



CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE

April 4, 2003

**S. 760**

**Clean Diamond Trade Act**

*As ordered reported by the Senate Committee on Finance on April 2, 2003*

S. 760 would prohibit the importation into and exportation from the United States of any rough diamonds (as defined in the bill) that have not been controlled through the Kimberley Process Certification Scheme (KPCS). The diamonds prohibited from trade are those that come from or go to countries and territories that do not participate in the Certification Scheme. The KPCS outlines a series of recommended standards, practices, and procedures for certification of rough diamonds through an international document that was agreed to by the United States and 47 other countries. In addition, S. 760 would impose civil penalties on individuals who engage in the trade of such diamonds.

CBO estimates that prohibiting the trade of such diamonds would have no effect on federal revenues because the duty rate on such imports is zero. Also, any additional revenues resulting from the civil penalties contained in the bill would be less than \$500,000 per year. The bill would not affect direct spending.

S. 760 would impose a private-sector mandate, as defined by the Unfunded Mandates Reform Act (UMRA), on importers and exporters of certain diamonds. The bill would prohibit the importation into and exportation from the United States of rough diamonds that have not been controlled through the KPCS. According to government and industry sources, the diamond industry began such a prohibition voluntarily on January 1, 2003. Therefore the direct cost of the mandate would be minimal, if any, and would fall well below the annual threshold established by UMRA for private-sector mandates (\$117 million in 2003, adjusted annually for inflation). CBO has determined that the bill contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

The CBO staff contacts for this estimate are Annie Bartsch (for federal revenues), and Paige Piper/Bach (for the impact on the private sector). The estimate was approved by G. Thomas Woodward, Assistant Director for Tax Analysis.