



**FEDERATIVE REPLUBLIC OF BRAZIL
MINISTRY OF MINES AND ENERGY
SECRETARIAT OF GEOLOGY, MINING AND MINERAL
PROCESSING**

ANNUAL REPORT - 2005

KIMBERLEY PROCESS CERTIFICATION SCHEME - KPCS



Brasília, April, 2006



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I – INTRODUCTION

Brazil became Participant of the Kimberley Process Certification Scheme – KPCS , on October 30th, 2003, when its adhesion was announced during the Plenary Meeting of KPCS, held in Sun City, South Africa.

All the activities with regard to the KPCS have been coordinating by the Ministry of Minas and Energy, with the participation of the Ministry of the Development, Industry and Foreign Trade - MDIC, Ministry of Finance - MF and the Ministry of the External Relations – MRE and now with the collaboration of the Brazilian Federal Police linked to the Ministry of Justice.

A great institutional effort has been doing in order to carry out all activities forecasted with respect to the KPCS mainly those ones regarding to the legalization of the informal small-scale mining for alluvial rough diamonds.

II – OBJECTIVE

The main objective of this report is to fulfill the regulation in accordance with Section VI, paragraph 11 of the KPCS document, that is, each Participant should prepare, and make available to other Participants through the Chair of the Kimberley Process, information on an annual basis on the way in which they are implementing the requirements of the KPCS.

III – INSTITUTIONAL FRAMEWORK

The Kimberley Process - KP in Brazil has been implementing by the Ministry of Mines and Energy through the Secretariat of Geology, Mining and Mineral Processing (former Secretariat of Mining and Metallurgy) and The National Department of Mineral Production. Other government representatives involved are: the Ministry of Development, Industry and Foreign Trade, through the Department of Operations of Foreign Trade; The Ministry of Justice, through the Secretariat of Legislative Issues, and Federal Police; The Ministry of Finance, through the Secretariat of the Federal Revenue; and the Ministry of External Relations, through the Division of Market Access, which are respectively responsible for the following attributions, in accordance with the table:

MINISTRIES	ORGANISATIONS	ATTRIBUTIONS
MINES AND ENERGY (MME)	Secretariat of Geology, Mining and Mineral Processing (SGM)	<ul style="list-style-type: none"> • Coordination-General • Focal Point
	National Department of Mineral Production (DNPM)	<ul style="list-style-type: none"> • Emission and Control of Certificates • Statistical Data (Production) • Statistical Data Bank
DEVELOPMENT INDUSTRY AND FOREIGN TRADE (MDIC)	Department of External Trade (DECEX)	<ul style="list-style-type: none"> • Exports and Imports Statistical Data • Consumptions Statistical Data
JUSTICE (MJ)	Secretariat of Legislative Issues (SAL) Federal Police (PF)	<ul style="list-style-type: none"> • Combat the Smuggling
FINANCE (MF)	Secretariat of Federal Revenue (SRF)	<ul style="list-style-type: none"> • Emission of Certificate* • Customs Control
EXTERNAL RELATIONS (MRE)	Division of Market Access (DACCESS)	<ul style="list-style-type: none"> • Facilitator • Reception and Distribution of Documentation • Interchange among the Embassies and Ministries

(*) SRF can emit a new Certificate when a legal content of a remittance is open due to some suspicion, not proven.

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IV – LEGAL FRAMEWORK

All legal framework remain without any alterations up to today, but there is one more Regulation:

- **Law N^o 10.743, of 9th October 2003**
Implements the Kimberley Process Certification Scheme – KPCS, relating to the export and the import of rough diamonds, and determines other provisions, in Brazil.
- **Joint Regulation N^o 397 of 13th of October 2003**
It turns on the emission of the rough diamonds origin certificates', as well as to the authorization request for outgoing shipments and incoming shipments.
- **Regulation N^o 398 of the 14th of October 2003**
It is about the request of the origin certificate for export rough diamonds and it presents the related application form.
- **Regulation N^o 209 of the 5th of August 2005**
It is a modification of Regulation N^o 398, and it regulates the approval and issuing of Brazilian Kimberley Process Certificate, whose validity period is 60 days, and presents the definition of Rough Diamond in accordance with Section I of the KPCS – document (copy enclosed)

It is stressed that before Brazil has become Participant of the KP, there were two important mineral Laws already existed, therefore:

Law N^o 7,805, Art. 21 of the 18th of July 1989

Any illegal mining activity (any activity without DNPM's permit) is a crime whose responsible must be arrested.

Law N^o 9,605, Art. 55 of 12th February 1998

Mineral prospecting and mining activities without environmental permits are crimes whose responsible must be arrested also.

V – IMPORT AND EXPORT REGIME

V. 1 – Procedure for issuing KP certificates

In accordance with Regulation N^o 398 of 14th October 2003, the import and export of rough diamonds may only be undertaken following the prior approval and the issue of the KPC, by the DNPM.

The prior approval for the export or the import of rough diamonds will be requested by means of an application addressed to the Director-General of the DNPM under the following terms:

- the issue of a KPC, in the case of export; or
- a favorable declaration in the Integrated System of Foreign Trade – SISCOMEX, prior to the registry of the corresponding Import Declaration – DI, in the case of import. For this declaration, the importer should declare to the DNPM the number of his inscription in the registries of contributors of the Federal Revenue (CPF or CNPJ); his full address; the description of the imported merchandise and its respective weight in carats; the value of the parcels in USA Dollar, on a FOB basis, the code of the MERCOSUL Common Nomenclature (NCM) corresponding to the type of diamond imported; the origin of the diamonds; and present a copy of the Certificate issued by the other participating country of the KP.

The application for the KPC in order to export rough diamonds will be lodged in the District of the State jurisdiction where rough diamonds are located, using the proper form, which contains the information of Annex 1, and Annex 1A (Portuguese idiom), this form are available in the DNPM offices and in the DNPM website (<http://www.dnpm.gov.br>). This application should be submitted duly filled out by the exporter or his legal representative, against the payment of fees to the value of R\$ 150,00 (one hundred and fifty reais) equivalent to approximately US\$ 50.00.

In the case of granting the application, the DNPM will remit an official letter determining the date, place and time to check the accuracy of the information provided in the application, with regard to weight in carats and mineralogical identification, followed by effecting the sealing in a tamper proof transparent plastic bag, official pattern, with the original certificate, properly signed by the Director-General together with the District Chief, as well as being initialed by the DNPM technician who undertook the inspection considered previously.

The KPC will be valid after being issued and the DNPM shall undertake the publication of its synopsis in the Internal Bulletin of the Autarchy.

When doubt occurs as to origin and the mineralogical identification, the DNPM, in exceptional cases, may request a technical evaluation to confirm the authenticity of the information supplied about the rough diamonds. However, evaluations will only be accepted if given by legally qualified professionals, previously accredited with the DNPM.

In the cases where it becomes necessary to open the package containing rough diamonds that are to be exported, as a result of fiscal customs procedures, the SRF will issue a new KPC in replacement of the original certificate, transcribing the same information from the original certificate. New fees will not be charged.

V.2 – Characteristics of the Brazilian KPC

The Brazilian certificate fulfills all the security features and requirements set out in Annex I of the KPCS document and as per the attached checklist. It was elaborated by the *Casa da Moeda do Brasil* (House of the Coin of Brazil), the government's company responsible for making coins and Brazilian bills, as well as of some countries of South America and Africa. The Brazilian KPC has the following security features, in accordance with the following characteristics:

1. Latent image – When the certificate is held horizontally at eye level to the light, letter “K” can be seen inside the brown ellipse guilloche.
2. Micro-text (Tactile mark): under a magnifying glass, tiny words (DNPM RECEITA FEDERAL DNPM ...) can be seen on the strip in the middle of the Certificate.
3. Ornamental border (Tactile mark): design is perceptible to the touch, and under a magnifying glass, tiny words (KIMBERLEY SRF KIMBERLEY SRF...) can be seen around the internal part of the ornamented border.
4. Number with 6 digits.
5. Watermark (Offset mark - DNPM): when the Certificate is held up to the light, the letters of the DNPM become visible.
6. Brazilian Blazon (Offset mark): appears inserted in the bottom of the Certificate.
7. Offset mark U.V. reactive (an image, and letters can be seen under U.V. light).
8. Tactile mark, and under a magnifying glass, tiny words (KIMBERLEY SRF KIMBERLEY SRF...) can be seen around the border of the brown ellipse guilloche.
9. Special back ground printing: thin sinuous lines color the entire Certificate

V.3 – Evidences that prove that the rough diamonds are not conflict diamond.

The DNPM will emit the Brazilian KPC only if the exporter proves that the rough diamond was extracted from an area that has been legalized by the DNPM, in accordance with the paragraph 2º article 1º of the Law Nº 10.743, of 9th October 2003. If the exporter will not be the owner of the mineral rights, he must present the purchase invoices, in order to prove that the rough diamonds were properly extracted from mines or “garimpos” protected by the mineral legislation of the Country

In accordance that it has declared in the Brazilian Certificate “the data present in this certificate are of the exporter's exclusive responsibility”

V.4 – Issues of Kimberley Process certificates

In 2005, 75 certificates were emitted by the DNPM, and 12 were cancelled, in accordance with the following table:

Table I - EMISSION OF KP CERTIFICATES - 2005

First Quarter		Second Quarter		Third Quarter		Forth Quarter	
Nº	Country	Nº	Country	Nº	Country	Nº	Country
				125	Canceled		
				126	Israel		
				127	USA		
				128	USA		
86	Belgium	105	Canceled	129	Belgium	155	Canceled
87	Belgium	106	Canada	130	Belgium	156	USA
88	USA	107	Canceled	131	Belgium	157	UAE
89	Belgium	108	USA	132	USA	158	UAE
90	Belgium	109	Belgium	133	Belgium	159	Belgium
91	Canceled	110	USA	134	Belgium	160	Belgium
92	Canceled	111	USA	135	USA	161	Belgium
93	Canceled	112	Belgium	136	UAE	162	USA
94	Belgium	113	Belgium	137	UAE	163	USA
95	Canceled	114	Belgium	138	USA	164	USA
96	USA	115	USA	139	Canceled	165	USA
97	Belgium	116	Belgium	140	USA	166	Belgium
98	Germany	117	Belgium	141	USA	167	Belgium
99	Canceled	118	Belgium	142	Canceled	168	Canceled
100	Canceled	119	Belgium	143	Belgium	169	USA
101	Canceled	120	UAE	144	Belgium	170	USA
102	Belgium	121	UAE	145	Canceled	171	UAE
103	Belgium	122	Belgium	146	USA	172	UAE
104	Belgium	123	Belgium	147	USA	173	Belgium
		124	UK	148	Belgium	174	Belgium
				149	USA		
				150	Belgium		
				151	Belgium		
				152	USA		
				153	Israel		
				154	Israel		
12 certificates 07 canceled		18 certificates 02 canceled		26 certificates 04 canceled		18 certificates 02 canceled	
GRAN TOTAL 75 certificates emitted, and 14 canceled in 2005							

(Source: DNPM – MME, adapted by Nahass, S.)

COUNTRY	CERTIFICATES
EC	38
USA	24
UAE	8
ISRAEL	4
CANADA	1
TOTAL	75

(Source: DNPM – MME, adapted by Nahass, S.)

V.5 – Rough Diamonds – Exports and Imports

We are presenting the data related to the export and the import of rough diamonds, years 2005, in the following tables:

**Table II - Brazilian Rough Diamonds – Exports
1st Quarter 2005**

Country	Trade With	Trade Type	Date	Weight (ct)	Value (US\$)	HS Code
Brazil	Canada	Export	1Q 2005	140	32 000	7102.10
Brazil	United States of America	Export	1Q 2005	5 273	450 888	7102.10
Brazil	United States of America	Export	1Q 2005	58	153 000	7102.10
TOTAL				5 470	635 888	
Brazil	European Community	Export	1Q 2005	1 656	178 500	7102.21
Brazil	European Community	Export	1Q 2005	1 645	29 955	7102.21
Brazil	European Community	Export	1Q 2005	11 189	203 744	7102.21
Brazil	European Community	Export	1Q 2005	6 400	116 544	7102.21
Brazil	European Community	Export	1Q 2005	2 450	44 615	7102.21
Brazil	European Community	Export	1Q 2005	10 750	181 500	7102.21
Brazil	European Community	Export	1Q 2005	5 650	96 050	7102.21
Brazil	European Community	Export	1Q 2005	6 815	150 000	7102.21
Brazil	European Community	Export	1Q 2005	9 009	161 421	7102.21
Brazil	European Community	Export	1Q 2005	4 943	88 579	7102.21
Brazil	Israel	Export	1Q 2005	9 577	40 707	7102.21
TOTAL				70 084	1 291 616	
Brazil	European Community	Export	1Q 2005	600	16 700	7102.31
TOTAL				600	16 700	
GRAN TOTAL				76 154	1 944 204	

Source: MDIC/SECEX/DECEX and MME/DNPM - 2004 (Adapted by Kimberley Process Rough Diamond Statistics.)

Table III - Brazilian Rough Diamonds – Exports 2nd Quarter 2005

Brazil	United States of America	Export	2Q 2005	80	210 000	7102.10
Brazil	European Community	Export	2Q 2005	9 752	195 040	7102.10
Brazil	European Community	Export	2Q 2005	8 247	164 940	7102.10
Brazil	European Community	Export	2Q 2005	10 306	206 120	7102.10
Brazil	European Community	Export	2Q 2005	10 009	200 180	7102.10
Brazil	United States of America	Export	2Q 2005	51	200 000	7102.10
Brazil	United States of America	Export	2Q 2005	75	300 000	7102.10
Brazil	European Community	Export	2Q 2005	427	121 732	7102.10
Brazil	European Community	Export	2Q 2005	606	8 174	7102.10
Brazil	United States of America	Export	2Q 2005	34	40 644	7102.10
Brazil	European Community	Export	2Q 2005	504	6 028	7102.10
Brazil	European Community	Export	2Q 2005	3 829	50 000	7102.10
TOTAL				43 920	1 702 858	
Brazil	European Community	Export	2Q 2005	4 330	55 200	7102.21
Brazil	United Arab Emirates	Export	2Q 2005	4 340	67 273	7102.21
Brazil	United Arab Emirates	Export	2Q 2005	9 212	142 827	7102.21
Brazil	European Community	Export	2Q 2005	6 553	150 000	7102.21
Brazil	European Community	Export	2Q 2005	9 873	215 000	7102.21
Brazil	European Community	Export	2Q 2005	497	4 840	7102.21
TOTAL				34 805	635 140	
Brazil	European Community	Export	2Q 2005	625	8 558	7102.31
TOTAL				625	8 558	
GRAN TOTAL				79 350	2 346 556	

Source: MME/DNPM - 2004 (Adapted by Kimberley Process Rough Diamond Statistics.)

**Table IV - Brazilian Rough Diamonds – Exports
3rd Quarter 2005**

Country	Trade With	Trade Type	Date	Weight (ct)	Value (US\$)	HS Code
Brazil	European Community	Export	3Q 2005	578	228 243	7102.10
Brazil	United States of America	Export	3Q 2005	75	85 000	7102.10
Brazil	United States of America	Export	3Q 2005	112	470 000	7102.10
Brazil	United States of America	Export	3Q 2005	1 865	216 000	7102.10
Brazil	United States of America	Export	3Q 2005	62	210 000	7102.10
Brazil	United States of America	Export	3Q 2005	64	350 000	7102.10
Brazil	United States of America	Export	3Q 2005	69	10 340	7102.10
Brazil	United States of America	Export	3Q 2005	1 263	101 365	7102.10
Brazil	United States of America	Export	3Q 2005	708	80 000	7102.10
Brazil	Israel	Export	3Q 2005	38	136 300	7102.10
Brazil	Israel	Export	3Q 2005	102	650 000	7102.10
Brazil	European Community	Export	3Q 2005	1 250	135 000	7102.10
Brazil	Israel	Export	3Q 2005	9 229	637 926	7102.10
Brazil	European Community	Export	3Q 2005	125	85 000	7102.10
Brazil	European Community	Export	3Q 2005	735	623 757	7102.10
Brazil	European Community	Export	3Q 2005	1 752	200 000	7102.10
TOTAL				18 026	4 218 931	
Brazil	United States of America	Export	3Q 2005	6 463	28 828	7102.21
Brazil	United States of America	Export	3Q 2005	4 540	15 605	7102.21
Brazil	United States of America	Export	3Q 2005	4 628	8 662	7102.21
Brazil	European Community	Export	3Q 2005	9 891	220 000	7102.21
Brazil	European Community	Export	3Q 2005	2 342	40 000	7102.21
Brazil	European Community	Export	3Q 2005	2 441	40 000	7102.21
Brazil	European Community	Export	3Q 2005	6 798	101 971	7102.21
Brazil	European Community	Export	3Q 2005	3 513	52 697	7102.21
Brazil	United Arab Emirates	Export	3Q 2005	7 939	121 000	7102.21
Brazil	United Arab Emirates	Export	3Q 2005	7 153	109 000	7102.21
TOTAL				55 708	737 763	
Brazil	United States of America	Export	3Q 2005	1 728	361 050	7102.31
Brazil	United States of America	Export	3Q 2005	157	15 653	7102.31
TOTAL				1 884	376 703	
GRAN TOTAL				75 619	5 333 396	

Source: MME/DNPM - 2004 (Adapted by Kimberley Process Rough Diamond Statistics.)

**Table V - Brazilian Rough Diamonds – Exports
4th Quarter 2005**

Country	Trade With	Trade Type	Date	Weight (ct)	Value (US\$)	HS Code
Brazil	European Community	Export	4Q 2005	339	250 000	7102.10
Brazil	United States of America	Export	4Q 2005	1 850	170 000	7102.10
Brazil	United States of America	Export	4Q 2005	114	212 000	7102.10
Brazil	United States of America	Export	4Q 2005	156	512 000	7102.10
Brazil	United States of America	Export	4Q 2005	53	106 000	7102.10
Brazil	United States of America	Export	4Q 2005	38	130 000	7102.10
Brazil	European Community	Export	4Q 2005	144	4 200 000	7102.10
Brazil	United States of America	Export	4Q 2005	25	2 000 000	7102.10
Brazil	European Community	Export	4Q 2005	379	800 000	7102.10
Brazil	European Community	Export	4Q 2005	298	80 000	7102.10
TOTAL				3 394	8 460 000	
Brazil	European Community	Export	4Q 2005	2 665	44 852	7102.21
Brazil	European Community	Export	4Q 2005	2 860	48 133	7102.21
Brazil	United Arab Emirates	Export	4Q 2005	9 406	142 000	7102.21
Brazil	United Arab Emirates	Export	4Q 2005	3 430	53 000	7102.21
Brazil	United Arab Emirates	Export	4Q 2005	7 899	122 000	7102.21
Brazil	United Arab Emirates	Export	4Q 2005	9 003	132 000	7102.21
Brazil	European Community	Export	4Q 2005	8 918	150 047	7102.21
TOTAL				44 181	692 032	
Brazil	United States of America	Export	4Q 2005	1 822	276 580	7102.31
TOTAL				1 822	276 580	
GRAN TOTAL				49 397	9 428 612	

Source: MME/DNPM - 2004 (Adapted by Kimberley Process Rough Diamond Statistics.)

**Table VI - Brazilian Rough Diamonds – Imports
1st Quarter 2005**

Country	Trade With	Trade Type	Date	Weight (ct)	Value (US\$)	HS Code
Brazil	Australia	Import	1Q 2005	89	1 243	7102.21
Brazil	United States of America	Import	1Q 2005	650	9 000	7102.21
Brazil	United States of America	Import	1Q 2005	280	3 555	7102.21
TOTAL				1 019	13 798	
Brazil	United States of America	Import	1Q 2005	1 955	197 531	7102.31
TOTAL				1 955	197 531	
GRAN TOTAL				2 974	211 329	

Source: MDIC/SECEX/DECEX and MME/DNPM - 2004 (Adapted by Kimberley Process Rough Diamond Statistics.)

**Table VII - Brazilian Rough Diamonds – Imports
2nd Quarter 2005**

Country	Trade With	Trade Type	Date	Weight (ct)	Value (US\$)	HS Code
Brazil	United States of America	Import	2Q 2005	4 000	9 550	7102.10
Brazil	United States of America	Import	2Q 2005	230	2 730	7102.10
TOTAL				4 230	12 280	
Brazil	United States of America	Import	2Q 2005	5 000	5 750	7102.21
Brazil	United States of America	Import	2Q 2005	1 090	15 256	7102.21
Brazil	United States of America	Import	2Q 2005	255	2 905	7102.21
TOTAL				6 345	23 911	
GRAN TOTAL				10 575	36 191	

Source: MME/DNPM - 2004 (Adapted by Kimberley Process Rough Diamond Statistics.)

**Table VIII - Brazilian Rough Diamonds – Imports
3rd Quarter 2005**

Country	Trade With	Trade Type	Date	Weight (ct)	Value (US\$)	HS Code
Brazil	United States of America	Import	3Q 2005	1 100	15 550	7102.21
Brazil	United States of America	Import	3Q 2005	90	1 865	7102.21
Brazil	United States of America	Import	3Q 2005	115	2 012	7102.21
TOTAL				1 305	19 427	
GRAN TOTAL				1 305	19 427	

Source: MME/DNPM - 2004 (Adapted by Kimberley Process Rough Diamond Statistics.)

**Table IX - Brazilian Rough Diamonds – Imports
4th Quarter 2005**

Country	Trade With	Trade Type	Date	Weight (ct)	Value (US\$)	HS Code
Brazil	United States of America	Import	4Q 2005	179	2 219	7102.21
Brazil	United States of America	Import	4Q 2005	270	3 120	7102.21
Brazil	United States of America	Import	4Q 2005	1 172	17 362	7102.21
TOTAL				1 621	22 701	

Source: MME/DNPM - 2004 (Adapted by Kimberley Process Rough Diamond Statistics.)

Table X - EXPORTS 2005

QUARTER	ct	US\$ 1.00
1 st	74,498	1,765,414
2 nd	79,350	2,346,566
3 rd	75,619	5,333,396
4 th	49,397	9,428,988
GRAN TOTAL	278,864	18,874,268

Source: MDIC/SECEX/DECEX and MME/DNPM - 2004 (Adapted by Nahass,S.)

Table XI - IMPORTS 2005 -

QUARTER	ct	US\$ 1.00
1 st	2,974	211,329
2 nd	10,575	36,191
3 rd	1,305	19,427
4 th	1,621	22,701
GRAN TOTAL	16,475	289,647

Source: MDIC/SECEX/DECEX and MME/DNPM - 2004 (Adapted by Nahass,S.)

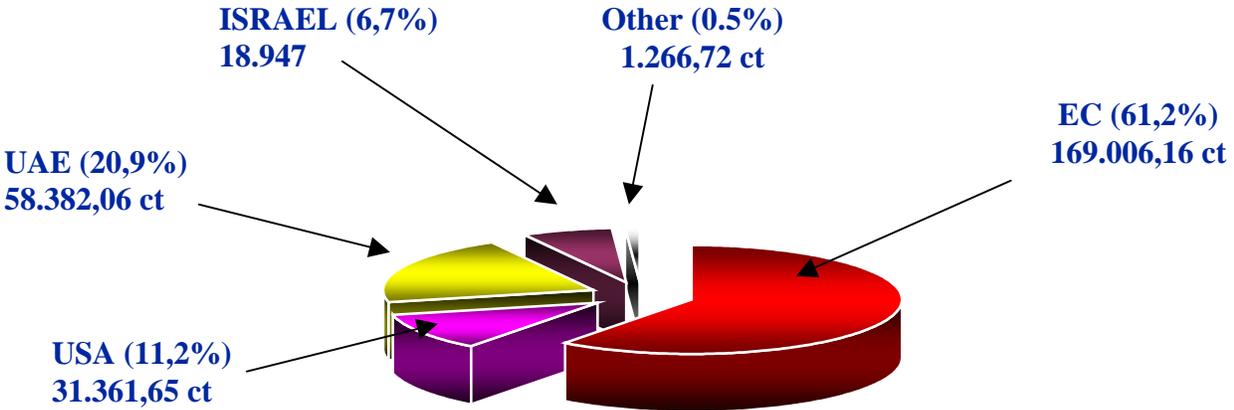
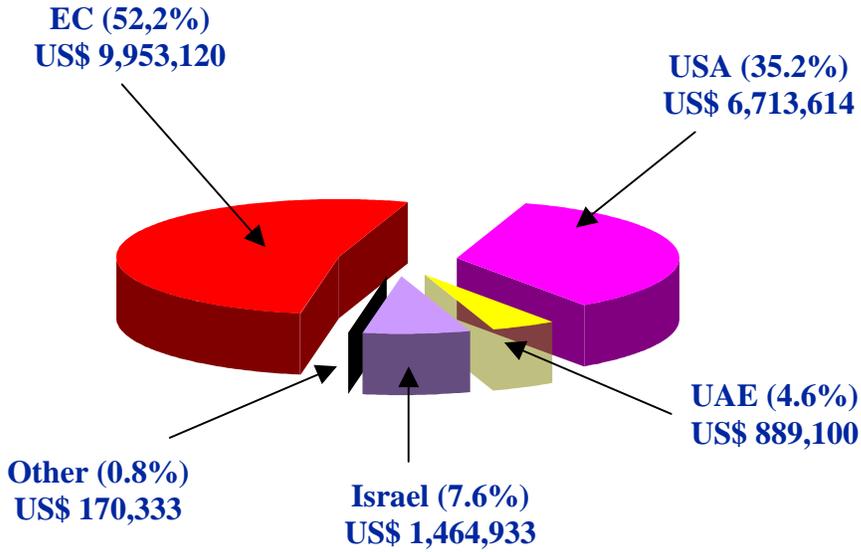
Table XII - BRASIL EXPORTS – 2005

(Source MDIC/SECEX/DECEX, MME/DNPM, KP Rough Diamond Statistics web site– Adapted by Nahass,S)

Country	Trade With	Trade Type	Date	Weight (ct)	Value (US\$)	HS Code
Brazil	United States of America	Export	1Q 2005	58	153 000	7102.10
Brazil	Canada	Export	1Q 2005	140	32 000	7102.10
Brazil	United States of America	Export	1Q 2005	5 273	450 888	7102.10
Brazil	European Community	Export	2Q 2005	427	121 732	7102.10
Brazil	European Community	Export	2Q 2005	3 829	50 000	7102.10
Brazil	European Community	Export	2Q 2005	606	8 174	7102.10
Brazil	United States of America	Export	2Q 2005	75	300 000	7102.10
Brazil	United States of America	Export	2Q 2005	34	40 644	7102.10
Brazil	United States of America	Export	2Q 2005	51	200 000	7102.10
Brazil	European Community	Export	2Q 2005	8 247	164 940	7102.10
Brazil	European Community	Export	2Q 2005	9 752	195 040	7102.10
Brazil	European Community	Export	2Q 2005	504	6 028	7102.10
Brazil	United States of America	Export	2Q 2005	80	210 000	7102.10
Brazil	European Community	Export	2Q 2005	10 009	200 180	7102.10
Brazil	European Community	Export	2Q 2005	10 306	206 120	7102.10
Brazil	United States of America	Export	3Q 2005	62	210 000	7102.10
Brazil	European Community	Export	3Q 2005	125	85 000	7102.10
Brazil	European Community	Export	3Q 2005	1 752	200 000	7102.10
Brazil	European Community	Export	3Q 2005	1 250	135 000	7102.10
Brazil	Israel	Export	3Q 2005	102	650 000	7102.10
Brazil	Israel	Export	3Q 2005	38	136 300	7102.10
Brazil	United States of America	Export	3Q 2005	1 263	101 365	7102.10
Brazil	United States of America	Export	3Q 2005	708	80 000	7102.10
Brazil	United States of America	Export	3Q 2005	64	350 000	7102.10
Brazil	United States of America	Export	3Q 2005	1 865	216 000	7102.10
Brazil	United States of America	Export	3Q 2005	112	470 000	7102.10
Brazil	United States of America	Export	3Q 2005	75	85 000	7102.10
Brazil	Israel	Export	3Q 2005	9 229	637 926	7102.10
Brazil	United States of America	Export	3Q 2005	69	10 340	7102.10
Brazil	European Community	Export	3Q 2005	735	623 757	7102.10
Brazil	European Community	Export	3Q 2005	578	228 243	7102.10
Brazil	United States of America	Export	4Q 2005	53	106 000	7102.10
Brazil	European Community	Export	4Q 2005	298	80 000	7102.10
Brazil	European Community	Export	4Q 2005	339	250 000	7102.10
Brazil	European Community	Export	4Q 2005	379	800 000	7102.10
Brazil	United States of America	Export	4Q 2005	38	130 000	7102.10
Brazil	United States of America	Export	4Q 2005	1 850	170 000	7102.10
Brazil	United States of America	Export	4Q 2005	156	512 000	7102.10
Brazil	United States of America	Export	4Q 2005	25	2 000 000	7102.10
Brazil	European Community	Export	4Q 2005	144	4 200 000	7102.10
Brazil	United States of America	Export	4Q 2005	114	212 000	7102.10
TOTAL				70 811	15 017 677	
Brazil	European Community	Export	1Q 2005	5 650	96 050	7102.21
Brazil	Israel	Export	1Q 2005	9 577	40 707	7102.21

Brazil	European Community	Export	1Q 2005	4 943	88 579	7102.21
Brazil	European Community	Export	1Q 2005	6 815	150 000	7102.21
Brazil	European Community	Export	1Q 2005	6 400	116 544	7102.21
Brazil	European Community	Export	1Q 2005	11 189	203 744	7102.21
Brazil	European Community	Export	1Q 2005	2 450	44 615	7102.21
Brazil	European Community	Export	1Q 2005	1 645	29 955	7102.21
Brazil	European Community	Export	1Q 2005	10 750	181 500	7102.21
Brazil	European Community	Export	1Q 2005	1 656	178 500	7102.21
Brazil	European Community	Export	1Q 2005	9 009	161 421	7102.21
Brazil	European Community	Export	2Q 2005	4 330	55 200	7102.21
Brazil	United Arab Emirates	Export	2Q 2005	9 212	142 827	7102.21
Brazil	European Community	Export	2Q 2005	6 553	150 000	7102.21
Brazil	United Arab Emirates	Export	2Q 2005	4 340	67 273	7102.21
Brazil	European Community	Export	2Q 2005	497	4 840	7102.21
Brazil	European Community	Export	2Q 2005	9 873	215 000	7102.21
Brazil	United Arab Emirates	Export	3Q 2005	7 939	121 000	7102.21
Brazil	United States of America	Export	3Q 2005	6 463	28 828	7102.21
Brazil	United Arab Emirates	Export	3Q 2005	7 153	109 000	7102.21
Brazil	European Community	Export	3Q 2005	3 513	52 697	7102.21
Brazil	European Community	Export	3Q 2005	6 798	101 971	7102.21
Brazil	European Community	Export	3Q 2005	2 441	40 000	7102.21
Brazil	European Community	Export	3Q 2005	2 342	40 000	7102.21
Brazil	European Community	Export	3Q 2005	9 891	220 000	7102.21
Brazil	United States of America	Export	3Q 2005	4 628	8 662	7102.21
Brazil	United States of America	Export	3Q 2005	4 540	15 605	7102.21
Brazil	European Community	Export	4Q 2005	8 918	150 047	7102.21
Brazil	United Arab Emirates	Export	4Q 2005	7 899	122 000	7102.21
Brazil	United Arab Emirates	Export	4Q 2005	9 003	132 000	7102.21
Brazil	European Community	Export	4Q 2005	2 665	44 852	7102.21
Brazil	European Community	Export	4Q 2005	2 860	48 133	7102.21
Brazil	United Arab Emirates	Export	4Q 2005	9 406	142 000	7102.21
Brazil	United Arab Emirates	Export	4Q 2005	3 430	53 000	7102.21
TOTAL				204 777	3 356 550	
Brazil	European Community	Export	1Q 2005	600	16 700	7102.31
Brazil	European Community	Export	2Q 2005	625	8 558	7102.31
Brazil	United States of America	Export	3Q 2005	157	15 653	7102.31
Brazil	United States of America	Export	3Q 2005	1 728	361 050	7102.31
Brazil	United States of America	Export	4Q 2005	1 822	276 580	7102.31
TOTAL				4 932	678 541	
GRAN TOTAL				280 519	19 052 768	

In accordance with Table XII, the most expressive exports of rough diamonds, year 2005, were mainly directed to the European Community, as it can be verified in the following illustrations:



Brazil imported in 2005 a total of 16,296 ct corresponding to US\$ 287,429.00. The main supplier for rough diamonds was USA. However, the Brazilian imports are insignificant as compared to the exports.

With respect to the last year, regarding the value: exports and imports decreased, as it can be seen through Table XIII.

**Table XIII - Rough Diamonds – Exports and Imports (Value)
(2000, 2001, 2002, 2003, 2004, and 2005)**

(Source: DECEX – MF, DNPM – MME, adapted by Nahass, S.) - US\$ 1,000.00

TRADE	2000	2001	2002	2003	2004	2005
EXPORT	8,030	9,077	28,772	23,420	21,810	19,053
IMPORT	285	255	229	94	633	287

**Table XIV - Rough Diamonds – Exports and Imports (Weight)
(2003, 2004, and 2005)**

(Source: DECEX – MF, DNPM – MME, adapted by Nahass, S.) - Ct

TRADE	2003	2004	2005
EXPORT	244,925	243,298	280,519
IMPORT	28,127	10,222	16,296

In 2005 the estimated production of rough diamond was the following;

Table XV – BRAZILIAN PRODUCTION

HALF 2005	WEIGHT (ct)	VALUE (US\$ 1.00)	US\$/ct
1st	150,000	4,138,500	27.59
2nd	150,000	17,712,000	118.08
TOTAL	300,000	21,850,500	72.83

VI – INCOMING SHIPMENTS

The sequence of events for an incoming shipment:

1. the importer sends to the relevant Exporting Authority a copy of the certificate from the origin Country;
2. all data are included in a computerized database (SICOMEX - System of External Trade);
3. the operation will only be accomplished, when DNPM gives the approval; that is, after the definitive confirmation of the origin of the diamond by the relevant Exporting Country.
4. Brazil received in 2005 13 certificates from the USA, and 01 from Australia, and all shipments were in accordance with the provisions of the KPCS.
5. the relevant Authority of the SRF verify everything with regard to the seal and container of the rough diamonds shipments and that the import was performed in accordance with the KPCS, as well as check if content of an incoming shipment matches the information declared on the certificate.

VII – SYSTEM OF INTERNAL CONTROLS AND INDUSTRY SELF-REGULATION

1. A system of database of Production, Export and Import of Diamonds has already implanted.
2. There is an administrative process control of all imported and exported diamonds.

VIII– STATISTICS

The official data of statistic export and import are accomplished by DECEX. However the DNPM maintains a database with the purpose of controlling the number of Brazilian certificates issued, as well as all information on the origin, carat weight, value, importer etc., with respect to the rough diamonds, in accordance with the KPCS. During this year, the data that we have submitted to the Working Group on Statistics (Kimberley Statistics) were coming from DNPM, and were based on the emitted certificates.

DNPM is the Authority that grants the Titles of Mineral Rights, controlling systematically the mining activities in the Country. Besides, DNPM is the responsible organization for the registration and consolidation of the mineral production that is published annually in the Brazilian Mineral Annual (AMB - Anuário Mineral Brasileiro).

IX - MISCELLANEOUS

A) ROUGH DIAMOND TRADE

Taking in account Table XVI, we must conclude that in 2004:

- The Brazilian production of rough diamond remain almost the same in weigh and decrease 17.80% in value as compared to the previous year;
- The Brazilian export increase by 15.30% in weight and decrease by 12.64% in value as compared to the previous year;
- The Brazilian imports increased by 61.17% in weight and decreased by 54.56% in value as compared to the previous year, most of them was classified in HS code 7102.21

Table XVI– Production, Export, and Import – 2004/2005

YEAR	PRODUCTION	EXPORT	IMPORT
2004	300,00 ct US\$ 26,422,800.00	243,298 ct US\$ 21,809,678.00	10,222 ct US\$ 633,000.00
2005	300,000 ct US\$ 21,720,000.00	280,519 ct US\$ 19,053,000.00	16,475 ct US\$ 287,647.00

B - SUB-GROUP ON ALLUVIAL PRODUCTION

The 2004 Ottawa Plenary meeting of the Kimberley Process, decided to mandate the Working Group on Monitoring to establish an ad-hoc sub-group to address the challenges facing alluvial producers and promote the exchange of best practices. In that context the mandate from Plenary provides that membership of the sub-group should be drawn primarily from alluvial diamond-producing countries. It is therefore proposed that the sub-group should be open to all alluvial diamond-producing Participants in the KPCS.

As a first indication, the sub-group could thus comprise the following alluvial producers as members: Angola; Brazil; Central African Republic; Democratic Republic of Congo; Ivory Coast; Ghana; Guinea; Guyana; Namibia; Sierra Leone; South Africa; Tanzania; Togo; Venezuela.

Brazil was indicated to be the general coordinator for South America, which is composed by, besides Brazil, Guyana, and Venezuela.

In accordance with the orientation of the Chairman of Working Group on Monitoring, Dr. Kim Eling, we have tried to keep in touch with the representatives of Venezuela and Guyana in order to planning our joint work. We have established that for the first step we should made a diagnosis of the situation on rough diamond alluvial production in each country. Venezuela have sent us the paper “El Diamante en Venezuela” that gives a general idea about the geology, localization of deposits, and very few information about the alluvial deposits. Guyana have sent us only the 2004 Annual Report, which doesn't contain enough informations on Alluvial Production., necessary to accomplished our report on South America situation.

During the Plenary of Moscow Brazil have presented a report on Alluvial Production, focusing mainly on the following topics:

Traceability of rough diamonds from mine to the first export

The Brazilian Authorities agree that is almost impossible to recognize the origin of one only rough diamond specimen; however, parcels, in the case of Brazil, are possible, due to that the origin certificates are supplied through an open process by DNPM, which has a number and all the relative data to the area where the diamonds were extracted.

Nowadays, the Brazilian diamonds of artisanal legalized mining are coming from two areas, mainly: Juína, in the State of Mato Grosso, and Coromandel and Diamantina, State of Minas Gerais, and the principal characteristics of the diamonds of those areas are very well known by the specialists of DNPM (localization map attached).

Licensing and effective supervision of artisanal miners

With the objective of minimizing the problems on alluvial trade, as well as to bring artisanal miners into to the formal sector, the Brazilian government has as main goal to improve cooperative systems and of the solidary economy (co-operation among economical agents within the same productive areas).

DNPM has already granted 21 Permissions for Artisanal Mining (Permissão de Lavra Garimpeira, in Portuguese) in Juína – MT (Mato Grosso) and Coromandel (Minas Gerais), as a result of rights cession agreements signed by private companies and local “garimpeiros” co-operatives.

On that sense, the agreements among the co-operative, community representatives, and mining companies have become one of the best practice carried out by the Brazilian government.

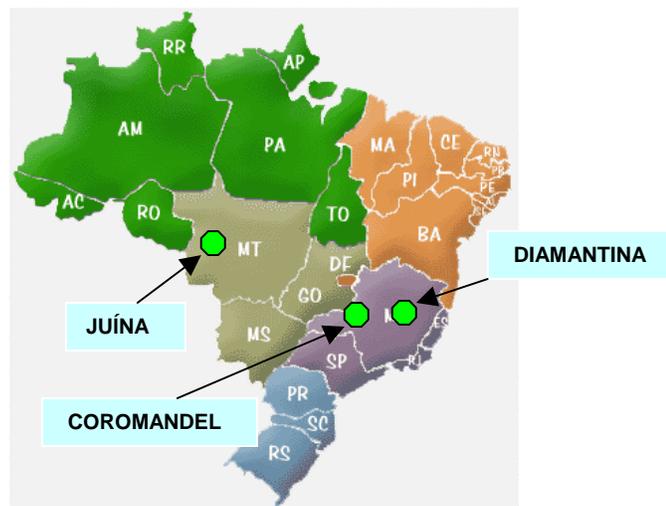
Although Brazil seems to be like a continent, DNPM has been exercising its monitoring in all diamond irregular extraction news areas with the support of Federal Police and environmental agencies. It is a very hard work, and we are

aware that it will be very difficult to solve that problem in a short span of time. We intend to join to our efforts some collaboration with Brazilian Non Governmental Organizations, or even with Global Witness (GW) and Partnership África Canadá (PAC).

Licensing and effective supervision of traders (such as *negocinats*) and buying offices.

In the case of Brazil this problem is also very hard to resolve. DNPM supervise the production, however, it doesn't supervise the trade. We will receive from the States of Mato Grosso, Rondônia and Minas Gerais a list of the principal buyers in order to follow their performance. We will try to make this together with other Brazilian organisms that act in the commercialization sector, such as the Federal Revenue for instance. Besides, we already have the list of all the legalized mines and we are already finishing the survey of the artisanal mines not only of diamonds, but also of other gems.

However, we agree with GW, we have to find out together the best way to solve that big problem.



Tax differential and other incentives for cross-border smuggling

In Brazil, only in the State of Minas Gerais has differential taxes for all gems, including the rough diamond. This has been contributing a lot to restraint the smuggling of extracted gems in that State.

The smuggling is a problem for the Federal Police that has been working very hard to avoid not only the diamonds smuggling but also all other goods. On the other hand, the Ministry of Mines and Energy of Brazil is elaborating a project with regard to the Creation of a Support Center to the Small-scale mining enterprises, with the

objective of rendering technical, economical, on mineral legislation and environmental etc., which should also has some consultants to give support to the small miners.

DNPM is carrying out together with the Geological Survey of Brazil a project, aiming at identifying and classifying the Brazilian gemological sites of occurrence, production and trade of rough diamonds, as well as making use of advanced technologies that should allow to delineate the known deposits and to indicate new promising areas for diamond explorations.

We have to stress that the Brazilian Government, through the Ministry of Mines and Energy, has been doing a great effort in order to bring artisanal miners into to the formal sector:

Mineral Rights

Most of the Brazilian's alluvial deposits belong to private companies, which have been avoiding the legal work of the "garimpeiros" (artisan miners). In Minas Gerais and Mato Grosso, for instance, the larger diamond producers states in Brazil, were held several public conferences in order to establish alliances among owners of the mineral rights (mining companies), co-operatives of diamond producers ("garimpeiros"), communities representatives, government officers, and traders of rough diamonds.

Co-operatives

The Brazilian government has as main goal to improve the co-operative system and the "solidary economy" (co-operation among economical agents within the same productive area). Thus, Government expects to move the "garimpeiros" into the formal sector, which means larger Labour Market and best incomes (in other words, an improvement of the "social inclusion").

Monitoring

DNPM has been monitoring areas of irregular extraction of diamonds, with the support of Federal Police and environmental agencies.

Concessions

DNPM, as said before, granted 21 Artisanal digging Licence – PLG ("Permissão de Lavra Garimpeira"), in October 2004, in Juína – MT and Coromandel – Mg, as result of rights cession agreements signed by private companies, and local "garimpeiros" Co-operatives.

Aboriginal Areas

The diamond production of the State of Rondônia has been expressively increased due to recent discoveries on alluvial terrains (gems of great value). Brazil forbids

the exploration of minerals in aboriginal areas. However, the main Rondônia diamond area is located in one of those areas (Aripuanã Aboriginal Park).

The world media usually focuses the problems that Brazil has been facing due to that prohibition, such as:

- The presence of a lot of irregular “garimpeiros”;
- Aborigines and “garimpeiros” disagreements;
- Violence (“garimpeiros” have been killed by aborigines).

To solve those problems, Brazilian government created the “Rondonia Operation (RO), that closed all the Rondônia “garimpos”.

A Team was created to manage the RO, formed by representatives of the Ministry of the Justice, DNPM, Department of Federal Police, National Foundations of the Aborigines – FUNAI, Bureau of Institutional Safety (GSI) of the Presidency of the Republic and Ministry of Defense (this group is coordinated by the Federal Police). Besides, it was addressed to the National Congress a project of law regulating mining in aboriginal lands, and the Geological Survey of Brazil will carry out a project of geological and aerogeophysical survey in the referred areas.

We are conscious that the problem of the illegality of the artisanal mining in Brazil is very difficult to be solved, and there is not doubt that there are still a lot of things do, but the Brazilian government organs that are involved on this matter have been doing their best in order to reach good results, mainly through the empowered alliances with all the involved stakeholders, as Government (Ministries, Federal Police, State Government, Municipalities, and Environmental Agencies), Civil Society (local communities, Syndicates, Co-operatives, and NGO's), and Private Sector (Mining Companies).

C) MISSIONS ABROAD

Unfortunately, due to internal priorities, once more it was not possible to send mission to some countries in accordance with we have established in our agendas 2004, and 2005. Anyway, again we have scheduled to send the representatives of SGM, DNPM, DECEX and SRE to one or two countries aiming at knowing the way how those countries act in all stages with respect to import and export of rough diamonds, as well as to assimilate the acquired experience within the activities of the KPCS. If it will no be possible, we will try to get some Brazilian representatives into the foreseen review visits.

E) DISCREPANCIES

The discrepancies point out in the 2004 Annual Report, by Mr. Rentschler, had not been solved until now, and we think it will be impossible to resolve it. In view of that, we stress our suggestion, that is to consider cases of discrepancies only after the adhesion of our country as Participant of KPCS, therefore it will be much easier to find out the reasons of a possible problem. Corroborating this suggestion we present the following example:

Reviewing the statistics data - 2004 regarding to import and export of Brazilian rough diamonds, we have found that Brazil has exported to United Arab Emirates US\$ 5.161.241,00 in value and 61.903 ct in weight.

After verifying the data in the website of Kimberley Process Rough Diamond with regard to the United Arab Emirates imports statistics from Brazil, in the same year, we figured out that the value of those imports was the same of the Brazilian data, that is US\$ 5.161.241,00.



Search Results

Country	Trade With	Trade Type	Date	Weight (ct)	Value (US\$)	HS Code
Brazil	United Arab Emirates	Export	2Q 2004	5 991	302 485	7102.10
Brazil	United Arab Emirates	Export	2Q 2004	5 335	80 020	7102.10
Brazil	United Arab Emirates	Export	2Q 2004	5 470	82 048	7102.10
Brazil	United Arab Emirates	Export	2Q 2004	6 167	1 560 183	7102.10
Brazil	United Arab Emirates	Export	2Q 2004	5 374	530 396	7102.10
Brazil	United Arab Emirates	Export	2Q 2004	5 474	253 994	7102.10
Brazil	United Arab Emirates	Export	2Q 2004	6 472	116 502	7102.10
Brazil	United Arab Emirates	Export	2Q 2004	5 546	1 170 687	7102.10
Brazil	United Arab Emirates	Export	3Q 2004	5 034	40 099	7102.10
Brazil	United Arab Emirates	Export	3Q 2004	4 164	41 639	7102.10
Brazil	United Arab Emirates	Export	3Q 2004	6 877	983 188	7102.10
TOTAL				61 903	5 161 241	
TOTALS				61 903	5 161 241	

However, there was a discrepancy in relation to the weight of those rough diamonds. The Brazilian data, in agreement with the emitted certificates, summed up 61.903 ct, while the data of UAE that are presented in the website of KP summed up 611.003 ct, very different from the data presented by Brazil.



Kimberley Process

ROUGH DIAMOND STATISTICS

Country	Trade With	Trade Type	Date	Weight (ct)	Value (US\$)	HS Code
United Arab Emirates	Brazil	Import	2Q 2004	571 966	2 071 578	7102.10
United Arab Emirates	Brazil	Import	3Q 2004	39 037	3 089 662	7102.10
TOTAL				611 003	5 161 241	
TOTALS				611 003	5 161 241	

We tried to verify if there was some mistake in the transcription of data on the part of the Brazilian responsible authorities, but nothing was found out of abnormal.

After informing the problem to United Arab Emirates' authorities, the problem was solved immediately.



Kimberley Process

ROUGH DIAMOND STATISTICS

Country	Trade With	Trade Type	Date	Weight (ct)	Value (US\$)	HS Code
United Arab Emirates	Brazil	Import	2Q 2004	22 866	2 071 578	7102.10
United Arab Emirates	Brazil	Import	3Q 2004	39 037	3 089 662	7102.10
TOTAL				61 903	5 161 241	
TOTALS				61 903	5 161 241	

Brasília, April 2006



Samir Nahass
KPCS Focal Point for Brazil

ANNEX

Portaria Nº 209, de 05/08/2005, DOU de 08/08/2005

Regula a anuência e emissão do Certificado do Processo de Kimberley - CPK, pelo Departamento Nacional de Produção Mineral.

Situação: Em vigor

PORTARIA Nº 209, DE 5 DE AGOSTO DE 2005

Regula a anuência e emissão do Certificado do Processo de Kimberley - CPK, pelo Departamento Nacional de Produção Mineral.

O DIRETOR-GERAL DO DEPARTAMENTO NACIONAL DE PRODUÇÃO MINERAL - DNPM, no uso de suas atribuições, e tendo em vista o disposto na Lei nº 10.743, de 9 de outubro de 2003, publicada no DOU de 10 de outubro de 2003 e na Portaria Conjunta DNPM/SRF nº 397, de 13 de outubro de 2003, publicada no DOU de 14 de outubro de 2003, resolve:

Art. 1º A importação ou exportação de diamantes brutos somente poderá ser efetivada após a prévia anuência e emissão do Certificado do Processo de Kimberley - CPK pelo Departamento Nacional de Produção Mineral - DNPM.

Art. 2º A anuência prévia para importação de diamantes brutos será solicitada por intermédio de requerimento dirigido ao Diretor-Geral do DNPM, nos termos previsto no inciso I, § 1º do art. 1º da Portaria Conjunta DNPM/SRF nº 397, de 13 de outubro de 2003.

Parágrafo único. Haverá por parte do DNPM manifestação favorável ao Sistema Integrado de Comércio Exterior - Siscomex, se o requerimento estiver instruído de acordo com o previsto no caput.

Art. 3º O requerimento do Certificado do Processo de Kimberley- CPK para exportação de diamantes brutos será protocolizado no Distrito de jurisdição do Estado onde se encontrem os diamantes brutos, através de formulário próprio, que contenham as informações do Anexo I.

Parágrafo único. O formulário referido no caput deste artigo, estará disponível no sítio eletrônico <http://www.dnpm.gov.br> e nas unidades do DNPM.

Art. 4º O requerimento deverá ser protocolizado devidamente preenchido pelo exportador ou por seu representante legal, mediante pagamento de emolumentos no valor de R\$ 250,00 (duzentos e cinqüenta reais).

Art. 5º Os diamantes brutos são definidos pelo Sistema Harmonizado de Codificação e Designação de Mercadorias pelos códigos: 7102.10; 7102.21 e 7102.31, cujos tamanhos devem ser iguais ou maior do que 1 (um) mm, em uma determinada dimensão.

Parágrafo único. Os diamantes brutos inferiores a 1 (um) mm não poderão ser certificados para exportação, tampouco incluídos em remessas daqueles com dimensões que exigem obrigatoriedade de certificação.

Art. 6º O Chefe do Distrito com jurisdição no Estado onde se encontrem os diamantes brutos poderá solicitar confirmação dos dados constantes do requerimento ao Chefe do Distrito com jurisdição no Estado de origem dos diamantes brutos.

Art. 7º O DNPM contactará o requerente ou seu representante legal para conferir a exatidão das informações prestadas no requerimento, referentes ao valor, ao peso em quilates e identificação mineralógica e, em seguida, promoverá a efetivação do lacre.

Art. 8º O CPK deverá ser assinado pelo Diretor-Geral juntamente com o Chefe do Distrito, bem como rubricado no verso pelo técnico do DNPM, que promover a conferência prevista no artigo 7º.

Art. 9º O CPK terá validade de 60 (sessenta) dias a partir de sua emissão.

Art. 10. Quando houver dúvida sobre a origem e identificação mineralógica, o DNPM, excepcionalmente, poderá exigir laudo técnico para a confirmação da autenticidade das informações prestadas.

Parágrafo único. Somente serão aceitos laudos emitidos por profissionais legalmente habilitados, previamente credenciados no DNPM.

Art. 11. Fica revogada a Portaria nº 398, de 14 de outubro de 2003, publicada no Diário Oficial da União de 15 de outubro de 2003.

Art. 12. Esta Portaria entra em vigor na data de sua publicação.

MIGUEL ANTONIO CEDRAZ NERY

ANEXO I - DEPARTAMENTO NACIONAL DE PRODUÇÃO MINERAL

A) DADOS DO IMPORTADOR/EXPORTADOR

I - Nome ou razão social do exportador e importador;

II - No do CNPJ/CPF/MF;

III - Endereço;

IV - Telefone, fax e e-mail;

B) DADOS DA ORIGEM DOS DIAMANTES

I - País, Estado, Município, Distrito e nome da mina/garimpo de origem

II - Título minerário

III - Número do processo DNPM

IV - Descrição, peso e valor dos diamantes

V- Finalidade (Industrial, Lapidação ou ainda Industrial/Lapidação).