitor the global diamond trade. This means that every diamond brought into the United States would require a certificate of origin and authenticity, indicating that it was not laundered onto the market by a rebel group.

Additionally, the bill requires the President to report annually to Congress on the control system’s effectiveness and also requires the General Accounting Office to do the same within three years of enactment.

Finally, our bill stipulates that fines and proceeds from seized contraband will be contributed to the USAID’s War Victims Fund. These funds would be returned to the very people who suffer from the profitable sale of the diamonds and would be used to help finance humanitarian relief and microenterprise efforts.

Our bill represents a turning point—a point of unity among the industry and the international community. And, it is our hope that this legislation will bring immediate attention to this problem and add momentum to international promises of action.

We have an obligation—a moral responsibility—to help stop the violence, the brutality, the needless killing and maiming. No other child should kill or be killed in Sierra Leone and other African nations. It is the humane thing to do. It is the right thing to do.

Chairman CRANE. You bet. And now we will yield to our House witness Tony Hall.

**STATEMENT OF THE HON. TONY P. HALL, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF OHIO**

Mr. HALL. Thank you, Mr. Chairman, and Mr. Houghton and Mr. Herger. I have a statement for you. I will not read it. I would just like to refer to it from time to time. I am very glad to be here with my good friend Frank Wolf.

Chairman CRANE. Well, if you will yield a moment, it will be a part of the permanent record, too.

Mr. HALL. And I appreciate Senator DeWine coming over here and being an important part of this legislation, along with Mr. Houghton, Mr. Rangel, Mr. Feingold, and Mr. Durbin. It is a very, very bipartisan bill. I think Mike has outlined it. I think you know the issues. We have a hundred of the best human rights groups in the world that are solidly behind this. We have a diamond industry that is part of this consensus legislation.

We have tremendous bipartisan support. Frank Wolf and I have seen the effects of what it is to trade in conflict diamonds and what it does to countries. The first thing it does it takes money away from the countries, especially the poorest countries in the world, that ought to be going to their treasuries to help their poor people. But because it is smuggled or because it becomes conflict diamonds, it is traded to fund most of the civil wars that are going on today.

And to see the results of that, as Frank and I have seen in various refugee camps, to see all the people who are missing limbs because they just happened to be in the way, and if we can solve this

problem of conflict diamonds, we can take the money and the guts out of a lot of the civil wars that are going on in Africa today.

I will never forget visiting Angola a few years ago. I came out of a restaurant at night in the capital and saw about 30 orphan kids, real little kids just living on the street in an alleyway on top of each other like puppies. Their misery was caused by diamonds, caused by war. You cannot walk in Angola or in the Congo or Sierra Leone without seeing people who have been harmed in so many different ways. Their ears are cut off, their noses are cut off, their limbs are cut off. They have suffered wholesale killings and butchery that is beyond anybody's imagination.

And to learn in recent weeks that there is a very, very good possibility that bin Laden is part of this because he is able to use these organizations as one of his moneymaking schemes. I do not know what else I can say to you. I have testified before this Committee. We think we have good legislation. We have worked with the Customs people, with the State Department. We feel that the bill meets our obligation to the World Trade Organization (WTO).

We are open to your ideas as to how you think the bill could be improved. We need to move on this. We really do, and judging by the promise and the commitment that was made by Chairman Thomas, hopefully we can in the next week or two. I think that if we can put legislation on the books, it will help the Kimberley Process. It will move the United Nations' efforts ahead even further. We have lots of allies that want us to pass this legislation.

This is important legislation for all legitimate diamond dealers, whether they be in our country or in Belgium, Botswana, Namibia, or South Africa. This legislation will help them. So with that, I just say thank you for this hearing.

I have here 200 letters from students from the Julius West Middle School in Rockville, Maryland. I understand they were going to be with us yesterday, and I appreciate their teacher being here with us today. Every time Frank and I have ever been able to talk to young people or anybody in the country about conflict diamonds, we hear tremendous support for ending this blood trade.

Why should we pass this bill? Because we buy about 50 percent of all the diamonds in the world every year. We can make a difference. And with that, I thank you, sir, and appreciate testifying.

[The prepared statement of Mr. Hall follows:]

Statement of the Hon. Tony P. Hall, a Representative in Congress from the State of Ohio

Mr. Chairman, Mr. Levin, and Members of the Subcommittee: I appreciate your holding this hearing today, and the opportunity to testify before the Committee again on conflict diamonds.

You have a very strong line-up today, people who are working hard to end this scourge. You also have two strong advocates for human rights to hear from—Frank Wolf and Mike DeWine. I think you know where I stand; I'll be brief so you can hear from the other witnesses.

Why Congress Should Act

All of us work on issues that—let's face it—won't be affected much one way or the other, no matter what we do. This isn't one of them. This is something where action by American consumers, and the American Congress, can make all the difference.

Consumers can make a difference, because we buy the majority of the world's diamonds—a product whose value depends entirely on its image as a symbol of love

and commitment. That image doesn't always match the reality that, sometimes, diamonds are used to fund terrible atrocities.

Congress can help because, at the same time that American consumers are unwittingly helping fund wars in Africa, our country is the biggest donor of humanitarian aid to its victims. That is a losing proposition: in the past decade—as we have spent more than \$2 billion in humanitarian aid to the four countries involved in wars over diamonds—more than \$10 billion in conflict diamonds has been smuggled out of these same countries.

There is one more reason for Congress to act. Our country cannot afford to let this resource, which has channeled billions of dollars into black-market economies, turn into easy money for terrorists—whether they belong to organizations, like Sierra Leone's Revolutionary United Front, that terrorize Africans; or to Al Qaeda, whose cells are involved in a range of money-making activities that includes diamond trading. I do not know the extent of Al Qaeda's activities, and do not want to be an alarmist. But I do know that diamonds—the most concentrated source of wealth ever known to mankind—should be put off limits to anyone bent on destruction. Especially Osama bin Laden.

Conflict Diamonds are Stolen Goods

Finding a solution to this illegal trade is not an easy task. I know your focus, Mr. Chairman, is usually on finding ways to lift restrictions on trade. I agree with you sometimes, and with Mr. Rangel and Mr. Levin sometimes. But I share the commitment that you all have to letting trade be the engine of our economy, and of economies around the globe.

However, this is not a question of free trade, or fair trade. Conflict diamonds are stolen from companies and countries. They are smuggled to avoid paying taxes that are one of African countries' key sources of income. And then, most horrifying of all, they are turned into weapons against innocent civilians who might interfere with these thugs' control of the diamond mines. In Sierra Leone, for example, rebels told many of their victims that they were forcibly amputating their hands as punishment for using them to cast ballots in the nation's first democratic election.

I respect the Subcommittee's concerns about fulfilling our country's obligation to the World Trade Organization. I think the Clean Diamonds Trade Act does that in several ways, which are described in material attached to my testimony.

But I know that if conflict diamonds had been treated like other stolen goods by the countries that import them, or by diamond traders, this problem would have been prevented—or solved much sooner. As the journalist and author Sebastian Junger put it, "If international diamond brokers made a concerted effort to avoid buying illicitly mined diamonds, groups such as UNITA and the RUF would have a much, much harder time bankrolling their wars." I would add countries that import diamonds to the list that includes diamond brokers.

I know the Subcommittee is aware of the efforts both countries and companies have made to agree on the international framework—an approach that both industry and non-governmental organizations say is the only real answer. Our State Department has been a steady participant in this work, as have the U.S. Customs Service and other agencies. This legislation is designed to strengthen their hand in these negotiations, and help prevent them from dragging into a third year.

Consensus Between Industry and Activists

Notwithstanding our diplomats' efforts, much of the work of the Kimberley Process to construct this framework has been driven by NGOs and the diamond industry, whose representatives have teamed up to support the legislation the Subcommittee is considering today. Coming together behind a constructive solution was not easy—either for the Campaign to Eliminate Conflict Diamonds, which is a coalition of more than 100 human rights, humanitarian, and faith organizations; or for the World Diamond Council, whose members include all of that industry's many factions.

The NGOs have been sharp critics of the diamond and jewelry industries, but were thoughtful and fair in taking the opportunity to work on a difficult problem together. At a time when many of their colleagues in the same organizations are on the front lines of the battle for responsible trade, with a product made vulnerable by its own marketing success, and with made-for-TV images of terrible suffering, these advocates' efforts are nothing short of extraordinary.

The industry faced an equally difficult challenge in compromising with critics—and I count myself among them—who sometimes have forgotten to acknowledge that its ranks are filled with honorable men and women, and honest business people. Critics who have asked this industry to be much more nimble than those that sell oil, gas, timber, col-tan, or other products that have funded wars.

Compared to the distance this coalition has traveled in a few short months, the differences here in Congress—even in this room, even this week—seem easy to bridge. But there’s a catch: the NGOs have agreed to work with industry only until we adjourn this year. The Campaign’s representatives feel strongly that consumers need to be informed about how some of the money they spend on diamonds is used, and they believe that severing the funding for these wars is an urgent need that cannot be allowed to run the course of ordinary legislation. I fully understand and support their unwillingness to put their work on behalf of suffering people on hold while Congress is in recess.

Likewise, the World Diamond Council and Jewelers of America also are anxious for Congress to act. I think industry representatives are right to worry that protests and consumer-awareness events outside jewelry stores this holiday shopping season might make it very difficult to maintain the unusual alliance of miners, traders, and retailers that the World Diamond Council represents.

I hope the Members of the Committee will listen closely to what Adotei Akwei, Rory Anderson, Cecilia Gardner, and Matt Runci will say today. They are among the very small number of people who have worked tirelessly to end the trade in conflict diamonds. They each speak for tens of thousands of others who support the work their organizations do. And they are right: Congress should join their efforts by passing the Clean Diamonds Trade Act.

“We Understand What Suffering Is”

In the same spirit of cooperation that our coalition partners have demonstrated, Congressman Frank Wolf and I have worked with Republicans and Democrats here in the House and in the Senate. We have strong partners in Amo Houghton and Charlie Rangel—and in Mike DeWine, Dick Durbin, and Russ Feingold.

We have met with senior officials in the Bush Administration, and we stand ready to work with them and with you to craft a responsible and effective bill. We are grateful for Chairman Thomas’s commitment to move legislation this year, and appreciate your Subcommittee’s contribution to that.

In closing, I want to draw your attention to part of a *Wall Street Journal* article published in the aftermath of the attacks on our country last month that described the reaction of other countries:

“Until last week, Sierra Leone had little in common with New York. Now, the two share huge death tolls, obliterated landmark buildings and entire city blocks in rubble. Tens of thousands of Sierra Leoneans were maimed, brutalized and killed in a 10-year war between rebels and various governments. The blighted land is ranked last among 162 countries” by the United Nations.

The article goes on to describe how Sierra Leoneans are “reaching out beyond their own misery” to express “the sorrow in their heart” about the attacks. An unemployed driver in a nation where Islam is the faith of most people, put it this way: “We feel America’s suffering . . . because we understand what suffering is,” Hussain Konteh said.

Mr. Chairman, Members of the Committee: Frank Wolf and I saw what Mr. Konteh was talking about two years ago, and it has weighed heavily on us ever since then. We already understood what suffering is, as does our colleague Mike DeWine—who has made children’s well-being a priority and logged countless hours and miles in helping and protecting them. We understood not in the same way Mr. Konteh does, but we’ve all seen countless people suffering from hunger, or disease, or every atrocity and violation of human rights we’d thought imaginable.

Still, very few things could have prepared us for meeting the 2½-year-old whose arm was forcibly amputated. Or the 14-year-old girl who lost both arms and was pregnant with her rapist’s child. Or the young student who lost an ear, because rebels thought that would end his studies. Or other losses that Sierra Leoneans we met in refugee camps described.

Even now, as our country joins the war that was declared on us; even now, as we worry for our soldiers’ lives and our economy’s health; even now, Mr. Chairman, I believe we must also address the trade in conflict diamonds. This is a problem we *can* do something about, something we are in a unique position to address. And, I would respectfully submit, if we can’t do something about this suffering—with everything we know about its cause, with the specter of these wars’ continuing until this problem is addressed, and with the support of everyone who is represented here today—if we can’t do something about *this*, then we all ought to pack it in.

Thank you for your work here and in the days ahead. I appreciate the opportunity to testify today, and would be happy to answer any questions.

Frequently Asked Questions—Clean Diamonds Trade Act

Q. Why is U.S. legislation needed? Aren't there UN Security Council resolutions barring diamonds from Liberia, the Revolutionary United Front (Sierra Leone), and UNITA (Angola)? Isn't a targeted approach a better course?

A. Sanctions against conflict diamonds, imposed against two rebel groups and the country of Liberia, are in place, but they are an imperfect solution because they do nothing to help block the smuggling of these diamonds through other channels. For example, UNITA today earns \$100 million a year selling its diamonds—despite the fact that a UN embargo has been in place for three years.

Nor are temporary UN sanctions an appropriate basis for a comprehensive system, which is what's needed to stop the current blood trade and to deter future wars over diamonds. This is a global problem that cannot be solved with a piecemeal approach—whether that is UN embargoes, or individual producing countries' laws. That is the firm conviction of the diamond industry, of civil society, and of others familiar with the problem of conflict diamonds.

Most observers believe the United Nations will endorse the global system being devised by the Kimberley Process, and it commissioned this work precisely because it knows the patchwork of embargoes is not working.

Q. Why should Congress act now on this problem? Isn't a global solution imminent, one that has the support of a broad range of diamond-producing and trading nations, plus the diamond industry—and that is likely to be endorsed by the United Nations?

A. Last December, the United Nations General Assembly voted unanimously to charge nations, aided by representatives of the diamond industry and civil society, with submitting a recommendation for a global system of controlling rough diamonds. Participants in the Kimberley Process set forth a timetable for making their recommendation in December 2001—but whether they will meet their deadline remains to be seen. The most difficult decisions have not yet been made, and while progress has been good, there are valid reasons to be concerned.

The legislation provides ample room for this initiative, (1) by taking effect six months after enactment, and (2) by letting the President issue a waiver for any country that is cooperating through the Kimberley Process. It does not pre-empt the Kimberley Process; in fact, it defers to it. But few observers believe its progress will continue without the consumer pressure that the legislation articulates. That was one reason the industry agreed to compromise with NGOs on this bill: to keep the Kimberley Process moving apace.

More importantly, the United States—as the world's largest consumer of diamonds, and the biggest contributor to humanitarian relief for victims of these diamond wars—has a rightful interest in ending this blood trade. It is reasonable for our country to cooperate with international efforts, and this bill encourages that. And it would be inappropriate for us to cede our responsibility to act, particularly as some 27,000 American jewelers likely will be the first to feel the impact of inaction, which will continue to tarnish diamonds' image in consumers' eyes.

Finally, a coalition of all American stakeholders has called on Congress to act to fulfill the United States' moral obligation to lead efforts to stop the atrocities that conflict diamonds fund. The coalition includes more than 100 human rights, humanitarian, and faith groups—the Campaign to Eliminate Conflict Diamonds—whose member organizations have the support of millions of Americans; and representatives of the diamond and jewelry industries—the World Diamond Council and Jewelers of America. They reached a consensus on the Clean Diamonds Trade Act (H.R. 2722) and the Clean Diamonds Act (S. 1084) months ago and have agreed to work together through 2001 to win passage of the consensus these bills represent.

Q. Would the system the bill requires be effective?

A. The bill does not require any specific system of controls on rough diamonds. Instead, it gives the Customs Service and the State Department leeway to define what a workable system is. It does set out some minimum standards, which were recommended by the diamond industry and which have been used as the starting point by the countries participating in the Kimberley Process. The bill does not spell out every aspect of the system for three reasons:

1. Our obligations to the World Trade Organization require the United States to target problems that affect trade narrowly, so that importers have more than one way to meet our concerns. Different importers should have different abilities to satisfy Customs officials that their diamonds are clean, because the situation in Canada may be different than in Sierra Leone, for example. (This is not necessarily true, but the presumption under trade law is difficult to refute.) The bill allows this “safe harbor” provision to comply with WTO rules.

2. Some 40 countries, along with representatives industry and civil society, have been working for the past 18 months on an international system of controls. Experts, including in the diamond industry, say that a comprehensive approach is the only serious way to address the smuggling that is at the root of this blood trade. The bill is designed to encourage the Kimberley Process to complete its work, according to the timetable set by its own participants. It is not designed to make their decisions for them, though, and therefore lets the system they devise satisfy U.S. requirements contained in this bill.
3. At bottom, this is a law enforcement problem. Conflict diamonds are stolen, and smuggled across many borders. There are, of course, laws in producing countries that are the primary victim of this crime (both because their people suffer terrible atrocities inflicted by rebels funded by conflict diamonds; and because they are losing \$60–\$200 million¹ per year in uncollected tax revenues). These laws have not worked for two reasons: (a) other countries participating in the diamond trade have done nothing to help enforce these laws, and that is the reason a global system is needed; and (b) any system or new law must be flexible enough to respond to criminals' abilities to find ways around them. That is why the bill gives Customs officials flexibility to target this problem, and avoids spelling out exactly what steps they must take.

Q. How would a system of controls on rough diamonds work?

A. The primary focus of the system being devised by participants in the Kimberley Process is the first time a rough diamond is traded. Models are being tested in Sierra Leone and Angola now, and have won praise from some of the sharpest critics of the diamond industry and countries that have ignored this problem.²

Here's how the system works, in brief:

- Rough diamonds are exported in secure containers, whose contents are disclosed on an export certificate that accompanies the diamonds. The certificate's details are logged into an official database by the exporting country's authorities—and checked against that database by the importing country's authorities.
- From there, a chain of warranties helps ensure the “clean stream” of diamonds stays clean. This chain is a series of assurances, by sellers to buyers, that accompanies the diamonds until they are cut and polished.
- In addition, countries are considering the need for issuing re-export certificates every time a rough diamond is traded. Those may rely in part on the industry's chain of warranties, but there is not yet consensus on the workability of controls past the first import. The U.S. delegation in particular, prompted by enforcement concerns raised by Customs, has opposed re-export certificates.

Here's how the system works, in detail:

From the mine/mining area to export—This stage of the process of exporting diamonds poses the most difficult challenge to implementing an effective system of controls. That is because it is very difficult to monitor “the first 10 yards” a diamond travels from thousands of individual miners, to a diamond buyer. This problem is the focus of continuing work, but currently the expectation is that the system would require a producing country to license miners and regulate their activities closely. This once was a common practice, but has been neglected in some countries, a casualty of corruption and the chaotic nature of war.

To help correct the inherent difficulty of monitoring the trade, especially at its start, the global system will give diamond-trading countries that participate through the Kimberley Process a forum for alerting producing countries to problems. That will help dilute the incentive to cheat—because while a producing country will want to get all of its diamonds through, an importing country will want to protect its supply of clean gems from the taint of conflict diamonds. It therefore will have an incentive to help the producing country safeguard its exports. That help could come in the form of carrots (like financial assistance), or sticks (like rejection of diamonds whose origin is easiest to determine at this stage).

From first export to first import—Rough diamonds to be exported are taken to a producing country's authorities, who collect taxes on them (which average 3% and are the primary benefit African countries get from this resource; to keep this sum in perspective, rough diamonds now fetch about \$60 per carat in Antwerp). Authorities then issue a numbered export certificate on each parcel of diamonds, and

¹ USAID estimated in 2000 that Liberia, Sierra Leone, Angola, and the Democratic Republic of the Congo lose \$60 million per year in uncollected taxes—which average 3% on the value of rough diamonds exported from there. A senior official of Botswana estimated (verbally) in 2001 that the total was \$200 million.

² Global Witness, a British NGO, examined Angola's system of controls closely; its report is available on its website: <http://www.oneworld.org/globalwitness/>.

log details about the parcel—including its total carat weight—on the certificate and into a database.

When the parcel arrives in the importing country (which is Belgium, in the case of 85% of rough diamonds traded), authorities check its contents against the certificate affixed to the parcel, and against the database. Because experts usually can tell a diamond's origin before it is cut, they have this tool to help them judge the veracity of the certificate. Even in the rare instance when they cannot tell where the diamond *is* from, they almost certainly can conclude it is *not* from the country issuing the certificate, if that is the case. Several shipments have been interdicted in this manner already.

This ability to rely on a technical safeguard, and the expertise of Belgian authorities, makes this stage the logical place to focus enforcement efforts. If diamonds entering legitimate commerce are clean—and downstream countries protect the stream against imports from outside the clean stream—most smuggled diamonds (including those used to fund conflict) can be blocked from trading as legitimate goods.

From first import to first sale—The customers of importers whose export certificates have been validated have a legal basis for issuing a warranty to anyone to whom they sell these diamonds. From there, each sale of the same diamonds—even if the parcel is broken up—can be accompanied by a warranty that traces its authority back to that first sale.

The World Diamond Council, an industry association formed to address the problem of conflict diamonds, has pledged to monitor industry participants employing this chain of warranties and to take disciplinary action against any who use it improperly. Individual buyers also have recourse, through civil lawsuits, against improper warranties. Government or independent auditing of this chain of warranties would add credibility to it, in the view of civil society representatives and others. Such a proposal is now under consideration by the industry. However, U.S. Government experts doubt that a chain of warranties—whether it is audited or not—could provide a sufficient safeguard to constitute the basis for a government certificate.

The outstanding question is whether the chain of warranties is a useful contribution to efforts to block conflict diamonds from legitimate trade. The answer may be determined by how many private businesses are willing to participate in the chain. As offered, this initiative represents a good-faith effort by an industry whose active participation in safeguarding the clean stream is essential. It could have a significant practical effect if it is widely used and, given the realities of the trade, that potential should not be underestimated.

From first import to subsequent export—To combat the problem of conflict diamonds' entering the clean stream of legitimate diamonds, some observers believe that rough diamonds should be accompanied by re-export certificates as they cross every border. These would adhere to the same rules set forth above—the parcel's carat weight disclosed, a unique number recorded on the certificate and in a database maintained by the exporting country, and information checked by the importing country. However, U.S. officials and others disagree on whether this mechanism could be enforced.

One alternative solution to this transshipment problem may be the creation of a police force that has access to detailed statistical information and tough law enforcement powers. The Securities & Exchange Commission offers one model for this: it routinely handles sensitive information which, like diamond trade flows, are considered proprietary by industry participants. And the SEC routinely exercises police power that serves as a significant deterrent to wrong-doing.

Q. Why doesn't the system simply require diamonds to move individually, in sealed packets with individual numbers that can continue to be tracked? Alternatively, why aren't physical marks on the diamonds being considered—since those would be removed in the cutting process anyway and would not diminish the diamonds' value?

A. Some 850 million stones trade every year, most of them in parcels of dozens or hundreds of diamonds until they are cut. It would be a logistical nightmare to separate these parcels into individual diamonds. Likewise, coating rough diamonds with wax that contains a special colorant (like U.S. currency uses)—or etching a mark into individual diamonds, also would impose a burden, because either approach would hinder the sorting and cutting process by emplacing a physical barrier to the process of quickly judging a diamond's value. As much of the value added by diamond traders is their sorting and marketing parcels of diamonds, this barrier's effect should not be minimized.

Between 80 and 95% of diamonds are not from conflict zones. Hopefully, the wars that have been fueled by diamond revenues will end—with the help of these efforts—and a system of controls will remain in effect to deter future conflicts. The

bill endeavors to address the problem without imposing an undue burden either on industry or on countries involved in what is, for the most part, a legitimate trade.

Q. Why doesn't the bill impose a system of controls on polished diamonds, or diamond jewelry?

A. Efforts have focused on rough diamonds because their trade (1) is where the problem of rebels' funding from conflict diamonds arises, and (2) lends itself to verification by technical means. The goal is to prevent rough diamonds from being cut and polished—which is the point at which they gain much of their value, and the point past which no means of determining a diamond's origin currently exist.

The bill does close loopholes that could exist for polished diamonds and diamond jewelry, by requiring countries that supply the U.S. market to get the diamonds they use from the clean stream.

Q. This bill seems to be an effort to end diamond smuggling—a worthwhile goal, perhaps, but one that seems impossible to attain. Will this increase red tape for legitimate industry, without stopping criminal smugglers?

A. Smuggling is endemic in the diamond trade: estimates of its prevalence range from 22 to 40% of all diamonds traded. The extraordinarily low tax paid on these transactions—0.04%—underscores the loss African nations that depend on diamond revenues suffer at the hands of smugglers.

But the bill's goal is more narrow: to end the smuggling that is used to fund conflict—whose costs are calculated in lives, not dollars. Together with UN and regional peacekeeping, and other efforts, choking off the money that rebels and invading armies can earn by looting diamond mines promises to bring these wars to an end. Ensuring systems are in place so that diamonds cannot be used to fund future wars, along with other efforts, will help deter more suffering.

No law can stop crime, but enacting this will enlist legitimate members of the industry—who make up the overwhelming majority of the diamond trade—in efforts to stop the most destructive smuggling: that used to fund wars.

Q. Does this bill violate our obligations under the World Trade Organization?

A. Considerable care was taken to ensure that the United States does not violate its WTO obligations if this bill is enacted into law.

1. As a general matter, the United States could defend against any WTO challenge to this bill under either the general exceptions (Article XX) or essential security exceptions (Article XXI) of the WTO (GATT 1994). Court decisions on these exceptions suggest these exceptions could be used successfully to defend this legislation against any WTO challenge. The Congress in its findings takes note of these exceptions.
2. The bill provides the President with administrative flexibility so that he could implement the bill in a way that would withstand any WTO challenge. For example, instead of requiring all diamond exporters to implement a single system:
 - It permits the President to allow imports from countries with systems that are functionally equivalent to the one spelled out in the bill³; or that meet the requirements of the system designed by the Kimberley Process⁴; or
 - It lets an importer demonstrate to Customs officials that its diamonds are conflict-free so they can import them even if its country has not implemented any system of controls⁵; and
 - It lets the President tailor penalties—such as barring imports from a country—to fit the violation.⁶ For example, if the problem is that rough diamonds are being smuggled into the United States from a country, he can bar rough diamond imports from that country (instead of barring all diamond and diamond jewelry imports).
3. The bill provides the President with waiver authority that, if a WTO challenge were imminent, could be exercised to remove a country's standing to lodge that challenge. This would give our diplomats the ability to try to work out any disputes before they rose to the level of a challenge to the WTO.⁷
4. Finally, the bill contains a self-correcting mechanism, so that if there were ever a WTO ruling against the United States, the Treasury Secretary and Customs

³Section 4(a)(1)(B).

⁴Section 4(a)(1)(C) or (D).

⁵Section 5(A)(iii).

⁶Section 6(a), by permitting the President to issue a partial waiver.

⁷Section 6(a).

would not be required to take any action under the bill that would be in violation of our WTO obligations.⁸

The bill also was crafted to facilitate several defenses to any WTO challenge:

1. GATT 1994's Article XXI permits a nation to assert it is acting in its security interests, (a) to address the traffic in arms or materials that supply a military establishment, or (b) in pursuance of its UN obligations—such as to enforce the current sanctions on the RUF, UNITA and Liberia, or an expected future UN resolution implementing the Kimberley Process.

The bill includes findings⁹ that would support the United States if it asserts a security defense against a WTO challenge.

2. GATT 1994's Article XX(b) permits a nation to assert it is acting out of necessity to protect human life and health—so long as its action does not arbitrarily or unjustifiably discriminate against a country, or is not taken simply to disguise a restriction on trade.

The bill includes findings that detail the toll conflict diamonds is exacting on human life and health¹⁰ and that explain international efforts to devise a global approach to this problem.¹¹ The United States could use either to defend against any WTO challenge.

Q. Would this bill increase costs to American taxpayers? Would it increase the price of diamonds that American consumers pay?

A. The Administration has not indicated it expects Customs' enforcement or other costs borne by taxpayers to increase because of this bill.

As to the price of diamonds, a regulatory system like the one the bill encourages should not impose additional costs on diamond traders that were significant enough to pass along to consumers.

On the contrary: the diamond and jewelry industries support this bill, in part, because they are concerned that their sales may be hurt if they do not provide consumers with assurances that their diamonds are conflict-free. Some are even investing in advertising to convey that message, despite warnings by the Federal Trade Commission and an industry ethics body that this claim cannot be supported until there is a system in place such as the one the bill encourages.

If this problem is not addressed, jewelers likely will feel growing pressure to distance their wares from these atrocities. Advertising and other costs, including lost sales—likely would be a heavier burden than anything a system of controls like the one required by the bill might impose.

Q. Will passage of this bill hurt America's effort to build a coalition against terrorism?

A. The Revolutionary United Front in Sierra Leone is a terrorist organization, according to the State Department. Moreover, there is strong evidence that al Qaeda, Osama bin Laden's organization, has been and still is involved in diamond trading in Africa.

This bill's primary effect will be to put this resource—the most concentrated source of wealth known to mankind—off-limits to terrorists now wreaking havoc in Africa, and believed to be planing and funding future attacks in America. Given that there is widespread acceptance of the need to address the problem of conflict diamonds, and because the bill provides so much flexibility to U.S. diplomats, it is hard to foresee the day when sanctions are imposed against any country.

Instead, the bill aims to encourage all countries supplying the U.S. market with diamonds to take steps that will ensure Americans remain steady consumers of their diamonds—so that this luxury product doesn't go the way of ivory and fur in consumers' eyes. Such measures are in these countries' own best interests, and most of them are working actively to put them into place. The bill's goal is to make diamonds a blessing for all countries, instead of the curse they are on some. The bill imposes no sanctions and it respects the rights of countries involved in the diamond trade to determine how best to address smuggling that should have been stopped years ago.

If it affects the United States' ability to build a coalition against terrorism at all, it likely will do so in a positive way—by addressing a terrible injustice and helping stop those who would terrorize Africans as well as Americans.

⁸Section 10.

⁹Section 2 (4).

¹⁰Section 2 (1).

¹¹Section 2 (6) and (8).

Chairman CRANE. We thank you for your testimony. And now Frank.

STATEMENT OF THE HON. FRANK R. WOLF, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. WOLF. Thank you, Mr. Chairman. I will be brief, too. I think Mr. Hall and Mr. DeWine made the case. I think it is important for the industry as their plans develop. Quite frankly, I know people who will not, absolutely will not, buy a diamond today unless they can be absolutely positively categorically sure that it is not a blood diamond. They just do not want to have a diamond on their hands. So for the industry which supports Mr. Hall's bill, it is absolutely critical that you pass this.

Second, given the importance of diamonds for places such as South Africa, Namibia, and Botswana, it is critical for them that you act to protect the legitimate trade before it is too late and the image of diamonds is tarnished forever. Once you tarnish an image, it is very difficult, not impossible, but very difficult to ever, ever get it back.

Third, as Mr. Hall said, in this case, and I do not know if you have read it, the United States of America versus Osama bin Laden, it was the World Trade Center bombing in 1993. We will be glad to furnish it for the record. They talk about diamonds helped with regard to funneling and furnishing resources for the operation in 1993. Al Qaeda has financial interests in the diamond trade. Foti Sanco, the RUF in Sierra Leone, Charles Taylor, they have all been trained in Libya. It is almost a loose affiliation with regard to the terrorist operations, and for this Congress not to deal with this issue would be really wrong.

Lastly, you got to pass this before the Congress goes home. This really is not something that can be kicked over to next January. One, if there is an economic boycott, the jewelers on Main Street who really should not be hurt, and I think what is taking place for them, they are feeling the pain, should not be hurt by this. This Congress has to pass this before we go home.

Obviously, with the support of the majority and the minority, you could put it on the supplemental. You could put it on—we would take it on a State, Commerce, Justice Appropriations bill, or anything, but please find a vehicle once you all shape this and work this out.

I think Mr. Hall and Mr. DeWine have worked out a good one. Let it pass before we go home whether it be the first week of November or second week in November, because I am afraid that if it carries over, one, people are going to think we are stupid with terrorists being funded by this operation; and secondly, the diamond industry could be severely hurt; and thirdly, I think a lot of people in Africa will experience tremendous pain and suffering and agony in a way that frankly none of us want.

So thanks for the hearings. Thanks for moving this process fast and hopefully we can make it public law before Thanksgiving. Thank you very much and I yield back the balance of the time.

[The prepared statement of Mr. Wolf follows:]

**Statement of the Hon. Frank R. Wolf, a Representative in Congress from
the State of Virginia**

Thank you, Mr. Chairman. I appreciate the opportunity to testify today about the issue of conflict diamonds. I appreciate your committee taking the time to hold this important hearing and I also thank Chairman Thomas for his willingness to facilitate the passage of conflict diamonds legislation before the end of this session.

For nearly two years now, I have been supporting the efforts of my friend and colleague, Tony Hall, who has truly been the champion in bringing Congress's attention to the severe consequences of diamonds that fuel civil conflict in several of Africa's most troubled areas including Sierra Leone, Angola and the Democratic Republic of the Congo. His efforts have brought the world's attention to people blessed to live in areas rich in diamond resources, but who have been cursed by the violent conflict that these diamonds have caused.

I also want to recognize and thank the Bush Administration for working with us on developing effective legislation to address this problem, specifically the State Department and the Office of the United States Trade Representative. I especially appreciate their efforts in light of recent circumstances, and the attention that the Administration is dedicating to the critical needs of our nation's security matters, both at home and overseas.

In the interest of allowing the Committee and the Administration to have as much time as possible at this hearing, I will be brief. I just want to emphasize why I believe we need legislation such as H.R. 2722, introduced by Congressmen Houghton and Rangel with support of Congressman Hall and myself, before Congress adjourns this year.

As this committee is aware, the U.S. is involved in multilateral negotiations with over 40 other nations at what is known as the "Kimberley Process." While it is undoubtedly difficult to have so many nations agree on a system of such a complex nature, our passage of legislation facilitates this international system. We import almost 70 percent of the world's jewelry diamonds. We therefore have a unique responsibility to address this issue and take steps to only import clean diamonds, untainted by the blood of innocent victims. Legislation that requires clean diamonds will spur the many nations interested in maintaining their imports to the U.S. into making such a system a reality.

At the same time, the legislation has the necessary flexibility for the Administration to meet its international trade requirements under the WTO and more importantly, enough flexibility for the Administration to delay its implementation as the global system becomes a reality. Our staffs are ready to continue working with the Office of USTR to meet their concerns.

A second reason why this legislation is so important is for the diamond industry itself. While I do not purport to speak for the NGOs on their future plans, I do believe that failure to pass legislation will result in a significant consumer backlash in the near future. This will be especially true as new conflicts develop or old ones resurface. For instance, Angola's conflict rages on and recently the UNITA rebel group has shown signs of again heightening the violence. Given the importance of diamonds for places such as South Africa, Namibia and Botswana, it is critical that we act to protect the legitimate trade before it is too late and the image of a diamond is tarnished forever.

Finally, I would like to address the issue of conflict diamonds in relation to recent events. As President Bush has stated so eloquently, the scope and reach of global terror networks such as Al Qaeda will require our fighting them on all fronts. One of these will be on the financial front and the Treasury Department has already taken steps in this direction.

Diamonds are easy to launder and court testimony after the World Trade Center bombing in 1993 indicates that Al Qaeda has financial interests in the diamond trade. While it is impossible to know how closely tied in this group or other groups are to those who trade in conflict diamonds, it is significant that such connections may exist.

According to the State Department, the RUF rebel leaders in Sierra Leone are a terrorist group. Many of their leaders have connections to traders of conflict diamonds in Lebanon and, of course, were very closely connected to Liberian President Charles Taylor. In short, there is a global network of "bad guys" out there. Passage of this legislation will at least impart some accountability to a highly launderable item and make it more difficult for any criminal or terrorist organization to use it as a financing mechanism.

I would like to end with one closing thought. Members of this committee are some of the strongest and most eloquent advocates for free trade, globalization and international commerce. You point to the great economic opportunity that increased com-

merce offers for both our country and developing nations as well. I share and understand this basic principle.

However, too often the argument of free trade and globalization is framed too simplistically—you are either for or you are against. Rather, I believe that cleaning up the diamond trade offers unique opportunity to address the issue in more realistic terms—international commerce with accountability. The benefits of the diamond trade need to reach the people on the ground that live in these regions. If we can successfully address the issue of conflict diamonds, human rights, labor conditions and the general welfare of people living in these conflict areas will improve.

Again, thank you for giving me the opportunity to testify here today. With the Chairman's permission, I will submit my entire written testimony for the record.

Chairman CRANE. Well, we thank you both for this commitment to this effort, and we will proceed now. I want to get one thing straight, though, Frank. You did say the first or second week of November, not December; right?

Mr. WOLF. Well, I think we will be out of here; my sense we will be out of here in the first or second week or November. That would be my hope.

Chairman CRANE. That would be.

Mr. WOLF. Yeah.

Mr. LEVIN. Whenever we leave, we should have passed this, and it is a tribute to the two of you and others who have been toiling to get this done, and I think we owe it to you, and you would say, and you are right, to the people of Africa, as well as the terrorist connection. So we will do everything we can.

Chairman CRANE. Thank you. Amo.

Mr. HOUGHTON. Let me just ask one question. Aside from the humanitarian issue, which is enormous, what is the main economic impact here? Because it depresses the price of diamonds so that the people who are producing diamonds can help those people in need in their country? What is it?

Mr. HALL. Well, just take one country, Sierra Leone. Sierra Leone should be one of the richest countries in the world. It has diamonds. It has an abundance of water. It has great soil. It has beaches. It has a lot of fish. They could have all kinds of industry there.

And yet what has happened over the years is they rank last in the world when the United Nations looks at a country's gross national product, infant mortality rates, et cetera. They rank either second to last or last because they do not declare their resources, they have not done that for years because there has been so much killing and smuggling conflict diamonds out in ways other than through the government.

If the diamonds could just go through the government of Sierra Leone, there would be a tax, there would be a license; the money would go to some of the poorest people in the world.

Mr. HOUGHTON. So basically it is a resource for the country.

Mr. HALL. It is a resource for the country.

Mr. HOUGHTON. And it is being sucked out illegally and therefore no benefits come back to the government to be able to do the things they need for their people.

Mr. HALL. That is the first benefit. One of the second benefits is the United States has invested a couple billion dollars in these

countries over the past decade, and yet \$10 billion has been sucked out of these countries in conflict diamonds. So, the money is not going where it should be going. If that money, if a portion of that \$10 billion could stay in the country, it could save us money and help a lot of people.

Mr. HOUGHTON. Thank you very much. Thanks, Mr. Chairman.

Chairman CRANE. Well, gentlemen, again, we thank you, and your written statements will be made a part of the permanent record.

Mr. HALL. Thank you.

Chairman CRANE. And with that, now I would like to call our next panel: Alan Eastham, special negotiator for conflict diamonds at the U.S. Department of State; and James Mendenhall, deputy general counsel, Office of the United States Trade Representative.

And gentlemen, if you can please try and keep your oral testimony to approximately 5 minutes, any written statements will be made a part of the permanent record, and with that we will proceed with Mr. Eastham first.

**STATEMENT OF ALAN EASTHAM, SPECIAL NEGOTIATOR FOR
CONFLICT DIAMONDS, U.S. DEPARTMENT OF STATE**

Mr. EASTHAM. Thank you very much for the chance to come before you today to report on our efforts to deal with the role of diamonds in conflict. I am very grateful to the Committee for organizing what I think will be a very significant event in terms of raising public and official awareness of this problem and of the need to do something about it, as has been testified by the previous panel.

The natural wealth which is represented by diamonds ought to be a source of funds for development and human welfare in Sierra Leone, Angola, and other countries in Africa. Instead, in too many cases, the money produced by diamond sales provides the funding for rebel movements to purchase illicit arms, to support rebel armies, and to prolong civil wars that have terrorized societies and destroyed communities. This is the case in Angola and Sierra Leone.

The Fowler Report in March 2000 and the landmark report by the British NGO Global Witness last year helped to build a consensus within and outside governments that we must confront and break the linkage between diamonds and conflict while permitting the legitimate trade to continue and flourish.

Our objective in these efforts is to choke off the money from diamond sales that fuels violence and to use that money to build peace and stability in the countries which are affected by conflict now.

We have attacked this problem through two avenues: the United Nations Security Council and the Kimberley Process. We recognized in this effort that it will take joint action by all diamond trading nations, producers and traders, to take effective action, and that it will be much more effective than action by one country alone. We are still convinced this approach is valid. It is consistent with our international obligations. It recognizes the inherent nature of the diamond trade and it is a reflection of the interconnected global market realities of today's world.

In the Security Council, we chose to support prohibiting direct or indirect import of diamonds from Angola and Sierra Leone except through controlled certificate of origin regimes.

More recently, we have supported efforts by the Security Council to reduce sanctions leakage to try to dry up funding for these insurrections. The most significant of these efforts was U.N. Security Council Resolution 1343 last May that banned rough diamond imports from Liberia. That was in response to Liberia's support for the RUF.

Outside the formal U.N. processes, we have sought a broader solution to the conflict diamonds problem through what has come to be known as the Kimberley Process. The Kimberley Process has held four meetings this year with over 35 governments participating along with non-governmental organizations and members of industry to establish the details of a certification system as called for by the U.N. General Assembly in its resolution of December 1, 2000.

I am pleased to report that Kimberley has maintained its commitment to the road map which was agreed earlier this year. At the most recent meeting in September in London, delegates revised a draft document that sets out the essential elements of a system including the use of forgery resistant certificates and tamper-proof containers for shipments of rough diamonds, internal controls and procedures to provide credible assurance that conflict diamonds do not enter the legal market, and effective enforcement of the system through dissuasive and proportional penalties.

The London meeting in our view made significant progress. However, we recognized there was not as much progress as we would have liked in coming to conclusions about the obligations that governments and industries would undertake in an internationally agreed certification system.

Some of these questions are quite significant and how we answer them in Kimberley goes to the heart of whether a global system will be effective. I know members are very concerned about the amount of time this is taking. I know you will ask me whether I think Kimberley will succeed. Given where it stands at the moment, I do not have an answer to that question. What I can assure you is that the team that I will take to Luanda and to Botswana later in the year will put maximum effort to achieving a workable and effective system to break this linkage.

We appreciate your interest, Mr. Chairman. The sponsors of the Clean Diamonds Act have realized a significant accomplishment in the reaching a consensus between industry and the non-governmental organizations. With that, Mr. Chairman, in summary, I have run out of time and I will defer to your questions later on.

[The prepared statement of Mr. Eastham follows:]

Statement of Alan Eastham, Special Negotiator for Conflict Diamonds, U.S. Department of State

Thank you for this opportunity to report on our efforts to deal with the role of diamonds in conflict. I am very grateful to the Committee for organizing what I believe will be a very significant event, a chance for the world to see first-hand the interest in Congress in this issue and to assemble the views of various experts as we prepare for the next round of "Kimberley Process" talks in Angola at the end of this month.

The natural wealth represented by diamonds should be a source of funds for development and human welfare in Sierra Leone, Angola and other countries in Africa. Instead, in all too many cases, the money produced by diamond sales provides the funding for rebel movements to purchase illicit arms and to support rebel armies, prolonging civil wars that have terrorized societies and destroyed communities. While conflict diamonds have been estimated to make up only about four percent of the world diamond trade, they have a disproportionate impact on the welfare of certain populations.

—In Angola, where UNITA exported between \$3 and 4 billion worth of diamonds from 1992 to 1998, over half a million lives have been lost, more than three and a half million people have been displaced, and over 300,000 refugees have fled the country.

—In Sierra Leone, diamonds have helped transform a band of about 400 rebels of the RUF into an army of thousands that has become infamous for its brutal treatment of civilians, including particularly horrific atrocities against children. The civil war in that country has killed more than 50,000 people, displaced over one-third of the country's population of 4.5 million inhabitants, and sent over 500,000 refugees abroad.

The Fowler Report of March 2000 on UNITA activity in Angola and the landmark report by the British NGO Global Witness helped to build a consensus within and outside governments that we must confront and break the linkage between diamonds and conflict, while permitting the legitimate trade, a source of wealth for nation-building, to continue and flourish. Our government began to work towards this goal with the objective of choking off the money from diamond sales that fuels violence and building peace and stability in west and central Africa. At the same time, we recognized that the economies of other countries, such as those in southern Africa, benefit greatly from diamond exports and must not be harmed by our efforts to stop conflict diamonds.

We have attacked conflict diamonds through two avenues: the United Nations and the Kimberley Process. We chose to do so because we recognized that joint efforts by all diamond trading nations would be immeasurably more effective than action by one country alone. We are still convinced that this approach is valid. It is consistent with our international obligations. It recognizes the inherent nature of the diamond trade. And it is a reflection of the inter-connected global market realities of today's world.

In the United Nations Security Council, we chose to prohibit the direct or indirect import of diamonds from Angola and Sierra Leone, except through controlled certificate of origin regimes. USAID assisted the government of Sierra Leone in developing a certification system that provides a secure, legitimate channel for diamonds to be exported from that country.

More recently, we have supported efforts by the Security Council to reduce sanctions leakage to try to dry up funding for these insurrections. The most significant of these was UNSC Resolution 1343 last May that banned rough diamond imports from Liberia, in response to its government's support for the RUF.

Outside of the formal United Nations processes, we have sought a broader solution to the conflict diamonds problem through what has come to be known as the Kimberley Process. This Process was initiated in Kimberley, South Africa, in May, 2000, when representatives of key producing, trading and consuming countries, the diamond industry, and civil society began a series of meetings to examine the conflict diamonds problem. Their efforts culminated five months later with an endorsement of a global system for preventing conflict diamonds from entering the legitimate trade. On December 1, 2000, the U.N. General Assembly endorsed Kimberley and called for its members to broaden participation and develop minimum acceptable standards for certification.

An expanded Kimberley process, with over 35 governments participating, has held four meetings this year to establish the details of this system. At the first meeting in February in Namibia, delegates agreed to a road map that established benchmarks for subsequent meetings, with the objective of presenting the details of a system to the United Nations Secretary General by December 1, 2001—the anniversary of the General Assembly resolution.

I am pleased to report that Kimberley has kept to this road map. At its most recent meeting, on September 11–13 in London, delegates revised a draft document that set out the essential elements of a system. These elements include: the use of forgery-resistant certificates and tamper-proof containers for shipments of rough diamonds, internal controls and procedures which provide credible assurance that conflict diamonds do not enter the legal market, and effective enforcement of the system through dissuasive and proportional penalties. The London meeting made

significant progress toward outlining how this system would work, both in terms of physical security of diamond shipments and in the procedural requirements, including internal control measures, which would underpin a certification system. However, there was not as much progress as we would have liked in coming to conclusions regarding the obligations governments and industry would undertake in such a system.

Some of these questions are quite significant and how we answer them in Kimberley goes to the heart of whether a global system will be effective. I know that Members of Congress are very concerned about the length of time the Kimberley Process is taking to come to grips with these issues, and that you will ask me whether I think Kimberley will succeed in the objectives outlined for us in the U.N. General Assembly Resolution. Given where Kimberley stands at the moment, I don't have an answer to that question; what I can assure you, though, is that the U.S. team will put its maximum effort toward achieving a workable system in the two remaining meetings forecast in the roadmap.

Kimberley participants plan to hold two more meetings before preparing the mandated December report for the Secretary General. At these meetings, we will focus the discussion on the essential elements of a system that will work, that is simple, effective, and cost-effective, and that will to the maximum extent possible get to the heart of the problem so that we can move on to put it in place and break the link between the diamond trade and conflict.

We appreciate congressional interest in addressing the conflict diamonds problem, which has helped to motivate Kimberley participants to work more quickly towards developing a global system. The congressional sponsors of the Clean Diamonds Act have realized a significant accomplishment by bringing together the diamond industry and interested non-governmental organizations in support of a single piece of legislation. We also appreciate their efforts to listen to our views, and their willingness to learn about the Kimberley Process.

At this stage, it is fairly clear that we will need legislation to implement the system that Kimberley participants devise. We favor passage of a bill along the lines of the Clean Diamonds Act that is consistent with our goals as I have outlined them above. With significant issues of policy still to be decided by Kimberley participants, it is important that any legislation enacted within the United States be crafted to authorize what is needed to put the Kimberley system into place and permit what may be necessary in the future.

Let me repeat: We remain committed to creating the most effective system possible to control the trade in conflict diamonds and are pleased to work with Congress towards achieving this goal. We will certainly need Congressional support, and we will probably need legislation if we are to carry out the steps eventually to be agreed within the Kimberley process. We will work closely with you, with your staff, with industry, and with the NGOs toward this end.

Chairman CRANE. Thank you, Mr. Eastham. And now Mr. Mendenhall.

STATEMENT OF JAMES E. MENDENHALL, DEPUTY GENERAL COUNSEL, OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Mr. MENDENHALL. Thank you, Mr. Chairman. Thank you for inviting me to testify before you today. The stories that we have all heard and the pictures that we have seen of the atrocities linked to groups profiting from the sale of conflict diamonds are truly horrible. We heard testimony to that effect earlier today, and it is truly moving.

The USTR wholeheartedly supports efforts to deal effectively with this problem and is committed to working with Congress to devise an effective solution. As we all recognize, preventing trade in conflict diamonds is an extremely complicated problem that defies simple solutions. Input and good faith cooperation from all

sides is crucial if we are going to succeed in stopping trade in conflict diamonds.

In our view, the types of measures that will make a system effective are the same types of measures that will ensure that the United States and other nations of the world are acting in conformity with their international obligations. These two concerns, effectiveness and international sustainability, go hand in hand.

In designing a regime to prevent trade in conflict diamonds, three important goals must be taken into account. First, the regime should be effective. Second, it should be internationally sustainable and should minimize the impact on the legitimate diamond trade which is crucial to many African countries. And finally, it should not undermine efforts to negotiate an international regime through the Kimberley Process.

As we continue to work with you and your staffs, we should keep these three goals in mind. In addition, it is important to recognize that the diamond trade is very complex and any system that attempts to address the problem of conflict diamonds must take into account several complicating factors.

First, it is very difficult to identify and track diamonds as they move through the stream of commerce. This is not a problem that is unique to conflict diamonds, but is instead a problem that is inherent to the manner in which diamonds are distributed and processed. The diamond trade is fluid and multinational. Diamonds often cross borders multiple times between the point of extraction and the point of final sale.

They are mixed and sorted with diamonds from many sources along the way and it is very difficult and sometimes impossible to trace the origin of any particular diamond by the time it reaches the border of the United States. Due in large part to these difficulties, the origin of diamonds is usually reported as the country of export rather than the country where the diamonds were actually extracted.

Second, conflict and other illicit diamonds often enter the international stream of commerce through smuggling or other illegal behavior which may conceal the actual origin of a diamond. In some cases, governments may be complicit in laundering conflict diamonds. The most notable example of this phenomenon is Liberia, and this is one reason why the U.N. Security Council has called on countries to prohibit the importation of any rough diamonds from Liberia.

The third complicating factor is that any remedy for the problem must be finely tuned to minimize the impact on the legitimate diamond trade. We should not lose sight of the fact that most diamonds are not conflict related. In fact, several African countries are dependent on trade in legitimate diamonds. Disrupting the ability of these countries to bring their diamonds to market could have a potentially devastating and destabilizing impact on these economies. And as a result, well intentioned efforts to stop trade in conflict diamonds could, if not designed properly, be counterproductive.

Multinational efforts to deal with the problem of conflict diamonds have focused on two fronts: United Nations sanctions and the negotiation of an international certification regime in the Kim-

berley Process. The U.N. sanctions have been imposed on three countries: Sierra Leone, Angola, and Liberia.

In Sierra Leone and Angola, certain areas of the country are controlled by rebel groups that are mining and trafficking in diamonds in order to fund their activities. Consequently, the U.N. Security Council has issued resolutions calling on countries not to import diamonds from these countries unless the diamonds are accompanied by a certificate of origin issued by the internationally recognized authority. A certificate of origin is only issued for diamonds that are mined in areas controlled by the government.

Liberia presented a different problem and called for a different solution. Liberia has a history of acting as a conduit for conflict diamonds coming from other countries. Many diamonds from Sierra Leone, for example, were smuggled into Liberia and exported as if the diamonds originated in Liberia. As a result, the Security Council issued a resolution calling on all countries to prohibit the importation of any rough diamonds from Liberia as I noted earlier.

The Kimberley Process is a much broader initiative. Over 30 members of the international community including the United States have come together to negotiate an effective international regime to eliminate trade in conflict diamonds.

The members of the Kimberley Process are grappling with all of the difficult issues outlined above and we are under a deadline to complete our work and report to the U.N. by December of this year. Thus, there is a developing international framework for addressing the problem of conflict diamonds and this work will only come to fruition with the full cooperation of all relevant actors including governments, industry, and the NGO community.

In fact, without cooperation and international consensus, it may be difficult to resolve some of the apparently intractable problems surrounding the effort to prevent trade in conflict diamonds.

Any attempts to deal with this problem at the national level prior to the completion of the Kimberley Process should be designed in a way to give further impetus to the negotiations and to allow the United States to plug into the international system once it is in place.

Thank you again for the invitation to testify here today, and I look forward to working closely with you and your staffs in the future to address this difficult and complex problem. Thank you.

[The prepared statement of Mr. Mendenhall follows:]

Statement of James E. Mendenhall, Deputy General Counsel, Office of the United States Trade Representative

INTRODUCTION

Thank you for inviting me to testify before you today. The stories that we have all heard, and the pictures that we have seen, of the atrocities linked to groups profiting from the sale of conflict diamonds are truly horrible. USTR wholeheartedly supports efforts to deal effectively with this problem and is committed to working with Congress to devise an effective solution.

As we all recognize, preventing trade in conflict diamonds is an extremely complicated problem that defies simple solutions. Input and good faith cooperation from all sides is crucial if we are going to succeed in stopping trade in conflict diamonds.

In our view, the types of measures that will make a system effective are the same types of measures that will ensure that the United States and other nations of the world are acting in conformity with their international obligations. These two concerns—effectiveness and international sustainability—go hand in hand.

ADMINISTRATION GOALS

In designing a regime to prevent trade in conflict diamonds, three important goals must be taken into account. First, the regime should be effective. Second, it should be internationally sustainable and should minimize any impact on the legitimate diamond trade which is crucial to many African countries. Finally, it should not undermine efforts to negotiate an international regime through the Kimberley Process. As we continue to work with you and your staffs, we should keep these three goals in mind.

In addition, it is important to recognize that the diamond trade is very complex. Any system that attempts to address the problem of conflict diamonds must take into account several complicating factors.

Identifying and Tracking Diamonds through the Stream of Commerce

First, it is very difficult to identify and track diamonds as they move through the stream of commerce. This is not a problem that is unique to conflict diamonds. It is instead a problem that is inherent to the manner in which diamonds are distributed and processed. The diamond trade is fluid and multinational. Diamonds often cross borders multiple times between the point of extraction and point of final sale. They are mixed and sorted with diamonds from many sources along the way. As a result, it is very difficult, and some say impossible, to trace the origin of any particular diamond by the time it reaches the border of the United States. Due in large part to these difficulties, the origin of diamonds is usually reported as the country of export rather than the country where the diamonds were extracted.

Government Complicity, Smuggling and Other Illicit Behavior

Second, conflict and other illicit diamonds often enter the international stream of commerce through smuggling or other illegal behavior which may conceal the actual origin of a diamond. In some cases, governments may be complicit in laundering conflict diamonds. The most notable example of this phenomenon is Liberia. As a recent report from a UN panel of experts found, "a large proportion of the diamonds entering Belgium under the Liberian label represent neither country of origin nor country of provenance [i.e., country of transshipment]. Most are illicit diamonds from other countries, taking advantage of Liberia's own involvement in the illicit diamond trade, its inability or unwillingness to monitor the use of its name internationally, and the improper use of its maritime registry."¹ This is one reason why the United Nations Security Council has called on countries to prohibit the importation of any rough diamonds from Liberia.

Impact of Legitimate Diamond Trade

Third, any remedy for the problem must be finely tuned to minimize the impact on the legitimate diamond trade. We should not lose sight of the fact that most diamonds are not conflict-related. In fact, several African countries are dependent on trade in legitimate diamonds. Disrupting the ability of these countries to bring their diamonds to market could have a potentially devastating and destabilizing impact on these fragile economies. As a result, well-intentioned efforts to stop trade in conflict diamonds could, if not designed properly, be counterproductive.

EFFORTS TO ADDRESS THE PROBLEM OF CONFLICT DIAMONDS AT THE INTERNATIONAL LEVEL

Multinational efforts to deal with the problem of conflict diamonds have focused on two fronts—United Nations sanctions and the negotiation of an international certification regime in the "Kimberley Process."

UN sanctions have been imposed on three countries, Sierra Leone, Angola, and Liberia. In Sierra Leone and Angola, certain areas of the country are controlled by rebel groups that are mining and trafficking in diamonds in order to fund their activities. Consequently, the UN Security Council issued resolutions calling on countries not to import diamonds from these countries unless the diamonds are accompanied by a certificate of origin issued by the internationally recognized authority. A certificate of origin is only issued for diamonds that are mined in areas controlled by the government.

Liberia presented a different problem and called for a different solution. Liberia has a history of acting as a conduit for conflict diamonds coming from other countries. Many diamonds from Sierra Leone, for example, were smuggled into Liberia and exported as if the diamonds originated in Liberia. As a result, the Security

¹ Report of the Panel of Experts Appointed Pursuant to Security Council Resolution 1306 (2000), Paragraph 19, in Relation to Sierra Leone, S/2000/1195, para. 130 (December 20, 2000).

Council issued a resolution calling on all countries to prohibit the importation of any rough diamond from Liberia.

The Kimberley Process is a much broader initiative. Over thirty members of the international community, including the United States, have come together to negotiate an effective international regime to eliminate trade in conflict diamonds. The members of the Kimberley Process are grappling with all of the difficult issues outlined above and are under a deadline to complete our work and report to the UN by December of this year.

Thus, there is a developing international framework for addressing the problem of conflict diamonds. This work will only come to fruition with the full cooperation of all relevant actors, including governments, industry, and the NGO community. In fact, without cooperation and international consensus, it may be difficult to resolve some of the apparently intractable problems surrounding the effort to prevent trade in conflict diamonds.

Any attempts to deal with this problem at the national level prior to the completion of the Kimberley Process should be designed in a way to give further impetus to the negotiations and to allow the United States to plug into the international system once it is in place.

If we are not careful, the focus of the multinational effort could easily shift away from dealing with the root problem of conflict diamonds to finding ways to deal with conflicting national certification regimes. If this is the turn the international negotiations take, then the result will be confusion and an enormous disruption of trade. It is in everyone's interest to avoid this outcome.

Thank you again for the invitation to testify here today. I look forward to working closely with you and your staffs in the future to address this difficult and complex problem.

Chairman CRANE. Thank you for your testimony.

Mr. Eastham, there are a lot of statistics floating around about how big the trade in conflict diamonds is. How do you determine how many diamonds come out of rebel mines in Sierra Leone, and is this based upon conjecture or information about specific diamonds being smuggled out and put into circulation?

Mr. EASTHAM. Mr. Chairman, not only are statistics difficult to come by on conflict diamonds, I have found in my 1 month on the job as the negotiator on this subject that it is difficult to come by accurate statistics on the legitimate trade in diamonds, much less to divide out the conflict portion of the trade.

The best estimate that I have seen which is derived from non-governmental sources is that the value of conflict diamonds would be in the neighborhood of \$250 to \$300 million a year at point of origin where the rough diamonds are originally sold.

That would be as a percentage of the trade something less than 5 percent of the trade in diamonds. Nevertheless, it yields a significant amount of funding. It is very, very difficult to trace the movement of rough diamonds when they are traded in an illicit and smuggled way, and the purpose of the Kimberley Process, Mr. Chairman, is to try to choke off that particular source of revenue for insurgencies, in addition, as I think was identified by Mr. Hall, we want to put the diamonds into a legitimate chain of trade where they can be taxed and where the revenue from that taxation can be used for legitimate purposes.

Chairman CRANE. Would it be helpful to move legislation this year that is both WTO compliant, helpful to stop trade in conflict diamonds, and would not cause problems in the remainder of the negotiations, and if so, what would that legislation look like?

Mr. EASTHAM. Mr. Chairman, we have been studying this issue with a great sense of urgency within the administration for the past several months in close collaboration with the interested Members of Congress, the sponsors of the bills in both houses.

We have in recent weeks since the conclusion of the last round of Kimberley been attempting to take a look at what legislation might be appropriate and have not come to a formal conclusion within the administration about what approach to legislation should be taken.

Let me offer you my perspective as the participant and the leader of the delegation in the last round of the Kimberley talks, and as the prospective leader of the delegation which will go to Luanda in 3 weeks time for a further round.

It is fairly clear to me, Mr. Chairman, that we are very likely to need legislation in order to implement an eventual Kimberley Process understanding on certification of rough diamonds. When we were in London, I told the assembled group that based on my own analysis of the situation, the United States did not have explicit legislative authority to do some of the things which were contemplated in the Kimberley Process agreement.

I asked our colleagues in the Kimberley Process to identify for me as precisely as possible what they felt the obligations of governments would be. We did not get to the point in that discussion, Mr. Chairman, that would lead me to come forward with precise legislative language for you, so my inclination as the head of the delegation would be to say that in the absence of clarity about the ultimate obligations which would be created by Kimberley, it would be very difficult to craft legislation which would be both sufficiently authoritative and sufficiently flexible to give us what we need at this point.

I hasten to add, however, that I am not saying "no" when I say that. We will continue in the coming days and weeks leading up to Luanda to stay in close touch with industry, with the NGOs, and with staff members here on the Hill to see whether we can craft something which would meet the requirements.

Chairman CRANE. Are there links between diamonds and Osama bin Laden?

Mr. EASTHAM. Mr. Chairman, I have heard the mention of that on several occasions already this morning, and I am aware of the one report relating back to the 1993 bombing and to a transaction in diamonds which was contained in the public record of that case. I have not done a detailed analysis of that, and I am not aware of a substantial connection, but if I may reserve on that and go back and consult my colleagues on it. I did not realize that was going to be an issue of such concern this morning, sir.

Chairman CRANE. Thank you. Mr. Mendenhall, in my view, making the system effective and WTO consistent are not mutually exclusive. Can you comment on this, and how can we get at these rebel diamonds and comply with WTO?

Mr. MENDENHALL. Mr. Chairman, I agree that making a system effective and WTO consistent are not, in fact, mutually exclusive. In the view of USTR, in fact, effectiveness is in many ways inextricably intertwined with WTO consistency, and I think it is possible to design a bill, and we are working with the staffs of the

sponsors and with some of the staff, some of your own staff, to develop ideas that will allow us to address both of those problems at the same time. Thank you.

Chairman CRANE. Very good. Mr. Rangel.

Mr. RANGEL. Thank you, and thank you Mr. Chairman, for having hearings on this very sensitive and serious issue, and thank both of you for trying to bring me and others up to some degree of expertise. I am going to ask the Chairman's question in a different way. The authors of this legislation that would put restrictions on the importation of certain diamonds have been working very hard to make certain that it is WTO consistent and that we comply with the directions of the USTR, and that is one of the reasons why this Committee has not drafted the legislation.

But if we were to draft the bill based on the input that you will give us, what harm would we bring to Kimberley or to the delegation that you are leading, Mr. Eastham. If some Members of the Congress might believe that if we give you a stated position and legislate America's position and is signed into law, we would like to believe that you are better armed to negotiate a better deal in this area. What harm would we do by not waiting until you decide what we should do? Mr. Eastham.

Mr. EASTHAM. Mr. Rangel, my main concern in that area would be the very real possibility that we would have to come back at a second bite at the apple with the Congress.

Mr. RANGEL. What damage could we do to you in the job that you have to perform and that you do so well?

Mr. EASTHAM. I think damage would be overstating it. The point I am making is that the Kimberley Process is a cooperative one in which all issues are open. And we are not foreclosing one approach or another approach to attacking this problem. We would be obliged to follow the laws of the United States. We all take an oath to do that. And I think that the effect of legislation would be to some extent, and I would say damage might be overstating it, but it would be to narrow down the options that I would have available to put forward to agree to things at Kimberley.

I will give you an example off the top of my head. One provision which exists at the moment in the Kimberley Process is a provision, a guideline, which states that in order to issue a re-export certificate, the guideline states the government would have to rely on an assurance from an exporter of rough diamonds from the United States that that person had the entire chain of warranties in their possession at the time of the proposed export.

To my understanding, that issue is not addressed in the legislation. It is a subject which we will need to discuss at some length, I believe, with industry at this stage so that we are sure that we have a full understanding of industry's position on this. But under the legislation as crafted with the definition of the export certificate, which is contained in it, I would be on shaky ground to ask industry to come forward with a chain of possession of that nature such as is contained in the present Kimberley document.

It is a question not of doing damage, but of retaining the full flexibility to agree or disagree with the Kimberley Process.

Mr. RANGEL. Thank you. Mr. Mendenhall, would there be any objection from USTR if we just moved the legislation in its present

form, or after receiving whatever recommendations your office may give? Would there be any objections from the USTR with us moving forward now?

Mr. MENDENHALL. Mr. Rangel, my understanding is that we are continuing to work with the staffs of the sponsors of the legislation and with Ways and Means staff and that the bill will continue to evolve. I think we have a constructive dialog going on and we are giving our input. We plan to provide further input. We plan to come forward with more specific proposals on how we can address our concerns in any legislation this year.

Provided our concerns regarding effectiveness, international sustainability, and the relationship with the Kimberley Process are addressed, I think USTR would be willing to support efforts to move forward. But we need to make sure that all of those concerns are taken into account.

Mr. RANGEL. Well, that is not exactly an answer to my question. I am satisfied that this Committee is respectful of the reservations you have about the legislation that is before us. I am not satisfied that the authors of the legislation believe that we should wait any longer before we enact into law.

Your response to me, have you shared that with the authors of the legislation and do they agree with you that this is an ongoing process and their willingness to wait until you believe that it is necessary to legislate? Is that generally discussions you have had with them? That is Hall, Wolf, and DeWine.

Mr. MENDENHALL. My understanding is that they are willing to work with us on coming up with a solution that everyone believes is effective and addresses those concerns. I understand the urgency in moving forward with legislation, and we are willing to help in that effort, and that is my understanding from our meetings with the representatives and with their staffs as well. But we do understand the urgency of that.

Mr. RANGEL. Next time you meet with them tell them to share that view with the members of this Committee as well, their willingness to work with you and to be satisfied that we are making progress and that they are willing to wait until you call upon us to legislate.

Mr. MENDENHALL. I can assure you that Ambassador Zoellick fully supports the efforts to work with the sponsors of the legislation and their staff and has tasked me and various members in the agency to make all efforts we can to assist in that effort.

Mr. RANGEL. But it would help me if Mr. Zoellick would reiterate his support for the members that have drafted the legislation before us.

Mr. MENDENHALL. I understand. Thank you.

Mr. RANGEL. Thank you.

Chairman CRANE. Thank you. Mr. Houghton.

Mr. HOUGHTON. Thank you, Mr. Chairman. I am a little confused here. You really want to tighten up—and I am talking to you, Mr. Mendenhall at this particular point—tighten up the process, and yet at the same time I think the greater flexibility that you have, the broader, the looser the process, so that you can get at wherever you need, would be the most effective approach. You do not know what the Kimberley Process is going to produce. You do not know

whether the \$5 million is going to help. You do not know whether cutting off funds from Ex-Im (Export-Import Bank) and OPIC (Overseas Private Investment Corp.) is really going to be effective or not. Don't you want a sort of a broader, more flexible approach here?

Mr. MENDENHALL. Absolutely. I think a flexible approach is essential to make the system effective for a variety of reasons because I think the situations in various countries differ both in terms of whether they are conflict countries or non-conflict countries and in their ability to implement the obligations that we may ask them to undertake. I fully agree that flexibility is an important part of any regime and should be an important part of any measure that the United States takes.

Mr. HOUGHTON. Yes, but I thought the thrust of some of your remarks was to narrow this process.

Mr. MENDENHALL. I am sorry if I was not clear in my earlier remarks. I did not mean to imply that we should narrow our flexibility in applying measures. That was not my purpose. What I was suggesting is that there are ways to tailor the legislation to make it more effective and to make it internationally sustainable both from a political and a legal standpoint.

Mr. HOUGHTON. Do you have any comments, Mr. Eastham?

Mr. EASTHAM. I agree with my colleague. I think from the point of view of negotiator and from the point of the view of the Kimberley Process, and this is the same point I was making to Mr. Rangel earlier, was that the greater the flexibility in the range of tools we can apply the better.

Of course, Mr. Houghton, the greatest, in one sense the most flexible and most powerful tool that we have applied to conflict diamonds is the tool of the mandatory U.N. Security Council Resolution implemented in this country with the use of the International Emergency Economic Powers Act.

My preference would be to find a way to legislate specifically on conflict diamonds and to keep that as distinct body of the law and implement the process through legislation rather than through the use of those big powerful guns which would provide an opportunity for congressional consultation, but which do not benefit from the specific authorization of the U.S. Congress.

Mr. HOUGHTON. I just have one other question. Legislation passes. Kimberley Process works. Then what is the key to monitoring this? What is going to be the critical element to make this effective?

Mr. EASTHAM. That is a very difficult question, and if you study, Mr. Houghton, the reaction to the London meeting on the part of some of the non-governmental organizations which have been intimately involved in this process from the beginning, you will find that that was a very critical issue to the NGOs as to how the monitoring process would work.

In my view, the Kimberley Process should mandate as much transparency as is possible in terms of production of trade statistics in almost real time, production of statistics on the movement of diamonds across borders so that smart people can study those statistics to detect anomalies which might need to be addressed. We are dealing with a commodity here which is highly valuable and

which can move undetected in a way that very few commodities in the world can move.

And the objective of the Kimberley Process is to set up a system wherein the legal trade is legal. We all will know that it is legal and we can see it happening. We will need a very, very good statistical and monitoring system as an outcome of Kimberley in order to be able to detect anomalies. One of the greatest concerns, for example, is the question of transforming rough diamonds, which are the subject of Kimberley, into polished diamonds and entering them into the legitimate trade as polished diamonds in a way which is unconstrained at the moment.

And I think it is very, very important to have statistics to be able to understand very quickly if something like that is happening to circumvent what eventually comes out of Kimberley.

There are some interesting facts which have been shown by the good statistics that the Belgian government maintains on the diamond trade. You can identify certain countries where the capacity for mining diamonds is very small and the movement of diamonds into international trade is very large, and I think that it is that sort of anomaly which we will have to correct in Kimberley.

Mr. HOUGHTON. I am sorry to ask this question, but I feel that I should. So sort of sum that up in a sentence in terms of the key monitoring steps.

Mr. EASTHAM. Good statistics, transparency. You have to have some transparency on the part of industry in terms of internal movements of diamonds, and I support the concept of independent monitoring. The NGOs call that external monitoring which means that the industry would not monitor industry. You would have government monitor industry; you would have industry involved in some way.

In a sentence, we need to build in some checks and balances to make sure that we know what is going on in the diamond trade so that we can keep conflict diamonds out of the legal trade.

Chairman CRANE. Mr. Herger.

Mr. HERGER. Thank you very much. Mr. Mendenhall, if I could get your opinion on this. Do you feel that this legislation and the fact that the Congress is working on this helps put, if you will, emphasis or perhaps even positive pressure on these international groups like Kimberley Process to move perhaps a little more quickly than they might have otherwise and try to come up a solution a little sooner to these incredibly horrendous crimes that are taking place?

Mr. MENDENHALL. I believe many countries are probably monitoring very closely what the United States is doing here. I have not been as intimately involved with the Kimberley Process as my colleague has and that may be a question that may be more appropriate for him.

I guess my concern, which is a concern that I think I share with the State Department, is that if we do go forward and if the purpose of the legislation is to give momentum to the Kimberley Process, we need to make sure that the legislation does not, in fact, work at odds with what may come out of Kimberley. The mechanism that we use, the legislation that we adopt, needs to be capacious enough, it needs to be flexible enough, to allow the United

States to participate in Kimberley. It should not get ahead of where the Kimberley participants are.

There are several very complex questions that are still being worked out in the Kimberley Process. Given that it is an international process with cooperation by many governments, the NGO community and the business community, they may hit upon ways to address this problem that will be very effective. I think we need to be concerned about adopting measures that preempt that process or undermine it.

Mr. HERGER. How long has the Kimberley Process been going on now? Do you know, Mr. Eastham?

Mr. EASTHAM. It has been in two stages. It has been about a year and a half since the meeting in Kimberley which launched the process. I would mark the real definitional phase of that, though, from the first of December of last year when the U.N. General Assembly passed Resolution 55/56, which gave some direction and required a report at the end, so there have been two phases of it.

Mr. HERGER. Mr. Eastham, the same question to you. Do you feel the emphasis in the U.S. Congress to move forward with legislation indicating certainly the great importance that the Congress places on it gives emphasis to perhaps move along more rapidly the Kimberley Process?

Mr. EASTHAM. Yes, sir, I think that emphasis of the Congress and the NGO community but certainly the Congress because the Congress has the power to make laws is a very important element in stimulating action on the part of the Kimberley Process.

When we were in London at the last meeting, on the Senate side the bill moved as an attachment to an appropriations measure, and that was very much on the minds of the other delegations at Kimberley. That is one example.

I think that there is a general recognition that the Congress is pushing the administration to take action on this, and there should be a recognition—if there is not, I will state it explicitly—that if Kimberley does not eventually produce, and by eventually I mean by the first of December, a workable certification system, that the Congress will certainly act.

Congress may act before that. That is within your purview. And I have heard the recommendation from Mr. Hall and Mr. Wolf this morning that you move in the next week or two. So Congress may act sooner, but it will certainly act following the conclusion of the current Kimberley road map and the report to the Secretary General which is going to be at the end of it. So I think that is very much in the minds of our partners in the Kimberley Process and it does give it a sense of urgency and a sense of importance.

Mr. HERGER. Very good. Thank you very much, both of you. Thank you, Mr. Chairman.

Chairman CRANE. Mr. McDermott. Oh, Mr. McDermott is not here. Mr. Camp or—I am sorry—Mr. Jefferson.

Mr. JEFFERSON. Thank you, Mr. Chairman, and I thank you for this hearing. This is a very important subject. We are all concerned about the presence of what we call conflict diamonds in the world community and the atrocities that they are connected with. All of us have that concern. Many of us have also been concerned about how this legislation might affect diamond trade in countries like

Botswana, Namibia, South Africa, and Tanzania that have legitimate diamond operations.

And, therefore, with the help of Mr. Rangel and Mr. Payne, we were successful with the Chairman's acquiescence in adding some provisions in the bill that acknowledge that and that tries to make sure that whatever we do with respect to eliminating the atrocities that we are all concerned about that we do not do it in such a way that we forget about the constructive work that is being done in developing countries, and that our work here works to eliminate the trade in conflict diamonds but not in legitimate diamonds.

And so I am pleased that we are focusing on this issue, and I want to recognize the Honorable A.M. Duvay who is Botswana's Special Envoy to the United States. He is here in the audience. I had the pleasure of going to Botswana in April—he was here in the audience—meeting with President Mogae with about five other Members of Congress. We had a chance to take a firsthand look at Botswana's diamond regime.

We investigated how the legislation before us would affect that and we discovered that Botswana is particularly vulnerable in this situation, and that it is the largest producer of gem quality diamonds in the world and that unlike some African nations, the Botswana diamond trade is entirely legitimate and tightly controlled, as you know.

So I want to, Mr. Chairman, make the point and underscore the point again that we all support legislation to eliminate conflict diamonds, but we ought to make sure that we do it the right way, and I think the inclusions of section 2 in the Findings and the new sections added to the bill will be very helpful in that respect.

I want to, if I might, introduce into the record a letter from the Special Envoy, whose name I mentioned earlier, that congratulates Mr. Rangel and Mr. Payne and myself for work on this bill and for visiting the country back in April, and those of us who did, and that points out the interests of the Botswana government in making sure that whatever we do here takes into account and protects legitimate trade in diamonds, and that it recognizes that it is our process, it is our decision to make, and they do not want to interpose themselves into this discussion.

But they want us to know about how important it is for their country, for their development, and they speak to this issue without taking a position on the bill. They are careful not to do that, but just want to inform the Committee of where they stand.

So, Mr. Chairman, if I might, I would like to have leave to introduce a copy of this letter into the record of the Committee's proceedings so that we may be aware of the interest of the Botswana government in this very important topic.

Chairman CRANE. Without objection, so ordered.

Mr. JEFFERSON. Thank you, Mr. Chairman.

[The information follows:]

Embassy of Botswana
Washington, DC 20036
October 4, 2001

The Honorable William J. Jefferson
240 Cannon House Office Building
Washington, DC 20515

Dear Congressman Jefferson,

We understand that the House Ways and Means Committee's Subcommittee on Trade, will hold a hearing on "Trade in African Diamonds," on Tuesday October 9th, 2001.

Knowing of your longstanding activity on the Subcommittee relating to this issue, we thought it important again to share Botswana's view with you. Botswana was honoured to host the congressional fact-finding mission that you led in April this year. We were particularly pleased that you were able to observe our diamond industry firsthand and be briefed by both public and private officials.

President Mogae paid a visit to Washington shortly thereafter, in June, to brief Congress on the vital role that the diamond industry plays in the economic and social development of Botswana. We are grateful that you and your colleagues in the Congressional Black Caucus received the President so warmly, and that he was able to hold such productive discussions with the congressional leadership.

During the meetings in Botswana, we demonstrated to your delegation that Botswana's diamond industry is 100% secure and legitimate. It is the economic bedrock of our 35-year-old democracy. Through the exploitation and careful management of our natural resources, especially diamonds, we have achieved remarkable economic development over the last 25 years. Botswana as you know, is now hailed as one of the fastest growing economies in the world. Our economic prosperity for example has allowed us to develop one of the world's most comprehensive anti-HIV/AIDS efforts, as we face the most devastating pandemic in Africa. We believe that the example of Botswana illustrates, as President Mogae said in his Washington speech, the good that diamonds can accomplish when responsibly used by nations, as against the evil they can do when commandeered and exploited by corrupt and unaccountable leaders as is happened in some countries. Congressman Jefferson, we applaud you, Congressman Payne, and Congressman Rangel for your efforts to recognize and make this distinction as your Congress deliberates this issue.


During your visit you were also able to observe that our diamond mines and sorting floors have developed the highest level of security comparable to the best in the world. Our export pipeline is seamless, from the valuation floors in Gaborone, to the sales floors at the Diamond Trading Co. in London. The entire production of Botswana's rough diamonds is exported through this channel. Furthermore under our Mines and Minerals Act, all mineral rights belong to the nation, and government issues mining leases for development and extraction. We therefore have considerable leverage and control over our mining industry.

We have made clear in all our discussions with you how we abhor the presence of diamonds in the market, that are now playing a direct role in the atrocities taking place in some countries on our Continent. Botswana is eager to find a cooperative solution to the issue of conflict diamonds. However, it must be a solution that not only bans such diamonds from the trade, but that also safeguards the legitimate market upon which our country is so dependent. A solution that helps to prevent the spread of regional conflicts; and preserves the ability of peace-loving democracies like ours, to use their mineral wealth for the good of their citizens. We therefore support the UN General Assembly Resolution 55/56 of December 1st, 2000, and are active participants in the Kimberley Process. We believe that ultimately we must have an international agreement on certification through the Kimberley Process to effectively protect the legitimate diamond trade.

Congressman, we have great respect for your legislative process. We applaud your efforts and those of your colleagues, to confront the serious issue of conflict diamonds. And, again we especially thank you and your colleagues for all your endeavors to protect democratic economies such as Botswana who do not trade in conflict diamonds.

With my best wishes,
I remain, Yours Sincerely

A.M. Dube
Minister/Special Envoy



Chairman CRANE. Mr. English.

Mr. ENGLISH. Thank you. Mr. Mendenhall, reviewing my colleague Mr. Houghton's legislation, in your view, would this legislation if enacted be enforceable?

Mr. MENDENHALL. I am sorry? Would it be enforceable?

Mr. ENGLISH. Yes.

Mr. MENDENHALL. There are certain aspects of the bill that we have concerns about that we have raised with staff of the members who sponsored the legislation. We are working through those issues with them.

Mr. ENGLISH. Would you care to elaborate?

Mr. MENDENHALL. We have raised concerns with them about—it is essentially the same questions that are being debated in Kimberley, which are how do you track a diamond as it moves through the international stream of commerce, and do we have a system that is actually going to be workable, and is the industry going to come forward with proposals like a chain of warranties or something else that will actually be enforceable and confirmable or verifiable by Customs authorities?

There is flexibility built into the bill. We have questions that we have raised about certain aspects of the bill and how it deals with, for example, transshipment through various countries. My understanding is that we have an ongoing dialog with them to see how this is going to play out. We need to confirm how the bill is going to work in practice and there are some ambiguities that I think need to be cleared up.

Mr. ENGLISH. Accepting those ambiguities, do you have any cost estimates of what it would cost for the United States to implement this new regime?

Mr. MENDENHALL. I do not have a cost estimate. That question would be appropriate for Customs to answer. They are going to be responsible for implementing this for the United States. And so I am not in a position to answer that question. I do not know.

Mr. ENGLISH. Mr. Eastham, would you care to comment on any of those points?

Mr. EASTHAM. Let me agree that we do not know what the cost of implementing the bill would be. I suspect that the marginal cost would be fairly low. But since Customs is already implementing the control regimes on Sierra Leone and Angola, I would just endorse the views that Mr. Mendenhall has expressed on the other aspects of it.

Mr. ENGLISH. Thank you. I have no further questions, Mr. Chairman.

Chairman CRANE. We want to express appreciation to both of you for your participation today, and we look forward to working with you in the future on this issue.

And with that, we shall move to the final panel, and that is Matthew Runci, president and chief executive officer of Jewelers of America, Inc., in New York City; Cecilia Gardner, general counsel, World Diamond Council, New York City; Rory Anderson, government relations manager for Africa area, World Vision; and Adotei Akwei, senior advocacy director of Amnesty International.

And if you folks will be seated, we shall proceed in the order that I presented you, and I would ask you all if you will, please, try and

keep your oral testimony to 5 minutes or less and your written testimony will be made a part of the permanent record, and with that, Mr. Runci, you can open up.

STATEMENT OF MATTHEW RUNCI, PRESIDENT AND CHIEF EXECUTIVE OFFICER, JEWELERS OF AMERICA, INC., NEW YORK, NEW YORK, AND EXECUTIVE DIRECTOR, WORLD DIAMOND COUNCIL, NEW YORK, NEW YORK

Mr. RUNCI. Mr. Chairman and members of the Trade Subcommittee, thank you for this opportunity to testify in support of the Clean Diamonds Trade Act, the purpose of which is to choke off illicit traffic in conflict diamonds.

We in the industry would like to thank Congressman Hall, Congressman Wolf, as well as Senator DeWine, who have appeared this morning, for their courageous leadership and persistence in connection with this matter.

I am Matthew Runci, president and chief executive officer of Jewelers of America and executive director of the World Diamond Council. Jewelers of America, founded in 1903, represents more than 10,000 U.S. retail jewelers including family-owned stores and major national chains.

The World Diamond Council representing all segments of the diamond and jewelry industries here and abroad was founded a year ago to establish a workable system to eliminate trade in conflict diamonds. Both organizations—along with trade groups associated with the importing, processing and distribution of diamonds in the United States—urge prompt enactment of H.R. 2722. This legislation is a major and essential step in eliminating the illicit trade in conflict diamonds. Both moral and business imperatives underpin our position. Halting this insidious traffic also serves the U.S. foreign policy goal of encouraging stability and economic progress in developing African nations.

The moral case here is undeniable. Rebels and bandits in parts of Africa have used the profits from diamonds they appropriate to fuel their violent activities. Innocent citizens have suffered deprivation and terrible atrocities as a direct result. While criminals have grown rich, the economies of Sierra Leone, Angola, and the Democratic Republic of Congo have been impoverished. This evil cycle must end.

The business factor is also clear. Gems are objects of beauty and symbols of enduring affection. They have value because of the positive feelings they evoke. If consumers come to believe that the diamonds they might buy are connected to violence, the effects could be very damaging to thousands of businesses and to their employees. The threat exists even though it is clear that only a very small proportion of the world supply can be linked in any way to conflicts. And it exists even though there has been some progress toward eliminating conflict diamonds, thanks to the efforts by the United Nations, individual governments, non-governmental organizations, and the industry.

The fact remains that as of today it is impossible for a retail jeweler to tell a customer with absolute certainty whether a particular stone offered for sale is conflict free. So there is a cloud over our

industry casting a shadow not only on American retail establishments but also on all segments of the industry here and abroad.

Removing this cloud requires firm and timely action by the U.S. Government—specifically, enactment of the legislation now before you. In recent years, as awareness of the conflict diamond problem has grown, there have been several positive steps, as I mentioned a moment ago. One of these is the effort originally launched by South Africa now grown to include more than 30 countries called the Kimberley Process.

Just last month, I was in London for the latest Kimberley Process meeting, where there was agreement in principle on the ingredients of an international monitoring system to protect the legitimate supply chain from exploitation by those dealing in conflict diamonds.

While we applaud this work—as well as the steps taken by the United Nations—the fact is that a catalyst is required to put in place the controls necessary to eliminate conflict diamonds. Because the United States is the largest importer of diamonds, we have the opportunity and the obligation to provide that catalyst.

Enacting H.R. 2722 would serve that purpose admirably. It would, first of all, allow the importation of diamonds and diamond jewelry into the U.S. only from countries that have adopted effective controls on the import and export of rough diamonds. This alone would be a great incentive for other nations to take appropriate action within an acceptable time table. The legislation would also encourage the President to negotiate an international agreement leading to a global control system.

H.R. 2722 and its Senate companion, S. 1084, include a number of other strong features. The Clean Diamonds Trade Act is totally consistent with the resolutions adopted by both the U.N. Security Council and the General Assembly. It is also consistent with the principles approved by the Kimberley Process.

Finally, this legislation is truly a consensus measure. Interested members of both Houses and of both parties support this bill. So does a broad coalition of humanitarian and faith-based organizations concerned with the issue. Jewelers of America, the World Diamond Council, and others representing segments of the industry also believe that this legislation is both sound and absolutely necessary for the success of our campaign to rid the world of conflict diamonds.

Again, my many thanks for the opportunity to testify. I will be happy to take any questions you may have.

[The prepared statement of Mr. Runci follows:]

Matthew Runci, President and Chief Executive Officer, Jewelers of America, Inc., New York, New York, and Executive Director, World Diamond Council, New York, New York

Mr. Chairman and Members of the Trade Subcommittee, thank you for this opportunity to testify in support of the Clean Diamonds Trade Act, the purpose of which is to choke off illicit traffic in conflict diamonds.

I am Matthew Runci, president and chief executive officer of Jewelers of America and executive director of the World Diamond Council. Jewelers of America, founded in 1903, represents more than 10,000 U.S. retail jewelers, including family-owned stores and major national chains. The World Diamond Council, representing all segments of the diamond and jewelry industries here and abroad, was founded a year ago to establish a workable system to eliminate trade in conflict diamonds.

Both organizations—along with trade groups associated with the importing, processing and distribution of diamonds in the U.S.—urge prompt enactment of H.R. 2722. This legislation is a major and essential step in eliminating the illicit trade in conflict diamonds. Both moral and business imperatives underpin our position. Halting this insidious traffic also serves the U.S. foreign policy goal of encouraging stability and economic progress in developing African nations.

The moral case is undeniable. Rebels and bandits in parts of Africa have used the profits from diamonds they appropriate to fuel their violent activities. Innocent citizens have suffered deprivation and terrible atrocities as a direct result. While criminals have grown rich, the economies of Sierra Leone, Angola, and the Democratic Republic of the Congo have been impoverished. This evil cycle must end.

The business factor is also clear. Gems are objects of beauty and symbols of enduring affection. They have value because of the positive feelings they evoke. If consumers come to believe that diamonds they might buy are connected to violence, the effects could be very damaging to thousands of businesses—and their employees. The threat exists even though it is clear that only a very small proportion of the world supply can be linked in any way to conflicts. And it exists even though there has been some progress toward eliminating conflict diamonds, thanks to efforts by the United Nations, individual governments, non-governmental organizations, and the industry.

The fact remains that—as of today—it is impossible for a retail jeweler to tell a customer with absolute certainty whether a particular stone offered for sale is conflict free. So there is a cloud over our industry casting a shadow not only on American retail establishments but also on all segments of the industry here and abroad.

Removing this cloud requires firm and timely action by the U.S. Government—specifically, enactment of the legislation now before you. In recent years, as awareness of the conflict diamond problem has grown, there have been several positive steps, as I mentioned a moment ago. One of these is the effort originally launched by South Africa, now grown to include more than 30 countries, called the Kimberley Process.

Just last month, I was in London for the latest Kimberley Process meeting, where there was agreement in principle on the ingredients of an international monitoring system to protect the legitimate supply chain from exploitation by those dealing in conflict diamonds.

While we applaud this work—as well as the steps taken by the United Nations—the fact is that a catalyst is required to put in place the controls necessary to eliminate conflict diamonds. Because the United States is the largest importer of diamonds, we have the opportunity—and the obligation—to provide that catalyst.

Enacting H.R. 2722 would serve that purpose admirably. It would, first of all, allow the importation of diamonds and diamond jewelry into the U.S. only from countries that have adopted effective controls on the import and export of rough diamonds. This alone would be a great incentive for other nations to take appropriate action within an acceptable timetable. The legislation would also encourage the President to negotiate an international agreement leading to a global control system.

H.R. 2722 and its Senate companion, S. 1084, include a number of other strong features. The Clean Diamonds Trade Act is totally consistent with the resolutions adopted by both the U.N. Security Council and the General Assembly. It is also consistent with the principles approved by the Kimberley Process.

Finally, this legislation is truly a consensus measure. Interested Members of both Houses and both parties support this bill. So does a broad coalition of humanitarian and faith-based organizations concerned with the issue. Jewelers of America, the World Diamond Council, and others representing segments of the industry also believe that this legislation is both sound and absolutely necessary for the success of our campaign to rid the world of conflict diamonds.

Again, my thanks for the opportunity to testify. I will be happy to take any questions you may have.

Chairman CRANE. Thank you, Mr. Runci. Ms. Gardner.

**STATEMENT OF CECILIA GARDNER, EXECUTIVE DIRECTOR,
JEWELER'S VIGILANCE COMMITTEE, NEW YORK, NEW YORK,
AND GENERAL COUNSEL, WORLD DIAMOND COUNCIL, NEW
YORK, NEW YORK**

Ms. GARDNER. Thank you, Mr. Chairman. I am Cecilia Gardner. I am the executive director and general counsel of the Jewelers Vigilance Committee (JVC), and I am general counsel of the World Diamond Council. I am grateful to the Subcommittee for the opportunity to testify on the critical need for enactment of legislation to eliminate conflict diamonds. I also would wish to join with Mr. Runci's comments that we are grateful to Congressman Hall and Congressman Wolf and others for their continued interest, concern and hard work in this area.

The Jewelers Vigilance Committee is a committee formed in 1917 with a membership of 11,000 retailers, manufacturers, and related enterprises. We emphasize self-regulation and compliance with all relevant laws. With this mission in mind, it was natural for the JVC to become a founding constituent of the World Diamond Council, which was organized in the summer of 2000 for the purpose of constructing an effective system to protect the legitimate supply chain of diamonds worldwide from the pollution of conflict diamonds.

My experience has been to participate in all of the meetings of the Kimberley Process, essentially from the inception after the U.N. Resolution and the World Diamond Council, after the World Diamond Council was formed, in the year 2000.

This morning I would like to provide a brief summary of the international efforts to end this trade. This will provide the context for our view that enactment of the Clean Diamonds Trade Act is necessary to get the job done.

As you know, for several years, an awareness of this problem grew and it was the subject of a number of Security Council and General Assembly resolutions at the U.N. The administration's acts over the past few years also have been in compliance with those U.N. initiatives.

Meanwhile, evidence mounted that proceeds from diamonds were a leading source of revenue to rebels and adventurers whose only cause was profit. The societies of Angola, Sierra Leone, and the Democratic Republic of Congo were crumbling in the process.

While the immediate victims were the innocent citizens of these nations, there were other prospective casualties starting with peaceful African nations that rely heavily on legitimate extraction and export of diamonds. Ultimately, a global industry in which the United States is a major participant could be blighted and therefore a coordinated international response was necessary, and this is what brought into being the ad hoc coalition which has come to be known as the Kimberley Process after the site of its first meeting.

At the same time, the World Diamond Council was formed, an industry coalition that had its initial organizing meeting in September of 2000. These efforts have had some success. The Kimberley Process is a process in which the World Diamond Council is intimately involved, and we have agreed on main ingredients of an

international monitoring system to protect the legitimate supply chain.

In fact, the features of that system are already being employed pertaining to the rough diamond trade from Sierra Leone, Angola, Guinea to Belgium. There is broad agreement in the Kimberley Process to various elements that are very similar to that that is contained in this legislation.

While these and other points of agreement represent progress, the picture is still very incomplete. What is missing is effective implementation of these very excellent goals. The World Diamond Council believes that legislative action by the United States is immediately necessary to achieve a catalyst to the Kimberley Process.

Interested parties for months have debated the details of the legislation and now we have found common ground in the form of the Clean Diamonds Trade Act. It encompasses the very best features of earlier bills. It is enforceable. It provides the executive branch sufficient flexibility. It is consistent with the principles adopted by the U.N., and it is consistent with what is being formulated in the Kimberley Process.

It serves the interests of all diamond producing nations. It does not impinge on the U.S. commitments to the World Trade Organization. It is very unusual, as Members of Congress know, for an industry to come to Washington to request government intervention in its affairs, but conflict diamonds pose a very unusual menace.

The industry has gone a long way into meeting this challenge, and now the government's assistance is necessary to complete the job. Thank you for your attention, and I would be happy to answer any questions that you have.

[The prepared statement of Ms. Gardner follows:]

Cecilia Gardner, Executive Director, Jeweler's Vigilance Committee, New York, New York, and General Counsel, World Diamond Council, New York, New York

I am Cecilia Gardner, executive director of the Jewelers Vigilance Committee and general counsel of the World Diamond Council. I am grateful to the Subcommittee for the opportunity to testify on the critical need for enactment of legislation to eliminate conflict diamonds.

The Jewelers Vigilance Committee, with a membership of 11,000 retailers, manufacturers and related enterprises, dates to 1917. We have the task of upholding ethical standards in our business, emphasizing both self-regulation and compliance with all relevant laws.

With this mission in mind, it was natural for the JVC to become a founding constituent of the World Diamond Council. The WDC was organized during the summer of 2000 for the purpose of constructing an effective system to protect the legitimate supply chain of diamonds—worldwide—from pollution by conflict diamonds.

This afternoon I would like to provide a brief summary of the international efforts to end the conflict diamond trade. This will provide context for our view that enactment of the Clean Diamonds Trade Act is necessary to get the job done.

For several years, as awareness of the problem grew, attempts were made to counter it. For instance, in June of 1998, Security Council Resolution 1173 targeted Angola's illicit diamond trade; two years later, Security Council Resolution 1306 aimed at illegal exports from Sierra Leone. Other measures sought to deal with Liberia's role in illicit traffic and related issues.

Country-specific executive orders by both the Clinton Administration and the current administration followed these U.N. initiatives. Each was appropriate, but proved to be insufficient. For a brief period in 1999, it was thought that Sierra Leone would be spared further suffering thanks to the Lomé peace accord—which the U.S. helped to broker—but that agreement was short-lived.

Meanwhile, evidence mounted that proceeds from diamonds were a leading source of revenue to rebels and adventurers whose only cause was profit. The societies of Angola, Sierra Leone and the Democratic Republic of Congo were crumbling in the process. While the immediate victims were the innocent citizens of those nations, others were prospective casualties—starting with peaceful African countries that rely heavily on legitimate extraction and export of diamonds. Ultimately, a global industry, in which the United States is a major participant, could be blighted. Therefore a coordinated, comprehensive international response is necessary.

This realization called into being—in the spring of 2000—an ad hoc coalition that came to be known as the Kimberley Process, after the site of its first meeting in South Africa. Soon after, all the significant private-sector members of the diamond industry met in Antwerp. That session adopted a set of strong principles to protect the legitimate supply chain and authorized creation of the WDC, an industry coalition that had its organizing meeting in September 2000. Representatives of American organizations and individual companies have played prominent roles in the WDC from the beginning. I have been among the WDC team participating in Kimberley working sessions in Africa and Europe.

These efforts have had some success. With the advice of the WDC, the Kimberley Process has agreed on the main ingredients of an international monitoring system to protect the legitimate supply chain. The major features of that system are now being employed in a pilot program that controls the export of rough diamonds from Sierra Leone to Belgium. Last December, the U.N. General Assembly unanimously endorsed the same principles and called for comprehensive application by all relevant countries.

There is broad agreement on the following:

- Countries significantly involved in the extraction, processing, transshipment and importation of diamonds should adopt compatible monitoring methods.
- This system should include, among other things, use of counterfeit-proof certificates of origin of rough diamonds, tamper-proof containers for shipments, and electronic data bases to track shipments.
- Violators should be subject to stiff penalties.
- Legitimate diamond producing countries should not be adversely affected by the monitoring regime.

While these and other points of agreement represent progress, the picture is still incomplete. What is missing is effective implementation of these excellent goals.

The World Diamond Council believes that legislative action by the United States is necessary to achieve this breakthrough. Interested parties for months debated the details of the legislation and now we have found common ground in the form of the Clean Diamonds Trade Act. It encompasses the best features of earlier bills. It is enforceable. It provides the executive branch sufficient flexibility. It is consistent with the principles adopted by the U.N. and the Kimberley Process. It serves the interests of all the African diamond-producing nations. It does not impinge on U.S. commitments to the World Trade Organization. It is what American importers and retailers need to protect their reputation and their products' standing in the marketplace.

Members of Congress know that is very unusual for any industry to request government intervention in its affairs. But conflict diamonds pose a very unusual menace. The industry has gone a long way toward meeting this challenge. Now the government's assistance is necessary to finish the job.

Thank you for your attention. I would happy to answer any questions you might have.

Chairman CRANE. Thank you, Ms. Gardner. Ms. Anderson.

STATEMENT OF RORY E. ANDERSON, GOVERNMENT RELATIONS MANAGER AND AFRICA POLICY SPECIALIST, WORLD VISION UNITED STATES

Ms. ANDERSON. Thank you, Mr. Chairman, for the opportunity to present testimony to the Subcommittee on solutions to the trade in conflict diamonds. My name is Rory Anderson, government relations manager and Africa policy specialist for World Vision, the largest privately funded international relief and development organization in the U.S.

Currently, World Vision implements more than 6,000 relief, rehabilitation and long-term development projects in 95 countries.

Mr. Chairman, you and the Committee have had a chance to review my testimony which describes in specific detail how the trade in conflict diamonds in Sierra Leone, Angola, and the Congo contributes to war, poverty, and human misery. I was in Sierra Leone and Liberia only 2 months ago, and it was my second visit to Sierra Leone in less than a year.

The images of children, some as young as 5 months, with arms and legs cut off by rebel soldiers will remain with me forever. After seeing these faces of suffering in Sierra Leone, I can honestly say that terrorism is not only a phenomenon that is rooted in extremist Islamic fundamentalism. Terrorism, which is the planned systematic violent attacks against unarmed non-combatant civilians, has been a central platform to the wars in Sierra Leone, Angola, and the DRC (Democratic Republic of the Congo).

Terrorism has become a conventional weapon in 21st century warfare, making war more brutal and more costly. Although terrorism has become a conventional method, it is mostly sustained through underground networks of money laundering and weapon smuggling and trading in conflict diamonds.

As an internationally valued commodity, diamonds have become the dollar, particularly in Sierra Leone. Because diamonds can move so easily and quickly, a dealer can buy low, sell high and reap high windfall profits, particularly during the height of a war. For the seemingly intractable war in Sierra Leone, the point of the war may not be to actually win it, but to engage in profitable crime under the cover of warfare.

As documented in the U.N. Panel of Experts Report submitted to the U.N. Security Council in December of 2000, the Revolutionary United Front in Sierra Leone is able to obtain large quantities of arms and military equipment and related material largely as a result of the purchasing power it derives in the sale of conflict diamonds, and the willingness of some major arms producing countries to sell weapons and with disregard to the final end users.

Given this awful reality, what can we do? What are the solutions? Mr. Chairman, I believe that there are two significant solutions which will make a tremendous difference in eradicating the trade in conflict diamonds.

The first solution is swift enactment of the Clean Diamonds Trade Act. Mr. Chairman, World Vision and the Campaign to Eliminate Conflict Diamonds, which is a coalition of more than 150 non-governmental organizations and faith groups, unanimously applaud and welcomes the leadership that this Committee has shown by introducing the Clean Diamonds Trade Act.

If you do not object, I would like to submit for the record a letter of endorsement signed by over 70 religious organizations from across the country, ranging from Jewish, Catholic, and a variety of protestant churches who all call for the swift enactment of U.S. legislation to prevent conflict diamonds from being sold in America.

Mr. Chairman, America consumes 65 percent of the world's supply of diamonds. We in the campaign believe that the Clean Diamonds Trade Act will make a significant contribution because it sets up a system of transparent controls for the importation of all

diamonds including rough, polished and diamond jewelry. Diamonds are the most concentrated form of wealth known to humanity. They are also the most easily smuggled.

But the Clean Diamonds Trade Act specifies certification standards for the importation of diamonds which will create a clean stream of diamonds entering into the U.S. market. The system's implementation will be monitored by a diverse presidential commission, which will consist of representatives from NGOs, industry and government. Tough penalties are also specified for those who are dealing in conflict diamonds.

Further, we believe that this bill gives the administration maximum flexibility to implement effective controls.

Mr. Chairman, a second solution is strong U.S. leadership at the international level. One of the greatest strengths of the Clean Diamonds Trade Act is that it is explicitly linked to the ongoing global diamond certification agreement, also known as the Kimberley Process.

A diamond is an international commodity that requires international cooperation. If there is to be proper oversight, U.S. legislation is crucial, and we believe that U.S. legislation is shaping and helping to invigorate the international process and it mirrors the specifications which are being discussed at the international level.

This said, we also acknowledge that the only way to effectively root out the trade in conflict diamonds is to have universal standards of packaging and oversight of all diamond producing, polishing and importing countries.

A tiered system prejudiced against African producing systems and lax on importing and polishing countries creates new loopholes for transshipment of blood diamonds. If this were the case, conflict diamonds could simply be laundered through Canada, Australia, or any other peaceful country. A global certification system with standard import packaging and controls including international independent monitoring of diamond exports from mine to finger is the only way to effectively end the trade in conflict diamonds while protecting the legitimate diamond industry.

Mr. Chairman, I had the privilege to attend and participate as an NGO representative in the recent meetings held in London. Though the process is slow in getting definitive consensus, we believe that the Clean Diamonds Trade Act is helping to bring countries around, and we believe that invigorated U.S. leadership is necessary at the highest levels to accomplish an effective workable system.

Mr. Chairman, in conclusion, we at World Vision and the entire Campaign to Eliminate Conflict Diamonds firmly believe that American gifts of love should not be financing acts of terror. The diamond ring on your finger or my finger should not come at the expense of the finger of a child in Sierra Leone.

The Campaign to Eliminate Conflict Diamonds firmly calls upon Congress to enact the Clean Diamonds Trade Act and we call upon the Bush Administration to demonstrate a high level of leadership in the negotiations of the international diamond certification system. Thank you.

[The prepared statement of Ms. Anderson follows:]

Statement of Rory E. Anderson, Government Relations Manager, and Africa Policy Specialist, World Vision United States

Conflict Diamonds: Funding Conflict, Fueling Change

Intro/Opening

Thank you, Mr. Chairman, for the opportunity to present testimony to the Trade Subcommittee on solutions to the trade in conflict diamonds. My name is Rory Anderson, Government Relations Manager and Africa policy specialist for World Vision, the largest privately-funded international relief and development organization in the U.S. Currently, World Vision implements more than 6,000 relief, rehabilitation and long-term development projects in 95 countries.

Mr. Chairman, it is nothing new that natural resources, from diamonds to oil, have often had a significant role in igniting and fueling human conflict. In Africa, the shape of post-Cold War conflict has increasingly been financed and perpetuated by natural resources, which conveniently do not demand any type of ideological loyalty. There has been clear evidence, including on going warfare, in the diamond rich countries of Sierra Leone, Angola and the Democratic Republic of the Congo that diamonds are at the heart of the matter, and access to diamonds and other natural resources have become a primary incentive for war.

Definition

There are various nuanced definitions of the term conflict diamonds. In this testimony, my definition seeks to address current as well as potential situations where the sale of diamonds could be used to sustain violent conflict. *Conflict diamonds* are stones which originate from areas under the control of forces that are in opposition to democratically elected and internationally recognized governments; or diamonds used by state institutions or non-state forces to fund campaigns of human rights abuses against civilians. Some argue that diamonds don't kill people, rather, people and guns kill people. But diamonds are lucrative stones. In 1998 the diamond industry produced an estimated 115 million carats of rough diamonds with a market value of US\$6.7 billion. At the end of the diamond pipeline, this was converted into 67.1 million pieces of jewelry worth close to US\$50 billion. At both ends of the diamond pipeline—from mine to finger—there are huge financial incentives. Further, diamonds are easily smuggled. To the untrained eye, rough diamonds look like mere pebbles, which can easily be smuggled in a shoe, sock, or any kind of body orifice, and can go undetected through most metal detectors or x-ray machines.

The Humanitarian Impact

For every conflict diamond sold, there is a corresponding humanitarian crisis. In Angola, the 1990s proved to be the most violent decade and the worst in terms of humanitarian suffering. By November 1999, 3.7 million, one third of the entire population, were classified by the UN as "war affected", defined as "those who depend on emergency humanitarian assistance due to war and the resultant loss of assets and earning opportunities."¹ Of the 3.7 million, 2.5 million are internally displaced, 65% of whom are children under the age of fourteen, causing UNICEF to declare Angola "the worst place for a child to grow up."² The denial of basic rights to food, education and health, coupled with an estimated 6–15 million landmines littered throughout the country, claim the lives of 30% of Angola's children before they reach the age of five.³ In their August 2001 report, the UN Office for the Coordination of Humanitarian Affairs identified all seventeen Angolan provinces as being insecure and inaccessible because of diamond extraction, mine infestation, and sustained violence.

Ranked last on the UN Human Development Index, the war in Sierra Leone has exacted a heavy humanitarian toll on the population. An estimated 70,000 people have been killed since the war started in 1991. Approximately 5,000 were killed in and around Freetown in the January 1999 rebel offensive against the capital. Civilian and child amputations have been a trademark atrocity, with estimates of 1,800 amputees. Currently, almost 1 million Sierra Leonians are internally displaced, in addition to the 470,000 refugees who have fled to neighboring Guinea and Liberia. 30% of Sierra Leone's population of 4.6 million have been uprooted because of this conflict. Humanitarian response continues to be hampered by the issue of access to

¹ UN Consolidated Appeal for Angola for Jan–Dec 2000, November 1999.

² *Angola, A Tangled Web: Many Players in a Complex War*, World Vision, July 2000, p.10.

³ *Ibid.*, p.17.

war-affected populations trapped in the northern and eastern parts of the country. 55% of the population live in conflict affected areas and are inaccessible by humanitarian aid.

Within the current deliberations on conflict diamonds there have been fewer references to the Democratic Republic of the Congo (DRC), yet diamonds from this area are equally problematic. Several warring factions, including the rebel government and multiple international armed forces who all desire access to the DRC's mineral resources, have wrecked a humanitarian crisis that is quickly outpacing the enormity of the Sudan. This factor, coupled with gross human rights abuses committed among all factions, I believe, warrants the label of conflict diamond for any stone originating from the DRC. In the DRC, it has been found that since August 1998 there has been at least 1.7 million deaths in war-affected areas over and above the 600,000 that would normally be expected. The overwhelming majority of these additional deaths are attributable to preventable diseases and malnutrition—a tragic consequence of a health care system destroyed by war. On average, some 2,600 people are dying every day, and further research is finding that the first months of the year 2000 were even worse than 1999. Thirty-four percent of these deaths have been children under the age of five (over 590,000), and 47% of all violent, war-related deaths are women and children. The highest death rates are among populations displaced by the fighting, and civilians continue to be targeted by all sides in the conflict. As one NGO leader has explained this: “The loss of life in the Congo has been staggering. It’s as if the entire population of Houston was wiped off the face of the earth in a matter of months.”

Crime and Terrorism

In the wake of the September 11 terrorist attacks, there has been a necessary increased public attention to terrorism. However, terrorism is not a phenomenon that is only rooted in extremist Islamic fundamentalism; terrorism—which is planned, systematic violent attacks against unarmed, non-combatant civilians—has been a central platform to the wars in Sierra Leone, Angola, and the DRC. Terrorism has become a conventional weapon in 21st century warfare, making war more brutal and more costly. Although terrorism has become a conventional method, it is mostly sustained through underground networks of money laundering and weapons smuggling. As an internationally valued commodity, diamonds have become the dollar, particularly in Sierra Leone. Because diamonds can move so easily and quickly, a dealer can buy low, sell high and reap windfall profits, particularly during the height of a war. For the seemingly intractable war in Sierra Leone, the point of the war may not be to actually win it, but to engage in profitable crime under the cover of warfare. Over the years, the informal diamond mining sector, long dominated by what might be called “disorganized crime”, has now become increasingly influenced by organized crime and by the transcontinental smuggling of diamonds, guns, drugs, and vast sums of money in search of a laundry. Each of these smuggled items has become critical components to warfare, and thus, violence becomes central to the advancement of those with vested interests.⁴

As documented in the UN Panel of Experts report submitted to the UN Security Council in December of 2000, the RUF is able to obtain large quantities of arms, military equipment and related material as a result of the following key factors:

- the purchasing power it derives from the sale of conflict diamonds;
- the willingness of some major arms producing countries to sell weapons with disregard as to the final users;
- the willingness of some countries to provide their end-user certificates and/or to facilitate the safe passage of weapons through their territory;
- the largely unregulated activity of international arms brokers and their intermediaries;
- corruption;
- the inability of Sierra Leone and its neighbours to monitor and control their airspace;
- Liberia’s interest in destabilizing its neighbours.

Solutions/Recommendations

An unlikely coalition between NGOs and the diamond industry, calling upon governments to eliminate the trade in conflict diamonds has proven to be an effective catalyst for change. This coalition has been the impetus for refined U.S. legislation that is currently pending before this committee, as well as the current discussions

⁴Smillie et al, p.1.

around implementing a global diamond certification system which aims to root out the blood trade while protecting the legitimate trade. These two efforts are solutions that are inextricably linked to accomplishing an end in the trade in conflict diamonds. The U.S. consumes 65% of the world diamond supply. U.S. economic might and political clout obligate us to take real leadership in ending the trade in conflict diamonds, protecting American purchases of love from being a subsidy for terror.

The Clean Diamonds Trade Act, H.R. 2722

Mr. Chairman, World Vision applauds and welcomes the leadership that this committee has shown by introducing and quickly acting upon the Clean Diamonds Trade Act, H.R. 2722. We believe that this bill will make a significant contribution because it sets up a system of transparent controls for the importation of all diamonds, including rough, polished and diamond jewelry. Diamonds are the most concentrated form of wealth known to humanity; they are also the most easily smuggled and, therefore, in need of some amount of reasonable controls. The Clean Diamonds Trade Act specifies certification standards for the importation of diamonds, which will create a "clean stream" of diamonds entering into the U.S. market. The system's implementation will be monitored by a diverse presidential commission which will consist of representatives from human rights organizations, industry and government. Tough penalties are also specified for those who are dealing in conflict diamonds. Further, we believe that this bill gives the Administration maximum flexibility to implement effective controls.

Strong U.S. Leadership in the Kimberly Process

One of the greatest strengths of the Clean Diamonds Trade Act is that it is explicitly linked to the on-going international global diamond certification system, known as the Kimberly Process. A diamond is an international commodity that requires international cooperation if there is to be proper oversight. Although U.S. legislation is crucial, the only way to effectively root out the trade in conflict diamonds is to have universal standards, packaging and oversight of all diamond producing, polishing and importing countries. A tiered system, prejudiced against African producing countries and lax on importing and polishing countries, creates new loopholes for transshipment of blood diamonds. Soon, conflict diamonds will simply be laundered through Canada, Australia, and other peaceful countries. A global certification system, with standard import packaging and controls, including international independent monitoring of diamond exports from mine to finger, is the only way to effectively end the trade in conflict diamonds, while protecting the legitimate diamond industry.

Mr. Chairman, I had the privilege to attend and participate as an NGO representative in the recent Kimberly Process meetings held in London last month. Though progress is slow in getting definitive consensus on workable international standards, certain key governments involved in the diamond trade have made significant progress in contributing towards a viable international system. World Vision, and my many partners in the Campaign to Eliminate Conflict Diamonds encourage the Administration to constructively contribute and engage on this issue at the highest levels, particularly as the process reaches its conclusion in December. The diamond and jewelry industry are important parts of the U.S. economy; constructive U.S. leadership is essential to make the Kimberly Process work. Anything less will not only be an international embarrassment, but it will tacitly prolong the trade in conflict diamonds.

Chain of Warranties

In the recent round of inter-governmental meetings held in London last month, the World Diamond Council proposed a chain of warranties systems to support producer government export regimes. It was a short proposal, but as described, each industry trader would sign a series of invoices, giving a guarantee that stones which a member of the industry are handling do not contain conflict diamonds. This proposal needs to be further developed, but it is a sound idea, and, if properly developed, has the potential to lend support to governments in their creation of an export certificate regime. A reliable industry chain of warranties, from mine to point of export, can also provide infrastructure for international monitoring, and, with the proper documentation, it can verify official country and international statistics. I encourage the World Diamond Council to seriously develop this idea and submit a lengthier proposal for the Kimberly Process government participants to consider.

Eliminate the Root Cause

Solutions are also needed to address the structural causes for conflict diamonds. These structural solutions can essentially be categorized in the areas of reinforcement and economic incentives. In this area, I recommend the following solutions:

1. Reinforce support of rough diamond exporting governments to establish viable certificate of origin schemes and systems of regulation over diamond mining areas. This could include capacity building in export licensing systems and establishing appropriate punitive actions for individuals who are found trading in illicit and conflict diamonds.
2. Assist rough diamond exporting countries in the areas of good governance, linking all types of financial assistance to poverty reduction and social reinvestment.
3. Build capacity among grassroots civil society groups to effectively monitor and report on the diamond trade at the local level, while being careful to ensure the safety of local evaluators.

Income Generation

Along with solutions to reinforce the international system, there is a foundational need to address the economic reasons why individuals trade in conflict diamonds. Some of these reasons can be addressed at the government level, but many of the solutions have to reach the individual by providing economic alternatives to conflict diamonds and rebel violence. Micro-enterprise loan funds have been successful throughout the world in providing a way out of poverty by providing income choices. Expanded support for proven successful initiatives is important. Operational non-governmental organizations (NGOs) in Angola, DRC and Sierra Leone have to deal with the impact of conflict diamonds every day. In trying to provide structural solutions, World Vision, like many other NGOs, has found that a combined approach of temporary emergency relief coupled with income generation and civil society mobilization, are all important elements toward building long term peace and stability. In Sierra Leone, World Vision is finding success in the following ways:

Food Aid. World Vision's food aid program in Sierra Leone is based on three premises: (1) give the farming population the tools and the best seeds they need to produce again, assist them with the best possible technical assistance and provide food to them so they do not eat their seeds and so they have strength to cultivate and harvest; (2) provide food to those populations who cannot provide for themselves, such as the vulnerable (elderly, institutionalized), the severely malnourished; and (3) give skilled tradesmen food so they can begin to reconstruct homes, clinics and schools. More than 10,000 metric tons of U.S. food will be used. The goal of this project is to significantly improve household food security and sustained productive capacity of the Sierra Leonian war-affected communities in 16 chiefdoms in Bo, Bonthe, and Pujehun and in 11 chiefdoms in the Kono diamond district. This program addresses the acute food needs of 149,000 vulnerable persons through increased availability of, and access to food. It also increases household food security of 10,000 war-affected, returning farm families through increased availability of, and access to food and agricultural inputs (labor, seed rice, etc.). This program will improve organizational, physical, and productive infrastructure in rural areas through food-for-work activities, engaging 70,000 individuals, and it will enhance community interest and participation in the formal and non-formal education of youth via support to 4,500 at-risk youth. This program is funded by USAID, Food for Peace.

Transition Initiatives through Civil Society. The World Vision Sierra Leone Transition Initiatives Program was first established in January 1997 to address grassroots reconciliation and peace building issues. Funding was suspended after the May 25, 1997 military coup and was reinstated in 1998 after the return of democracy. This program aims at facilitating the process of raising awareness on civic rights; local capacity building for peace, constructive engagements with combatant and other differing factions; effective consensus building; reconciliation and peaceful co-existence; youth recovery from marginalization and exploitation, and generally supporting the process of youth empowerment, so as to deter them from the lures of rebel warfare. World Vision works with over 50 different community and civic groups in Sierra Leone to accomplish the objectives of this program, which is funded by the Office of Transition Initiatives.

Support for Agriculture. The agriculture productive infrastructure of Sierra Leone started to deteriorate even before the war began in 1991. According to FAO reports, production of the country's staple crop, rice, fell 18% between 1990 and 1997. As a result of the war, estimates have only half of the nation's requirement

for rice being produced locally in 1999. People are beginning to return to their land and World Vision, with the support of the Office of Foreign Disaster Assistance, is helping to improve food production in Sierra Leone through support to the agriculture sector. There are three main objectives: (1) provide seeds and tools to 16,000 returnee and vulnerable farm families in the Kono district (10,000) and Kailahun district (6,000) during this year's crop season; (2) capacity building to improve agricultural practices among 48,396 farm families in our target communities through increased access to a network of strengthened community-based extension services; and (3) improve agricultural productivity for 21,841 farm families in the Southern region by addressing other issues of agricultural recovery beyond the emergency supply of seeds and tools.

Conclusion

Effective, holistic solutions are not implemented in a vacuum. Wise policymakers recognize that the solution to conflict diamonds is a constellation of actions involving key stakeholders, including NGOs, industry and governments, coupled with solutions addressing the fundamental causes for the proliferation of conflict diamonds. The diamond industry has an incentive to eliminate conflict diamonds by better monitoring the flow of rough stones. However, much of the success of these initiatives will have to come from importing and exporting governments and international regulatory and trade regimes. Given the present media attention and consumer scrutiny, there has been a lot of movement at government levels to address the issue of conflict diamonds. It is essential that civil society in diamond importing and exporting countries watch both industry and governments, and hold them accountable. No system is perfect, but no system means war. As long as greed exists, conflict diamonds won't entirely go away, but cooperative and consistent action can help to minimize the economic incentives for war.

Thank you, Mr. Chairman, for the opportunity to present this testimony to the committee. I look forward to answering questions of the committee. Also, World Vision is prepared to work with the Congress and the Administration to implement any solutions that will lessen.

Chairman CRANE. Thank you, Mrs. Anderson. Mr. Akwei.
Mr. RANGEL. Mr. Chairman.

Chairman CRANE. Oh, yes. Mr. Rangel.

Mr. RANGEL. Ms. Anderson had asked unanimous consent that a list of supporters for the legislation before us be entered into the record.

Chairman CRANE. Without objection, so ordered. Mr. Akwei.
[The information follows:]

Interfaith Statement on Conflict Diamonds

As faith communities concerned about peace and justice for all God's people, we, the undersigned, want to express our concern over the trade in conflict diamonds—gems that are used to fund warfare and civilian atrocities—and we want to collectively show solidarity with our brothers and sisters who are suffering in Sierra Leone as a result of a decade-long civil war where rebels seek to control diamond resources. In particular, the brutal tactics of the Revolutionary United Front (RUF), who routinely practice mutilation of innocent civilians, notably amputation of limbs and other body parts; forced recruitment of child soldiers, and abduction of women to be soldiers' "wives," are all tactics intended to maintain their wicked reign over resources. This cannot and should not be tolerated by any member of the international community, least of all by those who believe all people are God's creation.

The war in Sierra Leone is not about political liberation or religious freedom—it is a war about conflict diamonds, where greed, warfare and civilian terror have become a cover for controlling and smuggling diamond resources. As Muctar Jalloh, a victim of the Sierra Leone conflict explains, the bloodshed in his country "is simply a war over control of diamonds. Little pieces of rock that people around the world like to wear on their fingers and hang from their ears. As you can see, because of these rocks I no longer have an ear or five of my fingers." The RUF controls two-thirds of Sierra Leone, including the lucrative diamond-mining regions in the north. The sale of these illicit gems to the diamond industry—often routed through

other countries such as Liberia—then supplies a constant stream of funding for the rebels' arms purchases, which in turn leads to the continuation of war, further displacement of the civilian population, and general instability in the West African region. Angola, the Democratic Republic of the Congo and many surrounding African countries also have similar experiences of human suffering as result of the trade in conflict diamonds.

While the worldwide diamond industry has made encouraging strides toward establishing an international diamond certification system that seeks to ensure that conflict diamonds are kept out of the retail market, the pace of reform is slow. Delays in enacting an international system leave millions of people at the mercy of atrocious human rights abusers such as the Revolutionary United Front (RUF).

In response to this situation, we, the undersigned faith communities in the U.S., are joining together in support of clean diamond legislation, including the Clean Diamonds Act, which would prohibit the direct or indirect importation of any and all diamonds and diamond jewelry without a global certification system in place. By taking leadership, the U.S. can send a message that the trade in conflict diamonds is morally egregious and will not be tolerated. Moral authority under these circumstances is not an option; it is an imperative. The longer it takes to enact an international certification system, the more hardship is inflicted on innocent people in Sierra Leone, Angola, and the Congo, and the more risk of harm to the legitimate diamond-producing nations of Botswana, Namibia, and South Africa. It has been written: "Do not profit by the blood of your neighbor . . . you shall not hate your kinsman in your heart. Reprove your neighbor but incur no guilt because of him. You shall not take vengeance or bear a grudge against your kinsfolk. Love your neighbor as yourself" (Leviticus 19:16–18). Across our faith traditions, we teach all to love others and speak up for those who cannot speak up for themselves. We stand ready to commit what we can to this fight against the use of conflict diamonds which inflict pain and suffering on the innocent.

**Signatories of the Interfaith Statement on Conflict Diamonds
as of October 1, 2001**

Cantor Scott E. Colbert, Executive Vice-President, American Conference of Cantors
 Rabbi Paul Menitoff, Executive Vice-President, Central Conference of American Rabbis
 Rabbi Lane Steinger, Director, Midwest Council of the Union of American Hebrew Congregations, St. Louis, MO
 Rabbi Susan B. Stone, Temple Beth Shalom, Hudson, OH
 Rabbi Norman T. Roman, West Bloomfield, MI
 Rabbi Sue Levi Elwell, Director, Pennsylvania Council of the Union of American Hebrew Congregations, Philadelphia, PA
 Rabbi Jody Cohen, Ft. Lauderdale, FL
 Rabbi Melinda Mersack, Shaker Heights, OH
 Rabbi Elliott Kleinman, Director, Northeast Lakes Council of the Union of American Hebrew Congregations, Cleveland, OH
 Rabbi Karyn Kedar, Director, Great Lakes Council of the Union of American Hebrew Congregations, Northbrook, IL
 Rabbi David Fine, Pacific Northwest Council of the Union of American Hebrew Congregations, Seattle, WA
 Rabbi Harry Rosenfeld, Buffalo, NY
 Rabbi Randi Musnitsky, Washington Township, NJ
 Rabbi David Wolfman, Needham, MA
 Rabbi Marc Israel, Director of Congregational Relations, Religious Action Center of Reform Judaism
 Rabbi David Saperstein, Director and Council, Religious Action Center of Reform Judaism
 Eileen B. Weiss, Co-founder, Jews Against Genocide
 Roney A. Heinz, International Director, Canaan Christians Fund
 Rev. Dr. Leon Spencer, Director, Washington Office on Africa
 Rev. Richard P. Roy, M.Afr., Assistant Provincial, Missionaries of Africa
 Rev. Daniel Hoffman, Africa Office, Global Ministries, United Church of Christ/Disciples of Christ
 Rev. Rich Cizik, Vice-President, National Association of Evangelicals
 Rev. Herbert Daughtry, National Presiding Minister of the House of the Lord Church and the Church on the Mound, Brooklyn, NY
 Kenneth Hackett, Executive Director, Catholic Relief Services
 Kathy Thornton, RSM, National Coordinator, NETWORK
 Kathryn Wolford, President, Lutheran World Relief

Larry J. Goodwin, Executive Director, Africa Faith & Justice Network
 Serge Duss, Public Policy Director, World Vision
 Stephen G. Price, Office of Justice and Peace, Society of African Missions
 Rev. Ian B. Straker, member, New York Annual Conference of the United Methodist Church
 Rev. Scott Summerville, Pastor, Asbury United Methodist Church, Tuckahoe, NY
 Bishop Elias G. Galván, President, Council of Bishops, and Seattle Episcopal Area
 Bishop Warner H. Brown, Jr., Denver Episcopal Area
 Bishop John L. Hopkins, Minnesota Episcopal Area
 Bishop William W. Hutchinson, Louisiana Episcopal Area
 Bishop S. Clifton Ives, West Virginia Episcopal Area
 Bishop Alfred Johnson, New Jersey Episcopal Area
 Bishop Hae-Jong Kim, Pittsburgh Episcopal Area
 Bishop Linda Lee, Michigan Episcopal Area
 Bishop Ernest S. Lyght, New York Episcopal Area
 Bishop Joel N. Martinez, San Antonio Episcopal Area
 Bishop Felton Edwin May, Washington Episcopal Area
 Bishop Susan Morrison, Albany Episcopal Area
 Bishop Albert Frederick Mutti, Kansas Episcopal Area
 Bishop Edward W. Paup, Portland Episcopal Area
 Bishop Joe E. Pennel, Jr., Richmond Episcopal Area
 Bishop Sharon Z. Rader, Wisconsin Episcopal Area
 Bishop Beverly J. Shamana, San Francisco Episcopal Area
 Bishop B. Michael Watson, South Georgia Episcopal Area
 Bishop Peter D. Weaver, Philadelphia Episcopal Area
 Bishop Timothy W. Whitaker, Florida Episcopal Area
 Jim Winkler, General Secretary of the General Board of Church and Society
 Aleticia Tijerina, Arizona
 Esther Bohn Groves
 Mary Alice and Kent Warner, Center Harbor, New Hampshire
 Rev. Laurence C. Zirschky, Pastor of Spiritual Formation, Chapel Hill Presbyterian Church, Gig Harbor, WA
 Rev. Dr. Earl Palmer, Senior Pastor, University Presbyterian Church, Seattle, WA
 Dr. Phil Eaton, President, Seattle Pacific University, Seattle, WA
 Gordon Aeschliman, President, Target Earth, Villanova, PA
 Dr. John Crosby, Senior Pastor, Christ Presbyterian Church of Medina, MN
 Leighton Ford, President, Leighton Ford Ministries, Charlotte, NC
 Paul Kennel, President, World Concern, Shoreline, WA
 Dr. William L. Flanagan, Mission Pastor, St. Andrew's Presbyterian Church, Newport Beach, CA
 Bart Campolo, President, Mission Year, Philadelphia, PA
 Richard J. Mouw, President and Professor of Christian Philosophy, Fuller Theological Seminary, Pasadena, CA
 Tony Campolo, Professor of Sociology, Eastern College, St. Davids, PA
 Rev. Dr. M. Craig Barnes, Senior Pastor, National Presbyterian Church, Washington, DC
 Ronald J. Sider, President, Evangelicals for Social Action, Wynnewood, PA
 Millard Fuller, Founder and President, Habitat for Humanity, Americus, GA
 Peter Vander Meulen, Coordinator, Office of Social Justice and Hunger Action, Christian Reformed Church of America
 Paul Kortenhoven, Director, Christian Reformed Church Mission to Sierra Leone, Christian Reformed Church of America
 Kay M. Shively, Special Assignment and Recruitment Specialist for Global Missions of the Church of God, Anderson, IN
 Dr. Peter Borgdorff, Executive Director of Ministries, Christian Reformed Church of America
 Dr. Steve Hayner, Senior Associate Pastor, High Point Church, Madison, WI
 David Beckmann, President, Bread for the World, Washington, DC
 Rev. Doug Calhoun, Pastor, Church of Christ Oak Brook, Oak Brook, IL
 Debra Braaksma, Africa Office Mission Services Unit, Reformed Church in America
 Ken Hackett, President, Catholic Relief Services (relief and development arm of the U.S. Conference of Catholic Bishops), Baltimore, MD
 Rev. Dr. Michael Curry, Director of Outreach Ministries, Church of God, Anderson, IN

**STATEMENT OF ADOTEI AKWEI, AFRICA ADVOCACY
DIRECTOR, AMNESTY INTERNATIONAL USA**

Mr. AKWEI. My name is Adotei Akwei, and I am the advocacy director for Africa with Amnesty International USA. I am also here representing a coalition of over 100 organizations that come from a broad spectrum of society. The Campaign to Eliminate Conflict Diamonds includes faith-based organizations, unions, environmental, humanitarian and human rights organizations, and these groups are in turn made up of students, retired persons, young professionals, recently engaged men and women, newly married couples, and yes, mom and pop jewelry store owners.

Over the last year, these individuals have written letters, held vigils and teach-ins and communicated with their congressional representatives to raise awareness about the issue of conflict diamonds and to try to push the United States government to lead the international community toward taking effective action against conflict diamonds.

On their behalf, I would like to express our appreciation to you for holding these hearings. The members of the Campaign understand that in these difficult and extraordinary times, it is not as easy to work on other issues when so much remains to be done here in the United States. It is a tribute to you and a strong reassurance to the rest of the global community to see that even in this period, the United States will not disengage from international affairs or shirk its responsibility to be a leader on human rights issues.

I would like to stress this last point, to be a leader on human rights issues, because this is what the issue of conflict diamonds is about, an effort by the United States Government, the diamond industry and the non-governmental sector to take on and end one of the most painful and avoidable human rights abuses being inflicted on millions of children, women and men in sub-Saharan Africa.

The misappropriation of a valuable natural resource like diamonds, the use of revenues acquired from the sale of that resource to purchase weapons, drugs, and supplies by armed opposition groups, who then commit human rights abuses, is unacceptable and avoidable.

The conflict diamond crisis is unacceptable because in addition to the horrific suffering that continues to be inflicted to innocent persons in these conflict zones is the incalculable loss of development opportunities that legitimate and efficient use of this resource could represent.

It is avoidable because we sitting here in Washington can make a difference by helping build an international certification system that would ensure a clean stream of diamonds from the point of extraction to retail sale and that would be transparent and independently monitored.

H.R. 2722, which complements and helps buildup to ongoing Kimberley Process negotiations, does this by empowering the U.S. Customs Service to permit diamond imports only from those countries that have adopted strong and effective controls on the exportation and importation of rough diamonds to ensure that conflict diamonds do not enter the international stream of commerce.

For the last 2 years, various parties in this initiative have worked to try to cut off the revenue flows from the illicit sales of diamonds to armed groups like the Revolutionary United Front in Sierra Leone and to break the linkage between the innocent American consumer, the legitimate diamond industry and RUF atrocities.

In other words, Mr. Chairman, this bill, H.R. 2722, represents the coming together of a broad variety of groups, individuals and companies all with the same goal, ending the brutal and avoidable human rights abuses that are linked to conflict diamonds.

This is why I am sitting here before you today, along with my colleagues from the diamond industry and with Members of Congress, to urge you to take this legislation and the energy and support of all the sectors behind it I have mentioned and make a difference. Pass H.R. 2722 before you go out on recess.

I would like to just make a few comments on H.R. 2722 before wrapping up. First, input for this legislation has come from the industry, from sectors of the administration, notably Customs, and international as well as U.S. non-governmental organizations.

The bill has been shared and previewed with members at the Kimberley Process and we, therefore, feel that there has been a common agreement and approach on the way in which the bill is drafted and also for the action to be taken by the United States Congress.

I would also say that this is supportive and complementary to the Kimberley Process and all three of my colleagues have also mentioned that. It in no way undermines this and, in fact, leaves the President the necessary flexibility to negotiate and to come into compliance with his WTO obligations.

As drafted, all efforts have been made to make this bill responsible and effective. Our colleagues in the industry who helped draft this legislation were obviously careful to ensure that our actions and this bill would not hurt the legitimate trade in diamonds.

Our colleagues in the industry are also aware of the need for prompt action. The longer this problem persists, the more damage is done to the industry and its products. I would also say that we have tried to make this bill as procedurally correct while remaining as effective as possible.

Input from the Department of State and USTR has been sought and I must confess has not been met with the same energy and enthusiasm for detail as we have had here on the Hill. Unfortunately, that pattern seems to have continued today.

I would just again end by saying that this bill is a responsible bill. It will make a big difference and there is certainly no time left for the people in Sierra Leone, Angola, and the DRC to wait for yet another couple of months while the negotiations in Kimberley drag on and eventually come to the same principles and standards that are in H.R. 2722. Thank you.

[The prepared statement of Mr. Akwei follows:]

Adotei Akwei, Africa Advocacy Director, Amnesty International USA¹

Mr. Chairman, and other distinguished members of the Ways and Means Committee on behalf of the 380,000 members of Amnesty International USA and the million members of Amnesty International worldwide I would like to thank you for holding these hearings and for giving me and my colleagues the opportunity to testify.

I am also here representing a coalition of over 100 organizations that come from a broad spectrum of society. The Campaign to Eliminate Conflict Diamonds includes faith-based organizations, unions, environmental, humanitarian and human rights organizations. These groups in turn are made up of students, retired persons, young professionals, recently engaged women and men, newly married couples and yes, mom and pop jewelry store owners. Over the last year these individuals have written letters, held vigils and teach-ins and communicated with their congressional representatives to raise awareness about the issue of conflict diamonds and to try to push the United States Government to lead the international community toward taking effective action against conflict diamonds. On their behalf I would also like to express our appreciation to you for holding these hearings. The members of the Campaign understand that in these difficult and extraordinary times it is not as easy to continue to work on other issues when so much remains to be done here in the United States. It is a tribute to you and strong reassurance to the rest of the global community to see that even in this period the United States will not disengage from international affairs or shirk its responsibility to be a leader on human rights issues.

I would like to stress this last point, "to be a leader on human rights issues" because this is what the issue of conflict diamonds is about, an effort by the United States Government, the diamond industry and the non governmental sector to take on and end one of the most painful and avoidable human rights abuses being inflicted on millions of children, women and men in sub-Saharan Africa. The misappropriation of a valuable natural resource like diamonds, the use of revenues acquired from the sale of that resource to purchase weapons, drugs and supplies by armed opposition groups and then commit human rights abuses is unacceptable and avoidable. The conflict diamond crisis is unacceptable because in addition to the horrific suffering that continues to be inflicted to innocent persons in these conflict zones is the incalculable lost developmental opportunity that the legitimate and efficient use of this resource represents.

It is avoidable because we sitting here in Washington can make a difference by helping build an international certification system that would ensure a clean stream of diamonds from the point of extraction to retail sale and that would be transparent and independently monitored. H.R. 2722 which compliments and helps build up to ongoing Kimberley Process, does this by empowering the U.S. Customs Service to permit diamond imports only from those countries that have adopted strong and effective controls on the exportation and importation of rough diamonds to ensure that conflict diamonds do not enter the international stream of commerce.

For the last two years, various parties in this initiative have worked to try to cut off the revenue flows from the illicit sale of diamonds to armed groups like the Revolutionary United Front (RUF) in Sierra Leone and break the linkage between the innocent American consumer, the legitimate diamond industry and RUF atrocities.

- Congressman Hall, and his staff who more than anyone else deserve the credit for making this an issue here in Washington and getting us to where we are today, introduced the CARAT Acts (H.R. 3188 and H.R. 5147) and the Conflict Diamond Elimination Act (H.R. 5564) in the year 2000. He and Congressman Frank Wolf were also key architects in building the blocs of support on the Hill for H.R. 918, the Clean Diamonds Act, the Clean Diamonds Act of 2001 in the Senate (S. 1084), which was introduced by Senators Durbin, DeWine and Feingold, and finally the bill we are discussing here today H.R. 2722, the Clean Diamonds Trade Act which was introduced by Congressmen Houghton, Rangel, Hall and Wolf.
- In the spring of 2000, the NGO community here in the United States launched a grassroots campaign to pass legislation in Congress that would help end the trade in conflict diamond and support the Kimberley Process.
- In July of 2000 the international diamond industry meeting in Antwerp to try and address the problem of conflict diamonds launched the World Diamond Council and presented its Antwerp Resolution. Following the United Nations Security Council and General Assembly Resolutions # on conflict diamonds, the

¹This testimony could not have been prepared without the help of Amanda Blair, Eileen Welch and Juliana Phillips.

diamond producing countries, led by South Africa, initiated the Kimberley Process to develop a global system to regulate and prevent the trade in conflict diamonds.

In other words Mr. Chairman this bill, H.R. 2722, represents the coming together of a broad variety of groups, individuals and companies all with the same goal: ending the brutal and avoidable human rights abuses that are linked to conflict diamonds. This is why I am sitting here before you today along with my colleagues from the diamond industry, and with Members of Congress, to urge you to take this legislation and the energy and support of all of the actors I have mentioned and make a difference: pass H.R. 2722 before you go out on recess.

As there are other persons on this panel who I know will address both the international Kimberley Process and some of the technicalities of the bill, I would like to take this opportunity to review why we are here and why this legislation is needed now.

The Cost of Conflict Diamonds

The conflict diamonds crisis has been linked to wars in three African states, Sierra Leone, Angola and the Democratic Republic of the Congo. My testimony will focus on the conditions in those countries in an effort to show the impact of the unfettered trade in diamonds. I would like to add that while these may be the most visible casualties of conflict diamonds, the negative impact of this trade is much broader: it affects other countries that act as transshipment centers, many of which outside of Africa. As the following details highlight the damage done by conflict diamonds in these three countries alone is justification enough to pass this legislation.

Sierra Leone

The ten year war in Sierra Leone has been waged through extremely brutal tactics by the opposition Revolutionary United Front (RUF) that has yet to communicate a cause beyond securing control over the country's diamond producing areas. The RUF has both fought for and been able to continue fighting because of diamonds. The link has been documented by a number of groups apart from AI including the UN panel of experts (detail).

Amnesty International has been monitoring and trying to protect fundamental human rights in Sierra Leone from well before the current 10 year civil war began. All armed groups have committed war crimes and crimes against humanity, including RUF forces, the Armed Forces Revolutionary Council (AFRC), government forces, including the Sierra Leone Army and the Civil Defense Forces (CDF), and international peace-keeping forces of the Economic Community of West African States, ECOWAS referred to as ECOMOG.

The RUF forces have been responsible for war crimes and crimes against humanity throughout a conflict during which civilians have borne the brunt of the violence. According to the U.S. Committee for Refugees (USCR) that as of August 1, between 900,000–1.4 million Sierra Leoneans had been uprooted, a figure that included both refugees and internally displaced persons.

AI estimates that thousands of men, women and children have been deliberately and arbitrarily killed or had their hands, arms or other limbs brutally cut off. Rape and other forms of sexual violence against girls and women have been widespread and systematic. Most of the 10,000 children—both boys and girls—estimated to have been associated with fighting forces in Sierra Leone have been abducted by the RUF and more than half of those have been used as combatants. The RUF sustained and continues to sustain itself through the sale of conflict diamonds, using the revenues from those sales to purchase weapons, supplies and drugs, despite UN sanctions diamond exports from areas of Sierra Leone not controlled by the government.

Human rights abuses linked to the fighting with the RUF go back to the period of rule by the National Provisional Ruling Council (NPRC), headed by Captain Valentine Strasser, which came to power following a military coup in April 1992 and ruled until parliamentary and presidential elections and the return of a civilian government in March 1996. Government forces were responsible for extrajudicial killings, torture and ill-treatment of captured or suspected rebel forces. They were also implicated in serious abuses against civilians, including deliberate amputations of hands, in the period leading up to the elections in February 1996. No one—from either government or rebel forces—alleged to have committed serious violations of international humanitarian law during the period of NPRC rule has yet been brought to justice.

Abuses were committed by the Armed Forces Revolutionary Council, headed by Johnny-Paul Koroma, who overthrew the elected government of President Ahmad

Tejan Kabbah in a military coup in May 1997 and ruled until February 1998 when it was removed from power by forces of the Economic Community of West African (ECOWAS) Ceasefire Monitoring Group (ECOMOG) and the government of President Kabbah was restored. Shortly after the military coup, the RUF joined forces with the AFRC. The rule of law collapsed completely. Hundreds of people were arbitrarily arrested and detained; many were tortured and ill-treated. Physical assault, amounting to torture or ill-treatment, of civilians by AFRC soldiers and RUF members was routine. There were also reports of extrajudicial executions of those suspected of opposing the AFRC. Victims of human rights violations included people associated with the government of President Kabbah, journalists, students and human rights activists.

Following the removal of the AFRC and RUF from power, their forces unleashed a campaign of terror against civilians. War crimes and crimes against humanity reached unprecedented levels. Several thousand civilians were brutally killed or mutilated. Hundreds of others, including children, were abducted from their villages and forced to join their attackers as either combatants or laborers, in conditions amounting to cruel, inhuman or degrading treatment. Hundreds of abducted girls and women were forced into sexual slavery.

An incursion by rebel forces into Freetown in January 1999, which the RUF termed "Operation no living thing", brought to the capital the crimes that had been committed in the north and east of the country in the previous eight years. Although it was impossible to ascertain the exact numbers of civilian deaths during the incursion, the UN body UNOMSIL (the predecessor of UNAMSIL) estimated that up to 5,000 people, at least 2,000 of them civilians were killed. Medical authorities in Freetown later put the figure of those killed at over 6,000.

Several hundred civilians, including children, were admitted to hospitals in Freetown after having their limbs cut off or suffering from other forms of mutilation. In February 1999 medical staff at hospitals in Freetown were reported to be treating some 500 victims of amputation and mutilation who required surgery. There were likely to be many other victims who did not reach medical help and who died from their injuries.

Rape and other forms of sexual violence were systematic and widespread during the incursion. Women and girls were rounded up and gang-raped by rebel forces. Rebel forces abducted large numbers of civilians, including children, from Freetown. Some were selected for training as fighters, others used as porters to carry looted goods from Freetown to other parts of the country. Women and girls were used for sexual purposes. Some 4,000 children were reported missing after the rebel incursion. In the eastern part of Freetown, about 90 percent of buildings were destroyed.

ECOMOG forces, together with the CDF, also committed human rights violations, including war crimes, during the incursion by rebel forces into Freetown. There were reports of large numbers of extrajudicial executions by ECOMOG forces and the Civil Defense Forces (CDF) of captured or suspected rebels, often after the most cursory interrogation and without any real attempt to establish whether the captive was guilty or innocent of any crime. In mid-January 1999 at least 10 Sierra Leonean staff of humanitarian aid organizations and the International Committee of the Red Cross (ICRC) were arrested and detained by ECOMOG forces. They were accused of cooperating with rebel forces although there was no evidence to substantiate these allegations. Most were reported to have been beaten. Aid organizations' communications equipment was also confiscated. Ill-treatment or torture, including by being beaten, whipped, tied extremely tightly and subjected to various forms of public humiliation, was common at ECOMOG and CDF checkpoints in Freetown.

Angola

The linkage between the sale of diamonds and the ability of the National Union for the Total Independence of Angola (UNITA) to wage its brutal insurrections has been extensively documented by numerous sources. In 1998 Global Witness released its report entitled *Rough Trade: The Role of Companies and Governments in the Angolan Conflict*. In 2000, the *Fatal Transactions: An investigation into the Illicit Diamond Trade* report was released by experts linked with Global Witness. On March 10, 2000 the *Report of the Panel of Experts on Violations of Security Council Sanctions Against UNITA* was released by the UN. All of the reports documented UNITA's use of revenues from diamond sales to purchase weapons, wage war and commit systematic human rights abuses. The cost to the Angolan people has been enormous and sadly has not ended yet.

Since gaining independence in 1975, there has been conflict between government forces of the MPLA and UNITA. Both government forces and UNITA have been re-

responsible for large-scale human rights violations including killings of civilians, torture and the use of landmines.

- In 1991 AI reported that violations occurred against prisoners, including captured combatants and others suspected of political opposition. In 1993 we estimated that 1,000 people were dying every day as a result of the conflict. The 1993 report also stated that there were reports of targeted killings on both sides and that prisoners were “disappearing” from their cells.
- While no universally accepted figure has been presented, it is estimated that tens of thousands of people have died as a result of fighting.
- In our 2000 report we found that UNITA was responsible for mutilating and abducting hundreds of civilians including women and children.
- In its 2001 World Refugee Survey report, the USCR noted that “anywhere from 1 to 3.5 million Angolans had been displaced as a result of the war. In 2000 alone 300,000 persons were uprooted. Thousands of people were displaced by the armed conflict and increased insecurity.”

The Democratic Republic of the Congo

Amnesty International is continuing to investigate details of the linkages between conflict diamonds and the conflict in the DRC. In our September 2001 report entitled *Democratic Republic of Congo: Rwandese-controlled east: Devastating human toll*, AI stated that

“Many of the killings are occurring in areas rich in minerals, where economic exploitation of minerals and other natural resources continues. While this economic exploitation has directly enriched and motivated some individual RPA commanders, it is also financing the Rwandese war effort and sustaining the Rwandese military presence in the region. Such exploitation is allowing the Rwandese to continue a war in which human rights are dramatically violated.”

In the same report we also state that:

“During the first year of the war, many influential governments, including the UK, the U.S., and Belgium, supported the Rwandese government’s stance. However, fighting between Rwanda and Uganda in Kisangani exposed to the international community that the illegal exploitation of DRC resources was a significant objective of the war. Since then, Rwanda’s motives for the continuing occupation of part of DRC are increasingly being questioned.”

If natural resources such as diamonds and coltan and timber (those that are mentioned most often) are in any way involved in fueling or facilitating the military efforts of the warring parties, then the details on human rights abuses listed below underscores the critical need for this legislation to be enacted.

AI has reported on the serious and systematic human rights violations in the Democratic Republic of the Congo prior to the outbreak of the war that started in 1996. However we would agree the conflict has caused a dramatic deterioration in the protection of human rights. While we continue to investigate the details of role played by diamonds and other natural resources in the DRC conflict we can already report on the scale of the abuses that the conflict has caused.

According to our colleagues at the USCR at the end of 2000, 2.1 million persons had been displaced. Of these 1.8 were internally displaced and 350,000 had been forced in to refugee status. USCR also estimates that 200,000 civilian deaths had been caused by violence and that another 1.5 million deaths had been caused by war-induced malnutrition and diseases.

AI has detailed information about torture and other forms of cruel, inhuman or degrading treatment committed by all warring parties. Human rights abuses included:

- torture by the DRC government forces—security forces routinely used torture against known or suspected government opponents, particularly those thought to threaten the authorities’ hold on power, government critics, journalist—who have been particularly targeted to intimidate and prevent them from writing or publishing articles that criticize the government, its senior officials or its policies, human rights defenders in an attempt to intimidate them and cause them to desist from carrying out their work.
- rape by security forces—many women in the DRC have been subjected to rape and other forms of sexual violence by members of the security forces. Details on the number of incidences of rape are thought to be seriously under-reported as investigations into cases of rape are extremely difficult particularly because of the social stigma associated with it.

Abuses have also been committed by the forces opposing the DRC government. Rwandese and Ugandan government forces have committed:

- torture—scores of people were subjected to severe forms of torture to dissuade the disgruntled population from joining an armed uprising against Congolese armed political groups and the governments of Burundi, Rwanda and Uganda seeking to overthrow the DRC government.
- Congolese armed opposition groups are also guilty of:
- torture—like the DRC government, its armed Congolese opponents, particularly the RCD–Goma and the RCD–ML, have used torture as a weapon against their critics or those suspected of or known to support their opponents. In the same way that human rights abuses such as deliberate and arbitrary killings have been carried out with their allies from Rwanda and Uganda, torture is also reported to be carried out together with or even at times ordered by the allies.
 - rape and other forms of sexual violence by armed opposition groups—girls and women of all ages has been extensively used by armed opposition groups and foreign government forces supporting them in eastern and other parts of the DRC. Rape has effectively been used as a weapon of war against sections of the population that are known for or suspected of supporting their opponents, including by humiliating them. Women and girls of all ages are the most vulnerable to this form of torture, but it is also used by the armed groups as a reprisal against their male opponents, as well as a demonstration of their military superiority over their opponents who are shown to be unable to protect the women.

Conclusions

Mr. Chairman, legislation before you would require the Customs Service to permit diamond imports only from those countries that have adopted strong and effective controls on the exportation and importation of rough diamonds to ensure that conflict diamonds do not enter the international stream of commerce. We believe that this bill, H.R. 2722, will buttress and encourage the international Kimberley Process along in its efforts to create an international certification system. The Kimberley system would remove conflict diamonds from legitimate channels of commerce by ensuring a clean stream of diamonds from the point of extraction to retail sale. The system would be transparent and independently monitored.

I will end by saying that both the non-governmental groups and the diamond industry share the view that the U.S. legislation should be drawn as tightly as possible, so as to exclude every possible conduit for the entry of conflict diamonds into the United States and prevent any group like UNITA, rebel groups in the DRC or the RUF from benefiting from diamond sales made here in the U.S. market. This can only happen if H.R. 2722 is passed. On behalf of Amnesty International USA and the Campaign to Eliminate Conflict Diamonds I urge this Committee to support H.R. 2722.

Thank you.

Chairman CRANE. Thank you. I would like to put a question to all of you and get your responses, and I know you jointly support legislation to create control systems to prevent the import of conflict diamonds. But there have been many versions by either the industry NGOs or members, and can you comment on why the divided sides, on the same issue, though, do not support earlier versions offered by either side?

Mr. RUNCI. Mr. Chairman, I think that from the outset all parties involved, from our perspective certainly, shared a commitment to find a solution. But the approaches we took to devising solutions I think were defined largely by the directions from which we came, the context in which we operate.

Our concern as industry from the outset was in supporting a solution which would, as was said earlier, not harm the legitimate diamond trade, the economies of those countries with legitimate diamond industries.

I think from the perspective of civil society, the superseding goal was to stop the—from the outset—was to stop the trade and end the connection between diamonds and violence, to stop the violence.

I think we reached common ground when we found the technical means in June to accomplish that and agreed to terms.

Commitments I think were strong from all sides from the outset. I think our approach is different given the various directions from which we came, but I think we found common ground because of our desire to effect a solution this year, and our strong commitment not to allow technical differences, which were really what separated us before, technical differences, from standing in the way of getting behind a consensus solution that Congress could enact this year because we are united in our commitment not to allow this issue to linger and drift in the international community any longer than it has to date.

Chairman CRANE. Ms. Gardner.

Ms. GARDNER. I would only add to that that part of the process was an educational one on both sides. The diamond industry and the pipeline for diamond trading is extremely complex. The goal was to create an effective system that was credible and would be practical and would not present obstruction to legitimate trade, and the varying competing and differing approaches were ultimately brought to consensus, I think, through a process of mutual education on both sides.

Chairman CRANE. Ms. Anderson.

Ms. ANDERSON. I would just resound with what my two colleagues have said here, that I think the more communication we had and the greater understanding we had of our differing constituencies, we were able to work out the technical details and come to consensus. Thank you.

Chairman CRANE. Mr. Akwei.

Mr. AKWEI. I would agree that we not only had an educational process, which basically improved the content of the bill, and I think all of us would agree that H.R. 2722 is the strongest of all of the different legislative initiatives that we worked on individually, but also as part of our educational process got beyond some misconceptions and suspicions of each other, and I think that has been extremely important.

Chairman CRANE. Mr. Rangel.

Mr. RANGEL. Thank you, Mr. Chairman. I am extremely impressed not only with your testimony but the process that you went through to get this consensus. It is very unusual for an industry to be coming to the Congress asking for control guidelines, but none of the testimony that I have heard this morning has given me any reasons why we should not legislate, and certainly if anything, it should be considered as impetus for the administration and our negotiators to move forward.

I assume all of you heard the testimony of the State Department and the Trade Representative. Are you fearful that legislation would interfere with their ability to try to negotiate this thing out? Anybody? Ms. Gardner.

Ms. GARDNER. If I may, Congressman. I have been intimately involved with the Kimberley Process from the first point after the December resolution in the U.N. that asked for the international conference to produce a result, and I intend to be a participant both in Luanda in Botswana and come up with the ultimate results.

I have no doubt in my mind that indeed this legislation will serve as a catalyst to that process, not at all as any kind of complicating or interfering factor whatsoever.

Mr. RANGEL. What do you think the main reason is as to why they have not been able to resolve this diplomatically?

Ms. GARDNER. I am not sure that I would say that it has not been resolved. It is a process. We have a work plan so to speak; we have dates and deadlines to meet and so far we have met them all. I have no reason to doubt that by the deadline that has been provided by the road map which is the December meeting in Botswana, we will produce a product for consideration by the U.N. which will address all of the elements that are necessary to provide the control of this trade.

Mr. RANGEL. But you are not satisfied that that is enough; you still believe that the Congress should enact legislation?

Ms. GARDNER. Yes, I do, and part of that is because of the fact that the U.S. is the largest consuming nation of this product. I think that while all of the delegations to the Kimberley Process are mindful and are concerned with the humanitarian rights violations that exist here, there are also people involved in the diamond industry and in this trade and they want to continue that trade in the most propitious manner possible and I think that that includes concluding this international agreement and getting on with the business of trading diamonds.

Mr. RANGEL. Does any member of the panel disagree with Ms. Gardner's observations?

Ms. ANDERSON. Mr. Rangel, I would just like to add with Ms. Gardner's observations that I think that in our meetings, NGOs meeting with the various members of the U.S. delegation who are connected to the international process, they themselves have told us privately as well as when we have attended the meetings that U.S. legislation has been the strongest impetus for the administration taking the international process seriously as well as other governments taking the process seriously because once this bill is passed, they won't be able to get their diamonds in here, which we are the largest market. So we feel very strongly that U.S. legislation is really necessary to invigorating the process. Thank you.

Mr. RANGEL. Thank you, Mr. Chairman.

Chairman CRANE. I have got a question that I failed to ask to maybe Mr. Runci, but it may be any of the rest of you, too. The Kimberley Process is designed to help countries identify the source of diamonds, but they recommend that forgery-proof certificates of origin be issued by exporting State authorities. How do you create a forgery-proof certificate?

Ms. GARDNER. Mr. Chairman, I think that every effort is being undertaken by the Kimberley Process to research the most technologically advanced processes by which documentation can be made forgery proof. We have had presentations by companies who have been involved in the printing of currency and those techniques are being contemplated to be used in connection with the formulation of the documentation here as well.

Chairman CRANE. Yeah. But I mean currency is not forgery proof.

Ms. GARDNER. Well, Mr. Chairman, in my former life as a Federal prosecutor with the Department of Justice, I myself prosecuted a number of people for counterfeiting American currency.

Chairman CRANE. Oh, I am sure that—

Ms. GARDNER. Despite efforts to the contrary, this system is going to make every effort to confront and prevent any possibility of contravention of the system including using the latest technology on documents. We will certainly do what we can. Any system to interdict contraband goods is only as good as the anticipated problems that it seeks to resolve.

We are trying to make the system as effective as possible including elements of developing documentation that is forgery proof.

Chairman CRANE. Forgery proof.

Ms. GARDNER. To the best of our ability.

Chairman CRANE. To the best of the ability. I was going to say there is a qualifier in there.

Ms. ANDERSON. Mr. Chairman, to add to Ms. Gardner's comments, I think some of the checks that are built into the system is independent monitoring. So if somebody is able to make or plagiarize or make a phony certificate, you have got statistics as well as independent monitoring to back up what is being produced in the certification process.

So if you see statistics are inconsistent with the amount that is come out of, say, Sierra Leone or Liberia, that will be a red flag for independent monitors to see that there is something going wrong. So even though you might have problems with the certificate, you also have independent monitoring and statistics to back up what is coming out of a country. Thank you.

Chairman CRANE. Very good. All right. Mr. Houghton.

Mr. HOUGHTON. I just have one question. First of all, thank you very much for your testimony. Let us just assume that the things we are doing work out. Kimberley Process is in effect. We have legislation. Other countries buy into this. What is the big worry 5 years out?

Mr. RUNCI. Mr. Houghton, I think the worry that we would have is that without such a system in place, this traffic in illicit conflict diamonds could recur.

Mr. HOUGHTON. No, but you got the system in place now. Let us just make that assumption. What is the big worry on top of all these things which we are doing now?

Mr. RUNCI. The only component, sir, that I believe has not yet been fully contemplated is a supporting international law enforcement authority to ensure that not only that we have monitoring but that we have enforcement and consequences associated with violations.

So I would say looking further out from this immediate structure that we are talking about this morning, from my perspective and the perspective of my colleagues, I think that component is an additional feature, not yet fully addressed by the process.

Ms. GARDNER. I would add to those comments that the participants in the Kimberley Process are fully aware that once the process is put in place that experience will be a teacher and that we might have to further refine enforcement mechanisms based on experience, and the Kimberley Process is already contemplating a

mechanism to fulfill that obligation as experience shows is necessary during the implementation of the system as designed.

Mr. HOUGHTON. But the enforcement mechanism that you foresee at the moment when these immediate pieces are in place, you feel is adequate?

Ms. GARDNER. I think it has been designed and it is not fully formed yet. We are still in the process of fleshing out the details. We feel strongly that the enforcement mechanism that is contemplated by the system will be effective, will be credible, and will be practical as well.

Mr. HOUGHTON. Yes?

Mr. AKWEI. I would just like to add also that there is no system currently in place and so this will represent a major step forward not only in terms of the enforcement mechanisms that are there now, but also in the data, and I think that is one of the things that the industry itself has been very forthcoming in admitting, that the transparency of the diamond industry will be significantly enhanced and improved because you will have statistics on geographical output, you will have statistics on how many carats or how many stones are supposed to be coming from sources. And that in itself is going to be a major leap forward.

Mr. HOUGHTON. Thank you very much.

Chairman CRANE. Mr. Herger.

Mr. HERGER. Thank you, Mr. Chairman. I really do not have any questions. I just want to thank our panelists and everyone who is involved on working in this area that is having such horrendous results in the lives of so many victims in Africa, and everything it is doing as far as terrorism all over the world. Again, I want to thank you for your efforts and certainly I as one want to work with you and the entire community and everyone to further your goals. Thank you very much.

Chairman CRANE. Well, I want to express appreciation to all of you for your participation today, too, and we look forward to continuing to work with you and to get legislation that hopefully will address this problem in a meaningful way. And with that, the Committee stands adjourned.

[Whereupon, at 11:50 a.m., the hearing was adjourned.]