



General Assembly Second

Economic and Financial
Committee

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This background guide has been adopted and reformed from the London International Model United Nations 2018 background guide for the Economic and Financial Committee (ECOFIN).

Letter from the Secretariat

Delegates,

Welcome to the background guides for MiniMUN 2018! Whether it is your first or third Model United Nations conference, it is our hope at MiniMUN that you will continue to further expand your knowledge of MUN, world issues, and the UN itself.

The purpose of this background guide is to introduce the committee and the topic, as well as help you write your position paper. Details on position paper and submission are available under the Position Paper tab on our website:

<http://chsminimum.weebly.com/position-papers.html>

The topics and committees were chosen to reflect the problems that our world leaders face. As a delegate, you will be stepping into the role of world leaders. You will take on perspectives different from your own, and you will push for what your country believes to be right.

We have diligently worked to make this year's topics even more captivating and advanced than previous years. If at any time, you are having trouble understanding the background guide, finding information on the topic, or writing your position paper, please contact your chairs for help. They are more than willing to assist you to make MiniMUN a productive and engaging conference!

We are very excited to see you at MiniMUN 2018!

Christine Pang and Curran Myers

Secretary-General and Director-General, MiniMUN 2018



Description of Committee

The second of the six General Assembly Main Committees, the Economic and Financial Committee is the primary economic body of the United Nations (UN). Founded as a standing committee of the General Assembly by the UN Charter of 26 June 1945, its purpose is to “promote international cooperation in the economic field. Its mandate is to consider all relevant international economic issues such as macroeconomic policy, trade statute, sustainable development, globalization, poverty eradication, and technological progress. ECOFIN has devoted its past few sessions to groups of countries in special situations, including specific classes of countries such as Least Developed Countries (LDCs) and Landlocked Developing Countries (LLDC). ECOFIN is part of the larger General Assembly, the “main deliberative organ of the United Nations,” and as such, resolutions passed in this committee have the support of a far greater group of nations than in other international financial organizations. In ECOFIN, each of the 193 member states of the UN General Assembly has one vote, giving an equal voice to each sovereign entity, large or small, developed or developing. Despite the lack of monetary leverage, given the weight behind each resolution, decisions made in this forum dictate the policies of other more active organizations such as the International Monetary Fund, World Bank, and World Trade Organization. It is for this reason that decisions made at ECOFIN have such wide-ranging effects.

ECOFIN: <http://www.un.org/en/ga/second/>

The Role of Diamonds in Fueling Conflict

Introduction

The role of diamonds in creating conflicts is an issue that has long been discussed by the international community. Unfortunately, the extreme difficulty in tracing diamonds from their source to the buyer has made it almost impossible to stop the use of diamonds to fund rebel groups worldwide which aim to overthrow governments. While this issue is mostly focused in Africa, as the continent with the largest quantity of diamonds, the international trade of diamonds makes this an international issue which needs to be strengthened through organizations working together. Consumers want to buy “clean diamonds”, which were not obtained using violent methods, and numerous companies worldwide claim to provide this service. In reality, it is near impossible to know the original source of a diamond, meaning that by buying diamonds, consumers could be unknowingly funding rebel groups.

The United Nations defines conflict diamonds as “diamonds that originate from areas controlled by forces or factions opposed to legitimate and internationally recognized governments, and are used to fund military action in opposition to those governments, or in contravention of the decisions of the Security Council”. Diamonds continue to finance armed conflicts and wars in Angola, Liberia, Sierra Leone and Guinea regardless of UN weapons and diamond regulations. When considering this issue, delegates need to firstly look at their country positions followed by their country policies in determining how each member states deals with conflict diamonds.

History of the Problem

The history of the diamond trade essentially goes back to when diamonds were first discovered. In the first century AD, Roman naturalist Pliny called “diamonds [...] the most valuable, not only or precious stones, but of all things in this world”. While diamonds have been valued because of their beauty throughout history, their science was little known. During the dark ages for example, diamonds were used as medical aid and were thought to cure illness. Until the 18th Century, India was thought to be the only source of diamonds. This resulted in the over-mining of diamonds until most, if not all, of the mines in India were depleted. The search for alternative sources for diamonds began. In 1866, 15-year-old Erasmus Jacobs was exploring the banks of the Orange River in South Africa when he came across a massive 21.25 carat diamond. This find resulted in miners travelling to South Africa to find diamonds. In 1880, Cecil John

Rhodes formed the diamond company De Beers in an attempt to control diamond supply. His attempts proved successful and today, De Beers controls an estimated 33% of global sales. After the Great Depression, the popularity of diamonds fell, resulting in De Beers launching a marketing campaign that still has effects today, claiming that “A Diamond is Forever”.

History of Conflict Diamonds

As we can see from the origins of diamond mining, the trade of diamonds is a profitable business which if successful, can fund rebel groups for months, if not decades. Diamonds are frequently cited as the most common form of capital used by rebels in Angola, Sierra Leone and the Democratic Republic of the Congo (DRC). Indeed, the monopolistic practices of De Beers encouraged traders to find alternative sources for their diamonds. By buying a large portion of world’s supply of diamonds, the De Beers effectively control the price of diamonds and eliminate competition. This resulted in the formation of companies like the National Diamond Mining Co. in Sierra Leone, which profited by going to rebels groups seeking diamonds to avoid De Beers’ monopoly.

Previous UN Action

The United Nations has tried to break the link between the illegal trade of diamonds and armed conflict in numerous UN resolutions, by approving the so-called Kimberly Process (KP) in Resolution 56/263, creating an international certification program for diamonds. While the Kimberly Process aims to prevent the shipment of conflict diamonds with 81 countries who are members of the Process, in reality, corruption within the diamond trade allows conflict diamonds to be authentically certified. The Kimberly Process similarly ignores situations in which serious human rights abuses are committed, in order to obtain diamonds. This trend can be seen in Zimbabwe, where numerous government officials were reported to have abused miners and civilians, in order to boost the number of diamonds mined.

Statement of the Problem

The main root causes of the issue of diamonds causing conflict lie in the valuable nature of diamonds. The impact of blood diamonds has left millions of dead in Africa due to a number of civil wars. Even when sanctions (economic penalties) are placed on diamond trading, these are often ineffective in stopping the illegal trade of diamonds.

The Illegal Trade of Diamonds

Quite simply, the illegal trade of diamonds often makes any sort of verification process useless. The vast quantity of diamonds mined by rebel groups like UNITA in Angola or the Revolutionary United Front (RUF) in Sierra Leone allow these groups to be funded almost without an end in sight. RUF mined upwards of \$125 million of diamonds annually, according to Global Witness, whereas UNITA in Angola controlled approximately 70% of the diamond production in the country. Therefore, regardless of any international sanctions, the amount of diamonds and money at stake cause issues like corruption which make UN sanctions difficult to enforce as illegal diamonds are sent through legal markets to mask their illegal origins. Due to the difficulty in tracking the precise origins of diamonds, it is extremely difficult to estimate the current percentage of diamonds which are currently on the market that come from illicit sources. Global Witness estimated in 2006 that around 20% of the global trade in diamonds comes from illicit sources. United Nations reports on the Angolan Civil War estimated that UNITA exported approximately \$700m annually which in 1996 represented approximately 10% of the global trade in diamonds.

The large scale of the diamond industry makes it extremely difficult for any methods to effectively monitor the trade of diamonds. An example of ineffective monitoring can indeed be seen in the Civil War in the Central African Republic (CAR). While the United Nations and the international community enforced sanctions on CAR with all diamond exports forbidden, it also took the further step of urging diamond trading nations to be careful to not purchase diamonds from them. This ensured that diamonds produced in CAR were caught and not allowed to spread in legal markets. Another type of illegal trading is smuggling. Smugglers transport illegal diamonds to other countries to launder diamonds to make them appear legitimate and then are moved on to different countries in the region.

Current Situation

While the United Nations has worked on improving the research and verification systems around the diamond trade, unfortunately many of the issues which affect the trade of conflict diamonds mostly depend on the individual policies of member states. Critics of the Kimberly Process have said that it has refused “to evolve and address the clear links between diamonds, violence and tyranny.”

Criticism of the Kimberly Process

When the Kimberly Process was formed in South Africa in May 2000, the agreement formed between the United Nations, European Union, the governments of 74 different countries and the World Diamond Council which showed signs for hope. They went on to establish a certification program in which members are required to certify the legitimacy of diamonds. While the process can be effective between member states that do not abuse the human rights of miners, this is less than effective in other cases. According to Amy Barry of Global Witness, the lack of political conviction to enforce the Kimberly Process has meant that member states like Zimbabwe continue to be a part of the Process while profiting from the sale of blood diamonds. Similarly, the fact that agreement between all states is needed for any decision to be made has meant that only one member can veto any sort of punishment.

While the Kimberly Process claims that “participating states must meet minimum requirements”, in reality, if states do not meet minimum requirements, then there is very little that the process can do to stop them from trading. This can, then, result in diamonds which are mined through human rights abuses to be traded legitimately, without consumers and companies knowing. Critics have said that the Kimberly Process must reform its current structure to create more concrete progress.

While conflicts in Africa particularly have decreased since the heyday of the conflict diamond trade, a number of organizations have been created to provide different verification systems from those provided by the KP. Local solutions like the International Conference on the Great Lakes Region (ICGLR), an international governmental organisation of 12 African Countries went through numerous checks and at a local level to assess over 180 mines in warstricken Congo to determine that 140 of these were conflict free.

Solutions

Solutions to this issue are naturally hard to come by. While the Kimberly Process has been approved by the United Nations, there are valid criticisms of the KP which point towards issues of corruption and a lack of political will to take effective action against members of the KP who abuse human rights. If members profiting from conflict diamonds do not want to follow the rules set by the KP, then there are not many incentives for them to remain a part of the organisation.

Bloc Positions

Various regional approaches have emerged over time along with the support of the KP. When considering your country's position, it is vital to first look at whether your country is represented in the KP along with any domestic legislation that looks to combat conflict diamonds.

In North America, both the United States and Canada have been supporters of the Kimberly Process whilst passing domestic legislation like the Clean Diamond Trade Act in the United States³⁰. Similarly, both Canada and the United States have acted at a domestic level when the KP or UN has failed to sanction members who have engaged in human rights abuses whilst mining diamonds³¹. Members of the European Union have similarly supported the KP in its attempts to stop the trade of conflict diamonds. As one of the major centres for diamond trading, the EU is represented as one bloc in the KP and has recently passed guidelines on the trading of diamonds for both member states and companies.

In African member states, unfortunately policies have not been consistent. This is largely dependent between member states. While some member states like South Africa have aimed to tackle the trade of blood diamonds, the illicit trade of conflict diamonds has resulted in the mixing of conflict diamonds with legitimate diamonds. Countries like Sierra Leone, Zimbabwe, Angola, DRC and others still act as hubs for rebel groups to mine, abuse and mine diamonds. For African Member states, the root causes of the diamond trade need to be addressed to fully stop the trade in conflict diamonds.

In Asia, the approach has also varied. While many of these member states are ultimately where conflict diamonds end up, conflict diamonds are used by organised crime groups all over the region to trade for arms. The diamond industry in countries like China and Japan is prominent due to large factories that refine diamonds.

In South America, conflict diamonds are usually refined and smuggled and then brought into legitimate markets in the United States, Israel, and London primarily through organised crime. Organised crime groups use the large networks through rain forests to mine and use diamonds to purchase arms and drugs. They provide a valuable source of income for organised crime groups. Questions a Resolution Should Answer When looking at the issue of conflict diamonds, delegates need to consider regional and international approaches to combating this issue. Conflict diamonds remain a perfect way for organised crime groups to smuggle and launder their profits through legitimate sources.

Questions to Consider

1. To what extent has the Kimberly Process been successful? If so, how?
2. Have regional approaches been successful in limiting the trade of conflict diamonds?
3. Which detection methods have been successful in detecting the origin of diamonds?
4. Have local laws and sanctions been an effective solution to stopping the trade of diamonds?
5. What role does civil society play in the trade of diamonds?
6. How can corporations play an effective role in stopping the trade of diamonds?
8. To what extent do international processes like the Kimberly Process actually stop the trade of diamonds?
9. How can member states combat the abuse of human rights by members of the Kimberly Process?