

OTHER FACETS

NEWS AND VIEWS ON THE INTERNATIONAL EFFORT TO END CONFLICT DIAMONDS

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ZIMBABWE

Massacre, Smuggling and KP Dithering

In January, the Kimberley Process was urged by NGOs, industry representatives and some governments to deal with reports of an October 2008 massacre of artisanal diamond diggers by the Zimbabwe military, and with evidence of widespread diamond smuggling from Zimbabwe. In the absence of any clear sense of direction by the Kimberley Process, at the beginning of March Partnership Africa Canada published a lengthy investigation of the Zimbabwe diamond scene, *Zimbabwe, Diamonds and the Wrong Side of History*, available at www.pacweb.org/Documents/diamonds_KP/18_Zimbabwe-Diamonds_March09-Eng.pdf

The report described the role of diamonds in the Zimbabwean economy and their place in the country's repressive governance. It described growing evidence of smuggling, the militarization of diamond resources and the killing of dozens of unarmed diamond diggers by the police and armed forces. The report described the lacklustre role in all of this played by the Kimberley Process, "the multilateral body designed to regulate the world's trade in rough diamonds, but whose members lack the initiative and the skills required to investigate smuggling and non compliance, and who lack the courage required to denounce gross human rights violations in the diamond industry."

The report said that the health of the world's diamond market comes down to consumer choice. "To maintain customer confidence, the onus is on the world's diamond industry and the Kimberley Process to demonstrate beyond doubt that the diamonds it certifies are clean, and that questionable Zimbabwean goods are not tainting the wider world of diamonds." The report concluded with strong recommendations to the United Nations Security Council, the governments of Zimbabwe and South Africa, and the Kimberley Process.

KP Chair Bernhard Esau reacted negatively to a call for the suspension of Zimbabwe's membership in the Kimberley Process. "Could suspending Zimbabwe from KP bring their situation to a halt?" he asked in an open letter posted on the KP website. "Will the suspension bring an end to the illegal activities currently going on in Zimbabwe or worsen them?"

Despite internal calls within the KP for an immediate review mission to Zimbabwe, the debate was prolonged when other participants refused to countenance any discussion about human rights abuse, saying the KP had no mandate to deal with human rights violations, even those directly related to diamond mining.

Finally, with little agreement from anyone in the KP on what to do beyond the issuance of a "statement of concern", KP Chair Esau went to Zimbabwe in March, accompanied by a delegation from South Africa. He subsequently reported what he had been told by government officials. The mines ministry, defence and justice all remain in the hands of Robert Mugabe's ZANU-PF. The Chair did not meet with human rights groups or the media, but did obtain agreement from the Zimbabwe government for a KP review mission (something that had actually been obtained several weeks earlier).

Seven months after the massacre of diamond diggers (which has been denied by the Zimbabwean government), and a year after smuggled Zimbabwean diamonds began showing up across Africa, in India, and even as far away as Guyana, the KP finally began to organize a review mission to Zimbabwe. Although the mission was to have taken place in time for its report to be considered at the June KP Intersessional Meeting in Windhoek, further delays and miscommunication may prevent this from happening.

TRADE BANS NOT THE ANSWER IN DRC Report Urges Support for Formalizing the Informal Sector

A report by Nicholas Garrett and Harrison Mitchell challenges calls for a ban or disruption of trade in cassiterite, coltan, and wolframite from the Eastern Democratic Republic of Congo (DRC), arguing that such measures have the potential to wreck the livelihoods of up to one million people regionally and would perpetuate insecurity in Eastern DRC. The report, based on research funded by the UK's Department for International Development, The London School of Economics and others, urges policy makers, the private sector and other stakeholders to reform the existing trade in minerals from DR Congo instead of banning or disrupting it.

Garrett and Mitchell, co-directors of Resource Consulting Services, suggest that military gain from the trade in Eastern DRC minerals, which generated at least US\$4m in tax revenue

in 2008, is not the primary cause of insecurity and violence in North Kivu. Although the report acknowledges deep-seated problems with the trade, it goes further and suggests that in contrast to current policy approaches, security and trade issues should be addressed separately, because trade-based solutions to security issues, such as sanctions, are likely to have little effect on the perpetuation of the conflict. The report is available at <http://www.crisisstates.com/Publications/tradingConflict.htm>

The report comes at a time when the countries of the Great Lakes Region are preparing to put in place a regional certification mechanism for high-value minerals. This regional system will seek to confirm the origin of such minerals with a view to helping prevent armed factions from benefiting from the trade. An added impetus for such a system came on April 23, when three US Senators – Durbin, Brownback and Feingold – tabled draft legislation requiring the certification of cassiterite, coltan and wolframite origination in the DRC and neighbouring countries.

THE TAYLOR TRIAL Request for Acquittal Rejected Son Gets 97 Years

In May, war crimes judges in The Hague rejected a request to acquit Liberia's former President, Charles Taylor, on charges of crimes against humanity. The request, which came almost 18 months after Taylor's trial began, was based on an argument that there was not enough evidence for the trial to proceed.

The move, regarded as a standard defence ploy, was rejected by the judges, who said that "The prosecution has produced evidence capable of supporting a conviction of the accused." While the decision does not mean that Taylor will be convicted, it does mean that the trial will continue and that Taylor's legal team, which is costing the court an estimated \$200,000 per month, will now have to produce a defence.

Taylor faces 11 charges of war crimes and crimes against humanity in connection with the brutal 1991-2002 war in Sierra Leone. The trial, taking place under the auspices of the Special Court for Sierra Leone, is being held at the International Criminal Court in The Hague for security reasons. A verdict is not expected until 2010.

Meanwhile, a US court in Miami has sentenced Taylor's US-born son, "Chuckie" to 97 years in prison for torture, carried out while he headed his father's notorious Anti Terrorist Unit in Liberia. It was the first time a US court has applied a 1994 law allowing the prosecution of citizens who commit torture overseas.

Venezuela Update The Kimberley Sham

The story so far: Venezuela, a charter member of the Kimberley Process, dropped off the KP radar in 2005 when it stopped reporting diamond production and exports. Diplomatic efforts by the KP and many of its participants failed to change the situation. Finally, in 2006, Partnership Africa Canada sent a team to Venezuela to examine the state of the diamond industry. The findings were reported in *The Lost World: Diamond Mining and Smuggling in Venezuela*, published in November 2006. The report provided conclusive evidence of an active diamond mining sector, a loss of governmental control, and wholesale smuggling. In fact 100% of Venezuela's diamond production was being smuggled out of the country illegally. It took the Kimberley Process two full years to reach a "solution" to the problem. In fact much of 2007 and 2008 was devoted to making radio contact with Venezuela, and getting Venezuelan officials to actually acknowledge that there was an issue.

Finally, in October 2008, two years after the PAC report and almost 5 years after Venezuela had become non-compliant in its KP membership, a KP team, led by India – the Kimberley Process Chair in 2008 – and including representatives of the Chairs of every KP working group and a senior industry representative went to

Venezuela. Civil society, however, was excluded from the mission, which came back and essentially repeated what it had been told by Venezuela. Venezuela wished to "separate" from the KP, and would cease all diamond imports and exports while it reorganized its diamond sector, but it wanted to remain a KP Participant. This "solution" included promises of all sorts of positive "engagement" between the KP and Venezuela in the months that would follow.

Now read on: Since the October 2008 KP Plenary when the Venezuelan "solution" was reached, there has been zero communication between Venezuela and any KP working group. Venezuela has issued no reports on diamond production or exports, and there has been no "engagement" of any kind. KP Chair Bernhard Esau wrote in an open letter in March that the KP "will continue to engage with Venezuela in order to assist and support the country in developing appropriate internal controls." No such thing has happened. An investigative visit to Venezuela by Partnership Africa Canada in May 2009 found that diamond mining continues as before, that diamond smuggling continues as before, and that diamond dealers – legally registered and openly operating – continue to thrive on the Venezuelan side of the border where Brazil, Guyana and Venezuela meet. And despite what they may have told the visiting KP delegation in 2008, the Venezuelan government has in fact abandoned all efforts to remove diamond miners from the watershed of the Guri hydroelectric project. Indeed, the Venezuelan state-owned CVG company recently renewed the mining leases of half a dozen miners' cooperatives in the Santa Elena region.

In condoning the status quo, the Kimberley Process has become an active party in an overt diamond smuggling enterprise.

GUINEA & LEBANON: SOMETHING FISHY

In March, *Diamond Intelligence Briefs* (DIB) reported on what it called "a major diamond laundering route" between Guinea and Lebanon. Huge volumes of grossly undervalued Guinean diamonds are being imported into Lebanon, while Lebanon is actually exporting more high-value diamonds than it imports. Lebanese diamond exports are currently on the upside of \$50 million annually. DIB twigged to the anomaly because a US State Department report to Congress observed that Lebanon was becoming a major transit centre for diamonds reaching Hezbollah and other terrorist groups in the Middle East. A large Lebanese diaspora controls much of the artisanal diamond trade in Africa and South America.

Before the Lebanese civil war, Beirut was home to a modest diamond cutting and polishing industry as part of a much larger jewellery manufacturing industry. Today Lebanon boasts a booming jewellery manufacturing industry that is a consumer of high quality/value polished diamonds. Customs data indicates that in 2005, Lebanon imported about US \$93 million of polished diamonds, mainly from Belgium

and India. Lebanon, however, was slow to meet KP standards, and only joined the KPCS in 2007, after KP review teams visited the country in 2005 and 2006.

During the 2005 review, the team was told by representatives of the Syndicate of Lebanese Jewellers that the diamond cutting and polishing industry had been completely mothballed and that factory owners were eagerly awaiting Lebanon's re-entry into the KP and the resumption of trade in rough diamonds. In fact with more gem quality diamonds leaving the country than enter, it seems that the premise for Lebanese entry into the Kimberley Process was based on misinformation. Meanwhile, the report of a KP review team that visited Guinea in mid 2008, finding weak controls and widespread corruption, has still not been completed nine months after the event.

The problem of Guinean and Lebanese statistics may eventually work its way into the Kimberley Process consciousness, but it will likely bounce between various working groups without any sense of urgency until NGOs and the media make the issue louder and more embarrassing.

TELEVISION

Diamonds. If you thought the entertainment business was finished with conflict diamonds, think again. Here is a four-hour mini-series produced by the US/UK Alchemy Television Group and Toronto's Sienna Films, with Canadian, British and South African funding. It aired in Canada in April, has been sold to Arena 3 in Spain and ABC television in the US, and will undoubtedly air more widely. For star power it has Derek Jacobi (*I Claudius*) and James Purefoy (*Rome*). *Diamonds* pulls out every cliché in the book, and then some. Based (very) loosely on Matthew Hart's 2001 book, *Diamond: The Heart of an Obsession* (reviewed in *Other Facets* #4, December 2001), *Diamonds* tells at least half a dozen stories: the hunt for diamonds in the Canadian north; blood diamonds in Sierra Leone, bad Russian behaviour in Angola; the murder at a DRC diamond mine of a US senator's daughter; the struggle by a huge (and evil) South African diamond conglomerate to retain control of the world's diamond industry.

There are sub plots aplenty. An NGO throws red paint at the door of a beautiful black model in London who wears diamonds for the huge (and evil) South African diamond conglomerate. A Sierra Leonean child soldier shoots grown-ups, takes diamonds to the Liberian president in Monrovia, and then demonstrates that he is just a decent kid after all. A beautiful young geologist working for a Canadian junior outsmarts a crusty old geologist, not to mention the huge (and evil) South African diamond conglomerate, and discovers diamonds under the snow in Nunavut.

Whew! If the plot line is busy, watch for the scene changes. In the first half hour there are scenes in the Canadian North, Sierra Leone, Angola, DRC, South

Africa, London, Moscow, Washington and New York. And Toronto.

If you don't know anything about diamonds and the wars they fuelled, and if you can follow all the plots and sub-plots, you will find this miniseries both entertaining and informative. Too bad so much of the information is misleading or wrong. Too bad there are no good guys – except the cute geologist, the black model who eventually twigs to the huge (and evil) South African diamond conglomerate, and the child soldier who repents his murderous ways.

Too bad *Diamonds* suggests that the entire story – including the diamond wars in Angola, Sierra Leone and the DRC are taking place right now, and that nothing at all has been done to deal with the problem. But then, given the alacrity and determination with which the Kimberley Process has moved to deal with the real diamond problems in Venezuela, Lebanon and Zimbabwe, perhaps this is inevitable.

We Get Letters

In the February issue of *Other Facets*, we reported on the “bogus” KP visit to **Venezuela**, saying that “details of an irrelevant side trip to a hydroelectric project (the team's only foray outside of Caracas) were omitted” from the team's report. We received requests for a correction of this statement from the governments of **India** and **Brazil**. We were wrong. Details of the trip to the hydroelectric project *were* included in the report. The trip to the hydroelectric complex was important, we are told, because of the “steps taken by Venezuela to harmonize concerns for economic development with environmental preservation.” Nice. Too bad no trips were taken to diamond mining areas or to the smuggling operations in and around Santa Elena, frequently described in *Other Facets*, NGO reports and the international media.

In the same issue *Other Facets* expressed dismay that an individual known to the **Panama Diamond Exchange** and the **World Federation of Diamond Bourses** (WFDB) had allegedly been importing rough diamonds from Venezuela to Panama for years. Our concern was that with Venezuela so much in the news, nobody seems to have thought this might be of interest to the **Kimberley Process**. **Michael Vaughan**, Secretary General of the WFDB writes that when steps were taken in July 2008 to expel the individual in question from Panama, the WFDB informed the Panama Diamond Exchange, 28 affiliated bourses and the **World Diamond Council** (WDC). “As both the Government of Panama was aware of the situation, as well as the WDC, which is part of the KP, the KP should have been aware of the situation.” Unfortunately, as our article explained, it was not.

MEDIAWATCH

In February, *Commodity Online* reported that a Belgian court is seeking evidence in a multi-billion euro tax evasion scheme. Some two dozen firms were allegedly used to evade tax payments and launder billions in undeclared income from diamond trading. **Omega Diamonds**, which has been heavily involved in the Angolan diamond industry before and after the war in that country, was named as a principal. Police raids in October seized millions of dollars worth of diamonds from Omega and other companies.

Writing about the violence in **Zimbabwe's diamond fields**, well-known industry journalist **Rob Bates** said in an April blog that Kimberley Process "membership requires a well-run industry. But it turns out even condemning Zimbabwe is controversial." A meaningless, watered-down statement was eventually adopted because some governments vetoed strong language. "Now, issuing a statement is a pretty meaningless gesture in itself," Bates wrote, "So they have managed to make a meaningless gesture even more meaningless."

The Belgian newspaper *De Tijd* reported in April on a five-year investigation into a case of "conflict diamonds" alleged to have involved the presidents of Zimbabwe and the DRC. The investigation led to the bankruptcy of a company named **AP Diamonds**, and a house search led to the heart attack and death of 46-year old diamantaire **Nikhil Manilal**. *De Tijd* now reports that the investigation was badly handled and that the case was exaggerated and manipulated by the detectives involved.

Guinea is reportedly toning down its aggressive stance towards international mining firms, according to a *Reuters* report. The military junta that took power in a bloodless coup in December 2008 promised a full-scale review of all mining contracts, spooking investors in a shaky investment environment. **Mines and Energy Minister Mahmoud Thiam**, a former vice president of the Swiss Bank UBS

in New York, said in May that "the period of public hearings and admonitions has expired." The government continues its investigation, however, of the 2006 sale of the government's Friguia alumina refinery to the Russian metals firm **RUSAL**. According to Thiam, the plant changed hands for \$19 million, despite its estimated value of \$250 million.

According to a May report in the *Mining Journal*, retail diamond sales in the 12 months to October 2009 are not expected to decline by more than 15% over the previous 12 months. Why then the closure of so many mines? Botswana, for example, expects to produce only 15 million carats this year, against 33.6 million in 2008. Analyst **Chaim Even-Zohar** says it is because the industry was already holding at least \$5 billion worth of rough and polished diamonds when the downturn began in 2008. This over-supply is now working its way through the system, affecting producers much more severely than downstream retailers. Those in the middle have been caught as well. In India as many as 400,000 people working in the cutting and polishing industry have been laid off.

The diamond industry may be blue over the economy, but blue was good news at a **Sotheby's** auction in Geneva in May. There, a flawless blue diamond, found at South Africa's **Cullinan Mine** in 2008, brought in Sfr 10.5 million, about US\$9.5 million. The price represents one of the highest ever paid per carat.

BOOKS

Rescuing a Fragile State: Sierra Leone 2002-2008, Lansana Gberie (ed.), LCMSDS Press of Wilfrid Laurier University, 2009, 133 pages, Can\$19.95

This book brings together reflections and impressions of Sierra Leone's recent history by experts, academics and practitioners who were intimately involved in Sierra Leone's transition from war to peaceful democratic rule. Lansana Gberie, a former PAC research associate, has edited the collection and writes a

chapter on "Blood Diamonds: A Postscript". Ian Smillie, PAC's Research Coordinator writes a chapter entitled "Orphan of the Storm: Sierra Leone & 30 Years of Foreign Aid". Former British High Commissioner to Sierra Leone, Peter Penfold, offers a critique of the war crimes tribunal and there are several chapters dealing with the disintegration and reform of the army, as well as new approaches to security and development.

L'industrie du diamant en République Démocratique du Congo : pour quel développement!

S.M. Kiabilwa et F.M. Cimanga, Southern Africa Resource Watch, 2008, 94 Pages. Available on line at

http://www.sarwatch.org/sarwadoocs/DRC_DiamondBook_web.pdf

There is both artisanal and industrial diamond mining in two of DRC's provinces. The only public enterprise mining diamonds industrially is MIBA, which has been operating for decades. In Kasai-Occidental, AMB also mined diamonds industrially for a few years. This report shows that neither company contributed to the development of Kasai nor to reducing poverty. Mbuji-Mayi, the diamond capital, has remained extremely poor, hence the title of the report: "The diamond industry in DRC: for what development!" Are they diamonds for development or poverty diamonds? Several problems cited in the report show that the exploitation of diamonds since the trade was liberalized have helped to make people's living conditions worse than better. The report links diamond mining to fraud, to the Congolese elite, to the spread of AIDS and to negative environmental impacts.

OTHER FACETS

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For more information:

info@pacweb.org <http://www.pacweb.org/>
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