



DIAMOND DEVELOPMENT INITIATIVE INTERNATIONAL

DIAMONDS AND FAIR TRADE: PROBLEMS AND PROSPECTS

By Ian Smillie

Why are people talking about “fair trade” diamonds? For that matter, why is there such a thing as fair trade coffee? Fair trade coffee is purchased directly from growers for a higher price than standard coffee. The concept emerged in the 1980s when coffee prices reached all-time lows, driving small producers into destitution. Now many other products are traded under the fair trade rubric, which is owned and managed by the Fair Trade Labeling Organization (FLO). FLO sets standards and manages certification processes, ensuring that goods are what their label says, that they are produced under fair labor conditions and they contribute to community development in the areas where they are produced.

The idea of fair trade diamonds arises because there are some 1.5 million artisanal diamond diggers in Africa and South America working under unsafe and unsanitary conditions. Child labor is rampant, violence is common, and most diggers earn only a dollar or two a day. This was the breeding ground for conflict diamonds in Sierra Leone, Angola and the Congo. The Kimberley Process has helped to curtail conflict diamonds, but nothing much has changed for artisanal diggers and their families. And one might well ask whether conflict diamonds can be kept at bay for very long by regulation alone. People flock to the alluvial diamond fields because they are poor, because the diamonds are close to the surface, and because over the better part of a century, governments have found it impossible to police them.

The Diamond Development Initiative (DDI), a non-profit organization bringing together civil society, governments and industry, was created to deal directly with this challenge: to test and apply development solutions to development problems. Instead of treating diggers as criminals, the idea is to find ways of bringing them into the formal economy where they can have a long-term stake in a legal system and real benefits.

Enter the idea of fair trade. Unfortunately, both the idea and the term “fair trade” have been tossed around rather lightly. Experiments have been tried, but mostly they have not worked. Finally, in 2008, Transfair USA carried out a study of the potential. It concluded that the business case for Fairtrade certified diamonds was “generally positive” and that there was a “clear development case for Fair Trade to engage with the diamond sector”. And it said that the best opportunities lay with small-scale mining companies and to some extent the micro-mining sector.

But not with unorganized subsistence artisanal miners—precisely where the problems are most dire.

DDI took up the challenge with what it calls Development Diamonds™. Development Diamonds are diamonds that provide a fair return to subsistence artisanal diggers and are produced under sound development and environmental conditions. Detailed standards have been created in consultation with industry, civil society and miners themselves. The issue, however, is not just the product, it is the pipeline between the mine and the consumer. In other words, the challenge is not just to find suitable production sites, it's how to create a viable chain of custody so that these diamonds are not mixed with others. And most importantly, how to establish independent third-party monitoring along the chain in order to provide reliable guarantees for the consumer.

DDI has been working on this project for nearly three years. It has received financial support from the German government and from companies with no direct stake in the project beyond their interest in the concept of development. This support has been essential, but equally important has been technical, political and moral support from the government of Sierra Leone where the first pilots will take place; the Kono District Council, which sees in this idea an end to the violence and corruption of the diamond fields; and the miners themselves, who endorse without question the idea of better prices and working conditions.

It has taken time because of the complexity of creating realistic standards and identifying miners who are willing and able to meet them. It has meant working out the complexities of buying, exporting, cutting and polishing, manufacturing and retailing, all with good independent oversight—and importantly, all within existing systems. DDI will not handle any diamonds or finance any transactions. The system has to be workable and economically viable within existing commercial frameworks if it is to be replicable. The idea is not to establish a few protected enclave operations that need constant hand-holding. DDI believes that the demand for ethically produced diamonds is strong and could be much stronger; it knows that artisanal diggers are producing top-quality goods. The challenge is to make an efficient and trustworthy connection between them. The first pilots will be ready for testing this summer.

You, too, can support DDI's efforts to lay the groundwork for Development Diamonds™ by becoming a *Friend of DDI*. For a small annual contribution of \$250, you'll receive a Retailer Friendship Kit that gives you the tools to demonstrate that you're making an effort to provide ethical jewelry to your customers. The Friendship Kit includes a Certificate of Recognition and Counter Card for your office or retail space, and 100 Postcards and 250 personalized Business Cards. You can learn more about the program at www.ddiglobal.org, or e-mail friends@ddiglobal.org.

Stand by for news about Development Diamonds™ in the coming months.

www.ddiglobal.org

Ian Smillie chairs the Board of Directors of the Diamond Development Initiative

About DDII - The Diamond Development Initiative International (DDI International) is a registered charity and international non-profit organization incorporated in the District of Columbia (U.S.). DDII's executive office is located in Ottawa, ON, Canada.