

2016 - U.S. Annual Report to the Kimberley Process
As of April 2017

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, the United States Department of the Treasury, the United States Department of Commerce, the United States Department of Homeland Security, and the Office of the United States Trade Representative. Provisions of the CDTA are carried out by several U.S. government agencies and the private U.S. Kimberley Process Authority (USKPA) under a Memorandum of Understanding (MOU) with the U.S. Department of State and the U.S. Census Bureau. 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

Advance Notifications should be sent to both USKimberleyProcess@state.gov and 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

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

Confirmations/Reconciliations should be sent to: ftdkpc@census.gov

Importing Authority

U.S. Customs and Border Protection
1300 Pennsylvania Avenue, NW
Room 5.2B
Washington, D.C. 20229
Thomas Kendrick, Office of International Trade,
Chief, Strategic Enforcement Branch
(202) 863-6057
Thomas.J.Kendrick@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

B. LEGAL FRAMEWORK

The CDTA provides the legal framework pursuant to which the United States 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, the Department of the 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>

The Census Bureau 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>. Updated lists of KP Participants are published periodically in the U.S. Federal Register. U.S. Customs and Border Protection (CBP) of the Department of Homeland Security issued a Final Notice in 2013 that implemented regulations on the prohibitions and conditions applicable to the importation and exportation of rough diamonds. Additional information about this Notice is included in Section C below.

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 United States for the KP and the CDTA. Primary investigative responsibilities and duties are under the U.S. Immigration and Customs Enforcement, Office of 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, 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.

During 2016, CBP staff participated in in-depth training on jewelry and gemstones to enhance their expertise, including training on rough diamonds through the Federal Bureau of Investigation (FBI) course for law enforcement officials at the Gemological Institute of America (GIA) in New York, New York. This course provides specific knowledge as it relates to the identification of diamonds and gems, how their valuation is determined, the grading and tracking of stones, identification of precious metals, and the hallmarking of jewelry and watch identification.

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 JFK International Airport and Washington Dulles International Airport. 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 and ask questions about the CDTA as well as how to discern authentic KP certificates. The training sessions involved CBP personnel, industry representatives, CBP attorneys, ICE/HSI agents, and the Department of Justice.

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 the Department of 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.

CBP conducted outreach with GIA to diamond and jewelry companies in the United States to make valuable industry contacts, reinforce its business relationships, and increase awareness of the KP and CDTA. In an effort to educate the public and increase its awareness of the rough diamond trade, CBP published a Fact Sheet and posted it on the CBP.gov website. This Fact Sheet can be found at:

<https://www.cbp.gov/trade/programs-administration/kimberley-diamonds-process-certification/rough-diamond-importation-procedures>.

CBP field and Headquarters staff traveled to The Hague, the Netherlands to attend the Global Law Enforcement Forum on Diamond Trafficking, Illicit Trade, and Threat Financing Forum. CBP provided presentations on the KP Certification Scheme implementation and trade transformation initiatives.

CBP developed a system referred to as the Document Imaging System (DIS) in Automated Commercial Environment (ACE), the single window concept for the trade community. DIS allows the trade to scan and upload images of trade documents for the use of 47 governmental agencies that CBP routinely collaborates with on border issues. Importers of rough diamonds can scan and upload the KP certificate and other import documents in DIS. CBP and other government agencies involved in the KP and CDTA enforcement can access DIS at any time to review or retrieve KP documents.

The U.S. Department of the 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. In 2015, FinCEN continued the approach it developed in 2014 to increase targeted examinations in the precious metals, precious stones, and jewels sectors based on data-driven research by its Intelligence Division. 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_room/ea/files/20151230.pdf.

Outgoing Shipments

The U.S. Kimberley Process certification scheme provides that the Census Bureau of the U.S. Department of Commerce, as the KP Exporting Authority, publish export reporting requirements for all shipments of rough diamonds. Shipment information must be reported to the Census Bureau through the ACE AES or a successor system. The Internal Transaction Number (ITN) generated by the AES that is assigned to a shipment confirms that 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.

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 2016, the USKPA maintained licensing agreements with 16 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 the Department of State and is included in the Department’s report to the U.S. Congress in July of each year. The USKPA also maintains a database used by licensees to immediately report issuance of KP certificates.

The Department of State, which also visits licensees, visited four licensees during 2016 to review their procedures and recommend improvements. In 2016, the Department of 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 2016, the Department of 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 produce important compliance discussions and help enable closer coordination with, and oversight of, rough diamond exporters. In particular, in May, the Department of State, Census Bureau, and USKPA reached agreement on a memorandum of understanding that outlines responsibilities and how the three entities would together on KP issues moving forward.

To complement existing activities, the Department of Homeland Security, through CBP, continues to conduct examinations of targeted rough diamond export shipments. In 2015, CBP conducted four inspections of outbound shipments.

Incoming Shipments

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

CBP Headquarters issues the memoranda to its field offices to uniformly enforce the provisions of the CDTA and issues guidance when any KP-related risk is identified or when KP regulations and/or membership changes. In 2016, CBP Headquarters issued two notifications to field personnel highlighting the requirements of the KPCS through the CDTA and alerting them about increased attempts to import with fraudulent KP certificates. CBP also issued memoranda to field offices recommending that they issue penalties against certain individuals for specific violations of the CDTA.

In 2016, CBP conducted a review of trade data for all rough diamond shipments presented and conducted 16 physical inspections of incoming shipments at various ports of entry. These examinations reviewed 16 different importers of record.

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

In 2016, CBP was able to identify and resolve several discrepancies with shipments that were entered with erroneously filed entry information. CBP cooperates with the Department of State and the Census Bureau 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 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 newly formed U.S. Jewelry Council, have implemented codes of conduct that list member obligations regarding compliance with the KP and responsible sourcing protocols. The Department of State strongly supports and promotes industry’s enhanced due diligence and related voluntary efforts.

To promote KP compliance and awareness, officials from the Department of State, CBP, and the Census Bureau contacted and visited numerous diamond companies and industry groups during 2015 to discuss the KP, industry’s internal compliance efforts, enhanced vigilance beyond KP minimum standards, and other related issues. The USKPA and State convened a significant meeting in September with approximately 25-30 licensee representatives in attendance to announce the MOU reached by the USKPA, Department of State, and U.S. Census Bureau that outlines responsibilities and how they will work together on KP issues moving forward.

The United States also continued its review of the Clean Diamond Trade Act and implementing regulations in furtherance of findings from the 2012 KP Annual Review. The U.S. State Department 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 applied in some circumstances related to the illicit trafficking of diamonds in violation of UN sanctions.

In 2016, the State Department also supported the U.S. diamond industry’s efforts to increase transparency in the diamond and jewelry sector including by attending the OECD’s 9th Forum on Responsible Mineral Supply Chains, presenting at a Chatham House event on anti-money laundering practices across luxury industries, and participating in various industry events and meetings. Finally, in 2016, planning commenced for the establishment of a U.S. diamond trafficking law enforcement group and a conference on threats and vulnerabilities to the diamond supply chain.

E. STATISTICS

On January 1, 2009, the United States assumed the Chair of the KP's Working Group on Statistics (WGS). The United States continues to look for a successor to serve as the WGS Chair. In 2016, India became Vice Chair of the WGS. The United States is in communication with the Russian Federation regarding its possible acceptance of Chair of the WGS in exchange for the Chair of the Committee on Rules and Procedures. In its capacity as Chair of the WGS, the United States leads efforts of the WGS to improve the submission and analysis of statistical data. This position is delegated to the Census Bureau, which continues to maintain the website it constructed to host the global KP statistical data and works to develop other functions for the WGS. These 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, the analysis of KP statistical data; the adoption of the revised Terms of Reference for the WGS; and the adoption of the automated statistical analysis reports. 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, the Census Bureau collects and posts U.S. rough diamond trade statistics on the KP website. In 2005, the Census Bureau issued a "Notice of Request for Faxed Submission of KP Certificates" requiring copies of all KP Certificates that were used for exporters and importers to be faxed to a toll-free number (1-800-457-7328). This notice of request was revised in 2007 to require the faxing of all KP Certificates immediately upon export of the shipment from the United States. In 2015, the Census Bureau introduced Accellion, a secure alternative method for submitting KP Certificates to the Census Bureau. The Census Bureau continues to reach out to U.S. importers and exporters who have not provided copies of KP Certificates to remind them of this requirement. As the KPCs are required in order to help verify and reconcile the import and/or export KP statistics provided to the Census Bureau, Customs and Border Protection Agency, and the USKPA. The Census Bureau continues to update prior years' statistics when additional information is received to ensure information reported in the ACE system is correct. Census Bureau reconciles statistics up to five years from issuance.

The Census Bureau continues to reconcile U.S. statistics with U.S. trading partners for 2013–2016. This process is on-going and any necessary changes are

incorporated at a later date. As in previous years, during the reconciliation process that is based on Kimberley Certificate data and data provided by U.S. trading partners, the Census Bureau uncovered several 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 2016, instances when KP Certificates were not faxed to the Census Bureau involved varying carat weight and/or value shipments purchased by importers not generally used to trading in rough diamonds. These importers are usually not aware of applicable requirements. The Census Bureau communicates with them directly to inform them of the reporting procedure.

The Census Bureau conducted bilateral reconciliation with U.S. traders for the 2016 trade statistics with Armenia, Australia, Botswana, Brazil, Canada, People's Republic of China, Democratic Republic of the Congo, 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, Turkey, Ukraine, United Arab Emirates, Vietnam and the Rough Diamond Trading Entity of Chinese Taipei.

The Census Bureau also 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, European Union, Ghana, Guinea, Guyana, India, Indonesia, Israel, Japan, Republic of Korea, Liberia, Mauritius, Mexico, Namibia, New Zealand, Norway, Panama, Russian Federation, Sierra Leone, Singapore, South Africa, Switzerland, Tanzania, Thailand, Turkey, United Arab Emirates, and the Rough Diamond Trading Entity of Chinese Taipei.

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

The Census Bureau conducted bilateral reconciliation of trade statistics for 2013 with Armenia, Australia, Belarus, Botswana, Brazil, Cameroon, Canada, People’s Republic of China, Democratic Republic of the Congo, European Union, Guinea, Guyana, India, Indonesia, Israel, Japan, Republic of Korea, Liberia, Malaysia, Mexico, Namibia, Norway, Russian Federation, Sierra Leone, Singapore South Africa, Sri Lanka, Switzerland, Tanzania, Thailand, United Arab Emirates, Vietnam, and the Rough Diamond Trading Entity of Chinese Taipei.

The Census Bureau conducted bilateral reconciliation of trade statistic for 2012 with Armenia, Australia, Botswana, Brazil, Canada, People’s Republic of China, Democratic Republic of Congo, European Union, Ghana, Guinea, Guyana, India, Israel, Japan, Republic of Korea, Lebanon, Liberia, Malaysia, Mexico, Namibia, New Zealand, Russian Federation, Singapore, Sierra Leone, South Africa, Switzerland, Thailand, Ukraine, United Arab Emirates, Vietnam and the rough diamond trading entity of Chinese Taipei.

OVERVIEW OF PRODUCTION – IMPORT – EXPORT DURING THE LAST 5 YEARS

Period	Production			Import			Export		
	Volume, cts	Value, US\$	US\$/cts	Volume, cts	Value, US\$	US\$/cts	Volume, cts	Value, US\$	US\$/cts
2016*	0.00	\$0.00	\$0.00	1,593,594.38	\$734,042,121.66	\$460.62	903,433.91	\$426,655,456.96	\$472.26
2015	0.00	\$0.00	\$0.00	2,075,828.84	\$340,561,342.96	\$164.06	1,164,232.13	\$203,150,440.46	\$174.49
2014	0.00	\$0.00	\$0.00	4,131,825.07	\$594,414,585.96	\$143.86	1,614,788.68	\$395,636,887.13	\$245.01
2013	0.00	\$0.00	\$0.00	3,721,563.21	\$587,066,466.32	\$157.75	1,551,278.58	\$344,218,568.51	\$221.89
2012	0.00	\$0.00	\$0.00	3,865,216.35	\$943,505,705.69	\$244.10	1,471,800.31	\$403,689,671.11	\$274.28
Source: Kimberley Process Rough Diamond Website									
* 2016 as of Q3 2016. Q4 due March 31, 2017									
2013-2015 as of 12/29/2016									
2012 as of 01/13/2017									

Source: Data from Participant's Statistical Tables from WGS Website

* 2016 data is as of Q3 2016

2012-2015 data 02/22/2016

2011 data 07/13/2015

OVERVIEW OF THE KPC COUNT FOR IMPORT – EXPORT DURING THE LAST 5 YEARS

KPC Counts

KPC Counts			
Period	Import	Export	Total
2016*	816	768	1,584
2015	1,018	1,067	2,085
2014	1,235	1,227	2,462
2013	1,347	1,249	2,596
2012	1,337	1,325	2,662
Source: Kimberley Process Rough Diamond Website			
* 2016 as of Q3 2016. Q4 due March 31, 2017			
2013-2015 as of 12/29/2016			
2012 as of 01/13/2017			

Exports

The United States is not a rough diamond producer. Since 2010, the Department of State has worked closely with Crater of Diamonds State Park in the state of Arkansas to ensure that visitors to the park who dig for rough diamonds know of the requirements of the CDTA and the KPCS. In 2016, the Department of State and the Census Bureau conducted an on-site field visit to the State Park and the Crater of Diamonds is considering possibilities to become a licensed exporter of rough diamonds. In May 2016, the Park entered into negotiations with USKPA to become a licensee; however, with staffing changes at the Park the process was delayed to 2017.

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 2016.

According to published Census Bureau statistics, rough diamond re-exports from the United States in 2016 totaled \$426.7 million – an increase of 110 percent from the revised 2015 level of \$203.2 million. (See Table 1 below)

Table 1

United States Exports 2016			
U.S. Trading Partners	Sum of Volume (Carats)	Sum of Value (US\$)	KPC Counts
European Union	432,266.38	\$149,302,344.95	269
Switzerland	3,853.46	\$118,732,456.08	6
Israel	23,605.96	\$76,929,088.59	62
United Arab Emirates	82,850.95	\$40,245,476.64	18
India	25,956.53	\$10,600,578.82	49
China, People's Republic of	16,815.21	\$6,808,364.60	26
Namibia	12,115.70	\$6,483,832.15	10
South Africa	409.93	\$3,357,198.00	6
Japan	52,184.08	\$3,251,566.97	69
Armenia	16,784.86	\$3,191,351.97	15
Ukraine	1,593.28	\$1,930,832.65	3
Thailand	1,806.42	\$1,748,584.65	6
Singapore	503.17	\$1,072,619.68	3
Canada	194,756.50	\$800,565.07	89
Korea, Republic of	13,516.22	\$727,498.87	43
Botswana	2,037.32	\$706,635.20	5
Mexico	7,866.31	\$325,015.58	69
Russian Federation	773.08	\$193,265.00	1
Brazil	674.03	\$176,410.21	3
Chinese Taipei	11,507.21	\$59,093.03	6
Indonesia	1,500.00	\$6,750.00	1
Australia	54.32	\$5,771.00	8
Turkey	2.99	\$157.25	1
Totals	903,433.91	\$426,655,456.96	768
<i>Source: Kimberley Process Rough Diamond Website 02/17/2017</i>			

U.S. re-exports by value are primarily to three KP Participants: European Union, (\$149.3 million), Switzerland (\$118.7 million), and Israel (\$76.9 million), which totaled 80.85 percent of U.S. re-exports of rough diamonds in 2016. (See Table 2 below).

Table 2

2016 Top Three KP Participant Exports by Value (US\$)		
Participants	Value	% of Total Value (US\$)
European Union	\$149,302,344.95	34.99%
Switzerland	\$118,732,456.08	27.83%
Israel	\$76,929,088.59	18.03%
Top Three total Value	\$344,963,889.62	80.85%
All Others Participants	\$81,691,567.34	19.15%
Total US Exports 2016	\$426,655,456.96	100.00%

Source: KPCS 02/17/2017

The top three Participant countries by export volume (carats) were the European Union (432,266.38 cts), Canada (194,756.50 cts) and the United Arab Emirates (82,850.95 cts). They represent 78.60 percent of the total export by volume (carats) of rough diamond shipments in 2016.

Table 3

2016 Top Three KP Participant Exports by Volume (carats)		
U.S. Trading Partner	Sum Value (US\$)	Total Volume (carats)
European Union	432,266.38	47.80%
Canada	194,756.50	21.60%
United Arab Emirates	82,850.95	9.20%
Total Top 3 (volume)	709,873.83	78.60%
All Other Participants	193,560.08	21.40%
Grand Total	903,433.91	100%

Source: KPCS 02/22/2016

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 the U.S. re-export of rough diamond statistics in 2016. (See Table 4 below).

Table 4

2016 U.S. Export Commodity Classification				
HTS Code	Volume (Carats)	Value (US\$)	% of Total Exports Volume	% of Total Exports Value (US\$)
7102.10	13,075.68	\$4,495,482.24	1.45%	1.05%
7102.21	569,701.80	\$13,115,625.83	63.06%	3.07%
7102.31	320,656.43	\$409,044,348.89	35.49%	95.87%
Grand Total	903,433.91	\$426,655,456.96	100.00%	100.00%

Source: KPCS 02/17/2017

Imports

The United States has submitted trade and KP certificate count data by Participant for Q1-Q3 2016. Q4 2016 statistics will be made available on March 31, 2017.

As of Q3, the United States imported \$734.0 million worth of rough diamonds in 2016 – an increase of 115.5 percent from the revised 2015 level of \$340.6 million. According to the Census Bureau, the United States imported rough diamonds from the KP Participants/approved entities listed below in 2016 (See Table 5).

Table 5

2016 United States Imports			
U.S. Trading Partner	Sum Volume (Carats)	Sum Value (US\$)	KPC Count
United Arab Emirates	64,471.18	\$283,356,268.47	31
European Union	465,705.87	\$164,622,561.33	357
Israel	119,670.37	\$85,453,772.09	79
Botswana	298,167.62	\$64,986,535.79	77
Switzerland	1,895.78	\$46,273,733.07	10
Namibia	14,311.60	\$27,756,130.83	10
Singapore	6,777.97	\$25,432,856.94	15
Canada	152,083.37	\$14,674,352.29	11
India	441,439.31	\$5,213,457.29	103
Russian Federation	1,554.91	\$4,673,506.00	21
Brazil	2,353.41	\$3,926,446.96	9
South Africa	233.16	\$3,494,806.00	13
China, People's Republic of	5,278.09	\$1,963,851.10	10
Guyana	6,111.82	\$1,015,877.96	3
Japan	8,139.11	\$629,463.72	17
Guinea	3,989.98	\$226,164.53	5
Sierra Leone	133.92	\$126,068.36	5
Congo, Democratic Republic of	37.00	\$75,375.74	3
Australia	60.95	\$47,446.44	3
Mexico	747.54	\$40,327.40	26
Tanzania	15.05	\$19,339.98	2
Korea, Republic of	160.86	\$17,242.38	3
Thailand	55.05	\$15,843.40	2
Vietnam	200.46	\$693.59	1
Totals	1,593,594.38	\$734,042,121.66	816

Source: KPCS 02/17/2017

U.S. imports of rough diamonds are primarily from three KP Participants: United Arab Emirates (\$283.4million), European Union (\$164.6 million) and Israel (\$85.5 million). These top three countries accounted for 72.67 percent of the total U.S. import value of rough diamond shipments in 2016. (See Table 6).

Table 6

2016 Top Three KP Participant Imports by Value (US\$)		
Participants	Value	% of Total Value (US\$)
United Arab Emirates	\$283,356,268.47	38.60%
European Union	\$164,622,561.33	22.43%
Israel	\$85,453,772.09	11.64%
Top Three total Value (US\$)	\$533,432,601.89	72.67%
All Others Participants	\$200,609,519.77	27.33%
Total US Imports 2015	\$734,042,121.66	100.00%

Source: KPCS 02/22/2016

The top three Participant countries by import volume (carats) for 2016 were from European Union (465,705.87 cts), India (441,439.31 cts) and Botswana (298,167.62 cts). These Participant countries represent 75.63 percent of the total imports by volume (carats) of rough diamond shipments in 2016. (See Table 7 below).

Table 7

2016 Top Three KP Participant Imports by Volume (carats)		
U.S. Trading Partner	Sum Volume (carats)	% of Total Volume (carats)
European Union	465,705.87	29.22%
India	441,439.31	27.70%
Botswana	298,167.62	18.71%
Total Top 3 (carats)	1,205,312.80	75.63%
All Other Participants	388,281.58	24.37%
Grand Total	1,593,594.38	100.00%

Source: KPCS 02/17/2017

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 2015. (See Table 8)

Table 8

2016 U.S. Import Commodity Classification				
HTS Code	Volume (Carats)	Value (US\$)	% of Total Exports Volume	% of Total Exports Value (US\$)
7102.10	7,978.99	\$2,018,469.54	0.50%	0.27%
7102.21	907,295.67	\$15,619,359.10	56.93%	2.13%
7102.31	678,319.72	\$716,404,293.02	42.57%	97.60%
Grand Total	1,593,594.38	\$734,042,121.66	100.00%	100.00%

Source: KPCS 02/22/2016

The United States has met all of the statistical reporting requirements in accordance with Annex III of the Kimberley Process Certification Scheme document in 2016.

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, oversight of licensees and expanding law enforcement efforts.

G. INFRINGEMENTS AND COOPERATION WITH RESPECT TO ENFORCEMENT

In 2009, the Department of 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 United States developed a template for the sharing of information concerning seizures/forfeitures requested by other KP Participants. The United States 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: http://www.cbp.gov/linkhandler/cgov/trade/trade_programs/diamonds/not_kim.ctt/not_kim.pdf

In July of 2015, CBP issued a notice to its field offices informing that CBP Office of International Trade maintains a library of KPCS certificates specimens that will serve as a resource for the identification of fraudulent certificates.

In 2016, CBP seized five shipments of rough diamonds. The seizures were of diamond shipments with invalid KP certificates and without KP certificates. These 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: USAID and USGS

In 2014, the State Department, the U.S. Agency for International Development (USAID), and USGS cooperated to provide technical assistance related to Côte d'Ivoire and Guinea through the Property Rights and Artisanal Diamond Development II (PRADD II) program. PRADD II is a joint State Department/USAID initiative to assist countries in fulfilling their commitment to the KPCS. Launched in 2013, the project aims to clarify and formalize surface and sub-surface resource rights in artisanal mining areas in order to increase the number of rough diamonds entering the formal supply chain and improve the livelihoods of artisanal mining communities. In late 2015, PRADD II began activities in the Central African Republic. Due to insufficient funds, PRADD II exited Guinea in May 2016.

The USGS also provided technical assistance related to Cameroon.

Central African Republic

The USAID PRADD I project was active in the Central African Republic (CAR) from 2007-2013. The program at that time, and now as well under 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 of all diamond sector actors and communities.

In 2016, PRADD helped the authorities recover critical diamond production data covering 2006 to 2013 and worked closely with mining authorities to prepare reforms in the collection of diamond production and marketing data required of the

KPCS. Strengthening these foundations helped pave the way for Berberati's designation as the first Compliant Zone, as provided under the KP Operational Framework for Resumption of Exports of Rough Diamonds from the Central African Republic, in May, and a resulting first official export in June. PRADD continued assisting the Central African authorities in building their technical capacities, including refurbishing the Center for Geo-Information Science and Mineral Statistics, GIS training to its staff, and seconding personnel to the Kimberley Process Secretariat to help collect diamond production data in Berberati. In addition to Berberati, the KP Monitoring Team has now identified Carnot, Boda, and Nola as Compliant Zones. PRADD is also highlighting much-needed policy changes, including technical assistance towards transforming the CAR Permanent Secretariat of the Kimberley Process into a national institution with adequate legal, regulatory and functional capacities to accomplish its mission. PRADD II is also working with the artisanal diamond mining communities, civil society organizations, and local government authorities in better understanding the dynamics of the artisanal diamond economies to promote transparency in the sector, and encourage Muslim diamond traders to leave their refuge in Cameroon and return to the mining communities.

The USGS continued to acquire and process high resolution satellite imagery for the area of the Carnot Sandstone Formation, in the western region of CAR, which was analyzed for active diamond mining. This analysis was used to investigate the spatial distribution of active mine sites from that region and to continue to support the KP CAR monitoring Team's effort to ensure that diamonds were exported legally from KP compliant sub-prefectures. The results of the study will be published in the form of a USGS open-file report. The report is planned to be released in mid-2017.

The USGS served as one of the U.S. representatives to the KP CAR Monitoring Team and as the alternate representative of the KP Working Group on Monitoring. In these roles it has provided technical expertise required to evaluate and monitor "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 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 2016, PRADD assisted the KP Secretariat in revamping the KP statistics database for a mobile data collection system. It is also working with local authorities and the local mining community of Tortiya to bring the area into KPCS compliance, studying whether the Ivorian parastatal SODEMI model of supporting local cooperatives could be applied to Tortiya. In addition, PRADD worked closely with the international Friends of Cote d'Ivoire (FoCdi) to bring renewed diplomatic engagement focused on diamonds produced by the artisanal and small scale mining (ASM) sector. With FoCdi's support, PRADD engaged with the Ministry of Mines to plan for a region-wide conference to discuss ASM best practices that could also be applicable to the burgeoning gold ASM sector.

PRADD assisted in the resolution of long standing village boundary disputes in diamond mining areas of Séguéla and Tortiya. Participatory land use planning was completed in Tortiya through the formal adoption of a strategic development plan, the first in Côte d'Ivoire including participatory zoning. PRADD II also continued to support livelihood diversification activities, particularly fish farming in exhausted diamond mining pits, beekeeping in cashew plantations, and an innovative entrepreneurship program for youth interested in creating value added enterprises in diamond mining areas. Project reports can be found at: <https://www.land-links.org/project/property-rights-and-artisanal-diamond-development-ii-cote-divoire/>.

In 2016, the USGS provided USAID's PRADD II project team with a fieldwork plan to collect hand auger sediment data in the Séguéla region. Once the data was collected and transferred to the USGS team, the project team processed the data and conducted preliminary geomorphic analysis. The USGS provided the analysis to PRADD II staff by means of an Administrative Report, along with the processed data, topographic map files, a high resolution digital elevation model (DEM), a preliminary geomorphic model, a diamond database watershed landform analysis, and a geomorphic model map. 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.

The USGS also completed the land cover change analysis for the Tortiya area of interest for 1968 to 2014, the results of which have been submitted to a peer-reviewed journal for publication.

Guinea

In early 2016, PRADD continued strengthening the first-ever electronic data base system that enables the Guinean Ministry of Mines and Geology to collect diamond production statistics using e-tablets and appropriate database software. A smart-phone app was developed that will allow the transmission of diamond production information from mining sites to the national data base. In addition, PRADD continued communication and outreach campaigns to continue to raise the awareness of artisanal diamond miners (using rural radios) on the Kimberley Process. PRADD II also helped the Ministry establish and equip the ASM database required for KPCS compliance.

Due to insufficient funding, however, PRADD was forced to prematurely close its operations in Guinea in May 2016. To facilitate the closure of this program, PRADD focused on ensuring materials and information were properly transferred to responsible parties. In its equipment disposition, PRADD provided materials to its partners, especially the local Mining Departments in Forécariah and Banankoro, as well as to Guinean non-governmental organizations.

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 DEM, a geomorphic model, and a land cover classification file.

The USGS also completed the development of its methodology for using UAS imagery to aid in fieldwork, the results of which have been submitted to a peer-reviewed journal for publication.

Cameroon

The USGS conducted background investigation and data collection in preparation for the 2016 KP review visit to Cameroon. Due to security requirements, however, the USGS representative was not permitted to participate in the trip.

West 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, and the Central African Republic, with some preliminary work in 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. Compilation of information on other countries in the region continues. 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 2016, preliminary exploration of satellite imagery for mining sites began in Cameroon. Further, significant progress was made in the Central African Republic where several additional sources of diamond location data were incorporated into the database, including historical maps, fieldwork completed by PRADD, and calendar year 2016 high resolution satellite imagery.

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

In 2016, the U.S. Department of Labor (DOL) published the 2015 *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 137 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 2015 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 case 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.

Other KP Activities

The United States actively participates in each of the KP Working Groups and in 2015, led KP Peer Review Visits to Mexico and the United Arab Emirates and participated in Review Visits to the European Union and the Central African Republic.