

RAPAPORT®

Michael Rae
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Via email – michael.rae@responsiblejewellery.com

January 19 2010

Dear Michael:

The Responsible Jewellery Council's (RJC) noble mission *"To advance responsible ethical, social and environmental practices, which respect human rights, throughout the diamond and gold jewellery supply chain, from mine to retail"* is worthy of implementation and vitally important as the diamond industry confronts its greatest human rights crisis in a decade.

Marange diamonds associated with the murder, rape and enslavement of innocent civilians have penetrated the diamond and jewelry supply chain. The purchase and onward distribution of these blood diamonds to consumers is funding a continuing cycle of horrific human rights violations. Even worse, it is sending a strong signal of encouragement to the perpetrators of these inhuman crimes: That it is acceptable to kill people because the diamond and jewelry industry really doesn't care about anything except its profits.

For many years, the RJC has talked the talk. Now it is time to walk the walk. The Marange crisis is upon us and the reputation of your organization and our industry is on the line. The RJC is perfectly positioned to take on a proactive and positive role that can save lives. This is your chance to do the right thing.

I pray that my words – as harsh and blunt as they may be – encourage your organization to move forward in the right direction. If it were not for the loss of human life and severe human rights violations, I would communicate more diplomatically. However, knowing what I know and seeing what I have seen during the previous crisis in Sierra Leone, I cannot - and will not - be silent in the face of the death and devastation.

I am severely disappointed by the RJC's unconscionable and irresponsible failure to adequately respond to the Marange crisis. I believe that the RJC has not only neglected its responsibility to the diamond and jewelry trade but much worse to the people of Marange. You have the ability and responsibility to save peoples' lives yet you refuse to do so.

The Responsible Jewelry Council's must instruct its members to immediately cease and desist in the purchase, sale or manufacture of all Marange diamonds or jewelry containing Marange diamonds including diamonds and diamond jewelry that are already in the wholesale and retail distribution system.

Given the fact that blood diamonds from Marange have been exported with Kimberley Process (KP) certificates, the RJC's position of merely requiring compliance in conformance with the KP Certification Scheme (KPCS) and the narrow unacceptable KP definition of conflict diamonds is fundamentally wrong and unethical. This position allows for the continued sale and distribution of blood diamonds with KP certificates.

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The RJC and its members must face the fact that blood diamonds from Marange have entered the diamond distribution system. These blood diamonds have been cut, polished, set in jewelry and sold to retailers, many of whom may very well be members of the RJC. These diamonds must be immediately removed from distribution and urgent measures must be taken to ensure that no additional blood diamonds enter the distribution system.

To be sure that you and others reading this letter fully understand the situation I have provided below basic background information, necessary definitions, key issues and recommendations. Our recent exchange of emails and a list of informative articles is also provided as an attachment to this letter.

Background:

1. Severe human rights violations, including murder, rape and enslavement took place in the diamond fields of Marange, Zimbabwe during 2008. Recent reports from Human Rights Watch (HRW) indicate that these horrific conditions continue to take place.
2. Blood diamonds from the Marange fields involved in these severe human rights violations were imported into the cutting centers with KP certificates.
3. These blood diamonds were cut and polished and then sold to wholesalers and retailers.
4. It is extremely likely that some of these blood diamonds are in the inventory of RJC members.

It is important to note that because the blood diamonds were imported with KP certificates, customs officials in the importing countries (i.e., cutting centers) did not - and do not - have the legal right to stop the importation of these blood diamonds, even when they recognize them as Marange diamonds.

To understand how it is possible for blood diamonds to be issued KP certificates we must define the term "blood diamonds" and then compare that definition to the KP definition of "conflict diamonds."

Rapaport definition: "Blood diamonds are diamonds involved in murder, mutilation, rape or enslavement."

We specifically exclude other abuses, including child labor, unsafe working conditions and environmental damage, because severe human rights violations must be differentiated from lesser abuses.

Kimberley Process's definition:

"CONFLICT DIAMONDS means rough diamonds used by rebel movements or their allies to finance conflict aimed at undermining legitimate governments, as described in relevant United Nations Security Council (UNSC) resolutions insofar as they remain in effect, or in other similar UNSC resolutions which may be adopted in the future, and as understood and recognised in United Nations General Assembly (UNGA) Resolution 55/56, or in other similar UNGA resolutions which may be adopted in future;"

The KP definition of conflict diamonds does not include blood diamonds. It is a legal definition established by governments to control and limit the scope and authority of the Kimberley Process. As someone who participated in the creation of the KP I can testify that the "conflict diamond" definition was specifically designed to exclude human rights abuses due to concerns by governments for their national sovereignty.

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It is not by accident that the words “human rights” are absent from the KP definition of “conflict diamonds”, or that at the KP Plenary this past November the Russian delegation stated "at present there are no conflict diamonds in Zimbabwe." Shockingly by definition, the Russian's are correct. After all the murder, rape and enslavement in Zimbabwe was carried out by government forces, not rebels.

The KP is a highly politicized process controlled by governments for governments. Its primary function is to protect governments and their revenue – legitimate or not – from rebel forces and consumer boycotts. The KP is essentially agnostic when it comes to human rights. As HRW concludes in its November 6, 2009 report “This diamond monitoring body has utterly lost credibility.”

Issues:

1. There is a common misconception in the diamond trade that diamonds with KP certificates are free of human rights abuses. Organizations such as the World Diamond Council (WDC) and the RJC have promoted the KP as an acceptable standard, but have failed to inform the trade about the limitations of KP certification and the definition of conflict diamonds. The trade must be informed of the KP limitations and warned not to accept KP certification as the sole standard for ensuring that diamonds are free of human rights abuses.
2. Blood diamonds have been imported into the cutting centers with KP certificates. The diamond trade in general and the RJC in particular cannot promote “responsible ethical human rights standards” based on KP certification and the narrow KP definition of “conflict diamonds.” New compliance standards, terminology and definitions must be established.
3. The diamond trade cannot rely on governments to stop the flow of blood diamonds into the cutting centers. Blood diamonds with KP certificates are perfectly legal. The trade must establish strong disincentives for those who introduce blood diamonds into the cutting centers. Formal voluntary disclosure systems must be established, publicized and enforced.
4. Cutters, wholesalers and retailers currently have Marange blood diamonds in their inventories. The sale of these diamonds must be stopped. Inventories must be inspected and possible blood diamonds removed from showcases. Blood diamonds should be returned to sellers with a demand for full repayment. The continued sale of blood diamonds within the trade and to consumers provides renewed financial incentive to firms that trade in blood diamonds and encourages additional human rights violations.

Recommendations:

1. The leadership of the RJC should hold an urgent meeting to discuss what measures it can take to ensure that Marange diamonds are not traded and to decide how to deal with Marange diamonds already in the distribution system.
2. The RJC should immediately instruct its members to cease and desist from the purchase, sale or manufacture of all Marange diamonds, or jewelry containing Marange diamonds, including all diamonds and diamond jewelry already in the wholesale and retail distribution system.

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3. The RJC should clearly and publicly instruct members about what they can and should do to ensure that the diamonds they trade are not Marange or blood diamonds. The RJC should publicize to its members and the trade the fact that KP certification is not proof that diamonds are free of human rights abuses. It should educate its members and the trade about the situation in Marange and their moral responsibility not to trade in Marange diamonds even if such diamonds are legal. The RJC should establish compliance standards that are not based solely on KP compliance and/or future audits.
4. RJC members should publicly commit to not buying or selling Marange diamonds and they should require their suppliers to make the same commitment. RJC members should publicly disclose the measures they are taking to ensure compliance.
5. The term blood diamonds should be defined as: "Blood Diamonds are diamonds involved in murder, mutilation, rape or enslavement." The term blood diamonds should be used to describe blood diamonds to the exclusion of other terminology that has been used to cover-up their true meaning and desensitize the diamond industry to the horrific consequences that the trade in blood diamonds entails. The term "conflict diamonds" is misleading and should only be used as per its KP definition.

Conclusion:

The primary goal of this letter is to encourage the leadership of the RJC to take proactive measures that will save lives and eliminate - or at least diminish - severe human rights violations. I recognize that the ideas presented herein may not be optimal for your organization and therefore encourage the RJC leadership to develop better solutions. The important thing is that we move forward to quickly stop the trade in Marange diamonds.

Attached to this letter are our recent email correspondences and a list of articles that are available at www.diamonds.net/zimbabwe.

This letter is being sent to a broad range of parties including RJC members, industry leaders, NGO's, media and government officials. All comments and suggestions are welcome to Email rap@diamonds.net.

Thank you for your time and consideration.

Yours truly,



Martin Rapaport
Chairman
Rapaport Group

Attachments: Emails Correspondence RJC/Rapaport, List of Articles

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Email Correspondence – RJC/Rapaport

From: Michael Rae [mailto:michael.rae@responsiblejewellery.com]

Sent: Thursday, December 24, 2009 8:01 PM

To: Martin Rapaport

Subject: RE: RJC and Marange Diamonds

Importance: High

Dear Martin,

My greetings to you and all the best for 2010.

I must take issue with your assertion that the “lack of response by the RJC to the situation in Marange is entirely unacceptable.” As you will see from my email attached, the RJC responded to you on December 16th about its intentions regarding diamonds coming from the Marange fields. You may not agree with the content of the RJC’s response but to aver to the others on the cc list to your email to me that the RJC had completely failed to respond is simply disingenuous.

As you are aware from my previous email, the RJC System is a transparent, rules-based certification system that requires regular independent audit of objective evidence to assure conformance with the requirements of the System.

That is why the RJC accredited auditors, when they are engaged by RJC Members, will seek evidence from Members that they have not purchased diamonds from Marange while ever shipments of diamonds from Marange are suspended, or subject to any further action as may be determined, by the Kimberley Process Certification System.

As I said in my previous email:

Through the RJC Certification System, the RJC requires that its Members must not knowingly buy or sell conflict diamonds, or assist others to do so. The RJC Code of Practices includes four provisions requiring conformance with the Kimberley Process Certification Scheme for rough diamonds and the World Diamond Council System of Warranties. Non-compliance with any of these provisions is considered a ‘Critical Breach’ under the RJC Certification System, which will trigger disciplinary proceedings leading to sanctions against that RJC Member, which may ultimately lead to expulsion.

The RJC Code of Practices also includes specific provisions on human rights, which refer to the Universal Declaration of Human Rights, the Voluntary Principles on Security and Human Rights, and ILO Conventions on child labour, forced labour, freedom of association and discrimination.

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Email Correspondence – RJC/Rapaport

RJC Members must evidence compliance through an independent verification assessment, which involves desktop reviews and site visits. Independent, third party auditors will look for objective evidence of conformance in the form of management systems, observed practices and record-keeping.

The RJC believes that this requirement, backed up by independent audit, is both consistent with the philosophy of the RJC System and patently more transparent and rigorous than any claim based on a simple self-declaration from a company without any form of independent assessment of conformance.

In the light of the above, you would be demonstrably misleading your readers to issue the statement “Responsible Jewellery Council launches certification system setting ethical standards for jewelry trade but does not ban diamonds from Marange, Zimbabwe in spite of obvious severe human rights abuses. Trade is warned not to rely on this organization for ethical standards.” in your weekly market comment.

The RJC will continue to monitor progress on KP implementation in Zimbabwe and urges all parties to work towards resolution of these issues.

Kindest regards,

Michael

Michael L Rae
Chief Executive Officer



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Email Correspondence – RJC/Rapaport

From: Martin Rapaport
Sent: Wednesday, December 23, 2009 4:54 PM
To: 'Michael Rae'
Subject: RE: RJC and Marange Diamonds

Dear Michael,

Greetings and best wishes for the New Year.

The lack of response by the RJC to the situation in Marange is entirely unacceptable.

Rapaport will shortly be issuing the following statement in our weekly market comment.

“Responsible Jewelry Council launches certification system setting ethical standards for jewelry trade but does not ban diamonds from Marange, Zimbabwe in spite of obvious severe human rights abuses. Trade is warned not to rely on this organization for ethical standards.”

If you, Matt, John or others representing the RJC wish to speak with me about this matter, I am available at +972-543-977-960. I would like to encourage dialogue as we plan on issuing a number of additional statements and letters in the near future. You might also want to review our letter to the WDC which is attached to this email.

So as to avoid any misunderstanding I am advising the RJC of the following:

“As a responsible member of the jewelry industry the Rapaport Group is demanding that the RJC immediately instruct its members to cease and desist in the purchase, sale or manufacture of all diamonds or jewelry containing diamonds from Marange. This includes rough and polished diamonds already in the diamond distribution system.”

“The RJC must not represent itself as an ethical standard bearer for the jewelry industry if it refuses to enforce ethical standards with regard to the handling of blood diamonds from Marange.”

The time for RJC to ban its members from trading in Marange diamonds is now – before Christmas.

Yours truly,

Martin Rapaport
Chairman
RAPAPORT GROUP

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List of Recommended Articles on Marange Situation

All the articles are available at <http://www.diamonds.net/Zimbabwe>

1. Human Rights Watch Letter to Diamond Retailers - Zimbabwe.
Human Rights Watch. December 17, 2009
2. Rapaport Letter to World Diamond Council - Zimbabwe.
Martin Rapaport. December 2, 2009.
3. "Background: Zimbabwe's Marange Diamond Mine."
Rapaport News. December, 2009.
4. "Zimbabwe's Diamond Mines Lead to Rape, Murder, and Thievery."
Joshua Hammer, Fast Company Magazine. December, 2009.
5. "Rapaport Bans Zimbabwe's Marange Diamonds."
Rapaport Diamond Report. December, 2009.
6. "Rapaport Bans Zimbabwe's Marange Diamonds."
Rapaport Press Release. November 24, 2009
7. "Kimberley Process Zimbabwe Action Mars Credibility."
Human Rights Watch, November 6, 2009.
8. *Africa's Diamond Trade Under Scrutiny*.
Celia W. Dugger, The New York Times. November 3, 2009.
9. "Review Mission to Zimbabwe."
Kimberley Process Certification Scheme. July 4, 2009.
10. "Diamonds in the Rough: Human Rights Abuses in the Marange Diamond Fields of Zimbabwe." Human Rights Watch. June, 2009.
11. "Zimbabwe, Diamonds, and the Wrong Side of History."
Partnership Africa Canada. March, 2009.