

TESTIMONY**TESTIMONY OF JOESPH H. MELROSE, JR., AMBASSADOR
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BEFORE THE SENATE COMMITTEE ON GOVERNMENT AFFAIRS,
SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT

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“U.S. Government role in fighting the conflict diamond trade.”

Chairman Durbin, Members of the committee,

Thank you for inviting me to testify today on this important issue. The fact that diamonds, as well as other resources, have been used both to fuel and fund conflicts in Africa is now generally accepted as fact. In addition natural resources from Africa have provided funds for terrorist activities outside of Africa. In the case of diamonds their high value, small size and low weight combined with the ease in which they can be converted into money and the difficulty of detection by mechanical means make them an excellent medium for moving, hoarding or laundering money. In the case of Sierra Leone, and indeed some other countries, the presence of alluvial diamonds provides a particularly conducive situation. Since these diamonds are not mined in the traditional way but rather by “panning” for them in much the same way miners “panned for gold” in our own country. “Digging for diamonds” takes place over a wide geographical area making it particularly difficult to control. Virtually anybody can dig for diamonds or hire someone else to do it for them. No expensive mining equipment is needed and as noted previously diamonds are easily hidden. The “diggers” are among the most exploited people in the world. Those that hire them get rich while the “diggers” remain in a state of abject poverty and virtual servitude, but this is only part of the problem.

The conflicts that have engulfed Sierra Leone and other African Countries have meant a lack of government control over the flow of these stones from the field to the market. This environment has provided purveyors of violence with a friendly playing field from which to operate. Nation states in either a state of collapse or near collapse provide both native citizens and unscrupulous outsiders an even more suitable operating environment. For example, Lebanese have long been involved in the Sierra Leone diamond trade. Funds from the sale of illicit diamonds have been used to purchase weapons for use in revolutions, crime and terror. In addition, as Washington Post reporter Douglas Farah reported several months ago, terrorists have used illicit diamonds as a means to transfer resources from one location to another. The motivations for most of the individuals that are engaged in the illicit diamond trade are simply greed and power. Farah’s assertion that the rebels of the Revolutionary United Front of Sierra Leone (RUF) sold stones to individuals identified by the United States Government as Al-Qaeda operatives is not surprising. Even the RUF itself following its internal investigation into Farah’s story, while denying that it had a relationship with Al-Qaeda, acknowledged that it was not impossible that some of their number did in fact sell stones to representatives of Al-Qaeda. In my opinion this admission indicates that such sales took place between the rebels and Al-Qaeda, although they may or may not have had the formal backing of the organization. What is still in question is whether it was a deliberate effort on the part of some or all of the RUF to assist Al-Qaeda to move resources in a manner that would be untraceable to support the actions of Al-Qaeda or simply a case of selling the illicit stones to whoever offers the best price. Whichever the case, it makes little difference since the net effect is the same, terrorist organizations have benefited from this situation. In addition, similar

sales have almost certainly taken place with other designated terrorist organizations such as the Hizbollah. In the case of Hizbollah a connection has existed for years through various Lebanese groups.

The need to establish a clean and transparent system for preventing such illicit commodities from entering the legitimate market is clear. Diamonds are not the only commodity that has been exploited in such a way. Tanzanite, another gemstone, is believed to have been used in a similar way. The consumer should be able to know that the diamond he or she purchased did not get to the retail counter by increasing the suffering of fellow human beings and that the benefits of a country's natural resources should benefit the citizenry of that country. The Kimberley process, while far from perfect, is a step in the right direction. Information I received last week indicates that a large amount of diamonds, that were at least in part mined by the RUF during the conflict, have made their way to Guinea for sale in order to raise funds for use by the RUF in the upcoming elections. Furthermore, despite a United Nations embargo, members of the diamond trade in Europe tell me that stones are still arriving in Europe from Liberia. Several countries, which produce no diamonds, still export stones. The Kimberley agreement, although no panacea, would be a step in reducing this trade. The proposed regime is the first worldwide attempt to regulate a legal trade that has had unintended consequences throughout the world and particularly devastating ones in Africa. Despite its flaws it is a start and should be supported. By declaring that trading in conflict diamonds is not acceptable, the world may see the advent of a new corporate responsibility in a sector that has heretofore relied almost totally on self-policing. By taking this step the diverse group of interested parties that negotiated the Kimberley Agreement including States, the private sector, Non Governmental Organizations and even representatives of civil society may have begun a process that could impact other sectors where the improper or illicit trade in commodities such as gemstones occur without the necessity of another Kimberley type agreement. Individuals and organizations must not have the tools by which they can take power or hold nations hostage to their demands. If reducing the trade in conflict diamonds can be even partially achieved, it would have a significant benefit in the areas of Human Rights and the true source of regional conflicts, which all too often is money.

As I said previously the Kimberley agreement is not a perfect solution. More has to be done in a variety of areas including public awareness, the modification of traditional practices used in the diamond industry and the strengthening of systems of control in the countries that produce the stones for it to achieve its potential. Following the United Nations embargo on Sierra Leonean diamonds, a certification system was developed and implemented to identify those stones mined in Sierra Leone by legitimate miners and properly licensed for export by the government of Sierra Leone. Even with these processes in place only a portion of the gems exported from Sierra Leone have been exported under this system. Since then several other certification of origin schemes have been developed by other nations, but this is only a start. These schemes must be strongly enforced both by the producing countries and the importing countries. Failure to do so will only mean another victory for those individuals that seek to do no good. States which have such systems must be strongly urged to enforce them in such a way as to prevent traditional levels of corruption from recurring and creating an enabling environment for terrorist organizations, and others who seek only personal benefit and power, to carry out their plans. Countries that produce diamonds but as of now have no certification system should be encouraged and assisted in developing one. Those countries which serve, as transit points must be encouraged to and assisted in ensuring that only those goods that come from legitimate sources be permitted to transit their soil. And finally those countries that import these goods should themselves be certain that the products they are allowing to be imported are from legitimate sources.

Our goals should be two. First, we must end the use of these practices by terrorist organizations thereby cutting off their funding sources. Second, we must make every effort to ensure that new techniques to circumvent proper channels do not

simply take the place of the previous ones. To do so will require not only coordination among States, industry and civil society but the international security and law enforcement apparatus as well. While we have seen that Al-Qaeda has been able to successfully benefit from this situation, we must also recognize that it is certain that others who seek to harm innocent members of society have used this situation for their benefit as well. In the specific case of diamonds, the United States as the biggest market for gem quality stones must take a leading role in ending the conditions that permit these violations of our moral and ethical standards. The legitimate diamond industry, as well as the other participants in the Kimberley process should continue to be consulted in this process.

I thank you for your attention.

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