

2018 - U.S. Annual Report to the Kimberley Process
As of March 2019

This annual report is submitted to the Working Group on Monitoring on behalf of the United States. 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) via the U.S. Census Bureau (Census), the U.S. Department of Homeland Security (DHS), and the Office of the United States Trade Representative (USTR). Provisions of the CDTA are implemented 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, Census, and the USKPA. U.S. entities involved in implementation of the CDTA and points of contact include:

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B. LEGAL FRAMEWORK

The CDTA provides the legal framework pursuant to which the United States implements the Kimberley Process Certification Scheme (KPCS). It is available at: <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 June 19, 2018. The Final Rule is available at:

<https://www.govinfo.gov/content/pkg/FR-2018-06-19/pdf/2018-12887.pdf>. The recent amendments made several clarifications and additions. The amendments: clarified several reporting requirements and removed another; clarified which entity may issue KP certificates for the export of rough diamonds from the United States; clarified the steps necessary to validate a KP certificate; added two definitions that define rough diamond packaging requirements and what constitutes a KP voided certificate; and made certain technical and conforming changes to the penalties section of the regulations. The complete text of the Regulations can be accessed at:

<https://www.ecfr.gov/cgi-bin/text-idx?SID=02aa5d789d8d91836b303edb85d16c05&mc=true&node=pt31.3.592&rgn=div5>

The U.S. Census Bureau issued regulations on Automated Export System (AES) reporting requirements for rough diamond shipments in October 2003 (15 CFR Part 30). The complete text of the regulations can be accessed at

<http://www.census.gov/foreign-trade/regulations/index.html>. These were amended most recently on April 24, 2018 in a Final Rule titled *Foreign Trade Regulations (FTR): Clarification on the Collection and Confidentiality of Kimberley Process Certificates* that was published in the Federal Register. The rule amends the FTR to clarify that the data collected from the KP certificates are collected in accordance with the CDTA. Additionally, the Census Bureau published an Advance Notice of Proposed Rulemaking October 6, 2017 requesting comments on routed and standard export transactions in order to amend the regulations. 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 designated as the “Importing Authority” in CDTA and implementing regulations and has the authority to enforce import provisions relating to the KP, including verification of KP Certificates. Primary investigative responsibilities and duties are under U.S. Immigration and Customs Enforcement, Homeland Security Investigations (ICE/HSI).

In 2018 the vast majority of rough diamonds imported into the United States entered through ports of entry in the jurisdiction of CBP’s New York Field Office. Specifically, John F. Kennedy (JFK) International Airport had the highest volume of imported rough diamonds of any U.S. port of entry.

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 KP.

CBP recognized the need to promote a greater understanding of the rough diamond trade and provided training to field personnel located at the ports of Anchorage, Memphis, Miami, and Los Angeles in 2018. While these field offices are not major import hubs for rough diamonds, they had not received training on the KP in the past several years. The goal of the training was to enhance the knowledge and expertise of CBP field personnel involved in the processing of imports and exports and the enforcement of the KPCS. The training provided an opportunity for CBP field personnel to learn the fundamental requirements related to rough diamond importation into and exportation from the United States, ask questions about the CDTA, and learn 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 April, 2018, State, Census and CBP conducted trade outreach by visiting Crater of Diamonds State Park in Arkansas. Members of the U.S. diamond industry also participated. The purpose of the trip was to assist the park with its CDTA compliance by establishing proper mechanisms to prevent trade violations. Outreach covered the fundamental requirements related to rough diamond exportation and importation, logistics for export, KP certificate issuance process, as well as requirements and the process for becoming a licensee of the USKPA.

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 is the KP Exporting Authority in the United States that collects, compiles, and publishes trade data, including KP statistical 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 United States, per federal regulations 31 CFR 592.301. A copy

of the KP certificate must be faxed by the U.S. Principal Party in Interest (USPPI) or U.S. authorized agent to Census, or provided by other secure methods as permitted by Census immediately after export or import of the shipment from or into the United States in accordance with 15 CFR 30.7 (c).

The USKPA provides KP certificates for rough diamond exports. In 2018, the USKPA maintained licensing agreements with 17 entities that are authorized to issue KP certificates. Of these, four firms are common carriers and can issue KP certificates to third parties. Several licensees undergo on-site performance reviews each year and under the MOU all licensees should be reviewed 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 provided to State and included in State’s annual report to the U.S. Congress. In accordance with the MOU, all licensees actively exporting rough diamonds using KP certificates acknowledged in writing that they are in compliance with their licensing agreements with the USKPA. The USKPA also maintains a database used by licensees to report issuance of KP certificates.

State also conducts licensee reviews. So far in 2019, State visited two licensees to review their procedures, ensure that they were meeting the KP minimum requirements, and recommend any needed improvements. Census participated in these two visits. In 2018, State concluded work to ensure the effectiveness of the database containing information related to the KP certificates and other information concerning licensees. The project upgraded and replaced the existing USKPA website, upgraded database security protocols and procedures, provided additional information safeguards, and limited the capacity for user error when preparing KP certificates for export, in addition to other improvements.

To complement existing activities, DHS, through CBP, continues to conduct examinations of targeted rough diamond export 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 2018, CBP Headquarters issued a memorandum to field offices to update and highlight the amendments to OFAC’s Rough Diamonds Control Regulations. CBP Headquarters worked with its Office of Information and Technology to develop

additional functionality for its Modernized Seized Asset and Case Tracking System, which is a CBP internal system used to issue penalties. Improvements made the system more user friendly by making CDTA penalty issuance guidance available. Upon implementation, CBP Headquarters recommended its field offices utilize the penalty guidance when pursuing penalty actions against certain individuals and companies for specific violations of CDTA.

CBP updated user-defined rules to more efficiently monitor shipments of rough diamonds coming to the United States and identify high risk shipments for physical inspections.

In 2018, CBP conducted a review of trade data for all rough diamond shipments presented and conducted nine physical inspections of incoming shipments at various ports of entry. These examinations reviewed 12 different importers of record. In addition, CBP conducted post-importation follow up and research on shipments. CBP utilizes a trade compliance measurement to assess risk. During its trade compliance measure review, no KP violations were identified.

In 2018, CBP was able to identify and resolve several discrepancies with shipments that were filed with erroneous 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. State strongly supports and promotes industry’s enhanced due diligence and related voluntary efforts.

State, CBP, Census and the USKPA often interacted on issues related to the responsibilities of licensees. The U.S. KP Focal Point joined the Board of Directors for the USKPA as part of a larger effort to increase the number of board members from three to five and to instill greater official U.S. oversight over USKPA operations. U.S. officials and USKPA representatives also met over the course of 2018 at various diamond-related forums in New York City, New York and elsewhere.

The United States continues to review the CDTA and implement regulations in furtherance of addressing the 2012 KP Annual Review recommendations. State supported the United Nations expert panels' mandated work to investigate illicit trafficking of natural resources, including diamonds. The United States considered sanctions related to the illicit trafficking of diamonds in violation of U.N. sanctions in some circumstances.

In 2018, State attended the OECD's 12th Forum on Responsible Mineral Supply Chains and participated in various industry events and meetings in order to support the U.S. diamond industry's efforts to increase transparency in the diamond and jewelry sector supply chains.

E. STATISTICS

Since January 1, 2009, the United States has served as the Chair of the KP's Working Group on Statistics (WGS). In its capacity as Chair, the United States leads WGS efforts to improve the submission and analysis of statistical data by managing the KP statistics website. Census maintains the website it constructed to host global KP statistical data and works to develop other functions for the WGS. This work has resulted in the adoption of a new Administrative Decision concerning KP data; the development of 11 enhancements to the KP Rough Diamond Website; the development of a process to detect "statistical anomalies"; the development of a methodology for the preparation, review, and the analysis of KP statistical data; the adoption of revised Terms of Reference for the WGS; the adoption of automated statistical analysis reports; the provision of statistical support to the Central African Republic (CAR) Monitoring Team as established in accordance with the Administrative Decision on the Resumption of Exports of Rough Diamonds from CAR and its Operational framework; the development of proposed updates to the Core document; 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 KP certificates. KP certificates are required to be submitted to Census immediately upon export or import of a shipment from or to the United States by fax or by other secure 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 contacts U.S. importers and exporters who have not provided copies of KP certificates to remind them of this requirement. Census requires the KP certificates in order to accurately publish aggregate U.S. statistics to the KP Rough Diamond website to help verify and reconcile the import and export KP statistics provided to Census, CBP, and the USKPA. Census updates prior years' statistics when additional information is received to ensure information reported in both the Census database and ACE systems are correct. Census reconciles statistics up to five years from issuance.

Census continues to reconcile U.S. statistics with U.S. trading partners for 2014–2018. This process is ongoing and any necessary changes are incorporated at a later date. As in previous years, during the reconciliation process based on KP Certificate data and data provided by U.S. trading partners, Census uncovered data discrepancies. When discrepancies are identified Census contacts U.S. importers and exporters to verify information and obtain KP certificates. Census also educates them on other 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 2018, there were instances when KP certificates were not faxed to Census that involved discrepancies in carat weight and/or value of 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 2018 with Armenia, Australia, Botswana, Brazil, Cameroon, Canada, the People's Republic of China,

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

Census conducted bilateral reconciliation with U.S. traders for 2017 trade statistics with Armenia, Australia, Botswana, Brazil, Cameroon, Canada, the 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, the 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 also conducted bilateral reconciliation of trade statistics for 2016 with Armenia, Australia, Botswana, Brazil, Canada, the 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, the 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, the 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, Norway, Panama, the 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, the People's Republic of China, Democratic Republic of the Congo, the European Union, Guinea, Guyana, India, Indonesia, Israel, Japan, Republic of Korea, Lebanon, Liberia, Mauritius, Mexico, Namibia, New Zealand, the 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.

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 |
| 2014 | 0.00 | \$0.00 | \$0.00 | 4,161,170.32 | \$591,650,029.72 | \$142.18 | 1,623,813.90 | \$400,640,587.08 | \$246.73 |
| 2015 | 0.00 | \$0.00 | \$0.00 | 2,021,404.16 | \$340,610,124.24 | \$168.50 | 1,189,001.06 | \$231,936,051.46 | \$195.07 |
| 2016 | 0.00 | \$0.00 | \$0.00 | 2,200,007.62 | \$973,888,684.38 | \$442.68 | 1,192,168.90 | \$811,660,751.09 | \$680.83 |
| 2017 | 0.00 | \$0.00 | \$0.00 | 1,999,627.48 | \$1,101,044,441.77 | \$550.62 | 1,579,016.06 | \$939,972,277.49 | \$595.29 |
| 2018 * | 0.00 | \$0.00 | \$0.00 | 1,477,653.94 | \$464,783,406.70 | \$314.54 | 2,039,940.05 | \$411,379,825.75 | \$201.66 |
| Source: Kimberley Process Statistics website | | | | | | | | | 3/6/2019 |
| * 2018 data as of Q3 statistics (Q4 2018 data due March 31, 2019) | | | | | | | | | |

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

| Kimberley Process Certificate Count Statistics | | |
|---|--------------------------|--------------------------|
| Period | Import Certificate Count | Export Certificate Count |
| 2014 | 1,336 | 1,245 |
| 2015 | 1,019 | 1,111 |
| 2016 | 1,085 | 1,079 |
| 2017 | 977 | 1,031 |
| 2018 * | 674 | 713 |
| Source: Kimberley Process Statistics website | | 3/6/2019 |
| * 2018 data as of Q3 statistics (Q4 2018 data due March 31, 2019) | | |

Exports

The United States is not a rough diamond producer. The Crater of Diamonds State Park in the State of Arkansas allows visitors to “mine” rough diamonds in a sectioned-off area of the park, largely as a tourist attraction. Since 2010, State, Census, and CBP have worked closely with Crater of Diamonds State Park to ensure that visitors to the park who find rough diamonds during their visit know of the requirements of the CDTA and the KPCS if they wish to export their find(s). The April 2018 visit referenced above supported this objective. At this time, no

diamonds have been exported from the park. Therefore, U.S. exports are re-exports of rough diamonds imported from other KP Participants. The United States has submitted trade and KP certificate count data by Participant for Q1-Q3 2018. Q4 2018 KP statistics are due to be reported by March 31, 2019.

According to published Census statistics, rough diamond re-exports from the United States as of Q3 of 2018 totaled \$411.4 million (See Table 1 below) – a decrease of 27 percent compared to re-exports during the same time period in 2017 totaling \$562.4 million.

Table 1

| United States Exports 2018 | | | |
|---|------------------------|-------------------------|------------|
| U.S. Trading Partners | Sum of Volume (Carats) | Sum of Value (US\$) | KPC Counts |
| European Union | 344,890.67 | \$193,169,889.35 | 228 |
| Israel | 495,278.58 | \$84,632,164.10 | 76 |
| United Arab Emirates | 51,876.50 | \$35,641,272.39 | 21 |
| India | 247,537.39 | \$27,856,470.96 | 47 |
| Russian Federation | 1,201.49 | \$22,520,969.00 | 2 |
| China, People's Republic of | 19,507.94 | \$10,258,166.10 | 30 |
| Singapore | 2,768.62 | \$8,862,339.12 | 1 |
| Namibia | 9,186.82 | \$7,446,134.02 | 12 |
| Thailand | 1,666.76 | \$7,099,820.75 | 8 |
| Armenia | 25,692.77 | \$4,471,934.69 | 16 |
| Japan | 538,785.39 | \$3,787,491.59 | 68 |
| Canada | 258,836.46 | \$2,224,960.10 | 75 |
| Ukraine | 5,694.80 | \$1,532,572.45 | 4 |
| South Africa | 120.95 | \$731,875.75 | 4 |
| Korea, Republic of | 6,665.07 | \$505,700.67 | 63 |
| Chinese Taipei | 15,332.60 | \$220,635.19 | 8 |
| Botswana | 2,542.00 | \$215,582.64 | 4 |
| Mexico | 5,505.24 | \$114,595.64 | 25 |
| Switzerland | 106.17 | \$51,503.15 | 2 |
| Indonesia | 5,900.00 | \$26,550.00 | 4 |
| Australia | 843.83 | \$9,198.09 | 15 |
| Totals | 2,039,940.05 | \$411,379,825.75 | 713 |
| Source: Kimberley Process Rough Diamond Website | | | 3/6/2019 |
| Note: Data as of Q3 2018 | | | |

U.S. re-exports by value were primarily to three KP Participants: the European Union (\$193.2 million), Israel (\$84.6 million), and the United Arab Emirates

(\$35.6 million), which totaled \$313.4 million or 76.19 percent of U.S. re-exports of rough diamonds in 2018 (See Table 2 below).

Table 2

| 2018 Top Three KP Participant Exports by Value (US\$) | | |
|--|-------------------------|--------------------------------|
| Participants | Value (US\$) | % of Total Value (US\$) |
| European Union | \$193,169,889.35 | 46.96% |
| Israel | \$84,632,164.10 | 20.57% |
| United Arab Emirates | \$35,641,272.39 | 8.66% |
| Top three total value | \$313,443,325.84 | 76.19% |
| All Other Participants | \$97,936,499.91 | 23.81% |
| Total U.S. Exports 2018 | \$411,379,825.75 | 100.00% |
| Source: Kimberley Process Rough Diamond Website | | 3/6/2019 |
| Note: Data as of Q3 2018 | | |

The top three Participant countries by export volume in carats (cts) were Japan (538,785.39 cts), Israel (495,278.58 cts), and the European Union (344,890.67 cts). They represent a total of 1.38 million carats or 67.60 percent of the total export by volume of rough diamond shipments in 2018. (See Table 3 below)

Table 3

| 2018 Top Three KP Participant Exports by Volume (Carats) | | |
|---|----------------------------|-----------------------------------|
| U.S. Trading Partner | Sum Volume (Carats) | % of Total Volume (Carats) |
| Japan | 538,785.39 | 26.41% |
| Israel | 495,278.58 | 24.28% |
| European Union | 344,890.67 | 16.91% |
| Top three total value | 1,378,954.64 | 67.60% |
| All Other Participants | 660,985.41 | 32.40% |
| Total U.S. Exports 2018 | 2,039,940.05 | 100.00% |
| Source: Kimberley Process Rough Diamond Website | | 3/6/2019 |
| Note: Data as of Q3 2018 | | |

Export rough diamond shipments are classified primarily under three HTS 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 2018(See Table 4 below).

Table 4

| 2018 U.S. Export Commodity Classification | | | | |
|--|------------------------|-------------------------|----------------------------------|--|
| Commodity Classification Code | Volume (Carats) | Value (US\$) | % Total of exports Volume | % Total of Exports Value (US\$) |
| 7102.10 | 5,176.32 | \$752,246.27 | 0.25% | 0.18% |
| 7102.21 | 1,388,906.68 | \$17,692,370.16 | 68.09% | 4.30% |
| 7102.31 | 645,857.05 | \$392,935,209.32 | 31.66% | 95.52% |
| Total | 2,039,940.05 | \$411,379,825.75 | 100.00% | 100.00% |
| Source: Kimberley Process Rough Diamond Website | | | | 3/6/2019 |
| Note: Data as of Q3 2018 | | | | |

Imports

The United States has submitted trade and KP certificate count data by Participant for Q1-Q3 2018. Q4 2018 statistics will be made available on March 31, 2019. As of Q3, 2018 the United States imported \$464.8 million worth of rough diamonds – a decrease of 38.42 percent compared to imports during the same time period in 2017 totaling \$754.8 million. According to Census, the United States imported rough diamonds from the KP Participants or approved entities listed below in 2018 (See Table 5).

Table 5

| United States Imports 2018 | | | |
|---|------------------------|-------------------------|------------|
| U.S. Trading Partners | Sum of Volume (Carats) | Sum of Value (US\$) | KPC Counts |
| European Union | 374,584.67 | \$100,683,307.03 | 327 |
| United Arab Emirates | 26,055.96 | \$84,586,776.77 | 17 |
| Botswana | 522,780.41 | \$53,076,448.62 | 52 |
| Switzerland | 1,099.60 | \$47,765,452.68 | 5 |
| Israel | 22,762.49 | \$46,502,439.84 | 77 |
| Singapore | 4,772.80 | \$40,383,016.35 | 7 |
| Russian Federation | 3,137.79 | \$33,010,353.00 | 16 |
| China, People's Republic of | 15,887.47 | \$20,236,757.18 | 8 |
| Namibia | 18,205.90 | \$20,003,960.92 | 20 |
| Thailand | 283.94 | \$6,354,100.41 | 1 |
| South Africa | 1,158.24 | \$4,202,737.51 | 15 |
| India | 468,138.69 | \$2,587,512.78 | 77 |
| Brazil | 294.26 | \$1,872,516.00 | 9 |
| Canada | 1,576.28 | \$1,437,072.76 | 8 |
| Guyana | 8,012.93 | \$924,427.96 | 5 |
| Japan | 8,291.36 | \$812,457.01 | 18 |
| Liberia | 34.64 | \$103,900.00 | 2 |
| Tanzania | 78.57 | \$98,466.58 | 2 |
| Sierra Leone | 132.03 | \$64,989.20 | 3 |
| Chinese Taipei | 164.49 | \$34,167.64 | 2 |
| Armenia | 128.78 | \$25,756.00 | 1 |
| Guinea | 6.62 | \$8,400.00 | 1 |
| Korea, Republic of | 66.02 | \$8,390.46 | 1 |
| Totals | 1,477,653.94 | \$464,783,406.70 | 674 |
| Source: Kimberley Process Rough Diamond Website | | | 3/6/2019 |
| Note: Data as of Q3 2018 | | | |

U.S. imports of rough diamonds are primarily from three KP Participants: the European Union (\$100.7 million), the United Arab Emirates (\$84.6 million), and Botswana (\$53.1 million). These countries accounted for \$238.4 million or 51.28 percent of the total U.S. import value of rough diamond shipments in 2018 (See Table 6).

Table 6

| 2018 Top Three KP Participant Imports by Value US\$) | | |
|---|-------------------------|--------------------------------|
| Participants | Value (US\$) | % of Total Value (US\$) |
| European Union | \$100,683,307.03 | 21.66% |
| United Arab Emirates | \$84,586,776.77 | 18.20% |
| Botswana | \$53,076,448.62 | 11.42% |
| Top three total value | \$238,346,532.42 | 51.28% |
| All Other Participants | \$226,436,874.28 | 48.72% |
| Total U.S. Imports 2018 | \$464,783,406.70 | 100.00% |
| Source: Kimberley Process Rough Diamond Website | | 3/6/2019 |
| Note: Data as of Q3 2018 | | |

The top three Participants by import volume in cts for 2018 were Botswana (522,780.41 cts), India (468,138.69 cts), and the European Union (374,584.67 cts). These Participants represent 1.4 million carats or 92.41 percent of the total imports by volume of rough diamond shipments in 2018 (See Table 7 below).

Table 7

| 2018 Top Three KP Participant Imports by Volume (Carats) | | |
|---|----------------------------|-----------------------------------|
| U.S. Trading Partner | Sum Volume (Carats) | % of Total Volume (Carats) |
| Botswana | 522,780.41 | 35.38% |
| India | 468,138.69 | 31.68% |
| European Union | 374,584.67 | 25.35% |
| Top three total value | 1,365,503.77 | 92.41% |
| All other Participants | 112,150.17 | 7.59% |
| Total U.S. Exports 2018 | 1,477,653.94 | 100.00% |
| Source: Kimberley Process Rough Diamond Website | | 3/6/2019 |
| Note: Data as of Q3 2018 | | |

Import rough diamond shipments are classified under three Harmonized Tariff Schedule (HTS) 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 2018 (See Table 8).

Table 8

| 2018 U.S. Import Commodity Classification | | | | |
|---|---------------------|-------------------------|---------------------------|---------------------------------|
| HTS Code | Volume (Carats) | Value (US\$) | % Total exports Volume | % Total Exports Value (US\$) |
| 7102.10 | 4,400.28 | \$547,423.33 | 0.30% | 0.12% |
| 7102.21 | 681,507.67 | \$5,963,998.02 | 46.12% | 1.28% |
| 7102.31 | 791,745.99 | \$458,271,985.35 | 53.58% | 98.60% |
| Total | 1,477,653.94 | \$464,783,406.70 | 100.00% | 100.00% |
| Source: Kimberley Process Rough Diamond Website | | | | 3/6/2019 |
| Note: Data as of Q3 2018 | | | | |

The United States has met all of the KP's statistical reporting requirements in accordance with Annex III of the KPCS Core document in 2018.

F. IMPLEMENTATION OF RECOMMENDATIONS OF KP REVIEW VISITS

The United States continues to implement various recommendations of the 2012 KP Review visit, including improving internal coordination, strengthening oversight of licensees, and expanding law enforcement efforts. As noted above, the United States enhanced oversight of the USKPA when it added the U.S. KP Focal Point to the USKPA Board of Directors. U.S. efforts to replace and upgrade the USKPA website and database, enhanced training for import and export experts at importation points, and the 2018 visit of a U.S. government delegation to Crater State Park are all reflections of the U.S. effort to implement KP review visit recommendations.

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.

In 2018, CBP seized one shipment of rough diamonds for violation of the CDTA as the rough diamond shipment was not accompanied by a valid KP certificate. This seizure case is currently open, pending completion of the administrative forfeiture process.

H. MISCELLANEOUS

Technical Assistance

In 2018, State, the U.S. Agency for International Development (USAID), and USGS cooperated to provide technical assistance related to Côte d'Ivoire and the Central African Republic (CAR), as well as the Kimberley Process CAR Monitoring Team (KP CAR MT).

Central African Republic

The USAID Property Rights and Artisanal Diamond Development (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 KPCS. 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 the diamond sector and communities.

In 2018, PRADD II ended as planned. Project accomplishments include: establishment of a Mining Data Center, managed by the government; 16 Local Monitoring Committees set up in KP Compliant Zones; 3,829 mining sites georeferenced; 18 KP "Focal Points" trained and supported in the field; 6 Peace and Reconciliation Committees established in Berberati; and 6 Local Pacts negotiated and approved in Berberati.

Also in 2018, USAID procured the Artisanal Mining and Property Rights (AMPR) project, a \$9.8 million project that will build on PRADD II's work in CAR. AMPR will focus on improving the KP system in CAR as well as social cohesion in KP Compliant Zones.

The USGS published an open-file report describing the historic and recent spatial distributions of diamond occurrences and mining activity in the Western and Eastern regions of CAR. The resulting historic and recent diamond mining activity database was used to generate production estimates for each sub-prefecture, thus continuing to support the KP CAR MT's effort to ensure legal diamond exports from KP compliant sub-prefectures. The USGS briefed the KP and the CAR MT at the KP Plenary meeting in Brussels on the results of the USGS assessment of current diamond production from CAR, which assisted in the evaluation of the newly proposed compliant zones. The results of the production assessment, as well as the methodology used, will be published in a peer-reviewed journal article in 2019.

The USGS serves as the leader of and one of the U.S. representatives to the KP CAR MT and represents the CAR MT at the KP Working Group on Monitoring. This work has consisted of holding monthly teleconferences, developing a protocol to decrease the time for approval of export shipments, providing technical expertise required to assess newly proposed compliant zones, as well as evaluating and monitoring 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.

PRADD II ended in September 2018 as planned. Project accomplishments in Côte d'Ivoire include: 66% of exports legally registered at the mine level from 2015 to 2018; 61% of mining workers possessing basic knowledge of the KP and the mining code; and 949 households directly benefiting from livelihood diversification activities.

Guinea

In the wake of PRADD's 2016 early closure due to insufficient funds, in 2017 PRADD provided short-term technical assistance to the Guinea Director General of Mines to help refurbish a diamond database previously established by PRADD. In 2018, efforts to reestablish the KPCS database were discontinued due to a lack of cooperation from the Ministry of Mines.

West and Central African Diamond Database

Since 2007, the USGS has been 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 2018, the USGS published an open-file report providing a database of historic and recent diamond mining activity and occurrences in Western and Eastern CAR

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

In 2018, the U.S. Department of Labor (DOL) published the 2017 *Findings on the Worst Forms of Child Labor* and *List of Goods Produced by Child Labor or Forced Labor*. The *Findings on the Worst Forms of Child Labor* is an annual report mandated by the U.S. Trade and Development Act of 2000, which focuses on the efforts of more than 130 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 *List of Goods Produced by Child Labor or Forced Labor* (“TVPRA list”) is mandated by the Trafficking Victims Protection Reauthorization Act of 2005 and subsequent reauthorizations, and is published every other year. The 2018 TVPRA list features 148 goods in 76 countries that DOL has reason to believe are produced by child or forced labor. 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 2018, DOL developed the [*Comply Chain: Business Tools for Labor Compliance in Global Supply Chains*](#) app available for download on iOS and Android platforms in English, French, and Spanish. Comply Chain is a tool that helps companies and industry groups around the world develop robust social compliance systems to root out child labor and forced labor from global supply chains.

Other KP Activities

The United States actively participated in each of the KP Working Groups in 2018. Additionally, the United States sent delegations to the Intersessional Meeting (held in Antwerp, Belgium from June 18 to 22, 2018) and Plenary Meeting (held in Brussels, Belgium from November 12 to 16, 2018), the Ad Hoc Committee on Review and Reform (AHCR) and each of its subcommittees, and KP Working Group Chair face-to-face meetings held throughout the year.

The State Department leads these delegations, which included representatives from Census, CBP, USAID, and USGS. Also, the United States participated in Peer Review Visits to Angola, Japan, Mauritius, and Thailand.