

Conflict Diamonds: Crossing European Borders?

A Case Study of Belgium, the United Kingdom and the Netherlands.

The report aims to provide an overview of the ways in which three EU member states, Belgium, the UK, and the Netherlands, have implemented United Nations Resolutions to prevent the import of the so-called 'conflict diamonds'. These resolutions were motivated by a desire to halt brutal civil wars in those countries, financed in part through the proceeds of diamond sales.

Governments and the diamond industry have come under pressure to stamp out the trade in conflict diamonds. In countries such as Angola, Sierra Leone, and the Democratic Republic of Congo, proceeds from the sale of diamonds have provided substantial financing for rebels who battle not only against governments forces, but also murder and brutally dismember civilians, and cause mass homelessness and economic collapse in the areas they control. Diamonds mined in rebel-held areas can be easily smuggled out and quickly find their way into the mainstream diamond trade. Neighbouring countries have sometimes become involved in the lucrative business of trading in such conflict diamonds. For example, Liberia has notoriously helped Sierra Leone's rebels to market their diamonds.

At the United Nations, resolutions have been adopted to ban diamond imports from Angola and Sierra Leone unless certificates of origin accompany them. The import of diamonds from Liberia, meanwhile, has been completely banned by the UN in 2001. These UN resolutions were translated in EU regulations and national laws of EU member states.

Government officials from more than 30 countries that produce, process, and import diamonds, have been meeting frequently with representatives of the diamond business and NGOs in order to discuss about how to develop a system to verify the origins of rough diamonds. Following the first meeting in Kimberley, South Africa, in May 2000, the ongoing dialogue has come to be known as the "Kimberley process." The most recent Kimberley meeting will take place in London, from the 11th till the 13th of September. So far the process of negotiation has been rather laborious. The EU member states could take a co-ordinate position to advance the Kimberley process and the certification system, but have so far failed to do so.

Research examining how the three European countries studied regulated and inspected trade in direct and indirect imports of rough diamonds revealed that inspection and monitoring systems differed enormously. In general, Belgium's border controls and capacity to verify certificates is the most developed, not matched by the UK and certainly not by the Netherlands.

It is Fatal Transactions' hope that this report will contribute to a more pro-active role of the EU and its member states, in order to establish a more effective international certification system.

Conclusions

Different responsibilities and different methods of implementation

Belgium and the UK have an important responsibility for implementing UN resolutions on diamond trading. An estimated 70% to 80% of all rough diamonds on the world market pass through Belgium. Mainly due to the presence of de Beers Offices in London, The UK is also a large importer of rough diamonds, having imported more than Belgium in 1999. The Netherlands is involved in only a very small part of the world's rough diamond trade. Belgium has considerable responsibility for the processing of imports with certificates of origin from Angola. It imports the largest part of the official Angolan diamond production, and imports have been increasing since the UN resolutions went into effect in 1998. The UK also imported directly from Angola in 1999.

Lack of standardised trade data

Statistics are valuable for analysing trends in order to scrutinise suspect rough diamond imports by national authorities. However, the general problem is that trade statistics are inadequate to monitor the diamond trade and track illegally traded diamonds. Definitions are not standardised and trade statistics provided by different countries are not fully comparable. This can lead to anomalies in trade figures.

Little transparency in the UK and the Netherlands

Transparency regarding the measures taken varies greatly. Only Belgium published regular reports with detailed information about the regulations and border checks in place to avoid conflict diamonds. Such information was much less accessible and widespread among government officials in the UK and the Netherlands. Lack of information about the UN resolutions among customs officials of the Netherlands has been especially worrying.

Variation in implementation procedures and capacity

The EU implemented each of the UN resolutions by means of a common position by the Ministers of Foreign Affairs and within the scope of the common commercial policy. The diamond import licensing-system, already in place allowed Belgium to strictly enact all UN resolutions the day after they were adopted. Neither of the other two countries had such systems in place.

The Belgian government has provided financial and human resources to prevent conflict diamonds from entering the country. The Dutch government has not allocated new resources to its personnel-strapped customs departments. For the UK, researchers learned of no special resources allocated.

Some of the obstacles to implementing the sanctions can only be solved with international support. For example, issuing licenses for diamonds can be difficult if the conflict areas where diamonds are mined change from day to day, meaning that the legality of imported diamonds can also change from day to day.

Lack of border control mechanisms undermines UN resolutions

The ways rough diamond imports, including their certificates of origin, are monitored and inspected at the border, vary widely between Belgium, the UK and the Netherlands.

Within EU member states, imports from other European countries cannot be subject to customs operations. Belgium, however, monitors such import through data collection. In addition, expert inspectors check each and every diamond parcel, including those from non-EU countries. Only Belgium regulates diamond trade in such a way that all imported or exported diamonds must pass through one location where there is inspection expertise. This location is partially operated on a commercial basis. Three agencies are currently involved in checking all diamond imports and exports.

In the UK, customs use special methods to select diamond imports from non-EU countries for border inspection. This limited border control of diamonds is insufficient, given the large amount of rough diamond imports into the UK.

In the Netherlands, customs control of diamond imports is very limited. The capacity to supervise controls for implementation of UN sanctions is non-existent.

Costly procedures to check certificates of origin

The capacity to verify the certificates of origin for diamonds imported from Angola and Sierra Leone was very different in the three countries researched. The Belgian government is the only one to have established the electronic system to exchange information with Sierra Leone, which includes the exchange of photos of the diamonds as well as the sealed parcels. Although Belgium has not worked out such a direct electronic communication system with the government of Angola, the certificate verification system allowed Belgium to detect some irregularities.

In both the UK and the Netherlands, there are no such elaborated procedures to verify the certificates of origin, which is now being done by customs. No links have been established to directly contact authorities in Sierra Leone or Angola. This weak verification of the certificates is especially worrying for the UK because it has been importing diamonds from Angola and Sierra Leone at the time certificates were required.

EU free trade rules hamper checks on indirect imports

The established free trade provisions of the EU are undermining the inspection of all rough diamonds traded among EU member states. Such inspections might however be useful in ensuring that conflict diamonds are not being indirectly imported. The physical inspection of diamond imports from EU countries at the Belgian entry point violates EU legislation. For the moment, there is no real pressure to challenge these inspections, but other EU countries, such as the Netherlands and the UK, refrain from extensive border checks due to EU legislation.

Insufficient regulation of Indirect imports

The conclusions reveal many obstacles to implement the call of the UN resolutions to ban "indirect" imports, imports of rough diamonds from Angola and Sierra Leone without a certificate of origin, and imports from the "sensitive countries". This highlights the need for certificates of origin for all rough diamonds. However, the effectiveness of the current certification needs to be assessed. The certification system only operates at the first border of entry of diamonds from Sierra Leone or Angola, and not when the diamonds are later exported to other countries. The certificate does not accompany the rough diamonds through the cutting and polishing process until they are sold to customers.

Recommendations

- Trade statistics should become more useful to detect indirect imports or smuggling of conflict diamonds. Changing classification can not be permitted to be used as a loophole to import conflict diamonds. Therefore, trade statistics should be standardised. All trade statistics should include information about the country of origin alongside the country of provenance. Governments should require all diamond dealers to declare the country of origin of their products.
- Before, or at the latest at the time of introducing a world-wide certification system of rough diamonds, the Kimberley process should institute an accessible international database with standardised statistics on imports and exports of rough diamonds to and from all countries with information on (stockpiling) diamond reserves.
- All national governments should allocate enough resources to analyse the available trade data and enact upon anomalies. An international independent monitoring system should verify the data, and have the capacity to investigate whether exports of conflict diamonds are being diverted to "sensitive countries" or to other countries with lax import controls. These efforts should be supported by the development of computerised systems to detect conflict or smuggled diamonds and identify important loopholes in the use of certificates of origin.
- The lack of transparency on how UN resolutions are implemented, needs to be addressed to allow external scrutiny of the measures in place. The responses to the Kimberley Process questionnaire should be fully published.
- The UK should urgently reinforce its mechanisms of border control and verification of certificates. The UK should establish a Diamond Task Force to strengthen its capacity to implement UN resolutions.
- The Netherlands should improve its border controls in a cost-effective way, in order to avoid becoming a country through which conflict diamonds are indirectly imported. Also, the Netherlands should consider what additional border control mechanisms are needed since Schiphol Airport is being used more frequently for diamond shipments to Belgium.
- Belgium should thoroughly investigate its long-standing differences between import and exports to determine whether the higher export figures of rough diamonds are due to differences in stockpiling and valuation of diamonds, or whether the smuggling of rough diamonds is involved.
- The international community should put pressure on UN bodies responsible for monitoring the UN resolutions to check thoroughly and regularly that no conflict diamonds receive certificates of origin from the authorities in Angola and Sierra Leone. Moreover, they should disclose the numbers of the certificates of origin being issued by the governments concerned.
- Before a full international certification system on rough diamonds is set up, discussions and international negotiations are needed to ensure allocation of the necessary resources.
- A new certification system must be developed in order to examine ways to certify polished diamonds. A first step would be to have diamonds from Sierra Leone and Angola accompanied with certificates of origin until they are polished and sold as jewels.

Recommendations to the EU

- Within the EU, statistics of trade in rough diamonds among member states should be made fully comparable and include information on the countries of origin. The European Commission should build the capacity to analyse anomalies in the trade statistics of all member states, which might be related to trade, or smuggling, in conflict diamonds.
- Given the high cost of monitoring, the EU member states should discuss what resources they want to allocate individually and collectively for the implementation of a certification system for all rough diamonds.
- The option that there be only one or just a few entry points for rough diamonds within the entire EU has to be discussed. The EU country serving as an entry point would then be responsible for fully monitoring and inspecting diamond import and providing the necessary documents for exports to other EU countries.
- The EU should define and maintain a list of ‘sensitive countries’ and adopt a Regulation to improve inspections of diamond import from these countries.
- The European Commission should explore ways to create the necessary scope to forego EU free trade rules, which prevent necessary checks on trade in rough diamonds among EU member states as long as not all countries have strict diamond controls at their external borders.
- EU member states need to urgently decide what the mandate of the Commission is in the Kimberley process. However, this exercise should not result in EU positions reflecting the lowest common denominator.
- Within the scope of the Common Foreign and Security Policy, the EU should play a role to ensure that the UN is more explicit on how the UN resolutions need to be implemented.

The UN resolutions, to help break the link between the trade in conflict diamonds and the perpetuation of violent conflicts in Africa stand as a challenge, both to the EU and individual European countries.

The main challenge of all countries involved is to show whether their priority is peace and security in Africa, or their own economic and trade interests.

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