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JA Commends U.S. Government For Quick Action On Kimberley Process Critique

GAO found weak links in U.S. compliance; State and Homeland Security institute changes

New York, NY – On Wednesday, Sept. 27, the Government Accountability Office (GAO), the audit, evaluation and investigative arm of Congress, issued a 62-page report that evaluated U.S. government implementation of the Kimberley Process Certification Scheme (KP) through the Clean Diamond Trade Act (CDTA).

GAO found weaknesses in several areas of implementation and made specific recommendations for change. In response, the Departments of State, Homeland Security and Commerce sent letters to GAO detailing the changes they had put in place to correct the problems.

“I applaud our government for responding quickly and decisively to correct flaws in United States compliance with the rules of the Kimberley Process and the Clean Diamond Trade Act,” says JA President and CEO Matthew A. Runci, who played an integral role in the original development of KP from 2000-2002. JA also lobbied Congress vigorously for the passage of the CDTA in 2003. “The government’s corrective actions will add teeth to U.S. oversight functions, especially in regards to regular monitoring, which is an essential element of any credible system.”

The key criticisms made by GAO and the response of the U.S. government follow:

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- **GAO found that the U.S. does not periodically or regularly inspect rough diamond imports and exports to ensure contents match their KP certificates.**
In response, the Department of Homeland Security's Customs and Border Protection will institute a periodic and random selection process for imports. Selected shipments will undergo a full document review, an examination of the tamper-resistant packaging and a verification of the shipment's contents. For exports, Customs will establish a process to target diamond shipments, ensuring regular and random verification of these packages as well.

- **GAO found the U.S. lacks an effective system for confirming the receipt of rough diamond shipments with the exporting Kimberley participant countries.**
This KP requirement helps prevent possible diversions of rough diamond packages to illicit sources – and the U.S. confirmation response has been particularly weak, especially when compared with other KP participants (Belgium, for example, reported that in 2005, all other KP countries confirmed receipt of 97% of its shipments, while the U.S. only confirmed 18%). In response, the Department of Homeland Security will now provide monthly reports to the State Department on all shipments of rough diamonds. State will then forward the confirmations of receipt of these packages to the relevant foreign export authorities. State says implementation of this system will begin shortly.

- **GAO found the U.S. has no system for monitoring the U.S. Kimberley Process Authority (USKPA), the private sector group that issues Kimberley Certificates through designated licensees (such as third-party shippers).**
GAO says other KP countries have reported receiving U.S. KP certificates that have been altered using correction fluids (such as Wite-Out), or that contain typographical errors and incorrect dates. Such alterations and mistakes could mean the certificates have been tampered with, a violation of KP requirements. To address these problems, State began implementation of a plan in March 2006, which now includes quarterly visits to USKPA licensees, diamond importers and exporters and regular meetings with the USKPA board. State will direct the USKPA to develop a plan for reviewing the activities of its licensees as well.

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- **GAO says that, while big improvements have been made, there are still unexplained discrepancies in U.S. rough diamond trade data. For example, the U.S. exported approximately 300,000 carats more than it imported in 2005.**
In a country with no diamond mining, like the U.S., unexplained excess exports could involve illicit rough diamonds, though GAO acknowledges other factors might be involved, such as the levels of inventories and the volume of U.S. cutting and polishing. The Commerce Department's U.S. Census Bureau has taken several steps to resolve the problem, and stated in a letter to the GAO that if the excess exports continue, it will work with the U.S. Kimberley Process Implementation Coordinating Committee to research the issue.

To read the GAO's complete report, visit <http://www.gao.gov/new.items/d06978.pdf>.

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