

**Testimony of**  
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**before the Trade Subcommittee of the**  
**U.S. House Ways and Means Committee**  
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**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."<sup>1</sup> 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.

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<sup>1</sup>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).

## **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 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.