



global witness

Conflict Diamonds

US jewelry retailers still not doing enough

SUMMARY OF US RESULTS OF GLOBAL WITNESS AND AMNESTY INTERNATIONAL SURVEY

Executive Summary

The majority of the top-selling US retail jewelers that provided information to Global Witness and Amnesty International do not have adequate policies in place to combat blood diamonds. A survey, conducted by Global Witness and Amnesty International between December 2006 and February 2007, queried the 37 jewelry retailers listed collectively by National Jeweler magazine as *The \$100 Million Supersellers* on their policies to stop the trade in blood diamonds.

Fifty six percent of *The \$100 Million Supersellers* that responded to the survey did not report having any type of auditing procedures in place to combat blood diamonds, despite the recommendation to do so by the trade association Jewelers of America. In addition, the survey found that 57% of these top jewelers do not post information on their website about their policies on blood diamonds. Finally, half of the top 37 retailers surveyed failed to respond to the survey to provide information about their policies on blood diamonds. The survey also noted that a few industry leaders such as Helzberg Diamond Shops, Sterling (Signet) and Tiffany & Co. have taken stronger measures to combat conflict diamonds.

This survey is being released amidst numerous new reports of diamond smuggling and as blood

diamonds from West Africa are reaching the international diamond marketplace. On February 4, two men in Tucson, Arizona were arrested for smuggling 11,000 carats of diamonds from Africa in violation of the Clean Diamond Trade Act. These and other credible reports of illegal diamond trafficking from Zimbabwe, Venezuela, and Ivory Coast clearly highlight the loopholes in the Kimberley Process, the government-run diamond certification scheme designed to eliminate the trade in blood diamonds. Global Witness and Amnesty International therefore call for the following measures:

- ◆ All sectors of the diamond industry, including the diamond jewelry retail sector, should implement third-party audit measures and responsible sourcing policies;
- ◆ The United States (US) and other governments should carry out stricter oversight of the diamond industry, through strengthening and improving enforcement of the Kimberley Process and the Clean Diamond Trade Act;
- ◆ Jewelers should publicly post their policies against conflict diamonds on websites and provide copies of their policies to customers in stores upon request.

Introduction

This report presents the results of the Global Witness (GW) and Amnesty International USA (AI USA) 2007 survey evaluating the US diamond jewelry retail sector's implementation of a self-regulation to combat blood diamonds and to support the Kimberley Process, the government-run international diamond certification scheme aimed at preventing the trade in conflict diamonds. This report follows up a survey that was conducted in 2004 by GW and AI USA showing that major players in the US diamond jewelry retail sector were falling short in implementing the basic measures of the self-regulation.

The survey also concluded that a large proportion of the diamond industry was still responding to the issue with a public relations campaign to play down the issue and boost consumer confidence. (For more information, please see Global Witness and Amnesty International report: *Déjà vu: Diamond Industry Still Failing to Deliver on Promises*, October 2004, www.globalwitness.org)

The survey focused on US diamond jewelry retailers because, as the largest market for diamond jewelry in the world, the US is the most important player in the diamond jewelry business. US sales account for over half of global diamond jewelry sales, amounting to \$33.7 billion in 2005.¹ The US diamond industry, particularly the retail sector, therefore has a vital role to play in implementing



An expert valuer in a diamond polishing factory valuing rough diamonds before they are processed.

policies to combat blood diamonds and in pressuring its suppliers to take proactive measures to prevent trade in blood diamonds. The purchasing power of the retail sector affects diamond companies all over the world, encouraging compliance throughout the entire diamond pipeline.

The GW/AI USA survey was carried out during a challenging time for the diamond industry. Diamonds have fuelled devastating wars in Sierra Leone, Angola, Democratic Republic of the Congo and Liberia, with over 4 million² people dying as a result of these conflicts. But blood diamonds are not only a problem of the past. In September and December 2006, the United Nations (UN) reported that blood diamonds mined in the rebel-held areas of Ivory Coast were reaching international diamond markets, despite a UN embargo on all Ivorian diamonds.³

In December, the UN extended the embargo on diamonds from Liberia until that country develops an effective system for preventing the trade in blood diamonds. Furthermore, there are credible reports of diamond smuggling from Zimbabwe into South Africa, in violation of the Kimberley Process certification scheme. Venezuelan rough diamonds are also being illegally smuggled into the US, Belgium, Guyana, and other countries.⁴

These cases clearly demonstrate that there are serious loopholes in the Kimberley Process at present. Although the Kimberley Process makes it more difficult for diamonds from rebel-held areas to reach international markets, there are significant weaknesses that undermine its effectiveness and allow the trade in blood diamonds to continue. Poor government controls and enforcement are allowing smuggled diamonds and blood diamonds to be certified as conflict-free. Unscrupulous diamond traders are knowingly violating the Kimberley Process and national laws.

Governments have failed to hold members of the industry accountable and have not implemented effective oversight of the industry to ensure compliance. The lack of willingness by governments to find and expel unscrupulous members of the

trade allows these traders to operate with impunity. Furthermore, the diamond industry as a whole has failed to adequately follow through on its commitments to combat blood diamonds. As GW and AI USA previously documented in their report *Déjà vu* and other reports, the diamond industry has failed to systematically monitor whether companies are meeting the self-regulation (please see section below on Flaws with the Voluntary System).

This survey was also conducted at the time of the release of the Hollywood film “Blood Diamond.” In anticipation of the release, the diamond industry spearheaded a multi-million dollar public relations campaign in the summer of 2006 to counter any negative publicity from the film, falsely implying that blood diamonds are no longer a significant problem. The industry developed an education pack for retailers, aimed at preparing retailers to answer consumer questions about blood diamonds prompted by the publicity surrounding the film. The pack informs retailers about what their obligations are to meet the self-regulation and how they should respond to customers who ask questions about blood diamonds.⁵

However, much of these “education” efforts seem focused on ensuring that retailers and others in the industry know what to tell consumers and other members of the public to maintain their sales, rather than ensuring that these efforts are backed by concrete policy and auditing measures. A training guide for store managers that is part of their education pack states that: “As a manager, you play a crucial part in communicating the industry’s position to your staff and eventually to the general public. Misinformed or uninformed employees will only hinder our cause and may result in lost sales. That is why you must make learning about conflict diamonds a priority – for both you, and your staff.”⁶

What diamond jewelry retailers and the diamond industry agreed to do

As a result of international pressure to stop the trade in blood diamonds, in January 2003, major diamond trade associations in the US and globally

agreed to adopt a voluntary system of self-regulation. This system is intended to help stem the trade in blood diamonds, support the Kimberley Process and give consumers meaningful assurances that diamonds are conflict-free. Under this system, diamond companies should do the following:

- ◆ Implement a code of conduct to prevent the buying or selling of blood diamonds.
- ◆ Implement a system of written warranties requiring that all invoices for the sale of diamonds and jewelry containing diamonds include a written warranty that they are conflict-free; keep records of the warranty invoices given and received; and ensure that the system is “audited and reconciled on an annual basis by the company’s own auditors.”⁷
- ◆ Educate company employees about the industry’s policies and government regulations to combat the trade in blood diamonds.

The World Diamond Council (WDC), the industry lobby group formed by the diamond industry to tackle the issue of blood diamonds, is responsible for promoting adoption of the voluntary system across the industry. Other major international trade bodies have also endorsed the voluntary system, including the International Diamond Manufacturers Association (IDMA) and the World Federation of Diamond Bourses (WFDB). Jewelers of America (JA), representing more than 11,000 jewelry stores in the US, and the Jewelers Vigilance Committee (JVC), have endorsed this voluntary system and require their members to meet its requirements.

The Essential Guide to Implementing the Kimberley Process, published by the World Diamond Council, outlines what retailers and other sectors of the diamond industry should do in order to meet the self-regulation requirements. Jewelry retailers are required to “insist that their suppliers provide warranties for all diamonds polished after January 1, 2003.”⁸ They are advised to inform their suppliers in writing that they require a warranty and to retain these warranties for 5 years. According to JA, the

warranty statement should be “incorporated into annual written agreements with suppliers, or renewed annually through a written statement.”⁹

Retailers are not required to undertake independent auditing of the system of warranties, even though independent auditing measures are required for other sectors of the diamond industry. The WDC’s *Essential Guide to Implementing the Kimberley Process* states that mining companies, rough diamond buyers, rough diamond dealers, polishers and manufacturers, and polished diamond dealers and manufacturers should have the system of warranties audited by companies’ own auditors.¹⁰

Global Witness and AI USA have long expressed concerns about the weaknesses in the self-regulation system, including the lack of adequate auditing measures and the need for more monitoring by trade associations to ensure the system and auditing measures are widely adopted by all members (please see section below on Flaws with the Voluntary System). The trade association Jewelers of America has taken some additional measures to address some of these concerns. In a letter to Global Witness, JA states that “we additionally recommend that our members internally audit invoices to verify that the warranty statement is there, even though this is not required of retailers by the [system of warranties] (though we are aware that suppliers are required to have independent auditing by their own auditors farther up the supply chain).”¹¹

A JA fact sheet for its members states that internal auditing measures should be carried out by its members, although it is not specified exactly what internal auditing means or how that should be done. The fact sheet simply states that: “You should internally audit all suppliers’ warranty statements annually, and keep them for 5 years.”¹² Jewelers of America has also developed a self-assessment checklist for members to use to evaluate whether they are implementing the system of warranties. This checklist includes a question asking whether companies “internally audit invoices to verify that the warranty statement is there.”¹³ While welcoming this initiative, GW and AI USA believe that the retail

sector should be required to carry out independent auditing measures and that JA, JVC and other jewelry retail trade organizations should actively promote adoption of such measures.

US government efforts to combat blood diamonds

The US government is a participant in the Kimberley Process. In April 2003, the Clean Diamond Trade Act was passed by the US Congress and signed by President George W. Bush. Under this Act, the import and export of rough diamonds into the US is prohibited unless it has been controlled through the Kimberley Process. Those who are found in violation of the Act’s requirements face civil and criminal penalties that include fines and imprisonment of up to 10 years.¹⁴ The Department of State and the Department of Treasury were appointed to coordinate an inter-agency working group to implement the law, which came into effect on July 30, 2003.¹⁵

Other agencies involved in enforcement include the Department of Homeland Security and the US Census Bureau under the Department of Commerce. The Clean Diamond Trade Act, like the Kimberley Process, only applies to rough diamonds (diamonds before they are cut and polished). Retailers and other diamond companies who only deal with polished diamonds have committed to carry out the voluntary system of warranties to support the Kimberley Process.

A Government Accountability Office (GAO) report released in September 2006 highlighted that blood diamonds may be entering the US because of weaknesses in the implementation of the Clean Diamond Trade Act. The report states that “because of weaknesses of the system, the United States cannot ensure that illicit rough diamonds are not traded.”¹⁶ These weaknesses include a lack of regular physical inspections of rough diamond exports and imports, poor statistics on rough diamonds and no plan for monitoring the Kimberley Process Authority, a private entity run by US diamond trade groups which issues rough



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Before being polished and made into jewelry, rough, uncut diamonds must be valued and sorted.

diamond certificates. As specified in the GAO report, US government agencies involved in implementation have committed to adopt many of the GAO recommendation.¹⁷

As the largest consumer of diamonds in the world, the United States government and industry have a responsibility to take a leadership role in combating the trade in blood diamonds. The US government should have greater oversight of the diamond industry by carrying out periodic spot checks of diamond companies and periodic physical inspections of rough diamond imports and exports, requiring companies dealing in rough diamonds to independently audit their compliance with the Clean Diamond Trade Act and other measures to increase oversight over the industry. This should also include proactive law enforcement activities to crack down on diamond smuggling; members of the diamond industry must cooperate with the law enforcement in combating violations of the Kimberley Process.

On February 4, 2007 federal agents arrested two men in Tucson, Arizona on charges of smuggling 11,000

carats of illicit rough diamonds from Africa, in violation of the Clean Diamond Trade Act.¹⁸ US government action taken to crack down on such smuggling is a welcome step and more enforcement actions such as these are urgently needed.

Flaws with the voluntary system

In the 2004 survey, GW and AI USA exposed serious shortcomings of the voluntary system of warranties. The major flaw lies in the fact that the self-regulation relies merely on a statement on an invoice that is not verifiable and is not backed up by meaningful policies to prevent the purchase of diamonds from conflict sources. In order to be credible, it is crucial that all sectors of the diamond pipeline, including the retail sector, implement management systems to ensure effective operation of policies to prevent dealing in blood diamonds, which include: purchasing/diamond sourcing, staff training, internal audit and control procedures and an independent audit. Although members of the diamond trade further up the diamond chain are required to carry out an independent audit (which

means having the company's financial auditors examine invoices for warranties), members of the retail sector are not required to do so.

For large retailers that have the financial resources and the purchasing power, these management systems should be certified through third-party monitoring (not just by the company's own financial auditors but by an independent organization to evaluate the system) to help ensure that the policy is effective in preventing trade in blood diamonds. However, the system of warranties does not require these additional measures. Furthermore, the World Diamond Council and other major trade bodies have not adequately monitored the implementation of the self-regulation, especially the independent auditing measures.

How the 2007 survey was carried out

Global Witness and Amnesty International began a survey of major diamond jewelry retailers in the United States on December 5, 2006. The aim of the survey is to evaluate whether leading retailers have put effective policies in place to combat blood diamonds and to support the Kimberley Process, a government-run international diamond certification scheme aimed at preventing the trade in blood diamonds. Global Witness and Amnesty International surveyed the largest retailers in the United States – 37 companies that comprise National Jeweler's *\$100 Million Supersellers*, which are companies that each generates over \$100 million in fine jewelry sales volume per year. This represents about \$20 billion of the US fine jewelry and watch sales, which is about 36% of the estimated \$55 billion US market in fine jewelry and watch sales.¹⁹

Top-selling retailers have a responsibility to exhibit leadership in combating blood diamonds, in sourcing diamonds in a responsible manner and in giving consumers meaningful assurances that the diamonds they sell are conflict-free. These retailers have the ability to put significant pressure on their suppliers and those further up the diamond jewelry supply chain to take proactive measures to prevent dealing in blood diamonds.

Therefore, the survey aimed to go beyond simply assessing whether major retailers were meeting the voluntary system of warranties, which is meaningless unless written warranties are backed by concrete policy and auditing measures. A major focus of the survey was to determine whether major retailers have gone beyond the voluntary measures by implementing independent auditing, responsible sourcing policies and other measures to ensure an effective policy to combat blood diamonds.

Global Witness and Amnesty International publicly announced the launch of the survey in a press release issued on November 29, 2006.²⁰ Global Witness and Amnesty International sent letters to the company management of the 37 companies on the *Supersellers* list requesting information about each company's policy on blood diamonds and implementation of the system of warranties. The letter asked the companies to provide information on the following:

1. The company's policy to combat blood diamonds and actions taken to prevent selling blood diamonds being smuggled from the Ivory Coast.
2. How the system of warranties is implemented by the company and its suppliers.
3. The company's policy for sourcing diamonds from conflict-free sources and for ensuring that suppliers are responsibly sourcing diamonds.
4. Actions taken by the company to ensure that this policy is effective in practice.
5. Samples of any policies, warranties, procedures and independent auditing measures, along with examples of the practical measures for their implementation, and any further information that may be relevant.

Global Witness and Amnesty International followed up with the companies by telephone or fax to bring the letter to their attention and to enquire about the status of their efforts to respond. The deadline for companies to respond was extended by one month

to give them adequate time, and a reminder fax was sent to those companies that still had not responded to inform them of the extension of the deadline.

Response from the diamond industry

The survey has attracted a great deal of attention and concern from the diamond industry, especially given that it comes in the midst of the industry's public relations campaign attempting to convince consumers that the conflict diamond problem has largely been solved. The World Diamond Council and Jewelers Vigilance Committee issued a press release on December 22, 2006 encouraging retailers to participate in the survey. The press release states that the World Diamond Council "issued a letter to retailers across the US today encouraging them to participate in an Amnesty International (AI) and Global Witness (GW) survey on the Kimberley Process and retailers' implementation of the System of Warranties (SoW)."

Cecilia Gardner of the JVC stated, "Responding to the NGO survey is a great opportunity to ensure that industry facts, not fiction, are being reported to the world. It is important that when GW and AI collate the survey, they will report the results in a responsible and fair manner that reflects the positive efforts made by the retailers and industry in America." Eli Izhakoff, Chairman of the WDC, stated that "Only through industry-wide participation in the Kimberley Process and the System of Warranties can we achieve our goal of zero tolerance towards blood diamonds."²¹

JA also issued a press release about the survey and JA's President Matt Runci sent a letter to Global Witness and Amnesty International expressing concerns about the survey. In a letter dated December 21, 2006, JA expresses its opinion that the survey was being conducted at a "very challenging time for retailers – their prime selling season – making it very difficult for them to respond in the time frame you've suggested." The letter expresses concern that "some of the questions in your letter are likely to blindside many retailers, since the questions ask for assurances on practices

retailers are not required to undertake as part of the System of Warranties." They referred to the questions on: what actions retailers are taking to prevent diamonds from Ivory Coast being smuggled, what are retailers' policies for ensuring that suppliers are responsibly sourcing diamonds and a request for samples of independent auditing measures.²²

The letter also states that it is unfair to expect retailers to take individual actions to address the situation in Ivory Coast but that "retailers helped fund and have appointed the World Diamond Council to monitor KP efforts." The letter states that retailers are only expected "to insist that all their suppliers provide warranties and to keep those warranties for five years, in accordance with the System of Warranties. Retailers can choose to ask their suppliers for more information and some do. But since retailers are not required to do so by the SoW, many do not. This should not be perceived as a lack of caring or interest, but simply that they are following the requirements – and expect their suppliers to do the same." The letter also outlines that retailers are not required to carry out independent auditing but that retailers "understand that suppliers are obligated to conduct independent audits using their own auditors, and they expect them to comply with this requirement."²³

Global Witness and Amnesty International strongly disagree with the concerns raised by JA. This survey targets the largest retailers in the US, including those retailers generating more than \$100 million in sales volume per year. Major retailers have significant purchasing power and influence over the supply chain, and should demand that suppliers put in place and effectively carry out policies to combat blood diamonds.

Retailers have an obligation to do more than what is required, especially since the voluntary system alone is inadequate to combat conflict diamonds. This should mean not just accepting a written warranty from suppliers but requiring additional information about their suppliers' policies and auditing measures and only using suppliers that have effective policies in place. Some jewelers have



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Artisanal diamond diggers in Mbuji Mayi, Democratic Republic of the Congo.

adopted additional measures, recognizing that the standard currently required by the voluntary self-regulation is not enough to ensure an end to the conflict diamond problem, and demonstrating that these demands will not create an unreasonable burden. Unfortunately, the vast majority of retailers have not taken such steps.

We agree that it is important that the jewelry and diamond industry act collectively through the World Diamond Council to combat the trade in blood diamonds from Ivory Coast. However, this does not take the place of proactive measures and due diligence with suppliers that major retailers should undertake to help address conflict diamond issues as they arise, such as diamonds from Ivory Coast entering the legitimate diamond trade. Retailers should also be ready to respond to public inquiries about their policy against blood diamonds and other issues no matter what time of year it is, and especially during the busiest shopping seasons when they are more likely to receive a significant number of questions from consumers. Consumers have a right to obtain adequate assurances from companies that the jewelry they sell is from clean sources. At a minimum, retailers should develop educational materials that clearly communicate their policy and auditing measures to members of the public and then place this information on an easily accessible part of their websites.

Industry-funded survey

The World Diamond Council conducted a survey in January 2007, the *United States Diamond Jewelry Trade Sentiment Study*, “to provide a gauge on the issues surrounding blood diamonds among large jewelry retailers and the factors affecting sales of diamond jewelry.”²⁴

The study surveyed a range of large jewelry retailers that were recruited by the World Diamond Council as well as a sample of independent/ small chain jewelers from list sources of jewelry trade associations. The survey was carried out by GfK Audits and Surveys who conducted phone interviews and asked retailers questions based on a questionnaire about conflict diamonds and related issues.

The survey demonstrates that an increasing number of consumers are aware of the conflict diamond problem and are asking questions when considering whether to buy diamond jewelry. The study reports that two thirds of jewelry retailers had received questions on blood diamonds, and that 4 out of 5 retailers felt confident in their ability to explain the Kimberley Process. Nearly all retailers were “prepared to answer questions on blood diamonds.”²⁵ The results indicate that retailers are increasingly aware of the issue of blood diamonds. The survey found

that “88% [of retailers] have asked for or received guarantees from their suppliers that their diamonds are from sources free from conflict.”²⁶

It is disappointing that the survey did not require written documentation from companies demonstrating their adoption of the system of warranties and did not go beyond surveying the minimum standards in this study, especially among larger companies, to determine how many companies have developed more robust systems and auditing measures. Furthermore, we encourage the World Diamond Council to be more transparent in the publication of survey results, and list the companies surveyed.

SURVEY RESULTS:

Response from retailers

19 out of 37 (51%) companies that were sent letters failed to inform Global Witness and Amnesty International in writing about their policies to combat blood diamonds. Retailers that did not respond to the survey include: Costco, Home Shopping Network, Jewelry Television, Kmart, Ross-Simons Target, and T.J. Maxx. The failure of these companies to respond despite our efforts to follow up with them, and regardless of whether or not they have a policy, raises questions as to how seriously they take commitments to combating the trade in blood diamonds and to supporting the Kimberley Process.

Twelve companies failed to respond to both the 2004 and 2006 surveys, demonstrating a serious lack of transparency: Army/Air Force Exchange, Costco, Goldenwest, Home Shopping Network, Kohl's, Kmart, Macy's East, Mervyn's, Ross-Simons, Shop NBC, Target and T.J. Maxx. Some of the companies that failed to respond are also members of trade associations that have endorsed the system of warranties. Officials from Shop NBC, Target, T.J. Maxx and Meijer's informed Global Witness and Amnesty International that each of the companies was unlikely to participate in the survey because of its company policy not to take part in surveys.²⁷

Meeting the voluntary system of warranties

All 18 retailers that sent written responses to Global Witness and Amnesty International stated that they had adopted the system of warranties. While all companies who responded stated that they have adopted the system of warranties, it is disappointing that many companies only provided brief explanations about the system of warranties or referred to the World Diamond Council's website and materials for more information, rather than outlining how the system of warranties was implemented at their company and what other measures were being taken. Some companies stood out for providing more details on how they implemented the system of warranties, including outlining procedures for notifying suppliers to provide the written guarantee on invoices, maintenance of records and education of employees.

Only 7 out of 18 (38%) companies that responded provided samples of invoices from suppliers that contained the written warranty. It is important for companies to outline not just that they have adopted the system of warranties, but how it is being implemented and what auditing measures are taken to ensure that it is implemented effectively. This information should be made publicly available and include samples of invoices and other documents to demonstrate to consumers in a clear manner how the system of warranties is being implemented so that it is not just a public relations exercise. As highlighted above, just simply adopting the system of warranties does not constitute an effective policy to combat blood diamonds.

Companies with effective policies

Only 8 out of 18 (44%) of retailers that sent written responses to Global Witness and Amnesty International are implementing auditing and other measures to combat blood diamonds. Birks & Mayors, Finlay, Fred Meyer Jewelers, Helzberg Diamond Shops, Samuels Jewelers, Sterling (Signet), Tiffany & Co. and Zale, and have implemented other measures to combat blood diamonds. Many of these companies are members

of JA and JVC, which may reflect some of the efforts by these trade organizations to get companies to adopt more proactive policies than what is required by the voluntary system.

Helzberg Diamond Shops, Sterling (Signet) and Tiffany & Co. describe the most comprehensive policies, including internal and third-party auditing procedures, proactive measures for responsibly sourcing diamonds and materials to describe these policies, including on the companies' websites. Helzberg has appointed a Kimberley Process compliance officer and has a toll-free Ethics Hotline, in addition to internal and periodic third-party auditing procedures.²⁸ Tiffany & Co. has developed a chain of custody for diamonds procured that has been certified and maintained to an ISO 9001:2000 quality standard.²⁹

Wal-Mart, the top retailer with annual sales of \$2.7 billion, did not provide enough details to ascertain what the company's overall policy is. Wal-Mart's letter states: "Historically, Wal-Mart has been very reluctant to divulge information about our internal practices to anyone outside the company. However, we recognize the importance of your survey and are therefore willing to share some key points with you."³⁰ Wal-Mart's letter describes how the company is implementing the system of warranties but does not provide details on auditing measures – the letter only states that it had "implemented procedures to verify that the appropriate conflict-free warranty statement is contained on all invoices and/or packing lists that accompany the items."³¹

The fact that 56% of major retailers that responded are not implementing auditing measures demonstrates a lack of commitment from major retailers to take this issue seriously. A policy that is not backed by auditing measures to ensure effective implementation is not credible. Some retailers state that they support third-party auditing measures through participating in the Council for Responsible Jewelry Practices (CRJP), a voluntary initiative whose aim is to promote responsible practices, including third-party monitoring, along the jewelry pipeline. However, CRJP will not require its

members to carry out third-party monitoring until 2008, when the CRJP is scheduled to begin implementation. These retailers must match their rhetoric with action and adopt third-party monitoring now and move forward with this initiative in a more timely and urgent manner.

One jeweler's letter states that, "It would be naïve to think, even if we had the resources to audit our suppliers, that the results would provide any additional assurances." This comment entirely misses the point. This type of attitude reflects the notoriously secretive nature of the diamond industry, where members of the diamond trade purchased diamonds that were fuelling conflicts without asking questions of suppliers as to where they got their diamonds from. Doing due diligence with suppliers is a basic step that should be taken by all sectors of the diamond trade to ensure that diamonds never again fuel conflict.

Transparency about company policies to combat blood diamonds

Global Witness and Amnesty International searched the websites of all retailers surveyed to determine whether their policy against blood diamonds was described on the website. Only 16 of 37 (43%) companies surveyed had some type of policy described on their website. While this is an improvement over the 2004 survey, it is disappointing that 57% of the largest retailers still do not have any policy described on their website.

Consumers and the public have a right to access information on a company's policy on blood diamonds and to receive adequate assurances that the diamonds they buy are conflict-free. Retailers should make their policies against the trade in blood diamonds accessible to consumers and the public. Each company should develop a clear statement describing the policy and its implementation that can be given to interested consumers or members of the public. In addition, the policy should be described on a company's website in an accessible place and include a mechanism for consumers to ask questions if necessary.

CONCLUSION AND RECOMMENDATIONS

The survey results show overall that the majority of the leading US diamond jewelry retailers that responded to the survey do not have effective policies in place to combat blood diamonds. Half of retailers surveyed failed to inform Global Witness and Amnesty International of their efforts to combat blood diamonds. Fifty six percent of companies that responded have not adopted auditing measures and responsible sourcing policies that are crucial to ensure that their policy is effective in preventing the sale of blood diamonds. Over half of retailers surveyed do not have a conflict diamond policy outlined on their website.

These retailers, each with sales of over \$100 million per year, have the resources and purchasing power to influence diamond companies around the world and to help promote compliance throughout the entire diamond pipeline. As the public face of the industry, they have an obligation to go beyond the voluntary requirements not only to help stop diamonds from fuelling conflict but also in order to provide meaningful assurances to consumers that the diamonds they sell are conflict-free. The survey results show that there are a few industry leaders working to achieve this, but that most in the retail sector are not doing enough to help prevent diamonds from fuelling more civil wars and conflicts and therefore do not take the issue seriously enough. It also calls into question how seriously other sectors of the diamond industry further up the chain are implementing policies to combat blood diamonds.

It is clear that a voluntary system will not bring a wholesale change within the diamond industry. Instead of relying on the good intentions of companies to implement it, governments need to ensure more effective oversight of all sectors of the diamond industry to ensure widespread compliance with the Kimberley Process and other laws affecting the diamond industry, including anti-money laundering provisions.

Global Witness and Amnesty International therefore call for the following measures:

- ◆ All sectors of the diamond industry, including the diamond jewelry retail sector, should implement third-party audit measures and responsible sourcing policies;
- ◆ The US and other governments should carry out stricter oversight of the diamond industry and strengthen and improve enforcement of the Kimberley Process and the Clean Diamond Trade Act;
- ◆ Jewelers should post their policies against conflict diamonds on their websites and provide copies of their policies to customers in stores upon request.

Global Witness and Amnesty International will post these survey results on our respective websites and will update the survey as new information comes to our attention. We would welcome hearing from companies that have not responded or have changed their policies.

ENDNOTES

- 1 'US Diamond Jewelry Sales +7% to \$34 Billion,' Rapaport News, www.diamonds.net.
- 2 Figure based on compilation of data from United Nations reports and International Crisis Group reports.
- 3 UN Group of Experts on Côte d'Ivoire reports in September and December, 2006.
- 4 See report by Partnership Africa Canada, *The Lost World, Diamond Mining and Smuggling in Venezuela*, 2006.
- 5 See www.diamondfacts.org to view the education pack.
- 6 See the World Diamond Council's confidence pack, training guide on www.diamondfacts.org.
- 7 *The Essential Guide to Implementing the Kimberley Process*, World Diamond Council, 2003.
- 8 *The Essential Guide to Implementing the Kimberley Process*, World Diamond Council, 2003, page 8.
- 9 *JA 2006 Blood Diamonds Summary for Members*, Jewelers of America, 2006.
- 10 *The Essential Guide to Implementing the Kimberley Process*, World Diamond Council, 2003.
- 11 Letter from JA President/CEO Matthew Runci to Global Witness and Amnesty International, December 21, 2006.
- 12 *JA 2006 Blood Diamonds Summary for Members*, Jewelers of America, 2006.
- 13 *2006 JA Blood Diamond Self-Assessment Checklist*, Jewelers of America, 2006.
- 14 Clean Diamond Trade Act, Section 8, Enforcement, 108th Congress, April 2003.
- 15 Executive Order Implementing the Clean Diamond Trade Act, July 29, 2003, President George Bush, The White House.
- 16 *Conflict Diamonds: Agency Actions Needed to Enhance Implementation of the Clean Diamond Trade Act*, GAO Report, September 2006.
- 17 *Conflict Diamonds: Agency Actions Needed to Enhance Implementation of the Clean Diamond Trade Act*, GAO Report, September 2006.
- 18 *Tucson ICE agents seize cache of smuggled diamonds*, US Immigration and Customs Enforcement News Release, February 8, 2007.
- 19 *The State of the Majors 2006*, "The \$100 Million Supersellers," National Jeweler Supplement, 2006.
- 20 *Consumers Should Demand Conflict-Free Diamonds this Holiday Season*, Global Witness/Amnesty International Press Release, November 29, 2006.
- 21 *World Diamond Council Encourages Retailer Participation in NGO Survey*, World Diamond Council Press Release, New York, December 22, 2006.
- 22 Letter from JA President/CEO Matthew Runci to Global Witness and Amnesty International, December 21, 2006.
- 23 Letter from JA President/CEO Matthew Runci to Global Witness and Amnesty International, December 21, 2006.
- 24 *United States Diamond Jewelry Trade Sentiment Study*, funded by the World Diamond Council, January 2007, www.diamondfacts.org.
- 25 *United States Diamond Jewelry Trade Sentiment Study*, funded by the World Diamond Council, January 2007, www.diamondfacts.org.
- 26 *United States Diamond Jewelry Trade Sentiment Study* funded by the World Diamond Council, January 2007, www.diamondfacts.org.
- 27 A representative from T.J. Maxx informed Global Witness by telephone on February 1, 2007 that it is T.J. Maxx' policy not to participate in surveys.
- 28 Letter from H. Marvin Beasley, CEO and Chairman of Helzberg Diamonds to Global Witness, January 3, 2007.
- 29 Letter from Michael J. Kowalski CEO of Tiffany & Co. to Global Witness, January 5 2007.
- 30 Letter from Pam Mortensen, VP DMM, Fine Jewelry & Watches for Wal-Mart to Global Witness, January 18, 2007.
- 31 Letter from Pam Mortensen, VP DMM, Fine Jewelry & Watches for Wal-Mart to Global Witness, January 18, 2007.

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Detailed results of this survey, including tables detailing company responses in the US, can be found at:

www.globalwitness.org
www.AmnestyUSA.org/business
www.blooddiamondaction.org

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