



Diamond Development Initiative

Background Paper on Macroeconomic Issues¹

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This paper reviews challenges and opportunities for positive change in the macroeconomic environments of Africa's alluvial diamond producing countries, focusing particularly on the artisanal sector. Artisanal mining methods are broadly similar among the main producer countries – Angola, Democratic Republic of the Congo (DRC), Sierra Leone, Guinea and others. However, there are significant differences between countries in rough diamond trading and marketing systems, in the level of governmental intervention in the sector, in the balance between government and private ownership of the production as well as of the marketing rights to the production. Also variable is the nature of the relationships and interactions which exist among economic elites, diamond producers and governmental players within each country.³

After independence in the 1960s and 1970s, illicit diamond mining opportunities triggered huge labor migrations from within and outside the various countries to the diamond fields. Even today we still see large migrations. With these migrations came diamond brokers and merchants, many of Lebanese origin, who managed both the commercial linkages between miners and global markets, and the political linkages between the country's main source of ready cash and the networks of prominent politicians. The level of illicit diamond mining not only challenged the ability of the state to extract an economic rent from the diamond fields, but also created powerful local political interests, and empowered those who controlled the diamond trade at every level.⁴ Paradoxically, the facilitation of legal alluvial mining gave further impetus to the expansion of the illicit activities alongside the duly licensed operations.

Though artisanal diamond mining and polished manufacturing tend to represent highly-labor intensive activities, the size of the worldwide value chain is limited:

- 2004 annual production of rough diamonds totaled \$10 billion, with Botswana being the largest producer (\$2.32 billion), followed by Russia (\$1.98 billion), Canada (\$1.4 billion) and South Africa (\$1.05 billion). Mining is mostly from primary deposits (i.e. kimberlite pipes);
- Countries with large artisanal or mechanized alluvial productions (secondary deposits) represent some 25%-30% of world's output and include Angola (\$0.9 billion), DRC (\$0.9 billion), Namibia (\$0.7 billion), Sierra Leone, CAR, Guinea, Republic of Congo, Tanzania, and others;
- The "cost" of producing the \$10 billion output is some \$3.5-\$3.8 billion and the theoretical margin available to the producing countries solely as reward for the extraction activity is \$6.2-\$6.5 billion annually;
- The distribution of the economic rent (i.e. that portion of the value added which exceeds the costs of all factors of production and a reasonable return on risk and

capital to the miner) differs sharply from producer to producer. In countries with primary deposits, most of the economic rent accrues to central governments and is applied to benefit the national economies.

In countries where artisanal production predominates, economic rents that may be derived from this production typically “evaporate.” Only a nominal contribution to government coffers occurs through direct taxation. However, the employment generation effect is large. Furthermore alluvial diamond production is often the most important single internal generator of hard currency. Unfortunately the dynamics of the informal diamond trading and production economy, and its linkages and interactions with other economic and non-economic activities, is not clearly or fully understood. Often the rough stones float the purchase and importation of essential goods e.g. flour, rice and powdered milk, which are then sold within the national market for local currency.

1. Why is the DDI Important at a Macro Economic Level?

International security concerns

During the past few years the world has seen a shift in the ways money is laundered and terrorism financed, with the movement from banking-based to trade-based systems. These systems serve as parallel methods for transferring money and value around the world.

Alluvial rough diamonds are a fungible commodity which provides a particularly attractive means of moving value across borders, given that:

- The artisanal mining and diamond trade is almost fully cash-based;
- Activities take place almost entirely in largely invisible and untraceable parallel economies, thereby avoiding formal reporting and record-keeping requirements;
- Alternative remittance systems, which are indigenous and ethnic-based, are often the norm;
- Diamonds are high value and low bulk commodities, easy to hide and carry, which enables large cross-border value transfers that escape monitoring or detection;
- Lack of government access to trustworthy valuation expertise makes for creative accounting, and it makes the laundering of assets and the evasion of taxes easier than it should be;
- New offshore havens have emerged, especially in the Middle East, that are increasingly becoming the “export destination” of first choice for declared production.

2. What are the constraints to a free, fair and competitive market for artisanal diamond miners?

A fair and competitive market which is accessible to artisanal producers would benefit both producers and governments, but a lack of political will, capacity and resources within governments, weak public institutions, dated and unworkable legal and fiscal frameworks, vested interests and corruption, and lack of price and product information all work to impede or prevent the development of fair and open markets. The extent and significance of these contributing factors vary between countries of the region, but the result is often the same.

The flow of goods is often not tied to any visible flow of funds

The situation in Sierra Leone provides some revealing insights into the ways in which the market currently operates in many countries, and highlights the obstacles that stand in the way of its formalization:

- In 2004, official rough diamond exports totaled (a record) of \$125 million; while the country's official export proceeds, as published by the Bank of Sierra Leone and IMF, were in the range of only \$30 million. But in Sierra Leone confirmation of receipt of export proceeds almost invariably refers to locally available foreign currency, not new moneys brought in.⁵ As a consequence of this under-reporting, government revenues derived from diamond production and export sales (including all sources – licences, net export levies, income taxes, etc.) only totaled about \$2.5 million, i.e. around 2% of the reported value of export sales (versus the proceeds actually registered). De facto diamond production may have been as high as \$300-\$400 million;
- The main dealers and exporters (who control well over 85% of the Sierra Leone diamond market) are “selling” their goods to affiliated companies in the Antwerp, Switzerland, Dubai and other markets. Consequently, transfer pricing (i.e. the official export price) is only of theoretical interest for government statistics, but has no impact on the actual flow of funds. Similar situations prevail in other West African and African artisanal economies. In Sierra Leone there is only evidence of payment of the actual production costs (inputs: i.e. the cost of rice and staples paid to diggers, cost of wages and equipment) and payment of “winnings” to licensed miners. The only “new cash” needed by those who control the domestic diamond trade is the financing of the diggers. These cash requirements can also be met from the local currency cash flow available to these entrepreneurs;
- Those who collect the lion's share of the added value of the artisanal diamond production (what we prefer to view as the surplus economic rent) represent the only group with the financial resources to import other vital requirements for the economy;
- Artisanal labor is often paid partly in food staples (rice, vegetable oils). Those in control of the diamond sector often hold a semi-monopoly on food imports. They manipulate domestic food selling prices, and, de facto, the payment in food provides the financier or buyer of the artisanal production with additional profits.

Interaction of trading patterns and revenue flows in relation to other areas of economic and commercial activities

There are a number of macro-economic ramifications of the foregoing, both foreign and domestic, including smuggling by middlemen and buyers, chiefs and other traditional authorities and miners themselves:

- Diamond diggers themselves do not typically have the resources available to finance their own development activities, so they look to financial sponsors who are able to advance them shovels, sieves and rice. However, the price of such backing is high; the sponsors assume de facto control of the output. In many cases, the livelihoods of extended family members of the diggers also depend on the largesse of the same sponsors, who extend credit to purchase the tools needed in another business, or the textiles and dry goods sold in another family business. The miner must sell most or all of his production to his sponsor, who deducts real, but also additional “fabricated” costs, from the price paid to the miner. The miner has little ability to influence price. “Upsetting” the buyer may trigger economic catastrophe to the extended family;

- Often the diggers' and the licensed miners' only real chance to get a decent price for their winnings is to smuggle some of their diamonds out of the country. This smuggling is not done to avoid export taxes; it is the only means available to preserve the true value of production -- by side-stepping the middlemen and sponsors;⁶
- These cross-boundary movements of rough diamonds often take place in a normal trading context within ethnic groups and families, which can make markets in neighboring countries more accessible to miners than those located in the producing country;
- The financial return to the artisanal work force is often so meager that the miner cannot be expected to make any significant tax contribution to the government, and his own ability to purchase goods or engage in commerce is severely constrained. In many respects the mining communities are collectively bankrupt, with little or no means – either as a group or on an individual level – to spend beyond purchasing life-sustaining essentials for themselves and their families, and certainly not to invest or save. This huge group and their dependents lack the requisites to contribute significantly to the domestic economy;
- Paramount chiefs and others who are entitled to collect surface rent from licensed miners occasionally find it easier to facilitate the involvement of “foreign” sponsors, especially where there is limited domestic capacity to finance such operations. Although licenses must formally be held by locals, foreign financiers consider the diamond output as legally theirs and local authorities therefore have a vested interest in facilitating cross-border smuggling;
- In Angola, the DRC and elsewhere, governments occasionally establish “exclusive buyers” for artisanal production. In such scenarios the diggers also have little bargaining power over the price they receive, just as in cases where they work for financiers or supporters. Here, too, smuggling is often motivated by a chance to get a decent return on production rather than the avoidance of export taxes;
- In the DRC, Sierra Leone and elsewhere, diamond dealers may deal in U.S. currency, but the importation of cash must be proven by bank documents. Consequently, regulations state that diamond dealers can only export diamonds to the exact value of the money bought in. This puts diamond traders in an awkward position. For example, if a company brings in \$1 million, it must export diamonds having an international market value of \$1 million, totally ignoring the up to 20% profit factor to be realized by the buyer. Virtually all exporters undervalue in order to stay within the limits for the imported cash figure.

External ramifications

- Many of those exercising control over the diamond sector also have large elements of control over other economic activity in their respective countries, and may well exert de-facto power over the political institutions;
- Most diamond smuggling at this level too, is not designed to evade export duties or other taxes, rather it aims to access foreign exchange for other overseas purposes;
- Often official exports (on which duty has been paid and Kimberley Certificates have been issued) do not generate genuine export proceeds – these proceeds remain overseas and never reach the producer countries, except for those imports of goods and services paid for overseas. Legal exports, therefore, make little or no contribution to the national economy;
- In a number of producing countries the banking system is perceived to be unreliable and insecure; working through the banking system will bring with it a 15% penalty because of high banking charges and the loss of exchange rate premiums obtained in the parallel market;

- Some exporters may want to keep their earnings in the invisible shadow economy;
- The use of cash in the parallel economy and the artisanal sector is far more efficient (and turns around much faster) than in the formal economy. As rainy seasons differ from country to country, cash also moves across border for “seasonal” use whenever there is less domestic need for the cash;
- Many actors rely on alternative non-traditional remittance systems that provide for the transfer of value outside of the regulated financial industry. Such systems (including “*hawala*”) depend primarily on trust and the extensive use of family connections or ethnic affiliations. *Hawala* makes minimal or often no use any sort of negotiable instrument. Money transfers take place solely on the basis of communications between a network of “*hawaladars*”, or *hawala* dealers. (In the world’s largest diamond manufacturing country, India, *hawala* accounts for 40% of the country’s external financial transfers);
- Because of its anonymity and secrecy, *hawala* has been used as a money laundering mechanism in some parts of the world.

3. Are there entry points or “choke points” that might advance initiatives that aim to support artisanal miners?

Diamond Exporters and the Banking System

Diamond exporters in several countries constitute an economic elite which needs access to foreign currency in order to finance other non diamond imports. These elites need to maintain control over diamond exports to protect their non-diamond business, and they may resist any attempts to change the status quo. Maintenance of control requires the occasional “over-paying” for diamonds in order to keep potential competitors out, only to return to “under-paying” when control has been resumed. The diamond market is thus not a level playing field, as non-diamond considerations enter into the purchase decision. And because imports are paid-for off-shore by diamond proceeds that are kept off-shore, there is an urgent need to return the diamond economy to the nations in which the production takes place.

There is, in theory, no objective reason why at the African export and overseas import level financial settlements cannot take place by transfers through banking channels. This would enhance transparency and provide governments with a visible (taxable) revenue base. It would restore governmental control over the exchange rates, strengthen the banking system, and “bring home” some of the domestic economic activities which now take place among overseas banks and/or players.

This could have many positive spill-over effects: greater transparency in the nation’s total trade, more liquidity in the banking system, a greater handle for central banks to set the exchange rates. It would also help to “detach” the diamond economy from other economic sectors – enhancing competitiveness in the total economy.

Moving away from a cash-based system to a bank-based payment system requires not only preparation; it requires effective communication and explanation to stakeholders, and “capacity building” within the banks. Change will be gradual. Bank-based systems should be developed first at the top (exporting, importing), going down to the dealer levels. Cash distribution to diggers, in local currencies only, will probably last for longer periods and change will come more gradually.

Good governance and due diligence

International banks and major diamond industry players are under increasing legal obligation to conduct due diligence on clients and other business partners or stakeholders. For reputational and other reasons, many large players have ceased activities in artisanal countries where governance is weak, corrupt or opaque. These countries tend to attract the “wrong players”. The vulnerable artisanal diamond sectors need to ensure that they attract the right kind of investors.

Due diligence is therefore also very important in producer countries. Due diligence must be applied before the issuance of exploration or mining licenses. If anti-money laundering laws and banking due diligence rules are properly applied to the allocation of exploration licenses, the entry of questionable players could be limited. Mining laws should include stringent non-discretionary, qualifications for all investors.

Many politicians in producing countries hold “hidden” interests in mining ventures, especially in artisanal environments. Governments should legislate the mandatory disclosure of mining or marketing interest. All officials in mining ministries and related relevant public bodies should be required to deposit with the country’s Attorney General a full disclosure statement on direct or indirect interests in any diamond venture.⁷

The role of governments in extractive, trading and marketing activities

The treatment of the artisanal diamond sector is a direct function of the definition of the role of the state and the ownership of mineral resources. The general trend in mining reform is a redefinition of the role of state away from owner-operator to lessor-regulator, though this trend seems to have bypassed the African diamond sector:

- *Botswana* – Joint government-private sector ownership of the mines, tied to agreements on the development of secondary added-value creation enterprises. Government keeps discretionary power on marketing systems;
- *Namibia* – Joint government-private sector ownership of the mines, tied to favorable incentives for domestic added value creation. Marketing systems regulated by law;
- *South Africa* – Mostly private sector ownership, with severe limitations on production exports, providing for a right of first refusal of output to domestic secondary enterprises. Government operates one mine. Marketing systems regulated by law;
- *DRC* – Joint government-private sector (MIBA) or private sector with government intervention in marketing structures;
- *Angola* – Joint government-private sector in both mining and marketing. A parastatal (Endiama; Sodiam) is a legally-required joint venture partner in every mining or marketing undertaking. Marketing structures established by governmental decree;
- *Tanzania* – Joint government-private sector mine operations;
- *Russia* – Joint government-private sector, with government dominance in both mining and marketing structures;
- *Australia and Canada* – Private ownership; in Australia marketing arrangements are subject to governmental approval.

With the possible exception of DRC, and some serious question marks around Angola, in all of these countries government receives significant revenues from the diamond sector. In Botswana, for example, over 80% of all profits generated by the joint diamond mining venture accrue to government in the form of taxes, royalties and dividends. The “worst” situation, worldwide, may well be Sierra Leone.

The diamond sector operates very differently from other minerals, and regulations and laws must encompass specific evaluation and marketing provisions, issues that do not always need to be addressed in the case of other minerals. In countries where the government does not own a stake in the mines, revenues accrue largely through participation in marketing. Many of these systems are non-transparent and some are corrupt. The marketing options available for artisanal diamond productions require a fundamental review and overhaul.

International pressures to enact AML/CFT legislation

The Deputy Secretary of the U.S. Treasury, in testimony before the Senate Intelligence Committee in Washington, D.C., said in 2005:

“The illicit diamond trade provides an instructive illustration of how terrorists could abuse the precious commodities industry to fund their efforts. The diamond industry describes the movement or flow of diamonds from the point of origin to the point of final use as a “pipeline.” Unfortunately, the legitimate diamond processing steps of mining, trading, cutting, polishing, and retailing can be abused by corrupt regimes and criminal organizations to place, layer, and integrate illicit diamonds. To combat these risks, we must improve the oversight and transparency of the diamond and precious commodity industries through the development of effective international standards and domestic regulation, and we must identify and disrupt illicit actors within the system through targeted actions.”⁸

A number of alluvial diamond mining countries have recently enacted – or are in the process of enacting – Anti Money-Laundering (AML) and Combat of Financing of Terrorism (CFT) legislation. These Acts invariably limit cash transactions, and designate precious metals and precious stones merchants as “non-financial institutions” to whom the AML/CFT regulations are also extended. The more effective the AML and CFT legislation is generally, the more it will impact on the illicit diamond trade in alluvial producing countries

4. Diamond profits are converted into cash overseas by financiers and economic elites and may be used to finance imports of other goods and services. Can this diamond economy be shifted back to producer countries?

National laws and institutional reforms are the main instruments for action

The greatest immediate and short-term progress will come from a distinct country focus, because of the dissimilarity of conditions. Mining reforms will be most successful in those countries that take a comprehensive approach, including legal, fiscal, institutional and enterprise reform, together with the development of appropriate environmental regulations.

Much existing regulation deals largely with industrial mining, and refers inadequately to the artisanal sector. Consideration should be given to the following changes:

- *Reforming Mining Legislation.* In the artisanal sector the “ownership” of the output is often disputed. There is a need to legislate clear and non-discretionary rules and laws governing the mining sector. Transparent procedures must be introduced to ensure objectivity and accountability. To protect the exceedingly vulnerable diggers, the discretionary powers of licensing officials (which often become powers of extortion) must be reduced to (near) zero. Artisanal miners ought to have access to many of the elements enjoyed by industrial miners: security of tenure, transferability of mining

and exploration rights (which will enhance the value of the artisanal license), and access to capital. It is of particular importance that mining or other legislation incorporate the diamond trading and export regimes in alluvial diamond countries;

- *Capacity Building in Mining Ministries.* The exploration done by artisanal mining takes place on a hit and miss basis; the development of governmental geological surveys is essential;
- *Maintenance of Cadastre Systems.* It is vital to have a public registry of mining titles and a solid licensing system. In research supported by DFID in Sierra Leone, it was discovered that national authorities would occasionally issue exploration or exploitation licenses covering areas which local authorities (paramount chiefs; license allocation councils) had already granted to other parties;
- *Contracts and Transparency.* Of particular importance to the artisanal sector are the introduction of measures and rules that will identify the sponsors and financiers of all mining operations and specify their respective rights and privileges. It is extremely important to develop model contracts for artisanal mining;
- *Adapt and Integrate Legislation to New International Realities.* There is a need for national mining legislation to integrate standards, laws and regulations such as the Kimberley Process, Money Laundering and Environmental Protection.

Trade Transparency Units: Potential new opportunities for dealing with trans-national trading and the diversity of fiscal and legal regimes across the region

In the diamond and non-diamond trading systems in alluvial diamond producing countries, alternative remittance systems bypass, in whole or part, regulations designed to make money laundering and financial crimes more transparent. Although there are a variety of alternative remittance systems, they all have one thing in common; they are dependent to various degrees on the misuse of international trade to transfer value.

The United States has studied the feasibility of establishing a prototype Trade Transparency Unit (TTU) that will collect and analyze suspect trade data and then disseminate findings for appropriate enforcement action. This initiative is designed to target and eliminate systemic vulnerabilities in commercial trade. In the name of trade transparency, the US Bureau of Immigration and Customs Enforcement (ICE) will form partnerships with participating foreign governments to establish a network of TTUs.⁹ Governments will create dedicated enforcement units to detect discrepancies or anomalies in international trade data, which may be indicative of trade-based money laundering or other criminal activities. TTUs will support investigations and prosecutions related to trade-based money laundering, the illegal movement of criminal proceeds across international borders, alternative remittance systems, terrorist financing, and other financial and trade crimes.¹⁰

The TTU approach could be considered in the context of alluvial diamond production. This could help in the transformation of financial and trade structures on a macro level, but, mostly it would secure the integrity of artisanal diamond mining countries. It would bring new financial and technical resources into these countries, and might reveal hitherto unidentified threats, providing greater impetus to other reform programs.

5. What positive and/or negative lessons can be learned from current or previous initiatives?

- There seems to be “rivalry” among aid organizations, donors, and others in advancing certain development projects. Recipient governments are aware of this and exploit it

by playing one party off against the other, or by requesting the same assistance from more than one donor;

- There seems a lack of coordination among organizations working in the same geographic area. For example, while one foreign donor government was engaged in creating a special diamond police force, another government was conducting a study on diamond smuggling and what should be done to curb it. One was not aware of the other's activities;
- Excessive confidentiality among stakeholders. Example: a high UN official, who had been supervising artisanal mining monitors (conducting joint-patrols), observing cross-border diamond trading and smuggling, was not authorized to talk about his experiences with representatives of a donor government;
- Stovepipe mentality within donor agencies. Even within donor organizations there is insufficient horizontal sharing of information – and certainly not in “real time”;
- Often diamond-related initiatives seem to be “imposed” on governments; often governments give lip-service to the need for change, though some may have a vested interest in the status quo. Initiatives are often “tolerated” or “swallowed” – there is often an absence of genuine political will to have new programs succeed.

6. Who needs to be involved in taking the issue forward?

All stakeholders

There is a great need for the coordination and exchange of information on the development activities of governments, NGOs, donors, regional support organizations, and others. The World Bank has found that “overlapping memberships in the different regional groupings – and hence overlapping (donor) commitments – have resulted in the duplication of efforts and occasionally inconsistent aims in African regional integration initiatives.” Even on a country basis, DFID may not always know what USAID is doing, and there are cases in which local government parties have asked more than one organization to finance specific projects or material acquisitions. Coordination is needed on national and regional levels.

Major Mining Companies

Artisanal alluvial diamond mining is viable because of its low costs, which enable diggers to develop deposits that major mining companies cannot touch. Major mines can play a role, however, in exploration, in assistance, marketing and, possibly in partnering.

Regional Economic Communities

The five existing regional economic communities in Africa (AMU, COMESA, ECCAS, ECOWAS, SADC) have a role to play in encouraging and supporting positive change.

The Banking Community

The increasingly stringent requirements imposed on banks, and their need to understand the business of their clients has created serious compliance concerns in respect to the players in the artisanal markets.

The Diamond Industry

The rough diamonds mined in Africa are mostly traded and manufactured in a handful of trading centers -- Belgium, Israel, India, New York, South Africa. The industry is well organized, disciplined, and has an elected leadership. As the purchasers of rough (and that includes rough diamonds smuggled out of Africa), the participation and cooperation of the industry is imperative.

NOTES

¹ This is one of two background papers emerging as a result of a January 2005 meeting held in London to discuss the possible creation of a Diamond Development Initiative. Helpful input was received from Jeffrey Davidson and Ian Smillie.

² The author is principal of Tacy Ltd, a Tel Aviv-based consultancy specializing in all aspects of the international diamond and jewelry business; he is also managing director of C.E.Z. Holdings Ltd., a media company in the diamond business. Among his many publications are the 430-page industry reference book: *“From Mine to Mistress: Corporate Strategies and Government Policies in the International Diamond Industry”*, and the 190-page *“Diamond Industry Strategies to Combat Money Laundering and the Financing of Terrorism.”* Chaim Even-Zohar has over 30 years of continuous involvement in the industry. The author serves as Advisor to the Minister of Natural Resources, Wildlife and Energy of the Northwest Territories in Canada. He recently completed an in-depth study on the financial constraints of the Sierra Leone diamond mining sector for U.S. (USAID) and British (DFID) governments. He is a member of the World Diamond Council.

³ As the development community is by and large familiar with the components of sector reforms in the small scale alluvial mining sectors, this paper intentionally elaborates on some of the diamond-specific problems and possible remedies which are not yet in the main stream of institutional thought. This is the rationale for the detailed discussion of some issues (such as the Trade Transparency Units programs), though it unavoidably impacts the overall balance among the various arguments. Considerable weight is also given to accentuate the unique aspects of artisanal diamond mining – both in formulation of its problems as in the search for solutions.

⁴ Quoted from Professor Christopher Clapham’s excellent paper, that also made reference to H.L. van der Laan, *The Sierra Leone Diamonds: An Economic Study covering the years 1952-1961*, Oxford University Press, 1961.

⁵ There is no certainty whatsoever that these “export proceeds” represent “new cash” coming into the economy, rather than the “recycling” of domestically available resources. Ostensibly an exporter has to demonstrate that he has “brought in” the foreign currency needed to purchase the goods. The nation’s central bank acknowledges this situation and notes that, in fact, the proceeds for the exports are kept overseas and used for the financing of the imports of food staples, rice, construction materials, vehicles, consumer items, machinery, etc.

⁶ Other motivations for smuggling: with his profits, the smuggler can pursue commercial activity in another country well away from prying eyes of financial supporters, authorities and, last but not least, the large family networks that are not unusual in African societies.

⁷ Such steps may be tied to some kind of amnesty: anyone declaring a beneficial interest will – except for certain excesses – get immunity in respect to the past.

⁸ Testimony of Juan Carlos Zarate, Assistant Secretary, Terrorist Financing and Financial Crimes, U.S. Department of the Treasury, before the House Financial Services Committee Subcommittee on Oversight and Investigations, February 16, 2005.

⁹ For more information, see <http://www.state.gov/g/inl/rls/nrcrpt/2005/vol2/html/42381.htm>

¹⁰ To assist the proposed TTUs, ICE has developed an analytical database called “Data Analysis and Research for Trade Transparency” (DARTT), which is designed to detect and track money laundering, contraband smuggling and trade fraud. DARTT is an outgrowth of earlier analytical systems, which the former U.S. Customs Service and ICE had successfully used to detect trade-based money laundering and fraud. DARTT will allow investigators to identify discrepancies in trade and financial transactions, facilitating the dissemination of investigative referrals to field entities.