

OTHER FACETS

NEWS AND VIEWS ON THE INTERNATIONAL EFFORT TO END CONFLICT DIAMONDS

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“LAND GRABBING AND LAND REFORM” DIAMONDS, RUBBER AND FORESTS IN THE NEW LIBERIA

A new report released in August by Partnership Africa Canada in Ottawa, and Green Advocates in Monrovia spells out the huge challenges facing the new government of Liberia following a decade and a half of brutal civil war, war fuelled mainly by looted natural resources.

Liberia, the report says, is a country blessed with natural resources. Despite its vast storehouse of natural wealth, however – or because of it – Liberia remains one of the poorest and least developed places on earth, with an average per capita income of US\$152 per annum, 40% of the adult population illiterate, and life expectancy at birth of under 40 years.

“Liberia,” says the report’s author, Shawn Blore, “is a darkly resplendent example of the resource curse, the phenomenon by which countries blessed with natural resources grow more slowly, stay poorer and offer less to their people than their resource-poor neighbours.”

The mechanisms driving this counterintuitive situation include the volatility of revenues from the natural resource sector, currency appreciation that renders non-resource sectors uncompetitive, and the political corruption that often results from the continuous inflow of windfall revenue. Widespread public anger at the mismanagement of the country’s natural resources was one of the causes of the Liberian civil war.

According to Alfred Brownell, Executive Director of Green Advocates, “Successive Liberian governments became more and more dependent on taxes paid by multinational companies instead of by their own citizens. Governments became islands completely de-linked from citizens and from any kind of local accountability, and outsiders were the only funding mechanism. This revenue became an instrument to institute and finance a tyrannical police state and a self-sustaining system that gradually extinguished local community rights to natural resources.”

“This is the heart of Liberia’s problem and it was a major contributor to the brutal civil war that displaced the entire population of the country, sending a million refugees across its borders and murdering 300,000 innocent victims.”

The report describes Liberia’s timber, rubber and diamond sectors, and lays out what must be done in the short and medium term, both to make certain that there is no return to the old ways of doing things, and to ensure that the country’s natural resources are used for the benefit of all Liberians, now and in the future.

The election of Ellen Johnson-Sirleaf as President of Liberia has provided a brief window of opportunity, during which essential reforms in Liberia’s natural resource sector can be enacted. Given the clear link between natural resources and conflict, the importance of these reforms cannot be underestimated.

The report, which was the subject of a national workshop held in Monrovia on August 22, can be found at:
http://www.pacweb.org/e/images/stories/documents/17_liberia.pdf.

INTERNAL DEBATES BLIGHT KIMBERLEY PROCESS Inability to Reform Threatens KPCS: NGOs

The upcoming Kimberley Process Plenary Meeting, set for November 5-8 in Brussels, will have to deal with a variety of serious issues that NGOs say are weakening the effectiveness and the credibility of the diamond certification body.

A debate about what to do regarding Venezuela, which has been in arrears on its KPCS reporting for years, and which has been the subject of several reports detailing smuggling and mismanagement in its diamond industry, has festered for a full year without resolution. Efforts to build criteria and transparency into the selection of the KP Chair have also failed, with NGOs now saying they will not support the appointment of a Chair or a Vice Chair of the Kimberley Process if their overall economic governance is in question, or if there are human rights problems in the management of their diamond industries.

Partnership Africa Canada and Global Witness have

produced a joint report on growing evidence of a parallel trade in illicit rough diamonds, involving countries that are members of the Kimberley Process, and have demanded implementation of the tougher controls that were promised at the last Plenary, held a year ago in Botswana. “The industry backed our call for better government oversight,” said PAC’s Ian Smillie, “but to our knowledge, the only country to have done anything in this regard – in the entire world – is Ghana.”

These and other issues promise to make the meeting a test of Kimberley Process resolve to deal more quickly and more effectively with weaknesses that threaten its effectiveness as the only tool to halt and prevent a recurrence of conflict diamonds. The joint PAC/GW paper on illicit diamond flows can be found at:

http://www.pacweb.org/e/images/stories/documents/illicit_diamond-eng.pdf

PAC RELEASES 2007 ANGOLA & DRC REVIEWS Serious Problems Persist

In October, Partnership Africa Canada released the 2007 editions of its *Diamond Industry Annual Reviews* for Angola and the Democratic Republic of the Congo. The DRC Review focuses on the country's artisanal diamond mining force – 700,000 diggers who produce the lion's share of the country's \$700 million in diamond exports, but who earn very little, living and working under appalling conditions. The report also contains articles on smuggling and the undervaluation of exports, and it examines efforts at reform.

The Angola Report, the most detailed yet produced in the PAC series, covers a wide range of issues, but details the country's continuing problems with probity, transparency and human rights in the country's diamond mining areas. The report examines how joint venture arrangements have given large percentages of Angola's diamond revenues to the military and political insiders, and it looks at the impact of the industry on local people in the Lunda provinces, its effect on their personal security, their environment, and their ability to make a living.

The *Annual Reviews* aim to provide the governments of Angola and the DRC, their civil societies, development organizations and investors with information that will be helpful in the promotion of greater transparency and more positive developmental outcomes from the diamond industry.

The *Reviews*, first issued in 2004, are available at www.pacweb.org. *Annual Reviews of the Diamond Industry in Sierra Leone* are also available.

TAYLOR TRIAL DELAYED UNTIL JANUARY 2008 Kamajors Sentenced

The war crimes trial of Charles Taylor, erstwhile warlord and former president of Liberia, has been postponed until January 7, 2008. The trial, conducted by the UN-backed Special Court for Sierra Leone, opened in June this year but was recessed after Taylor fired his lawyer and demanded more financial support. Taylor argued that the support he was getting for legal costs of \$48,000 per month was inadequate. When the trial resumed briefly in August, Taylor had engaged new lawyers, and the court agreed to a higher level of financial support, reportedly set at \$100,000 per month, well in excess of a million dollars annually. Taylor has repeatedly claimed to be indigent.

Taylor, 59, is accused of instigating murder, rape and mutilation during the civil war in Sierra Leone, in an effort to gain control over the country's diamond resources. The trial is taking place in The Hague because of security concerns in Freetown where other indictees are being tried.

Meanwhile, in Freetown, the Special Court handed down sentences on Oct. 9 in two cases against commanders in the Civil Defence Forces, or *kamajors*. Moinina Fofana and Allieu Kondewa were sentenced to six and eight-year prison terms respectively, considerably less than the 30-year sentence sought by the prosecution. Both men were found guilty of war crimes, but were acquitted of crimes against humanity and murder.

Books

They Seek Him Here, They Seek Him There

Douglas Farah and Stephen Braun, *Merchant of Death: Money, Guns, Planes and the Man Who Makes War Possible*. John Wiley & Sons, Hoboken, 2007, 308 pages, US\$29.95; £13.10

Here is the first detailed portrait of Viktor Bout, Merchant of Death. Paraphrasing the NRA slogan during the campaign against conflict diamonds, many in the diamond industry said, "Diamonds don't kill people, guns kill people". Of course diamonds don't kill people, but they were used to pay the gunrunners who provided the weapons and the ammunition. And the most successful gunrunner of the past 15 years has been Viktor Bout, who at one time had the largest private fleet of second-hand Antonovs, flying weapons and other dangerous cargo from the former Soviet bloc to a myriad of war zones across Africa, the Balkans and as far afield as Afghanistan and Iraq. Bout's fingerprints and the destruction he sowed are all over the DRC, Angola, Sierra Leone, Liberia and a dozen other conflicts.

Merchant of Death reveals, in detail, how it was done. Bout established a network of companies across Europe and Africa, some real, some simply shells for the laundering of money and documentation. Highly corrupted air registries in countries such as Liberia, the Central African Republic, Sharjah and Equatorial Guinea knowingly provided flight permissions and documents that made his operations appear legitimate – in case anyone cared to ask. Few did. Arms exporters in the Ukraine, Bulgaria and elsewhere eagerly sold off weaponry at cut rate prices, along with the junkyard planes Bout used to transport it. UN arms embargoes were flaunted by terminally corrupt regimes in countries like Togo and Burkina Faso which provided end-user certificates, refueling stops and other services for his aircraft, in return for diamonds and whatever other forms of remuneration were on offer. The intelligence services of Western governments, thinly staffed in Africa and often by second-raters, proved unable to give their governments the information and the backbone needed to shut the criminal down.

Without United Nations Expert Panels, crusading NGOs and a handful of intrepid journalists like Douglas Farah, co-author of this book, Viktor Bout would still be flying high. In fact Bout *is* still flying high, living the Life of Riley in Moscow, giving interviews on Russian television, to the *New York Times* and others. What if there is an Interpol notice out for his arrest? That and \$50 will get you a nicely functioning AK47.

If there is a flaw in *Merchant of Death*, it is that every story about Bout, no matter how far-fetched is recounted as fact. He has been "spotted" recently in a Hezbollah building in Lebanon, he has flown arms into Somalia, he travels at will throughout Europe and Africa, heavily disguised and aided by a woman nicknamed "Tatanya" who may actually be "a composite of two people". The authors recount at length a

plot hatched by Bout in Monrovia with one of Sierra Leone's rebel leaders, Sam Bockarie in November 1999. Bout planned to give the rebels enough arms and ammunition to take over the country's abandoned rutile mines, which he could restart "and make a healthy profit". The quest for rutile, a titanium ore used in paint pigments and welding rods, was "simple and astonishing", a new "moral Rubicon" for Bout, based on the seizure of foreign territory. The offensive was duly launched in April 2000, and failed only because the RUF impulsively captured 500 UN peacekeepers. In fact with UN peacekeepers flooding the country, this kind of military operation could only have been planned by an idiot, and the book takes considerable pain to demonstrate that Bout is no idiot. By April, in fact, Bockarie was long gone, and with Rebel supremo Foday Sankoh acting as vice president of Sierra Leone after the July 1999 peace agreement, there was no need to mount a military offensive. Fighting resumed in fact, only after the kidnapping of the UN Peacekeepers, who were beginning to encroach on the RUF-held diamond areas.

This is perhaps a quibble. There is no doubt that Bout was and remains the monster Farah and Braun have described, leaving a trail of death and destruction behind almost every one of his ventures. The worst part of it is that he has been aided and abetted every step of the way by corrupt or inept African governments, by Russia and its former satellites who protect him, and by Western governments whose inspired combination of opportunism, incompetence and apathy have paved the way for his bad intentions.

R. T. Naylor, *Satanic Purses: Money, Myth and Misinformation in the War on Terror*. McGill-Queen's University Press, 2006, 420 pages, Can\$29.95

You know an escaped professor is at work when a book refers to the Green Hornet, "wacky ideas" and "humungous" sums of money, and says that "Mohammed Atta seems to have been winging it", yet insists on pretentious spellings of al-Qā'idah, Usama bin Lāden and the Talibān (or is it Tāliban?) – presumably so readers will get the pronunciation just right. Naylor says *Satanic Purses* has three objectives: to demystify the notion of a great anti-Western insurgency (there isn't one), to clarify how and why the story was concocted (mainly a Jewish/Israeli plot with lots of help from just about everyone else), and to explore the likely consequences of how the West and the US in particular have chosen to respond (not so good).

Of interest here is the half chapter that Naylor devotes to conflict diamonds. Unlike other writers looking to bust "myths", Naylor sees the Kimberley Process as a success (although he can't bring himself to say it in so many words) because the whole thing was really a plot by De Beers to starve the world of diamonds while it unloaded old stock from the basement. De Beers succeeded, so – *ipso facto* – the KP must have succeeded as well. De Beers was helped along by NGOs "peddling a mish mash of half-truths

unsubstantiated rumors [although the book is published in Canada, US spelling is observed, perhaps with an eye to sales south of the border] and spook disinformation," with the net effect of giving "officials of corrupt and repressive governments a pretext to knock out independent miners and turn concessions over to kin and cronies." But the real impetus for all this was the "myth" that "al-Qā'idah" had been dabbling in diamonds and had to be stopped.

In fact the al Qaeda-and-diamonds story was never accepted by the CIA or the 9/11 Commission, and certainly was not a factor in the creation of the Kimberley Process. In purveying his own myths and misinformation, and in neglecting to mention the horrific, decade-long wars of destruction that were fuelled by diamonds, Naylor cheapens the truth behind Kimberley and those among NGOs, industry and governments who worked to create it. And in his wider effort to disprove every "myth" he comes across, he devalues his own important conclusion: that we now have "a 'War on Terror' conducted in such a way that its trail of dead bodies far exceeds those produced by the acts that initiated the cycle, thus assuring its perpetuation."

Is Conflict Bad for Private Firms?

A paper produced by the Research Division of the Federal Reserve Bank of St. Louis concludes that the death of UNITA leader Jonas Savimbi caused the stock of firms holding mining concessions in Angola to fall, rather than to rise. In other words, the end of the conflict was bad for business.

The carefully researched paper, entitled *Diamonds Are Forever, Wars Are Not. Is Conflict bad for Private Firms?* was originally produced in 2005, and was revised in October 2006. The authors interpret their results in the light of the benefits that some incumbent firms may derive from a conflict environment in resource dependent economies such as Angola. They observe that "The occupation of parts of the territory by the rebels and the instability created by civil war may constitute a barrier to entry, reduce the government's bargaining power, and facilitate non-transparent licensing schemes."

The authors warn that their sample may not contradict other studies that contain different conclusions. They conclude by saying, however, that in the debate on whether or how growth of the mining industry in Africa can bring widespread benefits to its population, "one should acknowledge a simple fact: to the extent that some incumbent firms may benefit from civil war, this may affect their incentives to exert political and economic pressure to prevent or stop ongoing conflicts."

The study is available at:

<http://research.stlouisfed.org/wp/2005/2005-004.pdf>

MEDIAWATCH

Gems & Gemology, the quarterly journal of the **Gemological Institute of America**, carried an article in its Summer 2007 edition by **Bram Janse**, calculating data for annual global rough diamond production between 1870 and 2005. Janse estimated global diamond production from ancient times at 4.5 billion carats (450 metric tons, if our math is correct) valued at US\$300 billion, with an average per carat value of \$67. Since 1870, the highest total value in diamond production has come from South Africa, followed by Botswana. Botswana has been the leader in recent years, with Russia in second place.

In July, *Auto Express* reported that scientists have discovered a new use for diamonds. Hydrogen-powered prototype vehicles have been tested, but they are commercially unfeasible because no way has been found to keep engine temperatures below 1,000 degrees Celsius. An answer has apparently been found by adding microscopic grains of artificial diamond to a fuel cell, resulting in engines that reportedly stay cooler than those in a conventional automobile. The cost of diamond-fuelled engines has not been revealed.



In *Other Facets* #24, under the heading *Wretched Excess*, we reported on a skull encrusted with 8,601 diamonds created by British artist **Damien Hirst**. The

skull, aptly called *For the Love of God*, sold at the end of August to a group of anonymous investors for US\$100 million, a record price for work sold by a living artist. Presumably the ingredients that went into the skull have more intrinsic value than earlier Hirst efforts, which have included a shark and a cow pickled in formaldehyde inside glass tanks.

In its September 7 issue, **Rapaport Diamond Report** carried a review of 30 jewelry shops in Las Vegas and New York. An underground reporter was sent

to each of the stores to rate the experience of shopping for a quality diamond engagement ring. Each shop was rated in ten categories, including service, selection, guarantees and the knowledge of its sales personnel. One of the categories rated the store's knowledge about conflict diamonds. In Las Vegas, six stores flunked the test completely, rating only one out of a possible five points: **Costco, Tiffany, Wal-Mart, Whitehall** and **Macy's West** – which had “absolutely no idea what a conflict diamond is.” Top marks went to **Ben Bridge, Cartier, Jared** and **Zales**. In New York, only two were in the basement: **Kia Jewelers** and **Polo Jewelry**. Top marks went to **Cartier, DVVS, Fortunoff, Kay Jewelers, Mimi So** and **Tiffany**.

On October 11, **Oxfam International** issued a report titled *Africa's Missing Billions*. The report says that wars stripped \$284 billion from African economies between 1990 and 2005, about the same amount of money provided in foreign aid. The report says that 23 conflicts during the period had shrunk economies by an average of 15% annually. The report is available at http://www.oxfam.org/en/policy/briefingpapers/bp107_africas_missing_billions.

“Blood Rubies” and the Burmese Junta

An investigative report published in September by the *Sunday Times* of London has revealed that tens of millions of pounds worth of rubies from Myanmar, also known as Burma, are finding their way into British jewellery stores. Although there is a ban on Burmese goods into the United States, there is no such ban in the European Union. An estimated 90% of the world's rubies are mined in Burma, and rubies represent the country's third largest export after timber and natural gas.

The export of rubies is said to be propping up the repressive military junta that has ruled Burma for decades. Paraphrasing early comments about the conflict diamond campaign, Mark Farmaner, Director of the UK-based Burma Campaign, said “A gift of a ruby is meant to symbolize love, but if it comes from Burma, the true price is paid in blood and oppression.” An undercover reporter from the *Sunday Times* found no concern about Burmese rubies in several

prominent London shops, including **Asprey, Cartier, Harrods** and the **Leviev** store in New Bond Street. Most had expensive Burmese rubies on display, some priced as high as £500,000.

Tiffany, the US jewellery company, has not sold Burmese rubies in its British outlets since 2003, on ethical grounds. In October, **Jewelers of America**, representing 11,000 US outlets, asked the US Congress to amend the 2003 Burmese Freedom and Democracy Act, which bans the importation of products from Burma, to specifically include Burmese rubies.

Brian Leber, an Illinois jeweler who founded the Jewelers' Burma Relief Project in 2004, says, “The military regime is receiving a great deal of benefit from the sale of rubies because not only do they control the licensing of all mining operations, but they also have a majority share in every mine in the country and they run the auctions.”

Information on the human rights situation in Burma can be found at <http://www.burmacampaign.org.uk/> and <http://www.uscampaignforburma.org/>. More information on Burmese rubies can be found at <http://www.leberjeweler.com/index.php3>.

Conflict Diamonds Go to School

A grade four workbook on science and technology used in the Province of Quebec contains a section devoted to diamonds. It discusses how diamonds were made and gives a history of three of the world's most famous stones, the Hope Diamond, the Regent Diamond and the Koh-i-Noor. It also devotes a page to the issue of conflict diamonds, discussing the wars in the DRC, Sierra Leone and Angola. “More often than not,” says the text, “diamonds rhyme with war.” The section concludes that “If peace is to be preserved in the world, it is essential to create laws to fight against the illegal trade in diamonds.”

OTHER FACETS

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