

**2017 - U.S. Annual Report to the Kimberley Process**  
*As of February 2018*

This annual report is submitted to the Working Group on Monitoring on behalf of the United States (U.S.). The report was prepared by the U.S. Department of State, in conjunction with representatives from other U.S. government agencies.

Pursuant to the Administrative Decision on Procedures for Respecting Confidentiality within the Kimberley Process (KP) adopted in November 2010, the United States does not wish to identify any statement or element of this report as “KP ONLY.” Thus, the United States requests that this report be published on the public-facing portion of the KP website. It will also be made available on the U.S. Department of State website devoted to the KP and United States KP implementation: <http://www.state.gov/e/eb/tfs/tfc/diamonds/index.htm>

**A. INSTITUTIONAL FRAMEWORK**

In 2003, the Clean Diamond Trade Act (Public Law 108-19) (CDTA) established a Kimberley Process Implementation Coordinating Committee to coordinate implementation of the CDTA. This U.S. government interagency committee includes officials from the U.S. Department of State (State), the U.S. Department of the Treasury (Treasury), the U.S. Department of Commerce (DOC), the U.S. Department of Homeland Security (DHS), and the Office of the United States Trade Representative (USTR). Provisions of the CDTA are carried out by several U.S. government agencies and the private non-profit U.S. Kimberley Process Authority (USKPA), under a Memorandum of Understanding (MOU) between State, the U.S. Census Bureau (Census), and the USKPA. U.S. entities involved in implementation of the CDTA and points of contact include:

**United States Kimberley Process Focal Point**

Ms. Pamela Fierst-Walsh  
Senior Advisor for Conflict Minerals and the Kimberley Process  
U.S. Department of State  
Bureau of Economic and Business Affairs  
2201 C Street, NW  
Washington DC 20520  
(202) 647-6116  
[USKimberleyProcess@state.gov](mailto:USKimberleyProcess@state.gov)

Advance Notifications should be sent to both [USKimberleyProcess@state.gov](mailto:USKimberleyProcess@state.gov) and [kpmailbox@dhs.gov](mailto:kpmailbox@dhs.gov)

**Alternate United States Kimberley Process Focal Point**

Elizabeth Orlando  
U.S. Department of State  
Bureau of Economic and Business Affairs  
2201 C Street, NW  
Washington DC 20520  
(202) 647-5027  
[USKimberleyProcess@state.gov](mailto:USKimberleyProcess@state.gov)

**Exporting Authority**

U.S. Census Bureau  
4600 Silver Hill Road  
Room 5K167  
Washington, DC 20233  
Ms. Carolyn Francis  
(301) 763-7016  
[carolyn.t.francis@census.gov](mailto:carolyn.t.francis@census.gov)

Confirmations/Reconciliations should be sent to: [ftdkpc@census.gov](mailto:ftdkpc@census.gov)

**Importing Authority**

U.S. Customs and Border Protection  
Office of Trade  
1400 L Street, NW 20229  
Jerry Malmo, Director  
(202) 863-6655  
[Jerry.A.Malmo@cbp.dhs.gov](mailto:Jerry.A.Malmo@cbp.dhs.gov)

**United States Kimberley Process Authority (USKPA)**

801 Second Avenue  
Suite 303  
New York, NY 10017  
Dr. Martin Hochbaum, Executive Director  
(212) 997-2002  
[martin@uskpa.org](mailto:martin@uskpa.org)

## **B. LEGAL FRAMEWORK**

The CDTA provides the legal framework pursuant to which the U.S. implements the Kimberley Process Certification Scheme (KPCS); see <http://www.gpo.gov/fdsys/pkg/BILLS-108hr1584enr/pdf/BILLS-108hr1584enr.pdf>. The CDTA is further implemented by Executive Order 13312 (July 29, 2003). Pursuant to this Executive Order, Treasury's Office of Foreign Assets Control (OFAC) issued the Rough Diamonds Control Regulations, on September 23, 2004 (31 CFR Part 592). The regulations have subsequently been amended, most recently on July 1, 2012. The complete text of the Regulations can be accessed at: <http://www.gpo.gov/fdsys/pkg/CFR-2012-title31-vol3/pdf/CFR-2012-title31-vol3-part592.pdf>

Census issued regulations on Automated Export System (AES) reporting requirements for rough diamond shipments in October 2003 (15 CFR Part 30). These were amended most recently on March 14, 2013. The complete text of the Regulations can be accessed at <http://www.census.gov/foreign-trade/regulations/index.html>. In addition, Census issued a Notice of Proposed Rulemaking (NPRM) titled Foreign Trade Regulations (FTR): Clarification on the Collection and Confidentiality of Kimberley Process Certificates that was published in the Federal Register on September 29, 2017. This rule seeks to amend the FTR to clarify that the data collected from the Kimberley Process Certificates are collected in accordance with the CDTA. The Final Rule is undergoing review. Updated lists of KP Participants are published periodically in the U.S. Federal Register. The most recent list was published on April 26, 2017 and can be found at: <https://www.federalregister.gov/documents/2017/04/26/2017-08385/list-of-participating-countries-and-entities-in-the-kimberley-process-certification-scheme-known-as>. U.S. Customs and Border Protection (CBP) in DHS amended its regulations in 2013 to set forth the prohibitions and conditions applicable to the importation and exportation of rough diamonds. In addition to restating pertinent provisions of the Rough Diamonds Control Regulations, the amendments (added at 19 CFR 12.152) clarify recordkeeping requirements for KP certificates.

For more information on the legal framework for U.S. implementation of the KP, see <http://www.state.gov/e/eb/tfs/tfc/diamonds/index.htm>.

### **C. IMPORT AND EXPORT REGIMES**

CBP is the principal interdiction agency in the U.S. for the KP and the CDTA. Primary investigative responsibilities and duties are under the U.S. Immigration and Customs Enforcement, Homeland Security Investigations (ICE/HSI).

The vast majority of rough diamonds imported into the United States entered into ports of entry within CBP's New York Field Office. Specifically, John F. Kennedy (JFK) International Airport was the port of entry with the highest volume of imported rough diamonds.

Jewelry and gem investigations can be extremely complex and require a specialized knowledge of the jewelry industry and how it operates from mine to market. Such investigations require an in-depth understanding of the modus operandi of sophisticated criminal enterprises, criminal tradecraft, the fencing process, the retail jewelry industry, the technical terms associated with diamonds/gems, the Kimberley Process, and the flow of diamonds and gems from mine-to-market.

CBP recognized the need to promote a greater understanding of the rough diamond trade and provided training to field personnel located at JFK International Airport and the Houston Field Office in 2017. The goal of the training was to enhance the knowledge and expertise of CBP field personnel involved in the enforcement of the Kimberley Process. The training provided an opportunity for CBP field personnel to learn the fundamental requirements related to rough diamond importation into and exportation from the U.S., ask questions about the CDTA, and how to discern authentic KP certificates. The training sessions involved CBP personnel, CBP attorneys, and ICE/HSI agents.

CBP receives numerous requests for information from prospective importers and the public about KP requirements, including requests to review KP certificates for authenticity. CBP works with State to provide feedback to the prospective importer. CBP was able to prevent importers from making purchases that involved fraudulent certificates and, in those cases, referred the matter to ICE/HSI for possible investigation.

In September 2017, with the assistance of the USKPA, CBP with State conducted two sessions of trade outreach with USKPA licensees to make valuable industry contacts, reinforce its business relationships, and increase awareness of the KP and CDTA. In an effort to educate the rough diamond importing/exporting community

in the U.S., CBP and State provided KP/CDTA training covering fundamental requirements related to rough diamond importation and exportation and discussed KP/CDTA related customs issues to enhance the licensees' compliance with KP/CDTA.

CBP Headquarters staff served on the U.S. delegation to the annual Kimberley Process Plenary Meeting held in Brisbane, Australia from December 9 to 14, 2017, and represented the U.S. on the Working Group of Diamond Experts.

Treasury's Internal Revenue Service (IRS) Small Business/Self Employed Division, under the examination authority delegated by the Financial Crimes Enforcement Network (FinCEN), continues to examine dealers in precious metals, precious stones, and jewels for violations of the Bank Secrecy Act under 31 CFR Part 1027. In conjunction with the IRS, FinCEN takes a risk-based and research-driven approach to identifying targets for examination. Since 2014, FinCEN has worked to increase strategic examinations in the precious metals, precious stones, and jewels sectors based on data-driven research and analysis. In 2015, FinCEN took its first enforcement action against B.A.K. Precious Metals, Inc. and its owners Bogos and Arman Karoglanyan (for violating the precious metals, stones, or jewels (PMSJ) regulations under 31 CFR 1027). Additional information on the action can be found here: <https://www.fincen.gov/news/news-releases/fincen-assesses-money-penalty-against-precious-metals-dealer-violations-anti>.

### **Outgoing Shipments**

Census, in the DOC, is the KP Exporting Authority in the U.S., which collects, compiles, and publishes trade data and export-reporting requirements for all shipments of rough diamonds. Shipment information must be reported to Census through the Automated Commercial Environment (ACE), AES, or a successor system. The Internal Transaction Number (ITN) generated by the AES is assigned to a shipment, which confirms the Electronic Export Information was accepted and is on file in the AES. The ITN must be documented on the U.S. KP certificate, which completes the validation process for the exportation of rough diamonds from the U.S., per federal regulations 31 CFR 592.301.

The USKPA provides KP certificates for rough diamond exports. It issued a new version of the U.S. KP certificate, including a line for country of origin that replaced the old certificate in November 2014. As of 2015, all old certificates have been removed from the system and all related data has been reconciled.

In 2017, the USKPA maintained licensing agreements with 15 entities that are authorized to issue KP certificates. Four firms are customs brokers and can issue KP certificates to third parties. Several licensees undergo on-site performance reviews each year and under the MOU Article II, paragraph A (7), all licensees should be reviewed within a specified time period -at least once every five years. The results of the reviews are included in the “Annual Review of the Practices and Procedures of the USKPA” report, which is sent to State and is included in the Department’s yearly report to the U.S. Congress. In accordance with the MOU, all licensees acknowledged in writing that they are in compliance with their licensing agreements with USKPA. The USKPA also maintains a database used by licensees to immediately report issuance of KP certificates.

State, which also conducts licensee reviews, visited eight licensees during 2017 to review their procedures, ensure that they were meeting the KP minimum requirements, and recommend any needed improvements. Census participated in two of these visits. In 2017, State continued to take additional actions to ensure the effectiveness of the database containing information related to the KP certificates and other information concerning licensees, such as streamlining and improving the functionality of the database.

Throughout 2017, State continued to convene meetings and teleconferences on an ongoing basis with USKPA representatives and its licensees to provide an opportunity for U.S. government agencies to communicate concerns or guidance directly to exporters, as well as to respond to questions and requests for information posed by the exporting community. These calls produced important compliance discussions and helped enable closer coordination with, and oversight of, rough diamond exporters.

To complement existing activities, DHS, through CBP, continues to conduct examinations of targeted rough diamond export shipments. In 2017, CBP conducted three inspections of outbound shipments.

### **Incoming Shipments**

CBP is the Importing Authority responsible for implementing, enforcing, and monitoring provisions of CDTA.

CBP issues memoranda to its field offices to uniformly enforce the provisions of the CDTA and guidance when any KP-related risk is identified or when KP regulations and/or membership changes. In 2017, CBP Headquarters issued two

notifications to field personnel highlighting the requirements of the KPCS through the CDTA, alerting them about increased attempts to import with fraudulent KP certificates, and updating them about changes made to KP participants. CBP also recommended its field offices to pursue penalty actions against certain individuals and companies for specific violations of CDTA.

In 2017, CBP conducted a review of trade data for all rough diamond shipments presented and conducted twelve physical inspections of incoming shipments at various ports of entry. These examinations reviewed twelve different importers of record.

In addition, CBP conducted post-importation follow up and research on six shipments. CBP utilizes a trade compliance measurement to assess risk. During its trade compliance measure review, no KP violations were identified.

In 2017, CBP was able to identify and resolve several discrepancies with shipments that were entered with erroneously filed entry information. CBP cooperates with State and Census to reconcile trade statistics for imported rough diamond shipments.

#### **D. SYSTEM OF INTERNAL CONTROLS AND INDUSTRY SELF-REGULATION**

In order to strengthen implementation of the KP, the U.S. diamond industry has implemented a system of warranties (SOW) for rough and polished diamonds and jewelry containing diamonds. Under this system, all buyers and sellers of rough and polished diamonds make the following statement on their invoices:

“The diamonds herein invoiced have been purchased from legitimate sources not involved in funding conflict and in compliance with United Nations resolutions. The seller hereby guarantees that these diamonds are conflict free, based on personal knowledge and/or written guarantees provided by the supplier of these diamonds.”

Several major U.S.-based jewelry retailers publish policies on conflict diamonds and responsible sourcing on their websites. U.S. jewelry trade associations, such as Jewelers of America and the U.S. Jewelry Council, have implemented codes of conduct that list member obligations regarding compliance with the KP and responsible sourcing protocols. State strongly supports and promotes industry’s enhanced due diligence and related voluntary efforts.

To promote KP compliance and awareness, officials from State, CBP, and Census contacted and visited numerous diamond companies and industry groups during 2017 to discuss the KP, industry's internal compliance efforts, enhanced vigilance beyond KP minimum standards, and other related issues.

State, CBP, Census and the USKPA often interacted on issues related to the responsibilities of licensees. Licensees also participated in a conference call with State and Census. Other meetings between government agencies and USKPA took place in New York, and USKPA joined State, Census and CBP in on-site visits to licensees.

The U.S. also continued its review of the Clean Diamond Trade Act and implementing regulations in furtherance of findings from the 2012 KP Annual Review. State supported the work of United Nations' expert panels mandated to investigate illicit trafficking of natural resources, including diamonds, and UN and U.S. sanctions were considered in some circumstances related to the illicit trafficking of diamonds in violation of UN sanctions.

In 2017, State also supported the U.S. diamond industry's efforts to increase transparency in the diamond and jewelry sector including by attending the OECD's 11th Forum on Responsible Mineral Supply Chains and participating in various industry events and meetings.

## **E. STATISTICS**

Since January 1, 2009, the U.S. has served as the Chair of the KP's Working Group on Statistics (WGS). In 2016, India became Vice Chair of the WGS. In its capacity as Chair of the WGS, the U.S. leads efforts of the WGS to improve the submission and analysis of statistical data. This position is delegated to Census, which continues to maintain the website it constructed to host global KP statistical data and works to develop other functions for the WGS. These efforts include the adoption of a new Administrative Decision concerning KP data; the development of 11 new enhancements to the KP Rough Diamond Website; the development of a new "statistical anomalies" process; the development of a methodology for the preparation, review, and the analysis of KP statistical data; the adoption of the revised Terms of Reference for the WGS; the adoption of the automated statistical analysis reports; and the development and administration of a survey of KP Participants' reconciliation practices in order to produce a best practice document

for improved reconciliation between trading partners. The U.S. Geological Survey (USGS) also conducts reviews of statistical submissions from KP Participants as part of its technical assistance work.

In addition to its role as Chair of the WGS, Census collects, analyzes and publishes U.S. rough diamond trade and certificate count statistics on the KP website quarterly. Data reported to the website contains information reported on the KP certificates. KP certificates are required to be submitted to Census immediately upon export of the shipment from the U.S. by fax or by other methods as permitted by Census. In 2015, Census introduced Accellion, a secure alternative method for submitting KP certificates to Census. It provides enterprise-class secure collaboration and managed file transfer solutions for security and data leak prevention that meet current business requirements for digital information transfer. Census continues to reach out to U.S. importers and exporters who have not provided copies of KP certificates to remind them of this requirement. The KP certificates are required in order to publish aggregate U.S. statistics to the KP Rough Diamond website, to help verify and reconcile the import/export KP statistics provided to Census, CBP, and the USKPA. Census continues to update prior years' statistics when additional information is received to ensure information reported in the ACE system is correct. Census reconciles statistics up to five years from issuance.

Census continues to reconcile U.S. statistics with U.S. trading partners for 2013–2017. This process is ongoing and any necessary changes are incorporated at a later date. As in previous years, during the reconciliation process that is based on KP Certificate data and data provided by U.S. trading partners, Census uncovered data discrepancies and contacted U.S. importers/exporters to verify information and to obtain KP certificates. When discrepancies are identified, firms are contacted and efforts made to educate them on the legal obligations applicable to imports and exports of rough diamonds. The countries included in Census reconciliation efforts over the past five years are listed below.

In 2017, instances when KP certificates were not faxed to Census involved varying carat weight and/or value shipments purchased by importers not generally accustomed to trading in rough diamonds. These importers are usually not aware of applicable requirements. Census communicates with them directly to educate them on the reporting procedure.

Census conducted bilateral reconciliation with U.S. traders for 2017 trade statistics with Armenia, Australia, Botswana, Brazil, Cameroon, Canada, People's Republic

of China, Democratic Republic of the Congo, the European Union, Guinea, Guyana, India, Indonesia, Israel, Japan, Republic of Korea, Liberia, Mexico, Namibia, Russian Federation, Sierra Leone, Singapore, South Africa, Switzerland, Tanzania, Thailand, Turkey, Ukraine, the United Arab Emirates, Vietnam, and the Rough Diamond Trading Entity of Chinese Taipei.

Census also conducted bilateral reconciliation of trade statistics for 2016 with Armenia, Australia, Botswana, Brazil, Cameroon, Canada, People's Republic of China, Democratic Republic of the Congo, the European Union, Guinea, Guyana, India, Indonesia, Israel, Japan, Republic of Korea, Liberia, Mexico, Namibia, New Zealand, Russian Federation, Sierra Leone, Singapore, South Africa, Switzerland, Tanzania, Thailand, Ukraine, the United Arab Emirates, Vietnam, and the Rough Diamond Trading Entity of Chinese Taipei.

Census conducted bilateral reconciliation of trade statistics for 2015 with Armenia, Australia, Botswana, Brazil, Cameroon, Canada, People's Republic of China, Democratic Republic of the Congo, the European Union, Ghana, Guinea, Guyana, India, Indonesia, Israel, Japan, Republic of Korea, Liberia, Mauritius, Mexico, Namibia, New Zealand, Panama, Russian Federation, Sierra Leone, Singapore, South Africa, Switzerland, Tanzania, Thailand, Turkey, the United Arab Emirates, and the Rough Diamond Trading Entity of Chinese Taipei.

Census conducted bilateral reconciliation of trade statistics for 2014 with Armenia, Australia, Belarus, Botswana, Brazil, Cameroon, Canada, People's Republic of China, Democratic Republic of the Congo, the European Union, Guinea, Guyana, India, Indonesia, Israel, Japan, Republic of Korea, Lebanon, Liberia, Mexico, Namibia, New Zealand, Russian Federation, Sierra Leone, Singapore, South Africa, Switzerland, Tanzania, Thailand, Turkey, the United Arab Emirates, Vietnam, and the Rough Diamond Trading Entity of Chinese Taipei.

Census conducted bilateral reconciliation of trade statistic for 2013 with Armenia, Australia, Belarus, Botswana, Brazil, Cameroon, Canada, People's Republic of China, Democratic Republic of Congo, the European Union, Ghana, Guinea, Guyana, India, Indonesia, Israel, Japan, Republic of Korea, Liberia, Malaysia, Mexico, Namibia, Norway , Russian Federation, Singapore, Sierra Leone, South Africa, Switzerland, Tanzania, Thailand, the United Arab Emirates, Vietnam, and the rough diamond trading entity of Chinese Taipei.

## OVERVIEW OF PRODUCTION, IMPORTS, AND EXPORTS DURING THE LAST 5 YEARS

Period	Production			Import			Export		
	Volume (cts)	Value (US\$)	Average Price (US\$/cts)	Volume (cts)	Value (US\$)	Average Price (US\$/cts)	Volume (cts)	Value (US\$)	Average Price (US\$/cts)
2013	0.00	\$0.00	\$0.00	3,676,817.54	\$577,711,686.48	\$157.12	1,551,714.12	343,986,014.09	\$221.68
2014	0.00	\$0.00	\$0.00	4,128,322.25	\$590,878,562.64	\$143.13	1,623,721.36	400,833,988.58	\$246.86
2015	0.00	\$0.00	\$0.00	2,021,465.73	\$339,708,019.63	\$168.05	1,193,405.47	231,733,281.60	\$194.18
2016	0.00	\$0.00	\$0.00	2,193,604.04	\$975,905,084.14	\$444.89	1,189,058.53	811,585,282.48	\$682.54
2017 *	0.00	\$0.00	\$0.00	1,730,012.96	\$663,726,763.73	\$383.65	1,248,788.19	551,761,631.01	\$441.84
Source: Kimberley Process Statistics Website									2/28/2018
* 2017 Q3 2017 (Q4 due March 31, 2018)									

## OVERVIEW OF THE KPC COUNT FOR IMPORTS AND EXPORTS DURING THE LAST 5 YEARS

Period	Import Certificate Count	Export Certificate Count
2013	1,341	1,254
2014	1,241	1,245
2015	1,010	1,111
2016	1,084	1,074
2017*	980	1,018
Source: Kimberley Process Statistics Website		2/28/2018
*2017 as of Q3 2017 (Q4 due March 31, 2018)		

### Exports

The U.S. is not a rough diamond producer. In Crater of Diamonds State Park in the State of Arkansas, the potential for visitors to “mine” rough diamonds serves as a tourist attraction for visitors. Since 2010, State has worked closely with Crater of Diamonds State Park to ensure that visitors to the park who dig for and happen to find rough diamonds know of the requirements of the CDTA and the KPCS if they wish to export their find(s).

U.S. exports are re-exports of rough diamonds imported from other KP Participants. The U.S. has submitted trade and KP certificate count data by Participant for Q1-Q3 2017.

According to published Census statistics, rough diamond re-exports from the U.S. in 2017 totaled \$551.8 million – a decrease of 32 percent from the revised 2016 level of \$811.6 million. (See Table 1 below)

Table 1

<b>United States Exports 2017</b>			
<b>U.S. Trading Partners</b>	<b>Sum of Volume (Carats)</b>	<b>Sum of Value (US\$)</b>	<b>KPC Counts</b>
United Arab Emirates	59,915.10	\$195,016,035.52	35
European Union	360,207.28	\$174,067,398.98	349
Israel	417,144.03	\$120,208,095.90	119
India	32,710.08	\$19,382,016.71	60
China, People's Republic of	24,122.51	\$13,544,376.57	27
Botswana	109.92	\$6,000,000.00	2
Namibia	7,219.84	\$4,517,810.48	10
Armenia	18,886.74	\$4,309,417.89	15
South Africa	1,669.98	\$3,867,841.42	13
Japan	56,589.05	\$3,605,698.27	89
Thailand	1,308.04	\$2,109,814.88	8
Canada	235,338.84	\$2,063,359.57	136
Singapore	369.76	\$1,300,355.00	4
Korea, Republic of	10,684.15	\$808,997.89	68
Ukraine	1,283.99	\$511,081.06	2
Chinese Taipei	7,248.20	\$224,394.09	15
Mexico	7,167.86	\$183,609.22	46
Australia	2,546.85	\$18,191.80	12
Indonesia	4,000.00	\$18,000.00	4
Brazil	260.75	\$4,855.76	3
Russian Federation	5.22	\$280.00	1
<b>Totals</b>	<b>1,248,788.19</b>	<b>\$551,761,631.01</b>	<b>1,018</b>
Source: Kimberley Process Statistical Website			2/28/2018
Note: Data as of Q3 2017			

U.S. re-exports by value are primarily to three KP Participants: the United Arab Emirates, (\$195.0 million), the European Union (\$174.1 million), and Israel (\$120.2 million), which totaled \$489.3 million or 88.68 percent of U.S. re-exports of rough diamonds in 2017. (See Table 2 below)

Table 2

<b>2017 Top KP Participant Exports by Value (US\$)</b>		
<b>Participants</b>	<b>Value (US\$)</b>	<b>% of total value (US\$)</b>
United Arab Emirates	\$195,016,035.52	35.34%
European Union	\$174,067,398.98	31.55%
Israel	\$120,208,095.90	21.79%
<b>Total Value - Top three</b>	<b>\$489,291,530.40</b>	<b>88.68%</b>
All Other Participants	\$62,470,100.61	11.32%
<b>Total U. S. Exports 2017</b>	<b>\$551,761,631.01</b>	<b>100.00%</b>
Source: Kimberley Process Statistical Website		2/28/2018
Note: Data as of Q3 2017		

The top three Participant countries by export volume in carats (cts) were Israel (417,144.03 cts), the European Union (360,207.28 cts), and Canada (235,338.84 cts). They represent 81.09 percent of the total export by volume of rough diamond shipments in 2017. (See Table 3 below)

Table 3

<b>2017 Top KP Participant Exports by Volume (cts)</b>		
<b>Participants</b>	<b>Volume (cts)</b>	<b>% of total volume (cts)</b>
Israel	417,144.03	33.40%
European Union	360,207.28	28.84%
Canada	235,338.84	18.85%
<b>Total Volume - Top three</b>	<b>1,012,690.15</b>	<b>81.09%</b>
All Other Participants	236,098.04	18.91%
<b>Total U. S. Exports 2017</b>	<b>1,248,788.19</b>	<b>100.00%</b>
Source: Kimberley Process Statistical Website		2/28/2018
Note: Data as of Q3 2017		

Export rough diamond shipments are classified primarily under three schedule B codes. They are classified as 7102.10 (unsorted), 7102.21 (industrial) and 7102.31(non-industrial) diamonds. The table below reflects the commodity classification code breakout of U.S. re-exports of rough diamonds in 2017. (See Table 4 below)

Table 4

2017 U.S. Export Commodity Classification Distribution				
Commodity Code	Volume (cts)	Value (US\$)	% Total of Exports Volume (cts)	% of Total Exports Value (US\$)
7102.10	18,157.84	\$780,649.48	1.45%	0.14%
7102.21	794,677.50	\$10,740,288.50	63.64%	1.95%
7102.31	435,952.85	\$540,240,693.03	34.91%	97.91%
<b>Total</b>	<b>1,248,788.19</b>	<b>\$551,761,631.01</b>	<b>100.00%</b>	<b>100.00%</b>
Source: Kimberley Process Statistical Website				2/28/2018
Note: Data as of Q3 2017				

### Imports

The U.S. has submitted trade and KP certificate count data by Participant for Q1-Q3 2017. Q4 2017 statistics will be made available on March 31, 2018. As of Q3, the U.S. imported \$663.7 million worth of rough diamonds in 2017 – a decrease of 32 percent from the revised 2016 level of \$975.9 million. According to Census, the U.S. imported rough diamonds from the KP Participants/approved entities listed below in 2017. (See Table 5 below)

Table 5

United States Imports 2017			
U.S. Trading Partners	Sum of Volume (Carats)	Sum of Value (US\$)	KPC Counts
United Arab Emirates	47,011.57	\$219,993,693.69	33
Israel	37,380.27	\$156,457,510.36	99
European Union	467,854.02	\$127,397,189.30	475
Botswana	721,391.62	\$44,988,401.49	89
Singapore	10,515.09	\$35,798,306.66	12
Namibia	17,100.07	\$26,123,218.27	22
Switzerland	197.26	\$22,514,800.00	3
Brazil	4,911.10	\$8,829,419.40	14
South Africa	1,120.37	\$8,194,084.38	28
Canada	1,036.15	\$5,139,415.16	13
India	407,873.87	\$2,809,688.87	141
Russian Federation	499.81	\$2,785,307.00	8
Belarus	558.85	\$1,093,440.11	2
Japan	9,883.90	\$634,031.49	17
Sierra Leone	250.11	\$398,344.15	5
Guyana	1,255.07	\$239,162.24	2
China, People's Republic of	898.29	\$228,970.56	6
Congo, Democratic Republic of	87.20	\$42,583.92	7
Tanzania	39.68	\$25,137.28	1
Liberia	26.81	\$20,350.00	1
Korea, Republic of	81.77	\$7,663.45	1
Thailand	40.08	\$6,045.95	1
Cameroon	0.00	\$0.00	0
Guinea	0.00	\$0.00	0
Mexico	0.00	\$0.00	0
<b>Totals</b>	<b>1,730,012.96</b>	<b>\$663,726,763.73</b>	<b>980</b>
Source: Kimberley Process Statistical Website			2/28/2018
Note: Data as of Q3 2017			

U.S. imports of rough diamonds are primarily from three KP Participants: the United Arab Emirates (\$220.0 million), Israel (\$156.5 million), and the European Union (\$127.4 million). These top three countries accounted for 75.9 percent of the total U.S. import value of rough diamond shipments in 2017. (See Table 6 below)

Table 6

2017 Top KP Participant Imports by Value (US\$)		
Participants	Value (US\$)	% of total value (US\$)
United Arab Emirates	\$219,993,693.69	33.15%
Israel	\$156,457,510.36	23.57%
European Union	\$127,397,189.30	19.19%
<b>Total Value - Top three</b>	<b>\$503,848,393.35</b>	<b>75.91%</b>
All Other Participants	\$159,878,370.38	24.09%
<b>Total U. S. Exports 2017</b>	<b>\$663,726,763.73</b>	<b>100.00%</b>
Source: Kimberley Process Statistical Website		2/28/2018
Note: Data as of Q3 2017		

The top three Participant countries by import volume in carats (cts) for 2017 were from Botswana (721,391.62 cts), European Union (467,854.02 cts), and India (407,873.87 cts). These Participant countries represent 92.32 percent of the total imports by volume of rough diamond shipments in 2017. (See Table 7 below).

Table 7

2017 Top KP Participant Imports by Volume (cts)		
Participants	Volume (cts)	% of total volume (cts)
Botswana	721,391.62	41.70%
European Union	467,854.02	27.04%
India	407,873.87	23.58%
<b>Total Volume - Top three</b>	<b>1,597,119.51</b>	<b>92.32%</b>
All Other Participants	132,893.45	7.68%
<b>Total U. S. Imports 2017</b>	<b>1,730,012.96</b>	<b>100.00%</b>
Source: Kimberley Process Statistical Website		2/28/2018
Note: Data as of Q3 2017		

Import rough diamond shipments are classified under three Harmonized Tariff Schedule codes; 7102.10 (unsorted), 7102.21 (industrial), and 7102.31(non-

industrial). The table below reflects the commodity classification code breakout of the U.S. imports of rough diamond statistics in 2017. (See Table 8)

Table 8

2017 U.S. Import Commodity Classification Distribution				
Commodity Code	Volume (cts)	Value (US\$)	% Total of Exports Volume (cts)	% of Total Exports Value (US\$)
7102.10	5,541.83	410,508.10	0.32%	0.06%
7102.21	894,541.34	13,735,714.88	51.71%	2.07%
7102.31	829,929.79	649,580,540.75	47.97%	97.87%
<b>Total</b>	<b>1,730,012.96</b>	<b>\$663,726,763.73</b>	<b>100.00%</b>	<b>100.00%</b>
Source: Kimberley Process Statistical Website			2/28/2018	
Note: Data as of Q3 2017				

The U.S. has met all of the statistical reporting requirements in accordance with Annex III of the Kimberley Process Certification Scheme Core document in 2017.

## **F. IMPLEMENTATION OF RECOMMENDATIONS OF KP REVIEW VISITS**

The U.S. continues to implement various recommendations of the 2012 KP Review visit, including improving internal coordination, strengthening oversight of licensees, and expanding law enforcement efforts.

## **G. INFRINGEMENTS AND COOPERATION WITH RESPECT TO ENFORCEMENT**

In 2009, State coordinated a process with CBP and the Smithsonian Institution to transport all forfeited diamonds to the Smithsonian for storage and, consistent with applicable law, possible research determined to be in U.S. government interests.

The U.S. developed a template for the sharing of information concerning seizures/forfeitures requested by other KP Participants. The U.S. encourages the use of this template by other Participants. The template was circulated via the Working Group on Diamond Experts and is available on-line at: [https://www.cbp.gov/sites/default/files/documents/not\\_kim\\_3.pdf](https://www.cbp.gov/sites/default/files/documents/not_kim_3.pdf).

In 2017, CBP seized six shipments of rough diamonds for violation of the CDTA, given that the rough diamond shipments were not accompanied by valid KP certificates.

These seizure cases are currently open, pending completion of the administrative forfeiture process. CBP transferred one forfeited shipment of rough diamonds to its Laboratories and Scientific Services Directorate in Springfield, Virginia.

## **H. MISCELLANEOUS**

### **Technical Assistance:**

In 2017, State, the U.S. Agency for International Development (USAID), and USGS cooperated to provide technical assistance related to Côte d'Ivoire, the Central African Republic (CAR), and Guinea as well as the Kimberley Process CAR Monitoring Team (KP CAR MT).

### **Central African Republic**

The USAID PRADD I project was active in the Central African Republic (CAR) from 2007-2013. The program and its successor, PRADD II, supported government implementation of mining best practices and promoted good governance of the mining sector at the international level through the Kimberley Process Certification Scheme. In November 2015, PRADD II received USAID funding to re-enter the CAR, focusing on helping the government re-establish a legitimate conflict-free diamond supply chain consistent with the KP Operational Framework, as well as support peace building in diamond sector actors and communities.

In 2017, PRADD II continued to facilitate the close cooperation between the Ministry of Humanitarian Action and National Reconciliation and the Ministry of Mines and Geology. Further, PRADD II facilitated the establishment of six Local Peace and Reconciliation Committees and supported their close coordination with local KP monitoring committees to help maintain peace in compliant zones. In 2017, PRADD II support saw the reconstitution of the National Monitoring Committee, an important step in effective implementation of the Operational Framework. PRADD II also continued assisting the Central African authorities in providing necessary equipment and building their technical capacities in the timely and effective generation, transmission, and storage of production data.

The USGS acquired additional high resolution satellite imagery in 2017 for the areas of the Carnot Sandstone Formation, in the western region of CAR, and the Mouka-Ouadda Sandstone Formation, in the eastern region, which was analyzed for active diamond mining. This analysis was used to investigate the spatial

distribution of active mine sites from those regions and to continue to support the KP CAR MT's effort to ensure legal diamond exports from KP compliant sub-prefectures. The Kimberley Process and the CAR MT were briefed at the KP Plenary Meeting in Brisbane as to the results of the USGS assessment of current diamond production from CAR. The results of the presentation and overall study will be published in the form of a USGS open-file report describing the archival and recent diamond datasets created, as well as in a peer-reviewed journal article detailing the methodology used to generate production assessments. USGS plans to release the report in mid-2018 and the article in late 2018.

The USGS served as one of the U.S. representatives to the KP CAR Monitoring Team and as the alternate representative of the Working Group on Monitoring to the KP CAR MT representative. This work has consisted mainly in providing technical expertise required to evaluate and monitor proposed exports from "compliant" sub-prefectures, which are permitted to export rough diamonds from CAR under the Operational Framework.

### **Côte d'Ivoire**

USAID launched PRADD II in September 2013 to assist the Ivorian government in enacting customs and mining regulations and improving systems of diamond production, tracking, and internal controls. Thousands of miners have been registered. The expanded PRADD II program in the Côte d'Ivoire consists of four major components: clarification of land and diamond property rights; strengthening governance and internal controls; economic development in artisanal and small-scale mining communities; and public awareness outreach.

PRADD II continues to receive supplemental funding from the European Union under the Instrument for Stability managed by the Service for Foreign Policy Instruments. Under this co-funding arrangement, PRADD II supports a land-use planning process in the two diamond-producing regions of Séguéla and Tortiya, and began a program to support conflict management.

In 2017, PRADD II assisted the KP Secretariat with launching the KP Certification Scheme in Tortiya. The project helped resolve a conflict between mining parastatal SODEMI and a cooperative in Séguéla. It trained government officials in statistical management and analysis and how to improve data collection and management at local and national levels. Also, the project implemented a land-use planning strategy in Séguéla which included 13 social dialogue sessions. It also continued to train local Focal Points and miners on the KP and mining code. The

project finalized development of an interactive diamond evaluation app, which will help bring more transparency to diamond transactions and assist diggers to capture greater value. PRADD II continued to engage with local actors to resolve long-standing village boundary disputes in diamond mining areas in Séguéla and Tortiya.

In 2015, the USGS provided USAID's PRADD II project team with a fieldwork plan to collect hand auger sediment data in the Séguéla region. The PRADD II team finished data collection in early 2017 and transferred the data to the USGS team, where they processed it and created maps they provided to PRADD II staff. The maps and data have been used by PRADD II staff in continued work with stakeholders in Côte d'Ivoire and for assistance in identifying areas that could be mined by artisanal and small-scale miners.

In 2017, the USGS also published an article entitled "Multi-scale 46-year remote sensing change detection of diamond mining and land cover in a conflict and post-conflict setting" in the *Remote Sensing Applications: Society and Environment* journal regarding a land cover change analysis for the Tortiya area of interest from 1968 to 2014.

## **Guinea**

In the wake of PRADD's early closure due to insufficient funds, in 2017 PRADD provided short-term technical assistance to the Guinea Director General of Mines to help refurbish the diamond database, previously established by PRADD.

Owing to PRADD II's 2016 closure, the USGS team completed data processing and transferred the data over to USAID in the form of an Administrative Report. The transferred data included topographic maps of the Forécariah watershed, fieldwork products comprised of site maps, hand auger transect sediment data, pit profiles, and unmanned aircraft system (UAS) imagery site maps, and digital data including topographic map files, satellite imagery, a digital elevation model (DEM), a geomorphic model, and a land cover classification file.

The USGS published an article entitled "Mapping informal small-scale mining features in a data-sparse tropical environment with a small UAS" in the *Journal of Unmanned Vehicle Systems* that presented techniques and methods to use an unmanned aerial system to map and monitor artisanal diamond mining sites in West Africa.

## **West and Central African Diamond Database**

Since 2007, the USGS has been developing, updating and maintaining a comprehensive diamond database of West and Central Africa. At present, the database includes the countries of Mali, Ghana, Guinea, Côte d'Ivoire, Sierra Leone, Liberia, Burkina Faso, the Central African Republic, and some parts of Cameroon. This database is in the form of a Geographic Information Systems (GIS) geodatabase, containing known primary and secondary diamond occurrences in West and Central Africa. It includes information on the geographic location, deposit type, and characteristics of the diamonds. The database is frequently updated as new deposits and mining areas are discovered and as artisanal miners move to new locations. Research continues on the compilation of information on other countries in the region. In addition to information on diamond deposits, geologic and base map features have also been compiled as part of the diamond database at a scale of 1:1,000,000.

In 2017, progress was made in the Central African Republic where additional sources of diamond location data were incorporated into the database, especially in the eastern part of the country, including fieldwork and CY 2017 high resolution satellite imagery.

## **U.S. Department of Labor Reports on Child Labor and Forced Labor in Diamond Production and Comply Chain app**

In 2017, the U.S. Department of Labor (DOL) published the 2016 *Findings on the Worst Forms of Child Labor* and *List of Goods Produced with Child Labor or Forced Labor*. The *Findings on the Worst Forms of Child Labor* (TDA report) is an annual report mandated by the U.S. Trade and Development Act of 2000, which focuses on the efforts of 135 U.S. trade beneficiary countries and territories to eliminate the worst forms of child labor through legislation, enforcement mechanisms, policies, and social programs. It also presents findings on the prevalence of the worst forms of child labor, specific suggestions for government action, and individual country assessments. The 2016 TDA report identified the prevalence of child labor in diamond production in Angola, Central African Republic, Côte d'Ivoire, the Democratic Republic of the Congo, Guinea, Liberia, and Sierra Leone. In the cases of Angola and Sierra Leone, the report found evidence of forced child labor in diamond mining.

The *List of Goods Produced with Child Labor or Forced Labor* (TVPR list) is a report mandated by the Trafficking Victims Protection Reauthorization Act of 2005 and subsequent reauthorization, and is published every other year. The 2016 TVPR list features 139 goods in 75 countries that DOL has reason to believe are produced by child or forced labor; 29 of these goods are minerals. The list includes diamonds mined with child labor in Angola, Central African Republic, the Democratic Republic of the Congo, Guinea, Liberia, and Sierra Leone, and diamonds produced with forced labor in Angola and Sierra Leone.

To help businesses address child labor and forced labor in their supply chains, including in the extractive sector, in September 2017, DOL unveiled the [Comply Chain](#): *Business Tools for Labor Compliance in Global Supply Chains* app, a tool that provides practical, step-by-step guidance for companies and industry groups on critical elements of social compliance. *Comply Chain* is designed for companies that do not have a social compliance system in place or those needing to strengthen their existing systems. It is available for download on both iOS and Android platforms.

### **Other KP Activities**

The U.S. actively participated in each of the KP Working Groups in 2017. Additionally, the U.S. sent delegations to both the Intersessional and the Plenary meetings of the KP in Australia. The State Department leads these delegations, which include representatives from Census, CBP, USAID, and USGS. The U.S. also participated in Peer Review Visits to Botswana, Namibia, and Israel, as well as an expert mission to Gabon.