

Cutting corruption in the diamond market

By JOSHUA PHILIPP
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NEW YORK—During the 1990s, rebel groups in Africa ran amok, resulting in bloody civil wars that took the lives of millions. The rebel groups funded themselves with diamonds which were often mined by men, women, and children held at gunpoint.

Such diamonds, known as Conflict Diamonds, or "Blood Diamonds," once flooded diamond markets around the world.

In 2003 the Kimberly Process was established in an attempt to regulate diamond trade and put an end to trade in Conflict Diamonds. Despite this, corrupt governments and black market merchants still continue to pump diamonds into the international market, slipping through the cracks in the Kimberly Process. But not all such diamonds are funding wars. Some are sold in the black market merely to get a higher price.

Facing this, changes are happening in the market as honest diamond dealers seek to provide mine-to-market custody for customers seeking higher ethics in diamond trade. Marc Choyt, publisher of watchdog blog, www.fairjewelry.org and president of Reflective Images, is among them.

Choyt's company prides itself in the trade of conflict-free and fair-trade jewelry. Choyt gets his diamonds from specialty suppliers, focused on human rights. He explained that the label of "conflict-free" is often abused, as any diamond that is Kimberly Certified can be called conflict-free.

"It's a regulatory process. It doesn't have any sort of 'teeth' in regards to human rights or labour," said Choyt in a phone interview. "Kimberly process is considered 'soft law.' Each country interprets it with very limited scrutiny."

Under the Kimberly Process, unpolished diamonds (diamond rough) can only be bought from participating countries. Each shipment must also be accompanied by a tamper-proof Kimberly Process certificate to help ensure that they are conflict-free. It also requires mines, dealers, and exporters to be licensed. Yet gaps continued to remain in the process.

According to Marc, purchasing unlicensed diamonds isn't worth the risk to large companies. Rather, the problem arises from black-market dealers and the small-scale artisan miners in countries where the mining of diamonds is poorly regulated.

While many countries are working with large-scale diamond companies such as De Beers, Choyt said that "massive amounts" of diamonds from small-scale miners are entering the black market.

"Generally these small-scale diamond miners are working in very corrupt situations with very little social structure, [and] very little functioning government."

An example of this corruption can be seen clearly in Mugabe-ruled Zimbabwe where an unknown number of illegal miners have been killed by the government.

Miners say the death toll is in the hundreds.

In December 2008, British newspaper The Guardian reported on the situation. "... a Zimbabwean air force helicopter swept over the hundreds of fleeing illegal diamond miners and mowed down dozens with machine-gun fire. After that the police arrived and unleashed the dogs that tore into the diggers, killing some and mutilating others. The police fired teargas to drive the miners out of their shallow tunnels and shot them down as they emerged," says the report.

According to Choyt, such diamonds easily make it into the glo-



An unidentified diamond trader examines a newly polished stone at the Diamond Market in Antwerp, Belgium. PAUL O'DRISCOLL/GETTY IMAGES

bal market. "There are so many diamonds that are being traded on the open market and they become Kimberly certified, there's so many leaks. It makes sense because diamonds are highly valuable products that are easy to transport. Somebody could just walk in with a pocket full of a couple hundred thousand dollars worth of diamond rough."

A documentary by award-win-

ning-filmmaker Sorious Samura shows just that. The video, Blood on the Stone, which aired on CNN in 2007, followed Samura through New York as he attempted to sell diamonds illegally. It didn't take him long to find a buyer at a local shop. In a chilling statement, the shop-owner told Samura, "I deal a lot with Africa. I'm not dealing only with you. People give me gold, people give me diamonds, people

give me colored stones. I help all of them."

Choyt explained that with the human rights issues surrounding Africa, many would-be-buyers are now turning to Canada. According to him, Canadian diamonds are labeled "conflict free" even though they have massive environmental impact in the Northwest Territories, and one fact remains clear: "Africa needs diamond trade, that's with-

out question," said Choyt. "I think the cutting edge of diamond sourcing in Africa is working with buying a diamond that is actually cut and sourced in those countries."

Fortunately, more stringent sourcing methods are emerging.

Alex Twersky is the president of Finesse Diamonds, which hires locals in Namibia, Africa and ensures that they are treated fairly. "So the diamonds, instead of being exported to foreign cutting centers as has been the practice for years, are bought and processed locally in Namibia. This has created over 100 jobs, most of them well-paying jobs," Twersky said in a phone interview.

According to Twersky, although it costs more money training and hiring locals, he believes that fairness is what comes first and the market will follow. "There are significant cost advantages to manufacturing in India for example, but we believe there is a very positive selling point to the consumer that the diamonds they are buying come from Namibia," he said.

Buying diamonds in the African market can be beneficial to the people there if it is done responsibly. Twersky used Botswana, the largest diamond producer in the world, as an example. "Over 75 percent of their GDP is derived from diamonds. Botswana offers free education through the university level to all of its citizens," he said.

"It offers free healthcare to all of its citizens, has the second highest per-capita GDP in all of Africa—which is over \$15,000 per head—and has the second highest average per-capita income in Africa. It's a success story. You can't deny it. Namibia is also a very successful, stable country."

"In countries like Botswana and Namibia, they have stable governments because their industries are stable."

France gives 10 million euros to nuke test victims

By AURELIEN GIRARD
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PARIS—The French Defense Minister announced military and civilian personnel exposed to radiation during French nuclear tests between 1960 and 1996 will be compensated.

Announced on March 24, new legislation will be accompanied by a 10 million euro package.

The tests were carried out in the African Sahara and Polynesian Islands. In Africa, France carried out 13 underground and four open-air nuclear tests, and in the Pacific 193 tests were done, 46 of which were open-air. Almost 150,000 people were involved in the tests.

"It is now time for our country to find peace with itself... thanks to a compensation system for the suffered damages," said Minister Herve Morin during a press conference.

The Minister acknowledged that in Sahara, four tests "were not properly confined," and that in the Polynesian islands ten "were followed by significant radiation falls in the area."

The first time France offered financial compensation on the matter was in June 2005, when a French judge confirmed the nuclear tests caused progressive muscular paralysis in a retired military officer. The court then concluded that "Even if the plaintiff could not prove [the causal link] between his illness and radiation, French authorities could not prove that the disease was independent of the former job duty."

Even so, this ruling was more an exception than a legal precedent—in February 2009, 12 retired officers appealed in a Paris court after their claim for compensation was rejected.

The burden of proof will change with the new legislation. The alleged victim will not have to prove the link between his condition and the radiation, and the list of medical conditions open to compensation will be broadened.

Unlike the U.S. and U.K., France had until today refused to officially recognize the problem. It is anticipated that several hundred retired military officers and civilians will now claim compensation.



French Defense Minister Herve Morin tells a press conference in Paris that France will compensate 150,000 victims of nuclear testing carried out in the 1960s in French Polynesia and Algeria, after decades of denying its responsibility. PIERRE VERDY/AFP/GETTY IMAGES

Australian fire victims start rebuilding

By MASOOMA HAQ
Epoch Times Staff

KINGLAKE, Australia—The town has only just been reopened to the public after weeks of police lockdown. The painful search for the remains of residents who did not escape the inferno has finally been closed. But even though the fires are out and the police tape is gone, the emotional damage is still very real.

The inferno, dubbed "Black Saturday" by the media, resulted in Australia's highest ever loss of life from a bushfire—210 were killed. Kinglake was one of the towns worst hit by the fires with at least 38 people dead and over 500 homes destroyed.

The area has been closed to the public since February 7, allowing police to search for human remains. On March 17, the roadblocks finally came down.

Not everybody was happy. Some residents were reportedly yelling angrily at a film crew recording the event.

For Kinglake resident Sue Perry, the reopening of the town comes as a welcome relief.

"I'd love to be protected a bit

longer, like a lot of people, but it's definitely time... it means people from outside Kinglake who have offered help can actually come and help now."

Ms. Perry told of the community's emotional and practical recovery being put on hold because of the roadblocks and forensic investigations. Property owners have been unable to search the ruins for precious belongings.

"People haven't been able to move anything from their blocks. They haven't had a chance to go through the rubble, do their grieving and celebrate finds and stuff."

Things have changed with the lifting of the roadblocks," she said. "They feel elation at finding something whole and they're grieving over the things that aren't."

Many residents are happy to have the town open again, but have called on the public to be considerate of the locals.

"We certainly need support from people, but they'll need to be patient with us because we're still pretty raw and we're still pretty shell-shocked and still trying to get it all together," Sharon McCulloch told Fairfax Media.

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Rich hiding showy consumption in downturn

LONDON (Reuters)—Rich people are hiding conspicuous consumption, choosing to spurn luxuries of the boom years to be sensitive to friends who suffered in the downturn, a private equity executive said.

Being showy with luxury items has gone out of fashion even though some could still afford it, said Pi Capital Chief Executive David Giampaolo.

"Some people are still shopping on (London's upmarket) Bond Street but when they walk out of Louis Vuitton they're putting what they just purchased in a Tesco bag," he told the Reuters Hedge Funds and Private Equity Summit in London.

Pi Capital co-invests in private equity deals with a network of around 300 wealthy individuals and

family offices. "Conspicuous consumption is dead, it's vulgar, it's a turn-off," he said.

"If your best friends lost their jobs at Lehman or lost their family fortune in Madoff, it's not exactly in good taste."

Giampaolo said some rich people had also stopped indulging in luxuries such as flying by private jets.

"It isn't that they can't afford it — financially their lifestyle doesn't have to change — but it has changed because they have determined it's inappropriate to carry on the way they did before," Giampaolo said.

"For some, if you had 1 billion and you still have 600 million that's a lot of money, isn't it? So I'm not sure you can't still fly privately or eat in Harry's Bar. (It) doesn't mean you will, though."

Wall Street greed cost the nation: report says

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Federal agencies, including the U.S. Securities and Exchange Commission, the Federal Reserve Bank system and the U.S. Treasury refused to take action, even when confronted by whistle-blowers such as Harry Markopolos and Peter Scannell.

"Congress must adopt the view that Wall Street has no legitimate seat at the table ... This time, legislating must be to control Wall Street, not further Wall Street's control"

"The California energy crisis in 2000, and the subsequent collapse of Enron—at the time unprecedented—was an early warning

that the nation's system of laws and regulation was inadequate to meet the conniving and trickery of the financial industry," the report's researchers claimed.

Financial regulatory actions, especially to curtail hedge funds and financial derivatives, must be enacted, the researchers said in the report.

The merger mania should also be stopped and mega banks must be broken down into smaller parts. In the past several years, investment banks acquired commercial banks and converted themselves into bank holding companies.

"Congress must adopt the view that Wall Street has no legitimate seat at the table ... This time, legislating must be to control Wall Street, not further Wall Street's control," concluded the researchers.



FIRE DAMAGE: Kinglake resident Sue Perry contemplates the destruction in the heart of the rural township. JARROD HALL/THE EPOCH TIMES