

# HARD CURRENCY



The Criminalized Diamond  
Economy of the Democratic  
Republic of the Congo and  
its Neighbours

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Cover Photo: Alluvial Diamonds in the DRC, (c) Wim Van Cappellan/Reporters Press Agency

# Preface

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This paper was written over a period of 18 months, although Christian Dietrich's work on conflict diamonds dates from 1999 when he worked with the South African Institute for Security Studies. His subsequent work on Angola with Jakkie Cilliers resulted in an edited volume in 2000, *Angola's War Economy: the Role of Oil and Diamonds*.

Here Dietrich rips the politesse from discussions about conflict diamonds. He demonstrates that the definition used by the UN Security Council and the intergovernmental 'Kimberley Process' only serves to restrict debate and action on one of the most horrific conflicts of the past half century. He defines the conflict in regional terms, showing that the wars in the Democratic Republic of the Congo and Angola have been inextricably linked to each other through criminal networks and a trans-border lust for power, sustained by diamonds and taking the lives of hundreds of thousands of innocent civilians. Decades of turmoil in the Central African Republic also have their roots in the diamond trade, with Bangui serving as a conduit for diamonds stolen from other countries.

As distressing are the countries with no diamonds of their own that have become active exporters. The Republic of the Congo — through its capital, Brazzaville — has exported hundreds of millions of dollars worth of diamonds over the past two decades. More recently in the DRC, the invading armies of Rwanda, Uganda and Zimbabwe have — under the guise of military necessity — sent diamonds back to their capitals for onward export. Burundi, Tanzania, Namibia and Zambia have also benefitted in one way or another from Angolan and Congolese diamonds. Cease-fires and peace agreements are unlikely to end this widely criminalized trade in diamonds, nor will they end the potential for future conflict unless concerted and comprehensive action is taken at many levels.

Dietrich paints a portrait of corruption and predation, one that extends beyond governments and government officials to the international diamond industry and its unrelenting pursuit of gemstones. Whatever good diamonds may have done elsewhere, they are a curse in Central Africa, one that will not end without stronger commitment and smarter interventions by concerned governments, the United Nations and the private sector. Dietrich makes recommendations that should be taken seriously by all concerned with these issues, and says that the current proposed Kimberley Process regulatory provisions will not work without credible, expert and regular inspection of all national diamond control mechanisms.

The study is part of a series of Occasional Papers produced by the *Diamonds and Human Security Project*. A summary version is available, and both versions are also available in French.

Ian Smillie,  
Series Editor,  
Ottawa, June 2002

# Chronology: Congo-Zaire and its Neighbours

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**1498:** Vasco da Gama reaches Angola; a Portuguese settlement is established at Luanda in 1575 and Angola becomes a source of slaves for Portugal's colony in Brazil until the 1840s.

**1876:** King Leopold of Belgium establishes the International African Association that later funds Henry Stanley's expeditions and protectorate agreements with chiefs along the Congo River. Leopold's influence is exerted through these treaties and Belgian trading posts at the mouth of the Congo River.

**1880s:** France annexes present-day Central African Republic, then named Ubangui-Chari. A French dependency is established in 1894. French explorer Pierre Savorgnan de Brazza negotiates an agreement creating a French protectorate on the north bank of the Congo River — present day Brazzaville.

**1885:** The Berlin conference recognizes the Congo Free State as King Leopold's personal property.

**1891–1894:** Belgians conquer Katanga and dominate eastern Congo in defiance of traders from East Africa.

**1908:** The Congo Free State became a Belgian colony.

**1910:** Ubangui-Chari (Central African Republic) becomes part of the Federation of French Equatorial Africa. Middle Congo (present day Republic of the Congo) is incorporated into French Equatorial Africa.

**1890–1920:** Portuguese military campaigns to pacify Angolan colony. 10,000 Portuguese settlers in Angola in 1900, 50,000 by 1950 and 350,000 by the early 1970s — of which only 1% live on farmland in the interior.

**1946:** Ubangui-Chari is given representation in French parliament, achieving self-government within French Equatorial Africa. Middle Congo (present day Republic of the Congo) also given territorial assembly and representation in French parliament.

**1960:** Middle Congo becomes independent from France and is renamed the Republic of the Congo.

**June 1960:** Belgian Congo receives independence. Joseph Kasavubu is the first President and Patrice Lumumba is Prime Minister. A few days after independence, the prime minister of Katanga Province, Moïse Tshombe, initiates secessionist movement with assistance from European mercenaries. Following UN operations, Katanga secession ends in 1963.

**August 1960:** Central African Republic receives independence from France. David Dacko becomes president.

**September 1960:** Congolese president Kasavubu dismisses Lumumba as prime minister. Lumumba is arrested in December and murdered in February 1961.

**1965:** Backed by the US and Belgium, Joseph Désiré Mobutu ousts Kasavubu and Tshombe in a coup.

**December 1965:** CAR president David Dacko ousted by his cousin, colonel Jean-Bédel Bokassa.

**1971:** Mobutu renames Congo 'Zaire' and himself Mobutu Sese Seko. Katanga province is renamed Shaba.

**1972:** Bokassa declares himself President for Life of the Central African Republic.

**April 1974:** Portugal's Salazar government is overthrown by the military. New regime announces desire to grant independence to Portuguese colonies.

**November 1975:** Angolan independence. The MPLA controls the capital, Luanda, and proclaims itself the legitimate authority despite the existence of two other armed groups, the FNLA and UNITA. Cuban troops arrive to support the MPLA government. The UN formally recognizes the MPLA government in 1976.

**1977:** Bokassa declares himself Emperor and renames Central African Republic the 'Central African Empire'.

**September 1979:** Angola's first president, Augostinho Neto dies and is succeeded by Planning Minister José Eduardo dos Santos.

**September 1979:** CAR Emperor Bokassa ousted by former president Dacko with French military assistance.

**September 1981:** CAR President Dacko overthrown by General Kolingba.

**December 1988:** After 13 years of war, Angola, South Africa and Cuba sign Tripartite Accord, agreeing to the withdrawal of South African and Cuban troops from Angola, ending the war between Pretoria and Luanda, and leading to the independence of Namibia. The Angolan war continues nevertheless.

**April 1990:** Mobutu ends Zaïre's one-party system and promises to hold elections.

**1991:** André Kolingba, CAR's president, lifts a ban on the formation of political parties.

**1991:** Riots in Kinshasa by unpaid soldiers; Mobutu agrees to a coalition government. Rival governments supporting and opposing Mobutu form by 1993.

**May 1991:** Peace settlement signed by the MPLA and UNITA. The MPLA allows other political parties.

**1992:** Pascal Lissouba becomes president of the Republic of the Congo in the country's first election.

**September 1992:** MPLA is victorious in Angolan elections. UNITA leader Jonas Savimbi rejects the results and returns to war.

**1993:** Fighting between government and opposition forces over disputed results in Republic of the Congo's parliamentary elections. A 1994 cease-fire leads to incorporation of the opposition into a unified government.

**September 1993:** CAR elections; Ange-Felix Patassé, prime minister under Bokassa, becomes president.

**April 1994:** Rwandan President Habyarimana and Burundi's President Ntatyamira, both Hutus, die in crash of presidential plane in Kigali. Rwandan genocide commences immediately, conducted by Hutu paramilitary units targeting Tutsis and moderate Hutus. The death toll exceeds one million, with over two million Rwandan refugees dispersed in neighboring countries. In July, RPF rebels (Tutsis) capture Kigali.

**November 1994:** Lusaka Peace Accords signed between UNITA and the MPLA.

**May 1996:** First of several mutinies by CAR troops in Bangui. President Patassé asks for French intervention after second mutiny. 1997, French troops begin to withdraw, replaced by African peacekeeping troops that later form a UN peacekeeping mission.

**May 1997:** Mobutu deposed by Laurent Kabila's AFDL rebels. Zaïre renamed Democratic Republic of the Congo (DRC).

**1997:** Fighting in Republic of the Congo between militias loyal to President Lissouba, and former President Sassou-Nguesso. Angolan military intervenes on behalf of Sassou-Nguesso, forcing Lissouba to flee.

**August 1998:** A new war commences in the DRC, spearheaded by Rwandan and Ugandan troops and their rebel allies. Initial assaults close to Kinshasa fail after the intervention of neighboring states in alliance with Kabila, but rebels capture key strongholds in eastern DRC. Kinshasa's military allies are Angola, Zimbabwe and Namibia, as well as Sudan and Chad initially.

**Mid-1998:** Angola's civil war resumes after stalled peace process.

**1999:** CAR's President Patassé is re-elected.

**1999:** Republic of the Congo government and rebels sign a peace accord in Lusaka, Zambia, calling for demilitarization of political parties and demobilization of various militias.

**February 1999:** DRC rebels launch multi-pronged offensive on three fronts.

**July-August 1999:** Peace agreement signed in Lusaka by nations deployed in the DRC and rebel groups.

**November 1999:** Angolan army captures rebel strongholds around Andulu and Bailundu in the central highlands, defeating UNITA's conventional military capacity. UNITA returns to guerrilla tactics, losing ground to government forces, continuing terror operations and attacks in most Angolan provinces.

**January 2000:** UN Security Council authorizes troop deployment in DRC to oversee Lusaka Peace Agreement.

**June 2000:** Rwanda and Uganda, nominal allies opposing Kabila, clash for the third time in Kisangani, eastern DRC. At least 750 civilians are killed.

**January 2001:** President Laurent Kabila assassinated; his son, Joseph, assumes power in Kinshasa.

**February 2001:** All parties to the DRC conflict meet in Lusaka and agree to disengage and withdraw to positions held in May 2000. Notably, Rwandan, Ugandan and Zimbabwean troops begin limited repatriation.

**April 2001:** UN troops begin deployment in the DRC.

**May 2001:** Coup attempt in the CAR. President Patassé receives military assistance from Chad, Libya and the Congolese rebel group, the MLC. Further clashes in November when the military chief is sacked and arrested after being accused of involvement in the May coup attempt.

**February 2002:** UNITA rebel leader Jonas Savimbi killed by Angolan forces in military skirmish.

**March 2002:** Renewed fighting between government forces and the Ninja militia in the Republic of the Congo

**April 2002:** Cease-fire agreement concluded in Angola between the government and UNITA.

**April 2002:** Inter-Congolese Dialogue ends in South Africa with mixed results. The leader of the MLC rebel group, Jean-Pierre Bemba, agrees to join the Kinshasa government as interim Prime Minister, with Joseph Kabila remaining as unelected President. The RCD-Goma rebel group fails to reach an agreement. RCD-Goma and five political parties form a new alliance — the *Alliance pour la sauvegarde du dialogue inter-congolais* (ASD) — based in Kisangani.



# I. Introduction: The Hardest Currency

Imagine a diamond so flawless and so great in size that the world's diamond experts cannot put a price on it. The De Beers Millennium Star... It took over three years for their diamond cutters to shape the stone with lasers. What emerged was the world's only internally and externally flawless, 203-carat, pear-shaped diamond... De Beers created the [Millennium] collection as a way to symbolize the world's hopes and dreams for the future.<sup>1</sup>

De Beers bought the stone from which the Millennium Star was cut in the early 1990s near Mbuji-Mayi in Zaire,\* at a rumoured purchase price of £400,000. The company never disclosed what was paid to the Congolese dealers,<sup>2</sup> and the Millennium Star later served as the centre-piece in De Beers' 'Diamonds for the Millennium' sales campaign. The BBC headline, 'Great Heists of Our Time'<sup>3</sup> later focussed public attention on the attempted theft of the Millennium Collection from the Millennium Dome in London in November 2000. Nobody considered the irony: that such a priceless gem had been purchased in the 1990s in a country now gripped by a civil conflict, with its genesis in decades of mismanagement, corruption and exploitation by government authorities, as well as foreign commercial and strategic interests. Nor did anyone notice that the Democratic Republic of the Congo, as Zaire is now known, ranked as one of the world's top ten diamond producers, but remained one of its least developed countries.<sup>4</sup>

Diamonds represent the hardest kind of currency: they are relatively easy to mine and transport; they hold their value; and they are accessible to all segments of the population. The diamond economy of Central Africa is an ambitious research topic. There are many more questions than answers, the latter often qualified by some type of disclaimer, or a reference to inconsistencies. Diamonds form a substantial pillar of the informal economy in states that have almost ceased to exist as viable nations. They also represent a vast potential that could greatly assist in national

and local development. The function of the formal, informal and illicit diamond economies of Central Africa eludes definition on the one hand, but it serves as a useful instrument for the study of the governments, civilians, militaries, private international trading companies and the rebel armies that have come to depend on diamonds.

Central Africa's main diamond exporters — Angola, the Democratic Republic of the Congo (DRC), the Central African Republic (CAR), and the Republic of the Congo — are among the least developed countries in the world.

## The Study

*Hard Currency: The Criminalized Diamond Economy of the Democratic Republic of the Congo and its Neighbours* is an Occasional Paper of the Diamonds and Human Security Project, a joint initiative of Partnership Africa Canada (Ottawa), The International Peace Information Service (Antwerp) and the Network Movement for Justice and Development (Freetown). The project aims to shed greater light on, and help to end, the trade in conflict diamonds. This study was carried out in 2001 and 2002. During the course of his investigations, the author made several trips to Central and Southern Africa and carried out research in Antwerp where he was based with the International Peace Information Service.

The author would like to thank the many individuals, organizations, governments, and private sector firms that provided valuable information during the course of the research. For obvious reasons, they remain anonymous, but without their assistance this paper would not have been possible. The opinions in this paper are those of the author and the Project, and do not necessarily reflect the views of supporting organizations.

\* Occasional references to 'Zaire' in this paper refer to the period between 1971 and 1997. In addition to renaming the country in 1971, Joseph Désiré Mobutu renamed himself Mobutu Sese Seko. In this paper, the neighbouring Republic of the Congo is sometimes referred to as Congo-Brazzaville in order to avoid confusion.

The correlation in Central Africa between poverty, instability and diamonds suggests that the region is afflicted, rather than blessed by its diamond wealth. Why? Unlike copper, cobalt and oil that must be mined on an industrial scale, requiring substantial investment and stability at the mine site, alluvial diamonds can be mined in war zones with little or no technology. They can be mined in militarily unstable terrain that regularly changes hands between belligerents. Diamonds have a relatively constant and internationally recognized price, and they have a higher value-to-weight ratio than almost any other substance. Diamonds are one of the most easily obtained, most easily transported forms of hard currency, for state and non-state actors alike. Inadequate controls in neighbouring transit countries such as Rwanda, Burundi, Uganda, Zambia, Zimbabwe and Tanzania, and in trading countries like Belgium, Israel and India, along with secrecy within the industry, make diamonds — licit or illicit — easy to sell. They contribute to the ‘dollarization’ of informal economies, linking African middlemen to international dealers who pay handsome prices. Diamonds can benefit artisanal miners, middlemen,

exporters and state coffers, but they can also be redirected through illicit channels, financing government strongmen, criminal networks and rebel groups.

Central Africa’s collapse into poverty, social upheaval and war is rooted in colonial exploitation and abuse, and in the enduring corruption and state predation that followed the independence movement. The rapacity of the slave trade, colonialism and post-independence governance scarred the region with a legacy of manipulation; people have been treated as subjects rather than citizens. Within a context of corruption, economic collapse and growing military strife, diamonds have formed a parallel economy that allows hundreds of thousands of miners and middlemen to survive. The larger informal economy — in which diamonds serve as one pillar — has also served as a source of loot for state officials and for those seeking to overthrow them. The diamond economy is based on the dream of immediate wealth; diamonds require little investment, they are portable, and the trade is — or seems to be — virtually uncontrollable. Certainly, much of the international diamond trade is based on the

## Central African Diamonds

Diamonds originate in cone-shaped kimberlite pipes that were thrust to the earth’s surface by volcanic activity several hundred million years ago. Most kimberlite pipes are not viable for commercial exploitation, although some of the world’s most profitable pipes occur in Central Africa. Weathering has released the diamonds of some kimberlite pipes into ancient or contemporary river systems, which were then distributed over a wide area. These diamonds form secondary or alluvial deposits and can be found hundreds of kilometers from the original kimberlite pipe, adjacent to the pipe (colluvials) or above the pipe (elluvials). Alluvial deposits can also be further disseminated into a ‘third cycle’ whereby rivers will wash diamonds out of weak rock — such as sandstone — as is the case in the Central African Republic.

The Central African Republic is believed to have no kimberlite deposits, and the country’s diamonds probably originate in northern and eastern DRC.

The DRC has many sources of kimberlite diamonds, with the country’s deposits basically following a broad but disjointed band from south-western to northern and north-eastern parts of the country. The reserves occur mostly in the southern Kasai provinces and Bandundu, although about 10 per cent of the country’s production is derived from deposits in Équateur and Oriental provinces. Angola’s diamond fields are also scattered throughout the country, occurring in south-eastern, central and north-eastern provinces. The area of highest diamond concentration is in the Lunda provinces, with Lunda Norte bordering Angola’s Kasai- Occidental province. High quality diamonds have been distributed along north-flowing rivers from northern Angola to southern DRC. Diamonds in Tshikapa, for example, are alluvial deposits from kimberlite pipes in Angola, while diamonds in Mbuji-Mayi, the DRC’s Kasai-Oriental province, originate in nearby kimberlite pipes where the quality is very low.



free movement of diamonds from thousands of small mines to trading centres, a system that disregards national borders, supervision and taxation. Secrecy is endemic at all levels of the trade, resulting in a substantial overlap between the trade in legal and illicit diamonds.

Since 2000, the international community has placed a priority on controlling these illicit diamond networks, in order to stop the wars that they fuel, and to allow diamonds to benefit the state. This is a major reversal of policies that, until the late 1990s, ignored diamonds. The governments of industrialized countries paid no attention to readily available and startling information: that the volume of diamonds reaching international markets from countries such as Angola, the DRC and the CAR was significantly higher than what these countries officially exported; that hundreds of millions of dollars worth of diamonds were appearing on international markets every year, and nobody could say where on earth they came from. Angola officially exported US\$740 million in diamonds in 2000, the DRC US\$240 million and the CAR US\$60 million, but their combined output was closer to US\$2 billion. And ironically, the people of these countries are becoming poorer, while others — entrepreneurs, thieves and killers — are becoming richer. The DRC, Africa's third largest country, is the size of Western Europe. But the government's income is only US\$ 223 million, and the state budget is one-tenth that of the city of Antwerp.

This paper describes the recent history of diamonds in Central Africa, and shows what must be done if the potential of diamonds is to be realized, and if their curse is to be laid to rest. The paper takes a regional perspective. The diamond economy of Central Africa is often researched from the perspective of an individual nation, but there is such a significant overlap in smuggling syndicates that the issue has to be addressed on a regional level, taking larger geo-political issues into consideration. Attempts to regulate the diamond trade in one country have traditionally led to increased smuggling through its neighbours. More recently, warlords — financed by diamonds — have moved with impunity across borders. Even worse, as this paper will show, the armies of several African countries have begun to prey upon the diamonds

of the Democratic Republic of the Congo, latter-day imitators of the worst colonial looters, with more than a passing resemblance to King Leopold II and all that he stood for in Africa.

## Four Countries

The 'Congo Free State' was personally 'owned' by Belgium's King Leopold II from the 1880s until 1908, when the atrocities committed under his management forced the Belgian government to take control, converting it into a formal colony. In 1960, the Congo gained independence. A coup and internal dissension gave Joseph Désiré Mobutu the formal power that he already wielded. In 1971 he renamed the Congo 'Zaire', heading one of the most corrupt governments in the world over the next quarter century. Following his overthrow in 1997, the new President, Laurent Kabila, renamed the country the Democratic Republic of the Congo. Invasion and civil war have prevailed since 1997. The DRC is more than four times larger than France and has a population of 52 million.

The Republic of the Congo (pop. 5.5 million) gained independence from France in 1960, and for almost three decades experimented with a Marxist form of government. In 1992 a democratically elected government was formed. Civil war in 1997 restored former Marxist President Sassou-Nguesso.

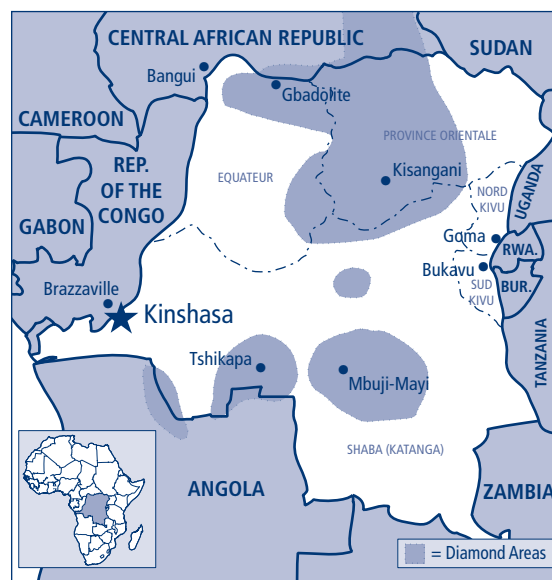
The Central African Republic (pop. 3.6 million), once a French colony, gained independence in 1960. A civilian government was installed in 1993 after 30 years of political upheaval and bad governance.

After a lengthy guerrilla war, Angola (pop. 10.4 million) became independent from Portugal in 1975. The country has suffered from civil war ever since. The rebel movement, UNITA, once in favour with the West, fell from grace with the end of the Cold War. UNITA has financed much of its continuing war with diamonds. As many as 1.5 million people have died in the fighting that has continued since independence.

## II. DRC: The Casino Economy

The diamond economy of the Democratic Republic of the Congo defies definition. Statistics on official exports and government revenue give no indication as to the role of diamonds in Congolese society or in its informal economy. Informal commerce sustains the Congolese population, which has simply retreated from state predation. The formal economy of the country had ceased to function by the late 1980s. By that time a significant portion of the population in Kinshasa, and Bandundu, Kasai Occidental and Kasai Oriental provinces, as well as areas around Kisangani in Orientale Province, had begun to live primarily from the proceeds of diamond mining and trading. By 1985, the national economy had retracted to the size it had been in 1958, immediately prior to independence, forcing the Congolese to seek opportunities in the informal market. This alternative came to represent the country's real economy, with the formal sector serving merely as an illusion. The state deteriorated further in the early 1990s, when the formal mining sector collapsed and government predation extended to informal networks. Massive devaluation of the national currency caused a 'dollarization' of the informal economy, which the ruling strongmen hoped to tap once their looting of the formal sector could no longer be sustained. These strongmen, all close associates of long-time dictator Mobutu Sese Seko, aligned themselves with criminal networks to exploit informal commerce, with particular emphasis on easily exploitable minerals such as diamonds (including those mined by rebels in Angola) and on variations between official and black market foreign exchange rates. Diamonds formed a nexus between the informal and criminal economies, exemplified by the money-laundering and diamond buying activities carried out by powerful networks among the Lebanese diaspora operating in conjunction with Mobutu's henchmen.

The failed Zairean state survived on the strength of informal networks that overlapped with criminal syndicates. These circuits fed into the structures of a growing war economy as Laurent Kabila's rebels and their external



supporters gained momentum in eastern Zaire in late 1996. Kabila's May 1997 arrival in Kinshasa, the capital of a nation that now existed only in abstract form — or more specifically only in the areas around Kinshasa and the President's state villas — marked the emergence of a new clan of predators. The new president and his allies attempted to regulate and redirect the informal diamond economy to their own financial benefit, but this was met by increased smuggling through neighbouring countries and a further abandonment of official channels by diamond traders.

The Economist Intelligence Unit (EIU) summed up the situation in Zaire early in 1995 as follows:

Zaire's current economic and political situation is the result of the collapse of the Zairean state. Several ethnic groups are at war with each other. The army is split into several factions, while private militias abound. There is no effective national government and no integrated economy. The formal economy has withered to nothing compared with the informal economy. The central bank has close to no reserves, and agents of the state willingly print or import false banknotes.

The acquisition of power by Laurent Kabila ushered in a new era of despotic rule in which corruption, nepotism and government predation still motivated Kinshasa's political and military elite. Kabila was murdered in January 2001 and was succeeded by his son, Joseph. The country's new ruler initially sent promising signs to the international community and to those in the domestic economy, but genuine reform of the entrenched methods that have been used to govern the failed state are yet to be seen.

One might well wonder what benefits Congolese citizens have seen from their country's natural resources since independence in 1960, or since the days when the Congo Free State was the property of the Belgian King, Leopold II. The emperors and their henchmen change, but their subjects have yet to benefit.

## Liberalization of the Artisanal Diamond Sector

Artisanal mining was not illegal in the DRC prior to the 1980s, but diamonds could only be sold within the mining zone, or in adjacent villages. It was illegal to sell diamonds in Kinshasa and in the main urban areas in the Kasai provinces, although this was not fully respected. Corrupt officials allowed a limited trade to exist, but government attitudes vacillated and harsh measures were taken intermittently to purge the diamond fields of prospectors, especially in areas around or within the concession of *La Société Minière de Bakwanga* (MIBA), the diamond mining parastatal. MIBA provided the bulk of Zaire's diamond exports prior to 1983, worth approximately US\$120 million per annum. Artisanal diggers produced about US\$30 million annually.

De Beers held a monopoly on diamond exports and controlled these transactions. Mobutu Sese Seko, however, terminated the De Beers monopoly in 1981, with MIBA and artisanal diamonds initially sold to two Antwerp-based companies and one in Britain. This was followed by a 'liberalization' of the diamond sector in 1982 — along with other precious mineral sectors such as gold — which allowed Congolese to

apply for mining and export licenses. A new law allowed all Congolese nationals to possess and transport — without other formalities — diamonds, gold and other precious minerals. Congolese who were authorized to exploit these precious substances were required to sell them to licensed exporting companies located in Zaire's main cities.

This liberalization instigated an influx of artisanal diggers (*creuseurs*) and middlemen (*négociants*) to the diamond fields. The new regulations sought to harness fraudulent activities from the previous system and to redirect the trade through official circuits. It might also be argued that Mobutu introduced the regulations in an attempt to control more of the trade for himself. Congolese middlemen were the most important element in this trade because they linked miners to foreign dealers operating in cities, and the government attempted to enhance supervision over their activities, as well as that of the foreign buyers. Without the ability to cordon off the mining areas, the state sought to formalize trade circuits that had previously operated in a clandestine manner. The Zairean government gradually reduced diamond export taxes from the rate that had prevailed before liberalization, although taxes remained lower across the Congo River in the Republic of the Congo, which charged only 2.5 per cent. Diamonds moved easily from Kinshasa to Brazzaville, with some diamond traders, including De Beers, establishing operations in Brazzaville after the forced closure of their operations in Zaire. The problem of smuggling, rather than being rectified by the liberalization, gained momentum in the 1980s, with the Republic of the Congo and Burundi playing a substantial role. Burundi was also one of Africa's largest ivory exporters, although it had no elephants of its own.

In using the term 'liberalization', Mobutu spoke of increasing the number of Congolese benefiting from Zaire's tremendous diamond potential. New diamond deposits were located by *creuseurs* in the Kasai provinces, as well as around Kisangani in Orientale Province. But smaller diamond deposits in Équateur province in northern Zaire remained the property of

Mobutu and his allies. In fact, alarmed by the growth in diamond sales that he did not control, Mobutu used 'liberalization' to flush them into the open so that he could control them. The liberalization established a new hierarchy of entrepreneurs profiting from prospecting, and from the movement of diamonds from mining zones to markets where the foreign exporters (*comptoirs*) operated. *Négociants* were Congolese nationals who bought diamonds from diggers for resale to other *négociants* or *comptoirs*. Mobutu's deregulation also served his own unscrupulous political needs. Rather than opposition leaders in the strong Kasai provinces obtaining support from a neglected populace, the liberalization fractured opposition. Potential rivals and their supporters preferred to pursue their individual wealth instead of uniting against Mobutu.

The real informal trade of diamonds mined by artisanal diggers escapes any regulation, however. Diamonds move through an extremely complex system. And it must be said at the outset that while the Congolese President and many government officials benefitted directly from diamond sales, the overall trade is largely in the hands of a globalized private sector from start to finish. The most basic component of the trade is profit. This means that diamonds move to where the prices are highest. High export duties in Kinshasa will drive middlemen to seek other markets, such as Brazzaville where lower export duties increase the prices offered by *comptoirs*. Diamonds move from thousands of small alluvial mines scattered throughout DRC and Angola to larger trading centers such as Tshikapa where foreigners operate. If these *comptoirs* offer low prices, middlemen may take their diamonds to Kinshasa, or they may even sell to foreigners in Angola. Middlemen operate in a dollar economy and will refuse to sell diamonds in the local currency if it is unstable, as will be discussed later.

Foreign diamond dealers cannot visit all of the small mines because it is economically unfeasible, although Lebanese buyers, long resident in the country, have extensive tentacles in small diamond catchment areas. Mostly, they wait for middlemen to accumulate larger parcels. These middlemen are themselves separated into tiers of

smaller *négociants* who resell to larger *négociants*, and who may sell to yet larger middlemen as a diamond moves several hundred kilometres from the mine to small catchment points, then to a more central location, where finally it is sold to a *comptoir* for export to Antwerp.

The government established the *Centre National d'Expertise* in 1983 to provide expertise on diamonds derived from the newly liberalized artisanal sector, by overseeing the declared purchases of *comptoirs*. The CNE was not charged with policing borders, controlling foreigners in mining zones, controlling the activities of *creuseurs* and *négociants*, or assisting *creuseurs* or *négociants* in their dealings with *comptoirs*. It was limited to valuating packages that were presented to it. In 1988, it established antenna offices in the diamond fields and major diamond catchment areas. Over the course of 16 years from 1983 to 1998, the CNE evaluated over US\$3.3 billion worth of artisanal diamonds and over US\$1 billion from MIBA, the diamond mining parastatal.

Artisanal production was not more than a million carats per annum before 1982, but it increased to nearly six million carats in 1983, and fourteen million carats in 1986.<sup>6</sup> Artisanal production surpassed output by MIBA, which produced about seven million carats per annum in the 1980s, and it soon provided the bulk of official output, increasing as a proportion of total exports by value from 51 per cent in 1983, to 64 per cent in 1986 and 70 per cent in 1996.<sup>7</sup> Significant volumes of diamonds smuggled out of Zaire increased this ratio. MIBA's production was also predominantly industrial quality while alluvial deposits mined by *creuseurs* was usually of a higher quality, especially around Tshikapa and Kisangani.

The liberalization unleashed a new social and economic trend in the Congo, the casino economy. This economy is based on the dream of instant and substantial financial reward, with limited reinvestment. Miners work and live in appalling conditions in the hope that one day they will unearth a diamond of tremendous value, like the many rags-to-riches stories they hear, some of which are true. These miners in reality have few hopes of

financial improvement, since they do not know the genuine value of diamonds. The profiteers of their back-breaking manual labour are the middlemen and *comptoirs* who all complain, ironically, of their own poverty. Nevertheless, the dream of finding some way out of Zaire's declining economy in the early 1980s pushed young men out of other sectors, with no promise of upliftment. Diamond fields in the Kasai provinces, as well as newly discovered deposits in Oriental Province, were flooded with prospectors after the liberalization, leaving many agricultural regions unviable due to labour shortages. As will be seen later, many also went to seek their diamond fortunes in Angola.

The informal diamond sector soon came to dominate the overall informal economy, assisting in the disintegration of the nation's formal economy as the free-for-all prevented the development of other sectors. This created a vicious cycle whereby disintegration of the formal sector increased the attraction of the informal economy and artisanal diamond prospecting, which helped further debase the formal economy. This trend exacerbated the collapse of basic infrastructure in diamond producing regions, since artisanal miners and middlemen do not invest in long-term development. Rather than expanding diamond output through official circuits and bolstering the national treasury, liberalization did the opposite, and was followed by the expansion of smuggling within Zaire, and through neighbouring countries such as the Republic of the Congo and Burundi. Those diamonds that did pass through formal channels were often used to the direct benefit of Mobutu and his cronies.

## Failure of the Formal Mining Sector and the National Economy

The Zairean state survived as an entity primarily because of the export of natural resources. Strong world commodity prices helped increase the gross domestic product between 1968 and 1974, but this was reversed after 1975 due to falling prices for copper and coffee, and because of President Mobutu's program of 'Zaireanization', which expropriated industrial,

manufacturing and agricultural companies and placed them under inexperienced leadership.<sup>8</sup> Mobutu relied on copper production by the mining parastatal Gécamines to maintain state revenue, but his economically destructive policies had begun to undermine and then cripple the national economy by the late 1980s. By 1985 Zaire's economy had shrunk to pre-Independence levels.<sup>9</sup> In 1985, copper comprised 39 per cent of export earnings, cobalt 14 per cent, and diamonds and coffee represented 11 per cent each.<sup>10</sup>

Zaire boasts the richest cobalt deposits in the world, the world's largest diamond reserve, and the fifth largest copper deposits. But copper production by Gécamines, which peaked at 550,000 tons in 1975, fell to 200,000 tons at the beginning of the 1990s.<sup>11</sup> The parastatal produced less than 50,000 tons of copper in 1993. Gécamines had been the government's primary export earner, providing about 70 per cent of the country's foreign exchange, but by mid 1993, it could provide nothing.<sup>12</sup> The company began operating at a loss and then went bankrupt.<sup>13</sup> When Mobutu's reign ended, Gécamines's copper production was only 37,700 tons.<sup>14</sup> The administration of Gécamines during the Kabila regime was equally destructive, and copper production fell to around 28,000 tons in 1999.<sup>15</sup> Cobalt production, one of the country's other main exports, had also declined precipitously during Mobutu's tenure. MIBA was, however, capable of maintaining some diamond production due to its integral role in the Kasai economy, where overt opposition to Mobutu's policies grew in the 1990s. Output of 18 million carats in 1961 dropped to 12 million in 1970, and 8 million in 1980. By the 1990s it had leveled off at about 6.5 million carats.<sup>16</sup> The Statistical Annex (Table 17) contains figures for combined MIBA and artisanal production between 1983 and 2000.

Despite the economic debacle, Mobutu was a favoured client of the United States in the struggle against communism, and was able to secure additional revenue outside of his neglected economy. In 1986, Zaire exported US\$1.15 billion in minerals and US\$80 million worth of coffee, bolstered significantly by US\$448 million in aid from superpowers during the same year.<sup>17</sup>

International lending institutions also played a significant role in shielding Mobutu from the pending collapse of his economy, with the International Monetary Fund — having departed Zaire in 1978 — returning in 1983 to disburse US\$1.3 billion over the next five years.<sup>18</sup> Revenue from exports and foreign aid were sufficient to allow Mobutu to maintain his authority and to service a large patronage network.

MIBA suffered from predation by corrupt officials and from a lack of reinvestment by the central government. MIBA was and still is plagued by the theft of its most valuable diamonds, often by officials charged with the parastatal's efficient operation, and with the knowledge or complicity of senior government personalities. The severe reductions in both social spending and reinvestment in the mining sector resulted from the fact that state bureaucracies had become liabilities for Mobutu. In 1991, the IMF announced that Zaire would not receive new loans, and it expelled Zaire in 1994. This mirrored growing impatience by Zaire's former Cold War patrons, Belgium, France and the United States, which now saw Mobutu as a financial and political liability. Mobutu's predation of the domestic economy increased, although by now there was not much of an economy left to be looted, as exemplified by the further collapse of the formal mining sector.

## Government Predation and Criminalization

Mobutu perfected a system of governance in which patronage and corruption prevented dissension. He dismantled bureaucratic structures, fostering economic stagnation and finally state collapse. His kleptocratic regime encouraged all government officials to partake in the division of the spoils, a sentiment that filtered down to the impoverished populace. Increasingly Mobutu found that viable state enterprises threatened his own survival; indeed, he saw threats everywhere. Government bureaucracies and mining parastatals could be utilized or even hijacked by his opponents. A successful mining sector in provinces such as Katanga and Kasai-Oriental could be mobilized by strongmen who enjoyed powerful ethnic backing

and who exhibited secessionist desires. Mobutu sought to marginalise their capital base so that these potential competitors still looked to him for patronage. The failure of the formal mining sector can be seen in this context: profits were not reinvested in Gécamines and MIBA, and their production suffered accordingly. These parastatals could not be dispensed with completely, however, because they continued to keep these two powerful provincial governments dependent on central authorities. Within this context, Zaire no longer resembled a nation. Its borders had lost meaning, and Mobutu's control 'became less territorial and more centred on the domination of an archipelago of resources that could be used to generate income and attract powerful allies'.<sup>19</sup>

Army mutinies at the beginning of the 1990s occurred, one writer put it, 'when the army decided it was time to take, and then the people felt it was their turn. It was more like an extension of government policy, as if the people had finally understood and adopted the philosophy of their own ruler towards the country — grab as much of it as you can. Now.'<sup>20</sup> The mutinies helped cripple the state, and Mobutu's ability to govern also suffered, as he 'could do little more than incite rather than command troops, since most soldiers were unpaid'.<sup>21</sup> Mobutu had long since divided his military so that commanders jockeyed for control over autonomous fiefdoms and were disinclined to play a coordinated role in ousting him. Mobutu relied on particular military units and their generals during the 1990s to maintain his position. General Kpama Baramoto, for example, was head of the 10,000- strong *Guardie Civile*. He also ran gold and diamond mining operations in the Kivus, and diamond mines in the Kasai provinces. And he played a significant role in military support to Angola's rebel movement, UNITA, in exchange for diamonds.<sup>22</sup>

As formal state revenue declined further with the termination of the Cold War, Mobutu and his cronies turned their attention increasingly to clandestine trade and the informal economy, which now moved into money-laundering, drug trafficking and the diamond trade, all three overlapping substantially. The informal diamond sector became a pillar in the Zairean economy, because diamonds were one of the few commodities that held an

internationally recognized price, an especially important attribute during shortages in foreign currency and fluctuating exchange rates, which were exacerbated by the infusion of fraudulent bank notes printed in Argentina by a Lebanese syndicate and some of Mobutu's henchmen.

With less and less largesse to distribute, Mobutu gave the impression of democratic reform while further dismantling the state. Independent opposition parties were legalized in 1990, and a series of prime ministers succeeded one another, along with a series of economic 'reforms' that changed little. Mobutu was adept at using regional conflicts to his advantage. One had been the Cold War battlefield in Angola, which elevated Mobutu's international status in the fight against communism. Mobutu's Cold War backers had now dropped him, but developments in Rwanda during 1994, in which Uganda-based Tutsi insurgents overthrew the Hutu regime, earned Mobutu new international status. Hutus had fled to eastern Zaire bringing Mobutu into close contact with France, the former backer of the Hutu regime.

## Deals in the Interregnum

Mobutu allowed Rwandan Hutu paramilitary units to take refuge in eastern Zaire in 1994, in order to destabilize his enemies in the eastern Kivu provinces, and to persecute the Banyamulenge and Banyarwanda populations, which were comprised mainly of Tutsis. After the Rwandan genocide, the Hutu perpetrators — the Interahamwe militias combined with former *Forces armées rwandaises* — launched continued attacks against the new Kigali regime from eastern Zaire. This prompted counter-measures from the Rwanda Patriotic Army (RPA). Then, Laurent Kabila and his *Alliance des forces démocratiques pour la libération du Congo-Zaïre* (AFDL) spearheaded the invasion of Zaire by Rwanda and Uganda late in 1996, with the subsequent help of Angola and Zimbabwe. Mobutu's underpaid army offered little resistance, and Kabila arrived in Kinshasa in May 1997 with his foreign patrons.

The Zaire government had sought new private investment in its parastatal mining enterprises in the

mid-1990s, coincident with the increase in junior mining companies on the world's alternative stock markets. These quasi-privatization schemes sought joint-venture redevelopment of the formal mining sector through the infusion of capital into parastatals such as Gécamines, MIBA, Société Minière et Industrielle du Kivu (Sominki) and Office des Mines d'Or de Kilo-Moto (Okimo). The result was a massive influx of interested mining juniors, although many, if not most, lacked the financial capacity to rejuvenate the country's mining sector. Nevertheless, and despite the volatile political climate, over 100 preliminary prospecting agreements were signed in 1997.<sup>23</sup> When Kabila overthrew the Mobutu regime in May that year, many of the agreements were cancelled or redistributed. Deals that Kabila's rebel movement had signed in order to finance its own war effort before the assault on Kinshasa were also assessed by the new regime and redistributed or offered at tender. Several world-class mining companies also appeared in the Congo after Kabila's arrival, many of which had attempted to negotiate contracts in the last years of the Mobutu regime. Most decided in the end that the insecurity and war would not lead to positive financial results, and left.

The massive awarding of contracts by both sides had risked over-exploiting the country's mineral reserves in exchange for cash. This trend, however, was rooted in what the Economist Intelligence Unit said was 'the nature of political power in Zaire, as a temporary avenue for personal enrichment which can be suddenly revoked and needs to be used promptly while it lasts.'<sup>24</sup> This state of affairs was common to the last years of Mobutu's reign and the succeeding Kabila regimes.

## Kabila's Diamond and Currency Policies

Laurent Kabila's AFDL overthrew the Mobutu regime in May 1997. Kabila initially sent promising signs to the West concerning fiscal policies and economic liberalization. He also symbolized the aspirations of the Congolese, who had survived under the yoke of Mobutu's corrupt and disastrous leadership for decades. This seeming saviour soon introduced his own system

of totalitarian governance, however, postponing democratic reform and gradually imposing destructive financial policies aimed at generating revenue for his friends and supporters. Mobutu's style of 'leadership' relied upon the amassing of enormous personal wealth while allowing morsels of the booty to filter through his extensive patronage networks, and eventually, in some cases, to the populace. Kabila's system of governance was much the same but stopped short of distributing the spoils of state plunder to any group other than his cronies. Mobutu had weathered the storm of donor austerity, the crash of the formal mining sector, and pressure to democratize by inciting — and sometimes managing — anarchy and the economic free-for-all. Kabila attempted to impose his authority over an economy that had ceased to function in a formal manner, and sidelined his subjects, especially any political opposition.

Kabila took an early interest in diamonds. During his initial advance in 1996, America Mineral Fields announced an agreement with Kabila for mining the formidable Kolwezi cobalt tailings, and opened a diamond buying operation — America Diamond Buyers — in rebel-controlled Kisangani. A De Beers affiliate, Britmond (British Diamond), had for many years held a monopoly on MIBA's production, and was represented in Zaire through a local company named Sediza (*Société d'évaluation de diamants au Zaïre*). The company changed its name to Sedico (*Société d'évaluation de diamants au Congo*) once Zaire was 'liberated' by the AFDL. De Beers remained the main buyer of MIBA goods until late 1997, after which Belgian companies began offering higher bids for MIBA tenders. De Beers finally pulled the last of its buyers out of Mbuji-Mayi in October 1998 because of the new war that commenced in August. Sedico, however, operated in the DRC until late 1999,<sup>25</sup> after which it also withdrew. This corresponded with the withdrawal of De Beers from purchasing operations in Angola, and the company's halt of the purchase of any goods it did not mine itself or in direct partnership with other firms.

One of Kabila's first diamond sector reforms, in February 1998, set a minimum target for the commercialization of diamonds, requiring *comptoirs* to pay a bond of US\$25,000 and to pay their taxes in advance. Further

## Kisangani

As the 1996-1997 rebellion spread from eastern Zaire, diamond sales in Kisangani faltered. Of interest is Kisangani's minor role in national diamond production by volume, but its comparatively more influential role in terms of value. Furthermore, it seems that once the AFDL had taken Kisangani with its Rwandan and Ugandan allies, diamonds were directed away from Kinshasa, even after Laurent Kabila had taken power. *Comptoirs* regularly commercialised over 30,000 carats per month before Kabila's rebellion, but this volume fell after Kabila came to power, suggesting that dealers operating out of Uganda and Rwanda were competing for Kisangani's diamonds even before the 1998 war commenced. And this excludes the substantial smuggling from eastern DRC to Rwanda and Uganda.

US television's *ABC Nightline*, in a week-long report on the DRC in January 2002, reported that 'Kisangani was, until not very long ago, a city of 600,000... It was a centre of trade... [Now] this is a city surviving on life support, suffocated by a war... What was it, then, that set the armies of Rwanda and Uganda against one another, grinding the people of Kisangani between them? *Diamonds*.'

fees were required depending on the number of foreign buyers operating under a *comptoir's* license. The Ministry of Mines banned all foreigners from the mining areas in January 1999, and attempted to move the diamond trade to Kinshasa for tighter control. At the same time, the government cancelled all diamond purchasing permits held by the *comptoirs*. Only Congolese were allowed to reapply, and they were required to sell through the central bourse (*Bourse congolaise des matières précieuses*, or BCMP), opened in Kinshasa in April 1999. The bourse had a membership fee of US\$3 million. It was hoped that this central bourse would bring order to the diamond trade that now accounted for most of the Kabila government's foreign exchange earnings. Diamond sales, however, declined precipitously in 1999 due to apprehension of, and aversion to the new



regulations, especially foreign exchange rules that were enforced by penalty of death.

The diamond sector generates most of the foreign exchange held by commercial banks in the DRC, and this supports the local currency, contributing to reduced inflation. If the government forces the diamond trade into illicit circuits, then the Banque Centrale du Congo (BCC) is starved of foreign exchange. This is a fickle system that can be quickly and easily disrupted by increased export taxes on diamonds, or by changes to currency regulations. Laurent Kabila's government became particularly adept at undermining the system, starting with a ban on foreign currency (notably the sale of diamonds for US dollars) in January 1999. Foreigners were ordered to deposit foreign exchange in banks, for which they received an equivalent sum in the unstable local currency.

The situation worsened when the government, starved of revenue, began printing money to pay for its war effort. The growth in the money supply depreciated the value of the currency and increased the gap between the official and parallel exchange rates. The government did make some limited concessions in early 2000, such as permitting interbank transfers in US dollars and the establishment of 'free circulation zones' at the airport and BCMP, but these were inadequate, and the diamond trade did not revive.

The overvalued exchange rate, foreign exchange regulations and the uncontrolled printing of banknotes by the government served as a context within which the government's most radical diamond sector policy can be viewed. In September 2000, the Kabila regime awarded a monopoly on diamond exports to a single company, International Diamond Industries (IDI), ostensibly in order to reduce smuggling and other forms of fraud, and to increase oversight. Realistically, the move can be viewed as an attempt by Kabila to direct what remained of the informal diamond sector through circuits that he could control. IDI also paid an undisclosed amount to the Kabila regime for this exclusivity, presumably providing the president with much needed, or much desired, additional foreign exchange.<sup>26</sup> Rather than increasing transparency and bolstering official diamond exports,

however, the deal (described below) exacerbated an already dire situation in the diamond sector.

The influence of Laurent Kabila's economic policies on the artisanal (informal) diamond trade can be demonstrated through statistics on official diamond exports by the *comptoirs*. During the 19 months following the AFDL's acquisition of power, between June 1997 and December 1998, diamond purchases were valued at US\$599 million. Exports for the 19 months between January 1999 and July 2000 (after which *comptoirs* had their licenses revoked) were valued at only US\$291.1 million. This represented a drop of over US\$300 million, or 51 per cent. The volume of artisanal diamonds exported declined by 20 per cent between 1998 and 1999, but the average carat value also fell — by 32 per cent — over the same period. The result was a major deterioration in the value of declared diamond exports from the artisanal sector, which in 1999 had plummeted in a single year by 46 per cent, to US\$192 million from US\$356 million. Purchases by the *comptoirs* were lower in every month of 1999 in comparison with 1998, with the greatest difference in September and October once stricter foreign exchange measures were imposed.

The comparison between 1998 and 1999 suggests that Kabila's currency regulations were the leading cause for the massive deterioration in exports from the informal diamond sector — with a major boost to smuggling, which will be described later.

## Kabila Père to Kabila Fils: Changes after April 2001

The annulment of IDI's monopoly enabled other *comptoirs* to return to the DRC in June 2001, although many of the buyers had actually worked under the IDI license. The government announced that it would only award about ten export licenses, and some *comptoirs* complained of requests for bribes from government officials. The companies that had returned at the time of writing were Ashley, Mazal Gem, Millenium, Primogem, Tofen-Congo, Top International, Empire and Intradia (International Trading and Diamonds). Minerals

Business Company (MBC) operated throughout the IDI monopoly, but its exports were minimal. IDI-Congo also retained an export permit under the new ‘liberalized’ system but commercializes a much lower volume of diamonds than previously. Between August 2001 and March 2002, these *comptoires* exported a declared total of US\$160 million in diamonds, or \$20 million per month. A detailed breakdown of declared exports by *comptoir* for the period August 2001 — February 2001 is contained in the Statistical Annex (Table 18). Figures for the month of March 2002 (Table 1) are illustrative.

Individual *comptoires* do not work exclusively with just one company outside of the DRC. All the *comptoires* may be associated with as many as 40 different diamond companies in Belgium alone. The *comptoires* incorporated many buyers in order to boost their performance after the government set minimum export requirements. The result is that the larger *comptoires* represent an amalgamation of buyers working for different paymasters in Belgium and elsewhere. Below is a list of visible connections between the principals of the DRC *comptoires* and their affiliations in Belgium and Israel. These connections do not imply direct corporate links between the foreign and Congolese companies:

- Tofen-Congo: members of the Leviev diamond empire and certain shareholders of the Belgian firm, Omega;
- Primogem: African Star and Sierra Gem Diamonds in Belgium;
- IDI-Congo: International Diamond Industries of Israel;
- Ashley: Roni Ben-Simhon of RBS and RGS in Belgium;
- Mazal Gems: Jacques Spitzer of JAPRI in Belgium;
- Millenium: Triple A Diamonds in Belgium;
- Top International: Top International in Belgium;
- Minerals Business Company (MBC): Zimbabwean interests;
- International Trading and Diamonds (Intradia) and Empire: unknown affiliation.

**Table 1. Exports by Comptoires, March 2002**

Comptoir	Carats	US\$ (m)	US\$/Carat
Tofen-Congo	284,973	7.6	26.89
Primogem	144,505	5.1	35.27
IDI-Congo	129,767	3.1	24.25
Ashley	85,144	2.3	26.98
Mazal Gem	101,493	1.9	18.49
Millenium	70,078	1.6	23.08
Intradia	23,845	.9	37.81
Top International	22,329	.4	18.08
Empire	2,072	.09	44.63
Total	864,211	23.1	26.72

Precise corporate connections between buyers in the DRC and foreign companies cannot be verified. Diamonds move along networks of personal acquaintance and trust. A Belgian company may have no proven affiliation to a *comptoir* in central Africa apart from a name on the door of the Belgian office, or the principals of the *comptoir* working in an adjoining office. Relations between individual buyers in the DRC and Belgian companies are even more vague. Many of the buyers are not shareholders in companies, but instead operate independently with money from foreign financiers. These connections are highly secretive. The result is that it is impossible to determine which companies in Antwerp import diamonds from the DRC, either on a formal basis, or on the basis of personal ties and friendships.

At the time of writing the Kinshasa authorities had imposed a stringent new tax regime on the *comptoires*. For the first time, the government applied its performance criteria covering the first quarter of 2002. All *comptoires* were fined for under-performance and for failing to submit regular activity reports. The *comptoires*, in return, complained that they were forced to pay for an anti-fraud unit that is not operational — and that fraud by unlicensed exporters in the DRC and neighbouring countries was creating unfair competition. The *comptoires* also complained about an additional one per cent tax on exports.<sup>27</sup>

The diamond economy initially looked as though it would recover from Laurent Kabila's disastrous currency regulations and the ill-advised IDI monopoly, but in 2002 it appeared to be regressing into disarray as exporters face extra-judicial demands for cash payments. Overly rapacious government attempts to raise finances in this manner (which usually only serve to line the pockets of individual strongmen) threaten to exacerbate smuggling and fraud, thus further depriving the state of revenue and the central bank of foreign exchange.

## Diamonds in Perspective

Table 2 shows how important official diamond exports have become to the economy of the DRC.

The figures contain two major themes. First, official diamond exports serve as a major form of foreign currency in the DRC's trade balance — roughly one third. The significance of diamonds increases when adding the estimated value of smuggled diamonds, which deprive the formal sector of foreign currency and the government of revenue. These figures suggest that while the DRC is a potentially wealthy nation, it relies on only a handful of commodity exports to sustain state revenue. Second, the figures demonstrate how significantly official statistics can vary (see source notes). The Central Bank of the Congo uses conflicting data in the same report, and on successive pages. Many of these problems emanate from the great variation in official diamond export statistics, which differ depending upon the government ministry charged with their compilation, and upon the three successive Kinshasa regimes. Lastly, while there is often reference

to the plundering of the DRC's diamonds, there is little attention given to the fact that several hundred million dollars worth of illicit Angolan diamonds pass through the DRC annually. These diamonds move into the official and illicit DRC diamond markets, a system in which Kinshasa governments have played a complicit and sometimes active role.

## Conclusions

The Congo's long, sorry history of bad government, corruption and foreign pillage does not seem likely to end any time soon. The first challenge, where diamonds are concerned, is to ensure that diamonds do less, rather than more damage. Some suggest that giving greater power over the diamond trade to a bad government simply deprives innocent artisanal miners and their families of an income that might not otherwise be available. The alternative, however — a free-for-all in which illicit diamonds flow with impunity across borders, evading tax and funding violence — is not a viable option. The answer is not to allow diamonds free rein, but to change this and to deal with the more substantive problem, the quality of governance in Central Africa. Part of this includes ensuring governments' access to the fair and legitimate income that might be derived from the country's resources, including diamonds. Part of it includes good management of these diamond resources, and ensuring that those who mine them receive fair compensation. The ultimate diamond-related answer to bad governance is not to encourage (or allow) smuggling to other countries, but to deny a 'bad country' access to the world diamond market entirely.

**Table 2. Diamond Exports in Relation to Total DRC Exports<sup>28</sup>**  
(millions of US dollars)

Year	1995	1996	1997	1998	1999	2000
Total Official Exports (all commodities)	1,562	1,546	1,448	1,442	807	792
Official Diamond Exports	331	347	385	451	290	240
Estimated Illicit Diamond Exports	400	417	462	541	348	288
Official Diamond Exports as % of Exports	21%	22%	27%	31%	36%	30%
Official Imports	870	1,089	769	1,102	568	596
Balance (exports minus imports)	692	457	679	320	239	196

This is only feasible in a wider context, however, if a full-fledged, global diamond certification system can be established. The Kimberley Process proposes such a system. It would ensure that all rough diamonds are accompanied by a government certificate of origin. Part of the system relates to statistics. If a country neighbouring the DRC, for example, is exporting more rough diamonds than it is known to produce, action could be taken. The production capacity of countries in the region can be estimated to a certain degree. The real problem is that several are flagrantly exporting far more than they produce. The statistics, weak as they are at present, are good enough to reveal glaring problems. Better statistics will help to fine-tune the system's ability to identify problems.

The second issue where a diamond regulation system is concerned, has to do with controls in importing countries. Here too, the Kimberley Process seeks government warranties that rough diamonds will be handled in a certain way, requiring industry audits to verify that *diamantaire* outputs match receipts.

None of this can be done with any level of assurance or credibility unless there is an international inspection system as part of the overall scheme. Regular international inspections of all national control systems must be undertaken by independent professionals who can certify that industry and national controls meet the agreed minimum standards. One of the most crucial problems is the infringement of laws of propriety: the false categorization of diamond imports and exports by individual companies. Despite strong NGO lobbying on the need for regular independent monitoring, the concept was rejected by virtually all governments present at the concluding meeting of the Kimberley Process in March 2002.

And the third issue has to do with penalties for non-compliance. The ultimate penalty has to be a restriction of access to the international diamond trade. The natural consequence of this in Central Africa — smuggling — can be offset by careful oversight of exports from neighbouring countries, by good analysis of international trade statistics, and by ensuring that individuals caught with smuggled goods go to prison. Smuggling is against the law in all countries, including

## The Kimberley Process

The 'Kimberley Process' was initiated by the Government of South Africa in May 2000, in an effort to grapple with the problem of conflict diamonds. Concerned about how diamond-fueled wars in Angola, Sierra Leone and the Democratic Republic of the Congo might affect the legitimate trade in other producing countries, more than 35 countries have been meeting on a regular basis to develop an international certification system for rough diamonds. In March 2002, agreement was reached on the principles and many of the details in a system that was expected to begin at the end of the year.

Provisions for regular independent monitoring of national control mechanisms were not, however, agreed, and remain an item of serious contention for NGOs concerned about the system's credibility and effectiveness. NGOs, including Partnership Africa Canada, the Network Movement for Justice and Development and the International Peace Information Service, have participated in the process, along with representatives of the diamond industry.

Belgium, Israel, the United States, Britain and other major diamond importers. So is theft. And yet smuggled diamonds, stolen diamonds, conflict diamonds still cross all borders with impunity, as though diamonds are somehow different from automobiles, televisions or other stolen goods that are regularly detected and impounded. It is hard to identify more than a handful of diamond dealers arrested anywhere in Europe or North America in the past two years for smuggling diamonds or evading taxes. None has been arrested for breaking United Nations sanctions. Dealers committing these crimes are not spurned by the diamond industry, unlike those who cheat fellow *diamantaires* or diamond banks — crimes that are taken very seriously by the entire industry. And yet hundreds of millions of dollars worth of diamonds from Central Africa evade borders, taxes and oversight every year on their way to the world's cutting, polishing and trading centres.

### III. A Tale of Two Cities: Monopoly in Kinshasa, Fraud in Brazzaville

An Israeli firm, International Diamond Industries (IDI), was awarded an eighteen-month monopoly on diamond exports from the DRC in September 2000, through the company's subsidiary, IDI- Congo. At the time of signing, the then Minister of Mines for the DRC, Bishikwabo Chubaka, defended his country's diamond monopoly, saying, 'This is the optimum way for the Congo diamond production to be marketed in a transparent manner that will inspire trust and confidence in the country's certificate of origin, which will accompany each and every parcel to be exported by IDI'.<sup>29</sup> It did precisely the opposite, and the certificate of origin has yet to be seen.

**Table 3. Exports by DRC Comptoirs in 2000**

January – December 2000	Exports, According to the Banque Centrale (US\$million)	Exports According to the CNE (US\$million)	Exports According to the CNE (carats 000)
January	10.7	10.7	1754
February	10.7	10.7	1153
March	12.4	12.4	923
April	11.9	11.9	1144
May	11.1	11.1	677
June	19.4	19.4	1033
July	22.7	22.7	1417
August	0	17.5	1207
September	0	3.7	234
October	21.4	15.2	684
November	21.9	14.7	486
December	20.6	14.2	568

Sources: CNE, and Condensé d'Informations Statistiques, 31/2001, 7 September 2001, Banque Centrale du Congo, from the CNE. Values represent figures given by government valuers in the CNE and not the value declared by exporters.

The imposition of the IDI monopoly was Laurent Kabila's most extreme measure to funnel profits of the diamond trade through the presidency. Despite the fact that the DRC's vibrant informal diamond economy had responded negatively to all of his previous attempts at regulation, Kabila cancelled the licenses of *comptoirs* in August 2000 (which had been purchased for US\$100,000 each for the entire calendar year) and provided IDI with a license of exclusivity. IDI reportedly agreed to pay the Congolese government US\$20 million for the monopoly, although it is not known whether this was ever paid in full.<sup>30</sup>

Exports from the DRC dropped immediately, although by how much is not clear because of dubious and contradictory statistics. The Central Bank reports one set of numbers and the *Centre Nationale d'Expertise* (CNE) reports another. Both, however, show a significant drop in the first two months of the monopoly.

It is difficult to determine from these figures if the monopoly was a success in comparison with the *comptoirs* it replaced. While both sets of figures show a significant initial drop in exports, both suggest that as the monopoly began to function, the value of exports increased.

Meanwhile, however, across the river in Brazzaville, something else was happening. The moment the IDI monopoly came into effect, there was a 50 per cent drop in imports to Belgium from the DRC (which is understandable, as IDI is an Israeli company), and a sudden and dramatic leap in diamond imports from Congo-Brazzaville, a country with virtually no diamond production of its own.

These statistics suggest that the IDI monopoly in Kinshasa resulted in increased smuggling through neighbouring Congo-Brazzaville. Fraudulent declarations of provenance and origin at Belgian customs are

Table 4. Rough Diamond Imports to Belgium , August 2000 – January 2001

	DRC		Republic of the Congo	
	Carats	US\$	Carats	US\$
August 2000	1,643,135	49,876,350	0	0
September	1,605,221	50,154,084	427,243	18,605,144
October	779,037	28,553,840	1,179,779	36,930,952
November	894,954	24,671,692	853,459	30,365,001
December	190,939	13,295,180	360,809	17,267,000
January 2001	226,895	19,011,196	295,436	18,567,715

Source : HRD

common, however. This means that the new diamonds could have come from almost anywhere. The sudden drop in exports from the DRC, and the concomitant increase in imports from Brazzaville in the same months, however, is more than coincidence.

IDI's contract was annulled in April 2001, and Belgian *comptoirs* in the DRC were allowed to resume their export operations. It might be assumed that Belgian imports of diamonds from the DRC would naturally have increased. They did, as shown in Table 5. If the IDI monopoly had pushed diamonds across the river, it might also be assumed that with the monopoly's demise, fewer diamonds would be entering Belgium from Brazzaville. Table 5 shows, however, that this was not the case. Diamond imports from Brazzaville continued to grow.

What is the explanation? One partial explanation is the normal seasonal increase in alluvial production once the rains subside in April. Another source of the growing volume of diamonds, however, could be Angola. Angolan diamonds originating either from the informal market or from UNITA rebels often pass through Congo-Brazzaville, or the DRC, or are declared in Antwerp as having come from there. Congo-Brazzaville played an important role as an outlet for UNITA diamonds when the rebels still controlled industrial mining sites in the Cuango valley prior to 1998, partially illustrated by Belgian rough diamond imports from Congo-Brazzaville valued at over US\$1 billion between 1995 and 1996.<sup>31</sup> Again, this could be explained by

UNITA diamonds declared fraudulently in Antwerp, but not actually passing through Brazzaville. Smuggling of Angolan diamonds also increased in 2001, with Brazzaville and Kinshasa the most likely outlets. Diamond regulations in Congo-Brazzaville are lax, and taxes are low, major attractions for corrupt international diamond dealers positioning themselves along African smuggling routes.

Another possible explanation for the continued growth of imports from Brazzaville in 2000 and 2001 is the decline in exports from Liberia. Liberia was, through the 1990s, a major entrepot for conflict diamonds from Sierra Leone, and for illicit diamonds from elsewhere. Liberia, a country that at the best of times has never produced more than \$10 or \$15 million worth of low quality diamonds in a year, exported \$2.2 billion in rough diamonds to Antwerp between 1994 and 1999.<sup>32</sup> By 2000, however, a UN Security Council spotlight was shining on Liberia, and traders using Liberia as a channel were looking for other outlets. When a Security Council embargo on Liberian diamonds went into effect in May, 2001, Belgian imports from Liberia dried up. Coincidentally, imports from Brazzaville doubled over this period.

The most likely explanation is that the DRC traders simply continued to smuggle diamonds through Brazzaville, fearful that the flip-flop in laws, ministers and even governments in Kinshasa could backfire on their local activities again. Brazzaville is only one of many transit countries that Congolese conflict

**Table 5. Belgian Imports of Rough Diamonds from DRC and Republic of the Congo April-June 2001**

2001	DRC		Republic of the Congo	
	Carats	US\$ million	Carats	US\$ million
April	876,000	34	350,000	19
May	1,240,000	37	490,000	19
June	1,551,000	47	895,000	23

Source: HRD

diamonds now use en route to Antwerp and elsewhere. Bujumbura, Lusaka, Harare, Kampala, Kigali and Dar es Salaam now provide licences and onward permits, making millions of dollars on diamonds. None seem keen to end the trade, as it represents in some cases more informal economic growth than their formal economies are producing.

A dramatic rise in Belgium's rough diamond imports from the United Arab Emirates since 1999 (from \$4.2 million in 1998 to \$149.5 million in 2001) can be attributed to some degree to DRC diamonds, which are smuggled out of government territory through East Africa. These diamonds may also be smuggled to Hong Kong, which has recently become a significant source of rough diamonds to Belgium and Israel. Both the UAE and Hong Kong supply diamonds that are similar in quality to those mined in DRC.

**Table 6. Belgian rough diamond imports from DRC and Republic of the Congo (1995-2001)**

Year	DRC		Republic of the Congo	
	Carats	US\$	Carats	US\$
1995	18,644,000	646,190,000	4,469,000	407,890,000
1996	15,184,000	667,090,000	7,572,000	612,560,000
1997	15,845,000	553,230,000	Unknown	Unknown
1998	20,887,000	614,529,000	526,000	41,212,000
1999	23,403,000	758,751,000	71,000	14,639,000
2000	17,044,000	629,857,000	2,845,000	116,585,000
2001	19,636,953	495,308,805	5,409,820	223,848,014

Source : HRD

## Conclusions

The validity and efficacy — or otherwise — of diamond monopolies will be discussed below, in relation to monopoly arrangements in Angola. Other conclusions may be drawn, however, from this illuminating period in the diamond histories of both the DRC and Congo-Brazzaville.

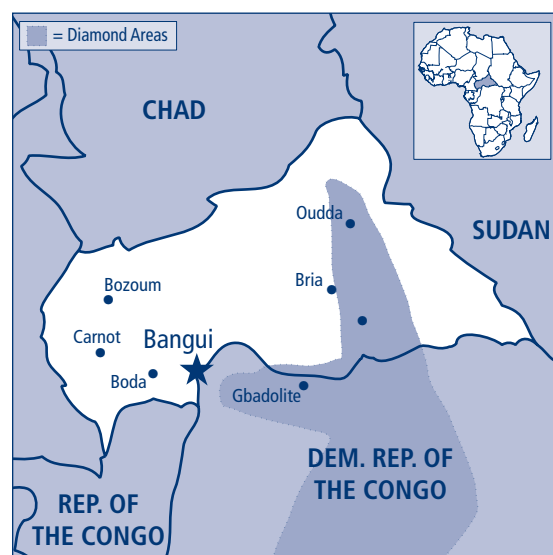
The first is that most of the statistics involved — from the DRC, the Republic of the Congo and Belgium — are only useful as indicators and for their order of magnitude. Bad statistics, false statistics, and no statistics at all have plagued the diamond industry for years. The accidental and often deliberate statistical confusion created by governments and the industry have made it not just possible, but virtually effortless to conceal huge transactions in illicit and conflict diamonds.

The second is that the Republic of the Congo has become a major hub for the trafficking of illicit and conflict diamonds. Like Gambia, another centre of illicit diamond trafficking, it has for too long escaped international attention and censure. The United Nations Security Council should take up this issue as a matter of urgency, and should place an embargo on all diamonds from the Republic of the Congo until a complete and credible international audit can be conducted into the origin and legality of diamonds being exported from Brazzaville.

## IV. Central African Republic

Diamond production in the Central African Republic (CAR) is almost exclusively artisanal, with an estimated 80,000 miners working in the sector.<sup>33</sup> Diamonds were discovered in the CAR in 1914, and two periods characterize subsequent production. From 1931 to 1961, production was exclusively the domain of about ten mining companies that extracted approximately 2.25 million carats. Artisanal miners replaced the companies after 1961, and have produced a cumulative 18 million carats since then.<sup>34</sup> There are no major diamond mining companies actively producing in the CAR. Formal sector production is derived from about seven small local mining companies that may work in joint-venture arrangements with foreign individuals or firms, as well as multiple companies holding temporary mining permits that produce roughly the same volume of diamonds as the permanent license holders. The rest of the country's production (about 90 per cent) is derived from artisanal miners who sell to middlemen, the mines' financiers, or directly to exporters, as well as to the bourse in Bangui. There are several hundred *collecteurs* (middlemen) who finance small artisanal mines, as do many foreign buying companies that have agents in the CAR's main diamond producing regions. Often the foreign exporters (who operate *bureaux d'achat*, known as 'comptoirs' in the DRC) will finance their own artisanal mining operations by supplying equipment, food, clothing, medicine and basic commodities.

David Dacko, the first president after independence in 1961, was overthrown by his cousin, Jean Bédel Bokassa, in 1966. Bokassa fancied himself as an African Napoleon of sorts, renaming himself President for Life in 1972, renaming the republic the Central African *Empire* in 1976, and himself Emperor Bokassa I in 1977. Bokassa's coronation is perhaps the most recognized image of the CAR, costing US\$25 million or more (about 30 per cent of the national budget), and featuring an enormous golden throne shaped as an eagle, a crown worth US\$2.5 million, and multiple coaches drawn by white horses imported from France — which later died due to



the heat. France served as Bokassa's main ally and paymaster, but as the emperor became more bloodthirsty, French aid was reduced and finally cut, following Bokassa's alleged involvement in the massacre of school children in Bangui in 1979. David Dacko was brought back to power by a French-led coup that year.<sup>35</sup>

Diamonds had served as one of the CAR's main exports, but production declined precipitously under Bokassa. French and other expatriate companies had monopolized formal diamond mining during the colonial administration, but the main companies were forced to close in 1969 by government decree, and the country's diamonds have been derived from artisanal sources almost exclusively since then.<sup>36</sup> Official production declined from 600,000 carats in 1968 to 314,000 carats in 1979 — with another 300,000 carats likely smuggled to neighboring countries with lower export duties.<sup>37</sup> Government earnings dropped by 50 per cent from 1974 to 1982,<sup>38</sup> although diamonds still generated more than 30 per cent of export receipts in 1980. Bokassa used diamonds as means of oiling his patron-client system. He reportedly gave French President Valéry Giscard d'Estaing diamonds on five occasions over a period of eight years, but d'Estaing said that the diamonds were sold and the money donated to charity.<sup>39</sup>



Bokassa's successor, David Dacko, survived only two years, and was deposed by a military coup in 1981. Under General André Kolingba, the CAR remained dependent on French aid and world prices for its main export earners, coffee and cotton. The price of coffee declined sharply in 1986, negatively affecting the national economy, and state revenue declined further due to diamond smuggling. Kolingba finally agreed to elections, and Ange-Félix Patassé became president in 1993. Patassé inherited a country that faced economic stagnation, with industry and commerce failing and the potential of the diamond sector uncertain.

Several foreign mining companies obtained diamond and gold concessions in the early 1990s. This was a time of possible economic reform, and it coincided with the arrival of junior mining companies. One of the first was United Reef (UR), which obtained stakes in two diamond concessions in 1992.<sup>40</sup> UR focussed on developing one of the concessions but it proved uneconomical. The company would have had to mine 500-600 carats per month in order to make a profit but this rate could not be achieved,<sup>41</sup> even after an injection of exploration capital in 1996 by Canadian-registered Trans Hex International (THI), an affiliate of South Africa's largest mining company. THI chose not to invest any more in the project due to poor results, and the operation was closed in 1998.

Another major player in the CAR was the Central Africa Mining Company (CAMCO), run by Antonio Teixeira, a South African businessman. CAMCO promoted itself as one of the largest concession holders in the CAR, but there were no reports of diamonds actually exported by the company, or its affiliate, Central Africa Diamond Company (CADCO),<sup>42</sup> unless these were small quantities, or were declared through an unnamed corporate affiliate. DiamondWorks (DW) — controversial because of its corporate involvements with the South African mercenary company, Executive Outcomes — purchased both companies as part of a restructuring deal which allowed Teixeira to become president and CEO of DW in May 2001. The then British Minister of State at the Foreign and Commonwealth Office, Peter Hain, alleged in 2000 that Teixeira had been involved in breaking UN

sanctions against the Angolan rebels, UNITA. This was denied by Teixeira.

The failure of junior mining companies in the CAR may have resulted from poor financial returns, but their disappearance mirrors the instability that has plagued Bangui since 1996. The election of Patassé in 1993 did not alter the country's system of governance. Corruption and political stagnation undermined the state, and tension between the government and opposition groups fractured the country along ethnic lines. Unrest over unpaid salaries led soldiers to mutiny in Bangui three times in 1996, their grievances reflecting wider social and ethnic problems. The 'Bangui Accords' were agreed in 1997, after two French soldiers were killed and the French army had responded against mutinous soldiers. An inter-African peace-keeping force was deployed, with soldiers from Burkina Faso, Chad, Gabon, Mali, Senegal and Togo. After more mutinies in 1997, this *Mission inter- africaine de surveillance des accords de Bangui* (MISAB), quelled the insurrection. MISAB was turned into a UN peace-keeping mission from 1998-2000, departing after Patassé's 1999 reelection. (At the time of writing, the UN was considering redeployment in the CAR due to continued instability.)

This did not end the ethnic fractures or the discontent with the Patassé regime, which entered into a series of intrigues with rebel movements in the Democratic Republic of the Congo. These, and diamond-related corruption in the Ministry of Mines, highlight the uncertain climate faced by potential foreign investors. Rifts in Patassé's patronage networks shifted alliances in the ruling party, creating alienation and competing interests. For example, Charles Massi, the Minister of Mines, was dismissed in December 1997. As the *Economist Intelligence Unit* put it, 'The government alleged that Mr. Massi, who had formerly held the minerals portfolio, had awarded a diamond export permit to a particular company in contravention of one of his own decrees, under which diamond traders had to obtain fixed gem export quotas from the government'<sup>44</sup> Charles Massi then established his own political party in 1998. He was replaced in the Ministry of Mines by Joseph Agbo, who

was also forced to resign after being accused of obstructing government legal proceedings against diamond exporters who had been accused of failing to pay sufficient tax. The government subsequently lost its case against the exporters. The pressure on Agbo had come from the CAR Prime Minister Michel Gbezera-Bria who had made public assertions of corruption in the diamond trade and who gained donor confidence, as the EIU put it, ‘in his efforts to weaken the patronage links developed by Mr Patassé in the public sector over recent years.’<sup>45</sup>

Diamonds represent one of the CAR’s primary export commodities and they are a critical source of foreign exchange. Diamonds can thus serve as a source of finance for individuals and groups alienated by the central government. The role of diamonds in the CAR’s multiple coups is not clear, but diamonds undoubtedly served as a source of financing for both legitimate and military opposition to the ruling regime.

The CAR does have an auditable paper trail from mines to the point of export. It was created at the beginning of the 1980s with the help of the World Bank, along with the *Bureau d’Évaluation et de Contrôle de Diamants et Or* (BECDOR). BECDOR played a similar role to the CNE in the Congo, providing expertise on declared exports by the *comptoirs*. The CAR system is more complex than any other Central African nation because it enables the government to determine where diamonds are mined, and to follow their trail to the exporting companies. It is based upon the *Bordereau d’Achat* and *Bordereau de Production* — numbered certificates or receipts. Basically, an artisanal miner or the head of a group of miners will fill out one form when the diamonds are sold to a *collecteur* or *bureau d’achat*. The information is completed in duplicate, listing the date of transaction, number of the seller’s *bordereau*, name of the seller, number of the mining or selling permit, provenance of the diamonds, carats (divided between different sizes) and value. In theory, when a diamond exporter declares a parcel to the *Direction Générale des Ressources Minérales*, for example, everything must be accounted for. If the exporter purchased diamonds from a *collecteur*, who in turn amassed diamonds from many small mines, the different *bordereaux d’achat* and *bordereaux de production* will

be passed along to the exporter. A tax of 2-3 per cent is levied on internal transactions by the CAR government. This is paid by exporters, who naturally defer the cost to sellers by offering reduced purchase prices. This is in addition to a six per cent export tax and two per cent turnover tax. Because of the high tax levels, it is likely that a high proportion of illicit diamonds originating in the DRC are smuggled out of Bangui rather than laundered through official channels. It is not clear, however, whether government authorities fully scrutinise the *bordereau d’achat* system to uncover discrepancies, or whether the system is simply a formality. Smuggling of CAR diamonds has continued to plague the system.

To further harness the diamond trade, the government created the Bangui International Diamond Exchange in 1996, under the state-run Central African Diamond Committee (Cocadiam). This diamond bourse aimed to increase the value of diamonds traded through official circuits, bolster state revenue, decrease smuggling, and enable local producers to obtain the best possible prices. This method of controlling the anarchic diamond market initially seemed to be a success, when the second trading session in March 1996 achieved a volume of US\$500,000, raising US\$50,000 in state revenue.<sup>46</sup> The bourse, however, followed the political vagaries of Bangui. It was shut during the multiple military mutinies, and was shut again during the tax evasion trials.<sup>47</sup> The bourse was reopened in mid 1998 after the *bureaux d’achat* were cleared of wrongdoing, but a very small volume of diamonds passed through the bourse, mainly due to high export taxes. Government statistics attribute about US\$144,000 to the bourse in 1998 and US\$303,000 in 1999, but give no data for 2000 although the bourse continued to operate, with one major exporter operating under its license.

The CAR’s formal sector diamond production between 1998 and 2000 was derived from a mixture of companies producing under official licenses and under ‘*autorisations exceptionnelles*’ that allowed companies to obtain temporary mining and export licenses, and reduce tax obligations. Total formal sector exports have been low in recent years: \$7 million in 1998, \$2.7 million in 1999 and \$5.2 million in 2000.

Table 7. Diamond Statistics from CAR *Bureaux d'achat*, 1998-2000

1998			1999			2000		
Company	Carats	US\$ million	Company	Carats	US\$ million	Company	Carats	US\$ million
Badica	210,971	34.8	Badica	131,027	23.4	Badica	112,210	20.8
Primo	150,586	16.6	Primo	174,700	19.5	Primo	117,530	18.5
Sodiam	5,943	1.0	Sodiam	83,156	13.4	Sodiam	66,325	10.6
Socadiam	4,787	0.7	Socadiam	19,031	2.6	Sopicad	33,484	5.6
Sandcat	1,144	0.3	Sador	1,193	0.2	Gemca	19,906	2.1
			Sandcat	14	.017	Socadiam	1,885	0.3
						Ordica	1,781	0.2
Total	373,433	53.5	Total	409,813	59.4	Total	413,124	56.6

Source: CAR Ministry of Mines and Energy

Production by the artisanal sector is much more significant, as shown in Table 7, above.

There are a variety of visible connections between the principals of the CAR *Bureaux d'achat* and Belgian companies. These connections do not imply direct corporate links between the foreign and CAR companies:

- Badica: Abdoul Karim, director of Kardian and Bria Import-Export in Belgium;
- Primo: Sierra Gem Diamonds;
- Gemca: Sima Diamonds of the Ahmed Nasser family;
- Sopicad: Serge Majer of M.D.C. in Belgium;
- Sodiam: Arslanian Frères;
- Alain Benyacar of Cindam nv of Belgium reportedly worked under the license of the Bangui bourse but later opened a buying office of his own.

## Conflict Diamonds

Artisanal miners, or *creuseurs* in the CAR, operate in a country that is stable, relative to nearly all of its neighbours. Diamond deposits are divided mainly between eastern and western portions of the country, with diamond buying centres in the towns of Boda, Sanha, Carnot, and Bozoum in the West, and Bakouma, Bria and Ouadda in the East. Artisanal miners sell their

diamonds in local catchment areas or larger towns where middlemen and foreign dealers operate, or they will sell to financiers who then sell to export companies.

The army mutinies between 1996 and 2001 were mainly centred in Bangui and its immediate environs. It is not known exactly how artisanal diggers responded to this political instability, or how widespread banditry in the provinces affects diamond miners and traders. The issue of bandits taking diamonds and taxes from diggers and diamond traders has not figured, so far, in the international conflict diamond campaign. Nor has there been much investigation of the possible involvement of coup leaders in the diamond trade.

There is significant overlap between the diamond deposits in northern DRC and the CAR, and there are ethnic links between the Yakoma in southern CAR, and people in the DRC's northern Équateur Province. Diamonds mined in Équateur, much of which is controlled by the Congolese MLC rebel group, are often sold or laundered through the CAR. But Kinshasa has a security pact with the Bangui regime, meaning that CAR president Patassé is technically opposed to the MLC's leader, Jean-Pierre Bemba. Ironically, however, the MLC intervened in Bangui in mid-2001 in support of Patassé during a coup attempt — led by General Kolingba, a Yakoma, who later fled to Uganda, the MLC's supporter at the time.<sup>48</sup> The MLC itself was bolstered — at least initially — by soldiers who had previously been loyal to

President Mobutu (from Équateur) and who had fled Kabilà's rebel advance in early 1997.

The confusing chain of events highlights the complexity of military alliances centred on strategic and financial criteria. The MLC receives much of its supplies from Bangui, separated from MLC territory only by the Ubangui River. And diamonds mined in the DRC's Équateur Province — territory administered by a rebel group — are used either in direct payment or to generate the necessary cash. Although there are no UN Security Council sanctions against the MLC, these diamonds are tainted by conflict. Certainly diamonds controlled directly by Bemba, or purchased by *comptoirs* licensed by the rebel administration, help finance the war efforts of the MLC. Artisanal diggers who smuggle stones from Équateur Province into Bangui, or who sell to middlemen who do the same, are also involved in conflict diamonds if taxes are paid to the MLC. The conflict status is less clear if diggers or middlemen smuggle their diamonds out of Équateur without paying taxes to the MLC. Bemba's incorporation into the Kabila regime will make the MLC's diamonds 'conflict-free' as long as the 2002 cease-fire is respected.

The diamond economy of the CAR is also connected to diamond production by the DRC's other main rebel faction, the RCD-Goma. This group is backed by Rwanda, and controls the diamond town of Kisangani. Arslanian Frères reportedly bought diamonds from a company based in Kisangani, Belco Diamant,<sup>49</sup> and it also runs the Sodiam *bureau d'achat* in Bangui.

The link between diamonds in rebel-held DRC and the CAR has taken on a more sinister form. Bangui serves as a vital platform for criminal networks arming a variety of rebel groups in Africa and elsewhere. These networks may profit occasionally from diamonds although this is not their primary business. One such network was run by Victor Bout (alias Butt), a renowned arms trafficker who has supplied UNITA<sup>50</sup> and the MLC<sup>51</sup> in central Africa, the Liberian government in violation of UN sanctions,<sup>52</sup> as well as armed groups in Afghanistan.<sup>53</sup> The CAR authorities brought a court case against 'Victor Butt' (*sic*) in June 2000, charging him with numerous cases of

fraudulent aircraft registration, and calling for an international arrest warrant. Additional arrest warrants have been issued, one in Belgium in 2002.<sup>54</sup> Bout is said to have run Centrafricain Airlines with Ronald de Smet,<sup>55</sup> who was also a director and CEO of Trans Aviation Network Group with Bout in Belgium, according to the company's founding documents in 1995.

There are also allegations that diamonds from the Angolan rebel group, UNITA, have been laundered through the Bangui bourse.<sup>56</sup> This is plausible, although the volume of diamonds traded by the bourse is very low. UNITA's tactical alliance with rebel groups in the DRC, and the diamond trading circuits between these rebel groups and the CAR, makes such allegations credible, despite a lack of concrete evidence. CAR dealers who purchase Angolan diamonds may refrain from laundering them through official circuits in order to evade taxes. It is also possible that the CAR informal market is commercializing illicit Angolan diamonds that are not linked to UNITA, because the Angolan export monopoly (Ascorp) has resulted in an upsurge of smuggling through the country's neighbours. It is widely believed that one of Bangui's largest *bureaux d'achat* buys diamonds in Angola, despite the Ascorp monopoly, but the exact source of these diamonds in Angola is unknown.<sup>57</sup>

As noted above, official diamond exports from the CAR are significantly lower than the volume of CAR diamonds appearing on the international market. Buyers in Antwerp have for years been declaring imports from the CAR that are collectively higher than the country's assumed production capacity of around US\$100 million.

The difference between CAR production and Belgian import figures can be explained by one of three things — or a combination thereof. First, the surplus diamonds arriving in Belgium could have been mined in the CAR but not declared in Bangui in order to evade taxes. They would, therefore, be illicit diamonds. Secondly, they could be diamonds from the CAR's neighbours, such as Angola and the DRC. Certain companies mining or buying in the CAR also have operations in Angola and in DRC rebel territory. Their purchases could be from rebel or illicit sources. This would disguise the regional

operations of companies using the CAR as a platform for regional operations. A third explanation could be that the 'CAR diamonds' declared in Belgium come from sources outside Africa. Two possibilities, frequently mentioned, are Brazil and Venezuela, where diamonds are very similar to those produced in the CAR.

At the time of writing, Independent Diamond Valuers Ltd. (IDV), had received a contract to provide counter-expertise on the CAR's official exports, to verify that government experts assign correct values.\* This counter-expertise will be used as the basis for the taxation of exports, and essentially serves as a second evaluation to strengthen the activities of the *Bureau d'Évaluation et de Contrôle de Diamants et Or*. It will also provide a degree of transparency in the Bangui trade, since fraudulent export declarations will be minimized — assuming that the valuers can challenge the entrenched tax evasion methods of Bangui *bureaux d'achat*. The Belgian Diamond High Council has also begun talks with the CAR government concerning a certificate of origin system once the Kimberley Process is implemented. External valuers may or may not be able to verify the origin of diamonds they assess, meaning that controls on non-CAR diamonds being exported through Bangui will remain vague.

It is not clear how much support the new system has in Bangui. Several strongmen in the ruling regime have financial interests in the diamond sector, and a proper accounting of the genuine value of all diamond

**Table 8. Diamond Imports from CAR to Belgium, 1995-2001**

Year	Carats (000)	US\$ million	av. price/ct
1995	626	88.6	\$141.53
1996	572	113.4	198.25
1997	579	107.0	185.66
1998	776	165.6	213.66
1999	1,221	155.6	127.44
2000	1,279	160.7	125.65
2001	614	96.9	157.80

Source: HRD (1995-2000); *Diamond Intelligence Briefs* (2001)

\* Independent Diamond Valuers also sells MIBA diamonds at tender through its office in Antwerp, and has sought an evaluation contract with the DRC government since early 2001.

exports could hurt business. Of particular concern is the number of companies mining under the '*autorisations exceptionnelles*' awarded by the president, and which are not subject to sufficient oversight. Naturally, CAR government authorities are keen to prevent illicit diamonds from financing their rivals, but the sincerity of the new regulations can only be verified once all exporting companies are forced to operate openly.

## Conclusions

External, independent diamond valuers should not have financial interests in the purchase or sale of diamonds, as this could lead to a conflict of interest. Moreover, an external valuator can only be effective if it is willing to expose fraud. This could, however, result in a serious security risk to the valuator and contract cancellation if government officials are involved. Ideally, the government and the external valuers should be partners in curtailing fraud, a prospect that may be attainable in some cases and not others.

The Central African Republic is a small player in the diamond business, and would not normally be considered of great consequence internationally. The country is being used as a conduit, however (or its name is being used as a cover), for as much as \$100 million worth of illicit and conflict diamonds every year.

The focus of the international community should now be on preventing the CAR's diamonds from contributing to or creating a war economy, further fuelling the country's instability. The Central African Republic could represent one case where prudent measures now could reduce the ability of diamonds to foment and sustain armed conflict by groups opposing the government in the future.

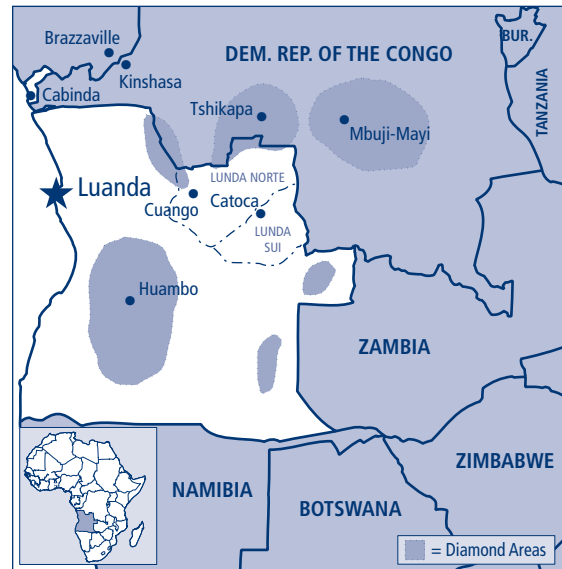
It is essential that the CAR be brought into the Kimberley Process as quickly as possible, in order to halt the use of its name and its territory in the trafficking of bad diamonds. This must be accompanied by a credible, international review to ensure compliance with Kimberley Process standards.

## V. Angola

Angola is where the ‘conflict diamond’ phenomenon was first observed. Angola’s rebel movement, UNITA, financed a large part of its war effort for more than a decade on diamonds, generating \$3.7 billion between 1992 and 1999 alone.<sup>58</sup>

Angola is unlike the CAR and the DRC because the country does not rely on diamond exports to maintain state revenue. Angola is one of the world’s largest oil producers and derives its main export earnings from crude petroleum, from the heavily guarded off-shore installations around Soyo and Cabinda. This has made the ruling Movimento Popular de Libertação de Angola (MPLA) government reliant on an enclave petroleum economy, and diamonds accounted for only one percent of the government’s fiscal revenue between 1992 and 1996.<sup>59</sup> Major formal sector diamond production commenced in 1997, with government revenue from diamond exports increasing dramatically in 2000 once a monopoly was enforced — but still supplying minimal revenue in comparison with increased production of crude petrol.

Angola’s official diamond exports comprise formal and informal (artisanal) production, generating nearly equal values of diamonds in 2000. The informal (artisanal) sector increased after 1997, when UNITA was forced out of its major diamond territories, allowing ‘government-friendly’ miners to begin exploiting the previous rebel diamond zones. This also led to an increase in the non-UNITA illicit sector, because not all *garimpeiros* or artisanal miners who flooded into the liberated mining zones sold through official circuits. The formal sector also increased markedly after 1998, when the country’s major diamond mines began producing significant volumes of diamonds, with further increases projected for the future. Although UNITA was able to hang onto smaller diamond producing zones once the war recommenced in mid-1998, government offensives after late 1999 fractured the rebels’ command structure and their ability to capitalize on illicit diamond mining and trading. The Angolan military was also finally able to locate and



kill rebel leader Jonas Savimbi, thus eliminating a significant impediment to peace. Unfortunately, the conflict diamond debate has mostly sought to prevent UNITA diamonds from reaching international markets without regard for the substantial illicit trade in Angola, that involves both unaligned *garimpeiros* and the government military and political elite. To date, the Angolan government has preferred ambiguity within the domestic diamond sector although the creation of the Angola Selling Corporation (Ascorp) monopoly has helped introduce a limited degree of transparency.

### History

Diamonds have long served as a point of contempt between national administrators and local inhabitants. The Portuguese colonial administration first discovered diamonds in 1912 and created Diamang (Companhia de Diamantes de Angola) in 1917 to explore and administer the reserves. These diamonds were located in the interior of the colony, in Lunda Province neighbouring the Belgian Congo. The Portuguese controlled all diamond mining activity, with production peaking at 2.4 million carats in 1971, ranking Angola as the world’s fourth largest producer, despite armed insurrection against the colonial regime.

UNITA was one of three liberation movements, none of which could militarily outmaneuver the Portuguese, who finally granted Angola independence in November 1975, following a military coup in Lisbon. UNITA, under Jonas Savimbi, represented the Ovimbundu people, Angola's largest ethnicity. Holden Roberto's FNLA, backed by the United States and Zaire's president Mobutu, represented the Bakongo peoples of Angola, and was part of a larger Kikongo language group that spreads through the two Congos. The MPLA represented the Mbundu people and the urban population, often of mixed race. The MPLA was able to outmaneuver the other liberation movements and occupied Luanda with help of Soviet and Cuban military support. The Organization of African Unity recognized the MPLA in 1976, by which time it had become a Soviet proxy. The FNLA and UNITA rebels and Zairean president Mobutu served as proxies of the United States and apartheid South Africa.

Most of the Portuguese technical staff and the security forces of Diamang fled Angola before independence in 1975, leaving few or no domestic capabilities. Official diamond production fell from about 750,000 carats in 1975<sup>60</sup> to an estimated 300,000 carats in 1976.<sup>61</sup> The civil war that followed independence, which was largely the result of competing interests exposed during the independence struggle, was exacerbated by the flow of weapons to Angola's belligerents by the United States and Soviet Union, and their Cold War allies, South Africa and Cuba respectively. The new MPLA government could not protect its diamond mines in the interior from attacks by UNITA, although Cuban troops were used to defend the country's fledgling oil sector located on the coast. Despite the constant threat from rebels, the Angolan government was able to increase production to nearly 700,000 carats in 1979.<sup>62</sup>

Illicit diamond production increased rapidly during the late 1970s and the MPLA government divided the Lunda Province into north and south sections in 1978 to restrict population movements. The Luanda regime also nationalized Diamang and transferred its assets to the newly created Endiama (*Empresa Nacional de Diamantes de Angola*). Diamang, as an Endiama subsidiary, then

contracted De Beers in 1978 to manage its diamond mines. De Beers, through Anglo-American Mining and Technical Services, was active in Angola until 1985, when UNITA began to seriously threaten the diamond mines. Two notable UNITA attacks occurred in 1984 and 1985 during which the rebels overran mining operations in the Cuango valley and Endiama's diamond sorting centre in Andrada (now Nzaji). Diamond revenue in 1986 fell to 25 per cent of what it had been in 1984, although security gradually improved. The government dissolved Diamang in 1986 and Endiama split the diamond reserves in the Lunda provinces into blocks similar to the system used for the country's off-shore oil deposits. De Beers had previously marketed Angola's production through its Central Selling Organisation, but the new liberalized system allowed foreign companies to initiate production-sharing agreements with the state and form their own marketing arrangements.

## Restructuring and Temporary Peace

The first two companies to invest in Angola's new diamond mining system were Roan Selection Trust (RST) and the Sociedade Portuguesa de Empreendimentos (SPE). RST established a mining operation in the Cuango valley (Cafunfo) in 1986 while SPE began mining around Lucapa in 1987, with Endiama continuing to mine in Nzaji and Dundo. Production reached 750,000 carats worth under US\$100 million in 1987, and increased in 1988 to over a million carats worth US\$180 million.<sup>63</sup> This was a significant improvement over the value of formal production in 1986, estimated at US\$ 15 million.<sup>64</sup> Despite the temporary closure of RST's mine in 1989, Angola's production had begun to revive, enhanced by peace overtures in the late 1980s and a cease-fire in 1991 under the Bicesse Accords. Several mining companies sought concessions in Angola between 1990 and 1992, with the diamond fields of the Cuango valley becoming the most important zone of infrastructure development.

The Angolan government radically altered the country's diamond sector in December 1991, when it legalized

the possession and sale of diamonds. This marked a significant turning point in Angola's diamond economy, because official diamond exports had previously been the exclusive purview of large mining companies working under contract to Endiama. Buying offices were now established under the Endiama Selling Corporation, as the government sought to mop up diamond stockpiles held by artisanal miners who had previously been banned from selling their goods officially. The new law was a reversal of earlier policies, meant to respond to the growing number of *garimpeiros* in the diamond fields. It created an official outlet for this informal diamond production, and increased the number of *garimpeiros* mining in Angola. It also served to promote artisanal production, which had not been legalized under the new legislation.

The diamond sector reforms were concurrent with the (temporary) end of military hostilities between the government and UNITA, and with government legislation that revoked a ban on travel in the diamond provinces. The result was a massive explosion of prospectors flooding into the Lundas, many of whom came from the DRC. Diamonds in the DRC are usually lower quality than Angolan diamonds, except for the alluvial deposits in southern portions of the Kasai-Oriental province that are derived from Angolan kimberlite pipes. These diamonds are generally less than one carat in size, and as Angola's north-flowing rivers moved into southern DRC over the ages, they deposited diamonds deeper in the ground. Artisanal miners therefore must move more overburden before reaching the diamondiferous sediment. The same miners can retrieve a much greater proportion of better diamonds in Angola where there is generally less overburden. And since Mobutu had liberalized Zaire's diamond economy a decade earlier, the Congolese had significant expertise in informal diamond mining and marketing, unlike the Angolans, who lived in a highly regulated Marxist state.

The problem of diamond smuggling multiplied considerably between 1990 and 1992. More than US\$100 million in diamonds was smuggled out of

## Garimpeiros

In Portuguese, '*garimpo*' means 'a mine' and *garimpeiro* has come to categorize all unofficial diamond miners in Angola; the name originally described slave miners in Brazil. *Garimpeiros* traditionally come from DRC since the Congolese often have a greater knowledge of diamond mining than their Angolan counterparts, a situation in flux. The extensive nature of DRC diamond reserves makes the stones widely accessible but their inferior quality has induced massive influxes of prospectors into Angola's north-east. Congolese *garimpeiros* entering Angola form small bands, loosely organized around family links with several leaders. The expeditions last for the duration of Angola's dry season with profits for the leaders reaching as much as US\$200,000, compared with the US\$40,000 they might earn from mining in DRC. Angolans have also worked as *garimpeiros* beginning in the 1980s and increasingly from 1991.

Angola in 1990,<sup>65</sup> approximately US\$300 million in 1991, and US\$500-600 million in 1992. Diamonds began to serve as the foundation of Angola's informal economy, accessible to all segments of the population, and to those affiliated with UNITA. When UNITA leader Jonas Savimbi rejected the results of the national elections at the end of 1992 and returned to war, he immediately took control of the Cuango valley and other vital diamond territories.

The war from 1992-1994 ended with the signing of the Lusaka peace accords, increasing investor confidence in Angola's diamond sector. Formal diamond output remained low following the cease-fire, with production of 300,000 carats in 1995 and 230,000 carats in 1996. Concurrently, a mining rush had begun with a reorganization of the diamond fields in 1994, and the awarding of concessions to Angolan holding companies that sought foreign investors for joint-venture partnerships.



Table 9. Formal Sector Production 1997-2001

Year	1997	1998	1999	2000	2001
Carats	428,000	1,983,000	2,175,000	2,749,000	3,832,255
Value, US\$	unknown	unknown	unknown	367,559,000	439,515,000

Source: Author's estimates for 1997-1999, and Ascorp statistics for 2000. Data for 2001 derived from statistics provided by an external source.

## The Formal Diamond Mining Sector

In 1994, the Angolan government passed Law 16/94 that allowed Endiama to enter into joint ventures with Angolan and foreign companies, after which many new diamond concessions were awarded by the government. The law was sound in theory but according to one writer, 'the shadowy procedures for awarding the concessions provide another prime example of the non-transparency of resource management and the role of presidential patronage in building and cementing alliances. The tendering process has been opaque and it is well known that the final decisions on diamond concessions are taken at the Futungo de Belas [Presidential palace]' and that these concessions have also 'been one of the main ways of rewarding military loyalty'.<sup>66</sup>

The Angolan partners were little more than holding companies that shopped their concessions to eager junior mining firms based on alternative stock exchanges, although Law 16/94 had envisioned that the Angolan companies themselves would have adequate financial means to develop the concessions. The result was that the government's 1994 plan, Proesda (Programa para a Estabilização do Sector Diamantífero em Angola), which aimed to reduce the unruly nature of the diamond fields in the Lunda provinces, encouraged a new form of illicit resource acquisition by the government elite. Proesda awarded concessions to 52 Angolan companies, 32 of which were in Lunda Norte and 20 in Lunda Sul, but this did not stabilize diamond production.<sup>67</sup> The real rush of foreign juniors seeking Angolan partners to exploit the Proesda blocks commenced in 1995 and 1996 — although their Angolan

## Security

Mine security is one of the principle concerns for foreign companies operating in Angola. Most if not all of Angola's formal diamond mines have experienced attacks by UNITA or bandits, with accompanying loss of life and machinery. Necessarily, mining in Angola's Lunda provinces is a dangerous business even with UNITA's military setbacks since 1998 and its more recent near total defeat by the FAA. A typical mining concession is usually comprised mostly of contested territory where groups of miners and other armed bands — sometimes soldiers masquerading as bandits — can threaten licensed operations. Typical concession security services are comprised of Angolans with several foreign 'consultants'. Private security personnel are usually armed with AK-47s but have reportedly utilized heavy weaponry, such as mortars and machine

guns mounted on armored transport vehicles provided by the FAA. Security perimeters at satellite camps are established no more than 8-10 km from the principle mining sites with the guards sent out on patrol for a period of one week. Most security personnel move no more than 2-3 km away from mining areas, controlling territory viable within a two-year window of mining. The rest of the concession is left for *garimpeiros*. *Garimpeiros* are usually controlled by any number of armed groups, resulting in skirmishes between private security guards and the FAA. Mines have also been under constant threat from UNITA, especially during the rainy season when high grass cannot be burned. Even with a UNITA ceasefire, it is unlikely that intense banditry will diminish over the medium-term.

partners provided little more than legal legitimacy and facilitation. By the end of the 1990s, most of the foreign juniors, many with expensive websites detailing their Angolan holdings, had ceased operations in Angola, many never attempting or managing to get beyond exploration activities. A November 1998 attack on DiamondWorks' Yetwene mine was symbolic of the failure of the juniors. They could not overcome the expense of mining in a war zone where air transport was the only means of delivering equipment to mines protected by large security forces.

The normalization of the diamond fields from 1994-1997 did allow prospecting, however, by both large and small companies. The mining juniors publicized their activities, while larger companies that were not publicly listed released little information. International Trading and Mining (ITM) began working part of the previous SML concession in 1997, with other mines coming on-line in 1998. The Sociedade Mineira de Catoca (SMC) began producing small quantities from its Catoca kimberlite concession in 1997, while SDM (Sociedade de Desenvolvimento Mineiro) commenced production in the Cuango valley in 1998, once UNITA had vacated the immediate mining area. These three primary diamond producers were able to survive the resumption of full-scale war in 1998, while most of the juniors were not. Since then, fewer than ten mines have been responsible for practically all formal production.

This production is derived almost completely from five mines: the Catoca kimberlite pipe in Lunda Sul Province, SDM in the Cuango valley, and three mines managed by ITM in Lunda Norte Province, Chitotolo, Mafutu and Calonda.

Table 10 shows that Angola's formal sector diamond production was derived almost exclusively from just a few mines during this period. They have generated enough profits to protect their infrastructure and pay for expensive air transportation of machinery and goods. Catoca, which commenced production in late 1997, is Angola's only operational kimberlite pipe. Since then Catoca has dominated total formal sector production by volume and value. The mine's diamonds

**Table 10. Production of Five Largest Mines, 2000-2001 (as a percentage of total formal sector production)**

	2000		2001	
	% Volume	% Value	% Volume	% Value
Catoca	73	43	69	39
SDM	7	14	11	20
Chitotolo	7	17	6	14
Mufutu	5	12	6	14
Calonda	5	8	5	8
Total	97%	94%	97%	95%

are worth around US\$80 per carat (less in 2001 due to the decline in global diamond prices), while SDM's production was valued at approximately US\$260 per carat in 2000, Calonda at US\$215, and Chitotolo and Mufutu both over US\$300. Kimberlite diamonds are of much lower average quality than alluvial reserves, explaining why the four alluvial mines have a greater value to volume ratio.

## UNITA Diamonds in the 1990s

The other primary producer of diamonds in Angola was UNITA, during the periods when the rebels controlled significant alluvial (and possibly some kimberlite) reserves. Astonishingly, UNITA exported as much as 10 per cent of worldwide diamond production during its most lucrative years in the Cuango valley, neighbouring the DRC, in 1996 and 1997. UNITA acted much like an independent state, relying on diamonds to fill its coffers and rearm for war during the cease-fire between 1994 and 1998 — similar to the manner by which the government utilized its petrol revenue.

UNITA did not begin to exploit diamonds seriously until the late 1980s. Its diamond production was estimated at only US\$4 million in 1984, but had increased to US\$14 million in 1989.<sup>68</sup> Most of these diamonds made their way to dealers operating among UNITA's main external supporters. In addition to the

South African route, Zaire's burgeoning internal diamond market offered an ideal channel for the export of UNITA diamonds, whether by the rebels themselves, or through foreign dealers licensed by the Kinshasa authorities.

Following Savimbi's resumption of war after his failed 1992 national election bid, UNITA captured Angola's premier diamond reserves. The rebels occupied the Cuango valley and requisitioned abandoned mining equipment. This area, around the town of Luzamba, served as UNITA's initial foray into large-scale industrial mining of alluvial diamond reserves. Entire towns of *garimpeiros* were also tightly administered to profit both from the commercialisation of the diggers' diamonds, and through the sale of massively overpriced goods. It is estimated that the rebels exported about US\$700 million worth of diamonds in 1993 and 1994 combined, although some dispute this. One foreign dealer who worked with UNITA at the time suggests that the rebels were never capable of selling more than US\$150 million per annum, even during the most lucrative years in 1996 and 1997.<sup>69</sup>

The 1994 cease-fire enabled UNITA to increase its ability to exploit diamond reserves in the Cuango valley in partnership with foreigners. UNITA gained credibility under the peace plan that sought to incorporate them into a unified national government. As such, foreigners could operate in UNITA territory without fear of reprisal from the government air force. Diamond and arms dealers visiting UNITA noted that the UN was often present when commodities or weapons were off-loaded at monitored airstrips. The rebels were thus able to boost production, primarily in the Cuango valley, and to expand control over *garimpeiros*, establishing an autonomous state within a state. UNITA is considered to have exported about US\$1.9 billion in diamonds between 1995 and 1997, after which the peace process faltered irretrievably.

The 1994 Lusaka Protocol had been pointedly vague in the demarcation of Angola's diamond fields. Savimbi was supposed to join the national unity government, but it was expected that the transition of UNITA from

a military organization to a political party contesting elections against the MPLA would require revenue from diamonds. The understandable impasse over territorial control in the Lundas caused serious friction between the rebels and government, necessitating numerous talks between the opposing parties, beginning in mid 1995. UNITA was to be awarded the right to join the operations of two foreign companies in return for vacating their concessions in the Cuango; UNITA was also to mine three other concessions, through a licensed company *Sociedade Geral de Minas* (SGM). SGM did sign a deal in June 1997 for two exclusive concessions, but further incorporation was held up over UNITA's claim to the Luarica concession. The deal, like most power sharing agreements that were unrealized by the end of 1997, resulted from UNITA's unwillingness to vacate its holdings before legal mining rights could be assured, which in turn would not be granted before the rebels relinquished diamond territory. This stalemate was broken when UNITA was outmanoeuvred militarily in the Lundas in 1997, and forced to relinquish control of its primary mining sites. Without a bargaining platform, UNITA could no longer demand official incorporation into mining consortia preparing to exploit reserves previously controlled by the rebels. Thus, the official handover of Cuango Town to the government in September 1997, Mavinga in October and Luzamba in January 1998, did not result in UNITA gaining territory through negotiation. While UNITA was represented in the Ministry of Mines (until its representative died), the diamond partitioning deal was rescinded by the government, with UNITA only allowed to buy into established mining consortia with its own money, which it never did.

When war resumed in 1998, UNITA was left without the prized portions of the Cuango valley. The rebels did remain active in the vast diamond territories of the Uíge, Malange and Lunda provinces but had forfeited their industrial mining operations in northern Angola. Savimbi turned his attention to two alternative diamond locations: the central highlands (Huambo and Bie provinces) and the south-east (Moxico and Cuando Cubango provinces). Rebel diamond

exports declined precipitously in 1998 (to perhaps US\$250 million) because the axis of production had been altered and neither of the two new localities produced diamonds as good as those in the Cuango valley. It is likely that the rebels were able to increase production to a certain degree in 1999 (around US\$300 million) but government offensives in the central highlands in late 1999 annihilated Savimbi's ability to pursue a conventional war. UNITA then reverted to guerrilla warfare and, although active in nearly every province of Angola, was not able to attain significant diamond holdings for long periods. UNITA's diamond output crashed to perhaps US\$100 million in 2000,<sup>70</sup> and less in 2001. The downward spiral of UNITA's financial and military capabilities culminated in the death of Savimbi in a raid by the FAA in February 2002.

Individual rebel leaders who were not initially killed or captured by the FAA continued to operate in isolated pockets, capable of limited resistance by marginal mining operations and by ambushing or co-opting *garimpeiros*. The April 2002 ceasefire between the rebels and government called for the demobilization of nearly 50,000 rebel soldiers in cantonments. This was a promising sign and a possible harbinger of the end of the long civil war.

## Anarchy in the Diamond Fields

Anarchy in the Lunda diamond provinces will probably remain unchecked for the foreseeable future despite the peace deal. The diamond zones were not pacified during the 1994-1998 UN-monitored ceasefire, suggesting that official peace is not the only prerequisite for taming this massive no-man's-land. It is usually impossible to identify the political disposition of mutating bands of bandits, their numbers swelled by rebels, *garimpeiros*, government soldiers and national police. Rebels and bandits are usually blamed for skirmishes in Angola, but much of this violence can also be attributed to FAA strongmen who compete for lucrative business interests, such as mining zones. Since the prospects for stability in the diamond fields will likely remain elusive for some

years to come, it is useful to analyze how things have looked in the Lundas for the last decade, and especially since 1998 when war resumed in earnest.

Artisanal diamond miners operate in zones that are influenced by competing strongmen attempting to tax the lucrative informal economy. Those with guns can impose their will upon civilian populations, although the topographically extensive nature of diamond mining in Angola and the rest of Central Africa makes definitive control impossible. Diamonds are produced by thousands of small mines that vary in size, and which may only be exploited for short periods of time. Absolute control by armed groups is thus unfeasible, since one platoon of rebels may be capable of influencing mining activities at one bend in the Chicapa River, within a radius of only a few kilometres. *Garimpeiros* digging ten kilometres away along the river or one of its tributaries may not be subject to taxation by the rebels, who normally take a percentage of the diamonds. UNITA only controlled the place where the diamondiferous sediment was washed after 1998, because this requires fewer soldiers than overseeing the actual mining. *Garimpeiros* using another water source to separate diamonds from gravel could therefore evade the rebels, but if UNITA caught them, they faced severe penalties, including mutilation or death.

UNITA's uncertain hold on a mining locality when the war resumed in 1998 was challenged by the Angolan national military, the FAA, which could advance from a garrison and push out the rebels. The FAA then mimicked the rebels' system of control or simply moved on, depending largely upon whether they feared being flanked by a stronger rebel contingent. Once the FAA vacated the locality, UNITA soldiers often returned, or sought refuge further in the bush, where other *garimpeiros* could be located and taxed. Opposing contingents of the FAA and UNITA sometimes settled on opposite sides of the Chicapa River, overseeing their own bands of *garimpeiros*, with the regular army perhaps fending off competing interests of the FAA special forces and national police. Fighting is undesirable in these scenarios, since war-making during the dry season precludes steady profiteering from the labour of artisanal miners.

This system of competing nodes of power and strongmen is like a system of rival fiefdoms. Strongmen may control only a small stretch of river where *garimpeiros* have located diamonds, where a bridge links a government garrison with outlying *garimpeiro* villages, or where a strategic location — such as a hilltop — serves as a means of protecting profits. Genuine war-making and the government's pronounced abhorrence of the rebels does not mean that enterprising soldiers and civilian strongmen are not also profiteering from the informal diamond economy, within which UNITA has become well integrated. The rebels do not control much territory in the most lucrative diamond fields, but the FAA's undisputed influence does not necessarily extend far beyond immediate military objectives, garrisoned towns, formal mining operations, and illicit mines controlled by FAA officers. Once the military vacates a locality, lawlessness resumes, which is often exacerbated by commercial competition between FAA elite duelling to influence informal networks as well as legitimate business such as transportation companies.

Without formal UNITA opposition, this system could change, since bandit attacks cannot be entirely blamed on the rebels, and eventually the central government will be forced to muzzle enterprising FAA strongmen in the diamond fields. Conversely, the end of a bi-polar conflict as cover for illicit resource acquisition could expose the underlying reality: that the ruling government and its national military are not a cohesive force. The fragmentation of rebel units and FAA interests in the diamond fields could fuel destabilization for some years to come. If the fog of war dissipates in the Lundas, government strongmen will see their avenues for private financial gain threatened, since these generally rely on the projection of violence and mafia-type syndicates.

## The Informal Sector

The informal (artisanal) sector in Angola is defined by diamonds mined by *garimpeiros* that then pass through official circuits. These *garimpeiros* form a substantial pillar of the informal economy in the Lunda provinces, and their diamonds are often smuggled out of Angola.

As mentioned above, informal production increased exponentially in 1991 and 1992 after the government repealed laws concerning movement in the diamond provinces and partially liberalized the diamond sector, concurrent with peace. When UNITA returned to war at the end of 1992, the government lost most of its diamond territory and artisanal production passing through official channels declined precipitously. This was due to UNITA's ability to redirect the activities of the *garimpeiros* and because it remained easier to smuggle diamonds from the Lunda provinces to southern Congo, where more than twenty *comptoirs* operated. Congolese diamond catchment towns such as Tembo and Kahemba dealt primarily in smuggled Angolan diamonds, with Tshikapa also playing a strong role in linking diamonds and middlemen from both countries to international dealers. As a result, most *comptoirs* operating in the then Zaire played a complicit (and often proactive) role in the trade in smuggled diamonds from UNITA or Angolan *garimpeiros*.

The ceasefire in 1994 enabled the Angolan government to redirect increasing quantities of diamonds through official circuits. The previously mentioned mining legislation passed in 1994 (Law 16/94) also transformed government policy for the informal sector. It aimed to stabilize the sector and legalized *garimpeiro* production in reserves that could not be mined at an industrial level. Mining permits were supposed to be issued only to local inhabitants who could prove that they lived in surrounding communes for ten years. Proesda was to implement these regulations but it is not known whether there was much progress to this end — although FAA elite used the stabilization program to attack *garimpeiro* settlements and manipulate the illicit trade in diamonds. Several new diamond exporters were also licensed between 1994 and 1996 to buy artisanal production in the diamond provinces. Smuggling and fraud remained problematic, however, and government authorities seemingly did little to discourage illicit commerce and tax evasion. The volume and value of diamonds passing through the informal market increased as follows from 1995 to 1999:

**Table 11. Angola: Informal Diamond Market 1995-1999**

Year	Carats	Value, US\$	US\$ per Carat
1995	354,452	97,128,000	274
1996	687,365	201,013,000	292
1997	984,068	266,082,000	270
1998	1,267,538	256,151,000	202
1999	1,357,898	298,133,000	220

Source: Copy of a power-point presentation given to the author by the Belgian Diamond High Council titled 'Mapa de Exportacoes de Diamantes'. Figures provided by the HRD were presented as originating from the government of Angola.

By 1999 four licensed diamond export companies operated in Angola, most of which had started operating either in the early or mid 1990s. These were: Codiam (initially a joint-venture between De Beers and Steinmetz through the Endiama Selling Corporation), Lazare Kaplan International (Tempelsman), Arslanian Frères (locally known as Dian), and Omega (locally known as Research Development Resources or RDR). These four all have offices in Antwerp. Another two companies, Triotex and Matos & Jean, were licensed to trade in diamonds but not to export. The buying practices of most of these companies were lax, even after the imposition of UN sanctions against UNITA diamonds. Indeed, rebel troops were sufficiently integrated into the informal diamond economy in Angola that one must assume UNITA diamonds frequently passed through the informal sector, especially diamonds obtained by outlying or peripheral UNITA cells that did not have other means of accessing international diamond markets. The Angolan government used the excuse that UNITA diamonds were passing through the uncontrolled informal sector to impose a diamond monopoly in February 2000. All licenses were cancelled and the government created the Angola Selling Corporation (Ascorp).

Ascorp was a resounding success in terms of increased revenue from taxation. The monopoly increased government diamond export income from US\$30 million in 1998 and 1999 combined, to nearly US\$66 million in 2000. This was achieved because the Ascorp system

augmented state oversight over both the formal and informal sectors, and because taxes were increased. It is not clear whether such an increase could have been achieved only with the creation of a monopoly. Ascorp's success in the informal market can be disputed because many Angolans have responded to enhanced restrictions by smuggling their diamonds to neighbouring countries, such as the DRC. The Belgian statistics in Table 11 above, differ from those supplied by Ascorp. Ascorp data suggests that the monopoly commercialized a higher volume of diamonds from the informal sector in 2000 than the competing buying houses that it replaced; if the Ascorp data for 2000 is compared with the previous chart, the opposite appears to be true.

**Table 12. Ascorp Statistics 1998-2001**

Year	Carats	Value, US\$	US\$ per Carat
1998	1,049,600	180,784,000	172
1999	1,117,100	263,355,000	236
2000	1,264,162	371,443,000	294
2001	1,342,850	290,848,000	217

Source: Figures for 1998-2000: Ascorp;  
Figures for 2001, an external source.

The Ascorp statistics appear to be more reliable, although data can be manipulated to serve a number of interests. It would be in Ascorp's interest to characterize the system it replaced by fraud and mismanagement, and by poor returns from the artisanal diamond market. Interestingly, while the average per carat value of diamonds commercialized by Ascorp from the formal sector declined by 14.2 per cent between 2000 and 2001, the informal sector declined by 26.3 per cent. The decline was caused in part by the drop in international diamond prices during 2001, although this does not adequately explain the large variation in the decline in the formal and informal sectors. As global prices fell, Ascorp probably reduced its purchase prices in Angola, leading to an increase of smuggling as middlemen and diggers sought higher prices in competitive markets such as the DRC. Naturally, the highest quality diamonds are the most likely to be

smuggled because of the large difference in value when prices fluctuate by just a few percentage points.

Another set of statistics, contained in Table 13, contradicts the HRD and Ascorp data. The variations suggest that there is inadequate accounting for diamonds by the Angolan government, even after the certificate of origin regime was implemented in Luanda in 2000.

As the government pushed UNITA out of the diamond fields, unaligned *garimpeiros* were able to start mining in previously occupied rebel zones. Non-UNITA artisanal production smuggled out of Angola was in the range of US\$150 million in 1999,<sup>71</sup> and is considered to have increased to US\$250 million in 2000.<sup>72</sup> It is likely that artisanal production escaping government buyers increased again in 2001, although the value has not been estimated. The smuggling of UNITA's 'conflict' diamonds and illicit artisanal diamonds follow many of the same routes within Angola and its regional neighbours such as the DRC, Republic of Congo, the CAR, Namibia and South Africa.

## The Efficacy and Usefulness of Monopolies: Ascorp

The creation of the Angola Selling Corporation — Ascorp was initially heralded as a means to prevent rough diamonds mined by UNITA from entering the legitimate informal diamond market. The company's financial report notes that besides the primary goal of increasing state revenue, 'Ascorp was also established in order to control the identity and authenticity of diamonds in Angola and to make sure that this industry will not sponsor illegal activity.'<sup>73</sup>

Like the IDI monopoly, instituted in the DRC by Laurent Kabila, the creation of Ascorp should be viewed in part as an effort by government to rein in the informal sector. Ascorp has also been used by government to reduce the financial autonomy of military officers and members of the civilian elite in the diamond fields: 'Rather than revamping buying practices by licensed dealers, the monopoly seems to be aimed more at

**Table 13. Angolan Government Data, 1999-2001**

Year	Carats	Value, US\$	US\$ per Carat
1999	1,967,723	443,892,059	226
2000	1,499,093	364,504,833	243
2001	1,328,545	262,620,528	198

Source: Report of the UN Security Council Monitoring Mechanism on Sanctions against UNITA, April 2002, pg. 18

co-opting and incorporating financially rebellious generals, forcing them to obtain the necessary paperwork through partners in the Futungo' (the presidential palace where all power resides).<sup>74</sup> Similarly, IDI seems to have played a role in Laurent Kabila's strategy to rein in strongmen operating outside his authority.

As noted above, the main benefit of the Ascorp monopoly appears to have been increased government revenue from official diamond exports, but this was due mainly to increased government export duties which could have worked as well in a competitive market. Ascorp has also been praised for adding transparency to the internal Angolan diamond trade and combatting UNITA's conflict diamonds. Without full control of the diamond fields, however, keeping both UNITA and illicit diamonds out of the official trade may be impossible to achieve simultaneously. Ascorp has implemented reforms but these are not comprehensive enough to certify that its exports are clean. The issue is not *whether* Ascorp commercialized UNITA diamonds — unwittingly or otherwise — but how much. With the April 2002 ceasefire and UNITA's apparent suing for peace, the conflict diamond phenomenon may end. It is possible, however, that some UNITA bands will continue to profit from diamonds, as part of a plan to revert to guerrilla war in the future.

The introduction of a single marketing entity and the elimination of competition between buying houses was supposed to be followed by the licensing of middlemen and *garimpeiros* (numbering several hundred thousand) in the diamond fields. This could take years. This aimed to prevent UNITA diamonds from entering the informal trade at any point from mine to first

point of sale — and therefore guaranteeing that Angola’s diamond certificate of origin was free from conflict diamonds. While middlemen were licensed in many cases, the *garimpeiros* have reportedly remained unlicensed for the most part. The elimination of UNITA diamonds from the official channel has therefore not taken place to the degree envisioned. The unruly diamond economy of Angola has resisted moves by Ascorp to impose order and regularity on both the informal and illicit financial networks. If allegations that Ascorp pays lower prices for diamonds are true, this ironically would be the most effective means of preventing the domestic commercialisation of

UNITA’s production, but it would also increase the volume of diamonds being smuggled out of Angola.

Angola’s official diamond trade could have been controlled without imposing a monopoly. Greater control could have been achieved by providing better supervision of the six licensed buying companies that operated prior to February 2000. The Angolan government used the conflict diamond campaign to justify the creation of the monopoly. The more immediate aim of the central authorities was to redirect diamonds controlled by peripheral power sources, such as FAA generals, provincial governors and merchants. The creation of Ascorp can thus be interpreted as an

## Ascorp: The Company It Keeps

Hong Kong-based Welox Ltd., part of the Leviev Group, is one of Ascorp’s principal external investors. Lev Leviev runs a global commercial empire that includes the Leviev Group, Lev Leviev Diamonds and others. The Leviev Group is the largest manufacturer of diamonds in the world, with a reported turnover of \$1.5 billion US.<sup>75</sup> Leviev is Chairman of Africa-Israel, a publicly traded Israeli company, and he holds considerable influence in Russia, where he is President of the Russian-Israeli Chamber of Commerce.<sup>76</sup> Leviev’s participation in Angola’s diamond sector began through investment in the Catoca kimberlite project, currently the largest producer of Angolan diamonds. The mine is managed by Almazi Rossii Sakha (Alrosa), Russia’s largest diamond producer, but Leviev’s investment in the final stages of construction secured him the right to market Catoca’s output. Leviev’s involvement in Catoca appears to have paved the way for his participation in Ascorp, as well as in the Camafuca kimberlite pipe. It would appear, therefore, that the creation of Ascorp may have stemmed from Leviev’s prominent position in Angola’s formal diamond sector.

Other versions of Leviev’s Angolan success are based on personal networks rather than diamonds: ‘One version has it that Leviev was helped by his

friend and eventual partner in Africa-Israel, Arcadi Gaydamak (sic), who opened doors for him in Angola. Gaydamak, with his French partner Pierre Falcone, sold millions of dollars worth of eastern European arms to Angola and became close associates of President Eduardo dos Santos’.<sup>77</sup> Gaidamak, a businessman with Russian and Israeli citizenship, purchased 15 percent of Africa-Israel in January 2000. He worked as an economic advisor to President dos Santos, and was reportedly involved with Falcone in the renegotiation of Angola’s debt to Russia in 1996 through the French bank Paribas and the Russian bank Menatap.<sup>79</sup> The Yediot Aharonot quotes Gaidamak as saying that he ‘initiated a deal in which Angola would sell oil drilling franchises and, with the money earned, buy weapons from the Russian Defense Ministry’.<sup>80</sup> Some arms deals, however, were scrutinized by French authorities, and he was said to be ‘wanted for questioning by Paris magistrates about a £450m allegedly illegal arms deal with Angola in the early 1990s’.<sup>81</sup> The French newspaper, *le Parisien*, reported that the French intelligence service had been observing Falcone and Gaidamak for possible money laundering through petrol and arms sales, as well as for Gaidamak’s possible association with Russian organized crime.<sup>82</sup>



internal Angolan mechanism, unrelated to conflict diamonds, and determined by competition between central authority and strongmen in the diamond fields.

## Is Ascorp a Model for Others?

Ascorp has augmented state revenue but it has not been able to clarify the internal Angolan diamond trade, nor does it release information concerning its foreign shareholders. The increase in state revenue is reportedly generated, in part, from profits derived from paying lower prices for diamonds. If Ascorp decreases the purchase price, however, Angolans will logically smuggle more of their diamonds to neighboring countries where there is a competitive market, and where purchase prices can be higher. Competition between *comptoirs* in Kinshasa has also created a conducive market for the smuggling of Angolan diamonds into the DRC, thus depriving Luanda of revenue. Ironically, one of the biggest *comptoirs* in the DRC, Tofen-Congo has close ties with Omega Diamonds of Belgium. Sylvain Goldberg of Omega is connected with a Belgian company, Tais Ltd., which was one of the primary investors in Ascorp.<sup>83</sup> Omega has also imported diamonds into Belgium from other countries. Between 1998 and 2000, for example, Omega imported over US\$160 million worth of diamonds from Liberia, where local production probably never topped US\$10 million in those years, and where official exports were less than US\$1 million annually.<sup>84</sup>

Ascorp's existence raises other issues about the imposition of government authority over the informal economy. The expulsion of foreigners dealing illegally in diamonds, especially West Africans, should allow a greater recuperation of benefits for Angolan nationals. Similarly, licensing plans for middlemen and *garimpeiros* would enable greater oversight by the government. It is essential that any diamond-producing nation control its domestic trade. Considering the corrupt and often rapacious nature of the Angolan government, however, this is a mixed blessing for people — other than Luanda's elite — who have benefitted little from the exploitation of Angola's natural

resources. The informal diamond sector is one of the few means of financial upliftment for ordinary civilians, and it forms a substantial pillar of the overall informal economy that keeps much of Angola's population alive. Naturally, it is within this system that UNITA's conflict diamond sales have also thrived.

The Ascorp model may be inappropriate for other countries. Most do not have Angola's problem of foreign miners. Making the informal diamond market work to the benefit of all is possible, but only if fair prices are paid and predatory government inclinations are controlled. One dramatic example of predatory government instincts in the DRC is the case of Ngoyi Kasanji. Kasanji, President of the Federation des diamantaires Congolaises (FECODI), was arrested in May 2000 when he attempted to sell a 267 carat diamond in Kinshasa, valued at between US\$10-20 million.<sup>85</sup> He had bought the stone in Mbuji-Mayi with several other traders, but the government alleged that the diamond had been stolen from MIBA. The government confiscated the diamond and tried to sell it, but Kasanji's lawyer had already alerted Antwerp diamond dealers. Kasanji was later released from prison and the diamond was returned to him after protests by civil society, and 'apparently after [his] offering to pay the government 20 percent of the profit from the sale of the diamond'.<sup>86</sup>

Introducing an Ascorp-type system into this sort of context could be disastrous for ordinary Congolese working in the diamond business. Most Congolese, in fact, have long-since retreated from government administrative efforts, in a state that exists only in abstract form. A forced monopoly encourages smuggling — as in the case of IDI — and it enables government to increase its authority over a population that it has rarely served in any way. Altering this relationship under the guise of controlling the internal diamond trade and implementing a certificate of origin could have severe negative consequences for civil society, political plurality, and for the ordinary civilians who live on the proceeds of the informal diamond trade. The alternative, sanctions, could have more severe consequences.

## VI. The Commercialization of Military Deployment in the DRC<sup>87</sup>

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Since a rebellion erupted in 1998, Congo, which is roughly the size of Western Europe, has been effectively partitioned into several autonomous regions, each under the control of a foreign army that systematically loots its area of control. As a result, Congo's plentiful resources enrich the leaders of surrounding countries while providing no benefit to the vast majority of Congolese.

*Washington Post*, January 6, 2002

The main external protagonists in the DRC's current war became involved for reasons ostensibly linked to their own security concerns. Rwanda and Uganda justified attacks on the DRC's sovereignty in 1998 as a means of depriving insurgents of rear-bases in eastern DRC. Angola also justified military assistance to Kinshasa as a means to further isolate UNITA from its bases, and to protect its Cabinda oil enclave on the Gulf of Guinea. Zimbabwe and Namibia cited a joint security pact of fellow Southern African Development Community members to justify their involvement. The prominence of such security considerations was accepted by leading members of the international community when Rwanda provoked war in August 1998, with an aerial assault close to Kinshasa. This quickly drew military responses from what remained of President Kabila's 'allies'.

The subsequent use of puppet rebel regimes by Rwanda and Uganda, concurrent with initial denials of military involvement in the DRC by Kigali and Kampala, drew little condemnation from foreign governments and donor agencies. Kigali had become an ally of Washington and 'deserved' moral vindication for military activities aimed at countering the former *genocidaires* in eastern DRC. Anglophone Western governments saw Uganda as a stable democracy and a possible new symbol of African development, as well as a collaborator in support of the Sudanese People's Liberation Army, fighting against the Khartoum regime. Zimbabwe's defence of the Kinshasa regime

and its attempts to finance its military deployment through commercial activities, however, drew heavy criticism from an international donor community that was unhappy with President Mugabe for a variety of reasons. The World Bank and the IMF sanctioned Zimbabwe alone, maintaining their activities in all the other countries, and reopening their Congo programs.

By 2001, the façade of security concerns had largely fallen away to expose a foundation of resource exploitation supported by military deployment. Military and political considerations do remain central, but many facets of the present war can be reduced to little more than jockeying for the Congo's mineral resources. The financial activities of foreign forces in the DRC represents a new type of war, one which marks a transition to *military commercialism*. Unlike normal militarized commerce, in which business interests benefit from military activity, military commercialism refers to entrepreneurial considerations as a key consideration in the deployment of national armies. Numerous examples of commercial enterprises undertaken by foreign armies in the Congo suggest that a failed state can offer significant financial rewards to the political and military elite of adjacent countries.

### The Eclipse of Mercenary Armies

Before this process of military commercialism began, however, there was a brief period in the mid 1990s when highly-armed private military companies (PMCs) were able to exploit a niche market in unstable or failed African states. The PMCs were often loosely or indirectly connected to mining companies, using militarization to foster commercial objectives. In what has been politely called 'security-equity swaps'<sup>88</sup> a PMC would protect a weak sovereign, and in so doing, secure mineral concessions held by rebels. A mining company, linked to the PMC through

## Mining and Mercenaries

The most prominent example during the 1990s of the private military company was South Africa-based Executive Outcomes (EO). EO worked with the *Forças Armadas Angolanas* (FAA) in Angola, and later for the Government of Sierra Leone in its rebel war. EO earned a reputation for a new form of commerce in unstable African settings. A corporate synergy existed between EO and Sandline International, with certain Sandline executives maintaining shares in DiamondWorks, a firm listed on the Vancouver Stock Exchange. EO's contract with the Angolan government was terminated in December 1995, but some of its personnel remained to provide security for DiamondWorks' mining operations, which commenced operations in 1997 through a subsidiary, Branch Energy. Sandline was also active in Sierra Leone, and in Papua New Guinea where the issue was a rebellion in Bougainville and one of the world's richest copper mines.

The corporate connection between America Mineral Fields (AMF) and International Defense and Security (IDAS) suggests the possibility of a security and mining symbiosis in northern Angola in early 1996. IDAS had been awarded a massive 36,000 km<sup>2</sup> diamond concession in northern Angola along the border with Zaire where UNITA was active. The prerequisite to diamond extraction was clearing unlicensed miners and UNITA from the concession.

The elite of the *Forças Armadas Angolanas* used the ambiguous state of 'no war, no peace' after a 1994 cease-fire to commercialize diamonds mined by artisans, to capture the private security market and to enter into formal contracts with foreign mining companies that could not operate without strongmen. FAA officers effectively replicated and replaced the mercenary-mining symbiosis. The license of Defense Systems Limited, formerly the largest private security provider in Angola, was annulled in December 1997 under questionable circumstances. The two largest companies that filled the security vacuum after DSL's departure were Alfa-5 and Teleservices, both run by Angolan military elite. Several mining companies were also formed by retired officers, who acquired diamond properties in Angola's diamond-rich Lunda provinces, and then sought foreign partners to finance development of the concessions, and share profits from mining.

The transition from *militarized commerce* to *military commerce* is perhaps best exemplified by the failure of DiamondWorks, Branch Energy and America Mineral Fields in Angola. Diamond Works and Branch Energy also failed to profit greatly from their adventures in Sierra Leone, and Sandline became the subject of political scandals in both Britain and Papua New Guinea.

shareholding or personal relationships, would also gain access to minerals, while the PMC simultaneously protected the ruling regime and the mining site. As one study puts it, 'This triangular system of profit-sharing transformed the problem of repairing destabilized, mineral rich- states into a viable business activity to the benefit of all parties'.<sup>89</sup> PMCs thereby filled a security vacuum caused by the post-Cold War retrenchment of major global powers, and by the simultaneous weakening of African states that followed foreign aid reductions.

Highly armed PMCs, however, appeared to lose their exclusive niche toward the end of the 1990s as they failed to profit from the mercenary-mining symbiosis. Ranking members of Africa's national militaries began to recognize the potential profits in providing security and in regulating access to mineral-rich territory in conflict zones. The rise in external entrepreneurial activities by national armies was largely concurrent with the demise of once-promising PMC-mining relationships. Contract soldiers still operate in African war zones, but mostly in support and logistics roles

with peacekeepers and humanitarian organizations. The financial benefit of monopolizing access to minerals in disputed territory now rests with ranking officers of African militaries and their civilian patrons.

## African Solutions for African Problems

Following the 1993 Somalia debacle, there emerged a powerful Western avoidance of African entanglements, either directly or through the United Nations. Western powers spoke ever-more frequently of 'African solutions for African problems' in the context of peacekeeping and peace-enforcement in weak or failing states. The African Crisis Response Initiative, an American program, aimed to train African militaries for joint regional operations in neighbouring countries in order to maintain stability. Similarly, France sought to reduce its military obligations in former colonies, symbolized by its withdrawal from bases in the Central African Republic in 1998. The British army did intervene in Sierra Leone, but not until 1999, and even then it operated outside the UN peacekeeping force, and largely in order to train a new Sierra Leone army.

There are two tangible examples of the retrenchment of European powers and the abdication of responsibility to collective ensembles of African governments. One is the military intervention by the Economic Community of West African States Monitoring Group (ECOMOG) in Liberia and Sierra Leone, and the other is the *Mission inter-africaine de surveillance des accords de Bangui* (MISAB) in the Central African Republic. These peace enforcement operations heralded the expansion of regional collective action in failed states, but with limited success. MISAB stabilized Bangui by taking firm measures against mutinous soldiers. It was converted into a UN mission in early 1998, although this ultimately failed to achieve lasting peace. A coup attempt in 2001 was thwarted by Libyan troops and soldiers from the Congolese rebel army, the Mouvement de Libération du Congo. Libya's Muammar Quaddafi has now replaced France as the main provider of security in Bangui.

ECOMOG's difficulties and its ultimate failures in Liberia and Sierra Leone arose from the brutality of its opponents and from its own incompetence.<sup>90</sup>

The success or failure of these interventions, however, are not as significant for this discussion as the trend they represented. There are no published accounts of commercial activity by MISAB soldiers, but low-level commerce and looting by ECOMOG troops have been well documented. The sanctioning of, and reliance on these African responses to African problems by the UN and major global powers marked a new trend of military involvement by stronger African nations in the affairs of their weaker neighbours. The result has been the normalization of external military deployment in Africa.

## The Commercialization of Military Deployment in the DRC

The decline in foreign aid to corrupt and undemocratic governments in the 1990s, as well as concurrent demands for economic and political liberalization strained the ability of leaders to service their patrimonial networks. This accelerated the implosion of weak states, giving rise to competing warlords and, in some cases, state collapse. Stronger states have been subject to similar strains, with quasi-feudal systems of patronage becoming distended and domestic security diminishing, enhanced by an influx of refugees and small arms from neighbouring failed states. Zimbabwe is a case in point.

If domestic resources do not exist or cannot be illicitly mobilized, cross-border predatory behaviour, hidden behind semi-legitimate political and military concerns, provides an alternative. Rwanda and Uganda, in this manner, have become notable exporters of minerals found in eastern DRC, minerals which either do not exist in these countries or are only mined in small quantities: diamonds, gold and colombo-tantalum (coltan).

## Rwanda and Uganda (and Burundi)

Rwanda, Uganda and Burundi have justified their aggression in eastern DRC as self-defensive military action against rebels seeking to destabilize their countries.\* To combat these belligerents and validate military operations in the DRC, Rwanda and Uganda have backed their own Congolese rebel factions. These groups are held up by Kigali and Kampala as legitimate and self-sustaining movements that represent the will of the Congolese people against the Kinshasa regime. These rebel movements, however, are not motivated by ideology. They are run for financial purposes by strongmen previously associated with Laurent Kabila or by enterprising businessmen such as Jean- Pierre Bemba, whose father was a prominent businessman in the Mobutu regime and a minister under Laurent Kabila. They provide quasi-legal cover for the Ugandan and Rwandan armies, which have, in fact, based their deployment in the DRC largely upon commercial criteria. The distinction between money and security became particularly evident after fighting between the Ugandan and Rwanda armies for control of Kisangani, and for the city's substantial diamond trade, in 1999 and 2000.

Mass looting by the invading armies between September 1998 and August 1999 exhausted existing stockpiles of resources in their areas of deployment, and thereafter was marked by an extraction phase of systematic and systemic exploitation.<sup>91</sup> The pattern of this first phase of looting was summarized by a UN Panel of Experts: 'Burundian, Rwandan, Ugandan and/or RCD soldiers, commanded by an officer, visited farms, storage facilities, factories and banks, and demanded that the managers open the coffers and doors. The soldiers were then ordered to remove the relevant products and load them into vehicles.'<sup>92</sup> Although the looting phase 'overshadowed' formalized extractive pursuits, it was not until easily obtainable commodities were plundered that 'the exploitation evolved into an active phase.'<sup>93</sup> The important point

with such exploitation has been the complicity of Kampala and Kigali in utilizing administrative structures to appoint regional governors and local authorities to command the wholesale exploitation of minerals and other commodities.<sup>94</sup> This allowed the two countries to export assets that they had little or none of at home: diamonds, niobium and gold.

Rwanda and Uganda both have legitimate security concerns in eastern DRC, especially while the perpetrators of Rwanda's genocide remain at large. But both countries have begun to seek justification for their plunder, arguing that historically, goods and resources from eastern DRC have always flowed out through Uganda and Rwanda. This is only true because of the disintegration of the Congolese state, and because the UPDF and RPA have cut eastern DRC off from Kinshasa, allowing access to this vast region only to companies operating through Kampala or Kigali. A prominent example of this is one Sanjivan Ruprah, once a diamond miner with concessions in the DRC and Liberia. He worked with the Rwandans through Kinshasa before the current war commenced. He also held a diamond concession in Banalia, north of Kisangani until at least the beginning of 2002.<sup>95</sup> His lawyer released a communiqué on 18 February 2002, shortly after Ruprah's arrest in Belgium, saying that the charges against him are 'use of forged passports', 'accessory to criminal organizations', 'organization of counterfeiting'.<sup>96</sup> According to the lawyer's communiqué, Ruprah is allegedly involved with three diamond dealers who buy the 'Congolese diamonds of Paul Kagame [the Rwandan President]'. Ruprah was related through his late wife to Adolphe Onusumba, the head of the RCD-Goma rebels. Ruprah is also mentioned extensively in UN Security Council Expert Panel reports in connection with weapons, diamonds and sanctions busting in Liberia.<sup>97</sup>

Rwanda and Uganda approached pillage in the DRC in different manners. Exploitation carried out by Uganda is

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\* The Rassemblement Congolais pour la Démocratie (RCD) was the first rebel movement, formed in August 1998 and supported by both Rwanda and Uganda. Uganda then began supporting a new group in northern DRC, the Mouvement de Libération du Congo (MLC). Growing tensions in the RCD surfaced in 1999 with Uganda backing one group, the RCD-Kisangani, later known as the RCD-Mouvement de Libération (ML), and Rwanda backing another much larger group, the RCD-Goma. The RCD-ML merged with the MLC in early 2001, forming the Ugandan-backed Front de Libération du Congo (FLC) although this partnership no longer exists. A more recent splinter group is the RCD-National. Fighting between Uganda and Rwanda in Kisangani helped create and exacerbate these divisions.

**Table 14. Official Mineral Exports by RCD-Goma, 2000**

Comptoir Name	Resource	US Dollars
Panju	Gold	11,000,117
Shenimed	Gold	10,265,801
Congo-com	Gold	49,911
Belco-Diamant	Diamonds	2,702,686
N Frères	Diamonds	37,250
Super-Stars	Diamonds	38,000
Zahraa Diamond	Diamonds	2,127,421
Maysaa	Diamonds	1,676,806
Sahar Diamond	Diamonds	1,050,056
Victoria Diamond	Diamonds	6,000
Ntale	Coltan	92,400
Mbanzabugabo	Coltan	97,800
Socomi	Coltan	1,320,000
Singoma-Mwanza-Shenimed	Coltan	579,000
MDM	Coltan	394,457
Muyeye	Coltan	786,110
Sogermi-Congo	Coltan	125,210
Vanga-Enterprise	Coltan	9,450
Hitimana	Coltan	37,548
EFP	Coltan	12,000
Kaferege	Coltan	77,000
Total	All	32,485,023

Source: Statistics obtained from the RCD-Goma Département des Terres, Mines et Énergie in Goma, March 2001, concerning official exports. Coltan figures cover 2000 until 31 October when the Somigl monopoly was implemented due to under-reporting of exports and tax fraud. The values assigned to diamonds, as provided by the *comptoirs*, represent significant under-valuation in certain cases.

performed by ‘mainly top army commanders, using their hold over collaborators and some officials in the rebel movements’. This is ‘known by the political establishment in Kampala’,<sup>98</sup> with several of these commanders said to be close to President Museveni. Rwanda’s commercial pursuits in the eastern Congo have been more

structured, with the activities of the RPA closely linked to the Rwanda Patriotic Front (RPF) government in Kigali, and to various Rwandan banks and resource exploitation companies run by the civilian and military elite. This has created a ‘pyramidal and integrated structure’ that — enhanced by ‘strict discipline’, has enabled a ‘more systematic, efficient and organized’<sup>99</sup> plunder of the Congo. Rwanda’s commercial presence in the eastern Congo has come to define Kigali’s entire military strategy. Rwanda’s External Security Organization, for example, established a Congo desk that was reportedly receiving money directly from diamond dealers.<sup>100</sup> The RPA has become the commercial representative for the RPF in the Congo through several companies, among them Tristar, Rwanda Metals and Grands Lacs Metals.<sup>101</sup> The latter two both deal in coltan and enabled the RPA to earn at least \$250 million over a period of 18 months, finances which ‘provide the enabling environment to continue the exploitation’.<sup>102</sup>

Renegade soldiers and militias have broken into ever smaller and more temporary alliances, fighting alongside former foes and against erstwhile allies. Even the RPA and UPDF show internal divisions between commanders and along ethnic lines, meaning that a unified front no longer truly exists. The fighting between the UPDF and RPA for control of Kisangani, eastern DRC’s main diamond town — in August 1999, and March and May 2000 — exemplified the growing impasse between these two former partners, allied from before the war to topple Mobutu. The fallout between Kigali and Kampala, highlighted by their military clashes in eastern Congo, occurred for a mixture of reasons linked to regional hegemony, disagreements over the most effective method of pursuing war against Kabila, and the division of spoils from mineral-rich territory in the DRC. Officers of both armies had attempted to control the diamond trade in Kinsangani. Control of the local diamond economy occurs mostly through the licensing of diamond *comptoirs* that pay tax to armed groups providing protection. The United Nations Panel of Experts on the DRC’s resource exploitation found that the Rwandan Department of External Relations, through its Congo desk, received money from the diamond *comptoirs* — a fee that would be about five per cent of the value of diamonds.<sup>103</sup> This system

reportedly changed once the RCD-Goma demanded its share of the profits. The second UN Expert Panel report cited 10 per cent export duties paid to the Congo Desk and five per cent charged by the rebel administration.<sup>104</sup>

Table 14 contains a list of official mineral exports by the RCD-Goma, displaying the level of exploitation and giving some indication of the number of dealers operating in the territory of this one rebel group backed by Rwanda.

These statistics represent only minimalist accounting of mineral exports from RCD-Goma territory. What is not under-valued is simply not declared by the *comptoirs*. This pertains especially to diamonds, the easiest commodity to smuggle out of rebel zones. The genuine value of diamonds reaching Kisangani from the surrounding mining areas cannot be quantified with assurance. It probably reached about US\$70 million in 1999, but fighting between the Rwandan and Ugandan occupiers — first in 1999, and more fiercely in 2000 — divided the diamond fields. The Ugandans controlled diamonds from areas to the north of Kisangani after that, while the Rwandans remained in Kisangani and its immediate environs. Diamonds from the Rwandan-occupied towns of Lodja and Lusambo, near Mbuji-Mayi, passed through Goma rather than Kisangani. From Goma the diamonds moved to Rwanda for onward shipment, mostly to Belgium. This route was especially prominent during Laurent Kabila's currency reforms, which banned diamond sales in foreign currency. Middlemen simply sold their diamonds in rebel zones, where *comptoirs* paid in US dollars.

The rebel groups have also sought to find their own markets and foreign partnerships. While they work with companies operating out of Uganda and Rwanda, they frequently search for more profitable international markets, especially for diamonds. This has increased with the vacillating military geography of eastern Congo. Jean-Pierre Bemba, leader of the MLC, may control anywhere between one and three million dollars in diamonds per month. At the time of writing he had agreed, during negotiations in South Africa, to join the government as Prime Minister. His easiest point of access to the international diamond market was across the Ubangui River in

the CAR. The numerous smaller splinter rebel movements control an unknown volume of diamonds, which could pass through any number of channels.

The rebel war economy in the DRC relies on a variety of human and natural resources. The sharp increase in the price of coltan in 2000 greatly assisted RCD-Goma's war effort, and a monopoly on the export of this precious mineral was created. When the price of coltan fell precipitously early in 2001, the rebels faced financial constraints.<sup>105</sup> The RCD-Goma then sought new ways to exploit its territory, including the extortion of funds from relief organizations.<sup>106</sup>

## Zimbabwe

Zimbabwe's early military activities in Mozambique, its role in the Congo's first war in 1996-7, domestic issues concerning the remuneration of war veterans, and a foreign currency crisis help contextualize the later role of the Zimbabwe Defence Force (ZDF) in the DRC. Zimbabwe's involvement in Mozambique from 1985 to 1993 was mainly aimed at protecting trade routes under attack by RENAMO rebels.<sup>107</sup> The deployment represented a significant drain on the Zimbabwean economy, depleting as much as 70 per cent of the defence budget during these eight years. The ZDF did not participate in major extracurricular commercial activity,<sup>108</sup> but when it pulled out of Mozambique, South African companies moved in. This 'missed opportunity' helps to explain the initiation of formal commercial pursuits through military deployment in the DRC after 1998. Moreover, Zimbabwe had assisted Kabila before the ouster of Mobutu, reportedly including US\$5 million in financial support and military assistance, and a US\$53 million commercial venture between Zimbabwe Defence Industries (ZDI) and Kabila for the supply of military equipment and commodities, reportedly concluded immediately prior to the fall of Kinshasa.<sup>109</sup>

Budgetary allocations for the Congo deployment have reduced the financial viability of the Zimbabwean state, making it increasingly difficult for the country to purchase electricity from other countries, for example, and leaving payments heavily in arrears. Zimbabwe, however, has 'doubled its imports of electricity from

DRC's Inga hydroelectric dam — and convinced DRC to accept Zimbabwean dollars instead of foreign currency in payment.<sup>110</sup> Similarly, Zimbabwe's ailing mining sector received some rejuvenation from imported Congolese minerals, with the Mhangura Copper Mines using DRC copper to resume profitable smelting.<sup>111</sup>

Zimbabwe's most publicized business activities in the DRC are inextricably associated with Harare's military and civilian elite. The Zimbabwe African National Union-Patriotic Front (ZANU-PF), Zimbabwe's ruling party, owns two companies, the M & S Syndicate and Zidco Holdings — the latter having established a banking corporation in Kinshasa.<sup>112</sup> ZANU-PF officials were reportedly instrumental in having Laurent Kabila award a substantial cobalt contract to a Zimbabwean firm, Ridgepoint International, late in 1998.<sup>113</sup> The contract was highly unusual because it transferred assets to Ridgepoint without compensation to the Congolese mining parastatal Gécamines. The deal ultimately failed, but the publication of its details provide evidence of ZANU-PF's financial interest in DRC resources. A senior ZDF commander is said to have accrued significant financial gains through contracts between Laurent Kabila and ZDI. A major private beneficiary of a US\$50 million ZDI contract to supply Kabila's army and the ZDF was the General's trucking company, Zvinavashe Transport, subcontracted through a subsidiary, Swift Investments.<sup>114</sup>

Such extracurricular business activities, however, do not necessarily define Zimbabwe's military presence to the same degree as structured diamond mining ventures carried out by the Zimbabwean company, Operation Sovereign Legitimacy (Osleg). This company was created in 1999 to acquire 'the resources to protect and defend, support logistically, and assist generally in the development of commercial ventures to explore, research, exploit and market the mineral, timber and other resources held by the State of the [DRC]'.<sup>115</sup> The heads of Osleg were Zimbabwean General Zvinavashe and Job Whabira, Permanent Secretary in the Defence Ministry, as well as the heads of two mineral parastatals.<sup>116</sup> The professed goal was to make the ZDF deployment financially self-sufficient, thus easing the burden on the Zimbabwean economy.

Zimbabwe Defence minister Moven Mohachi noted that '[w]e saw this as a noble option. Instead of our army in Congo burdening the treasury for more resources, which are not available, it embarks on viable projects for the sake of generating the necessary revenue.' Osleg joined with Comiex (Compagnie Mixte d'Import- Export), a Congolese company associated with Laurent Kabila's top cronies, to create a joint-venture under the name Cosleg to trade in gemstones worth several million dollars per month.

According to the UN Congo Expert Panel, Cosleg later formed Sengamines in early 2000 with Oryx Zimcon, to mine diamonds on a concession previously owned by MIBA. This relationship mutated after a failed public listing and, at the time of writing, the visible shareholders of Sengamines were Oryx Natural Resources, the Congolese government and MIBA — although it cannot be excluded that Zimbabwean interests may be represented through the Congolese government's equity. The complexity of Oryx's relationship with its partners has insulated it from most of its critics, and it has survived a variety of charges, winning a fulsome apology from the BBC for one of them.

## Namibia

For more than two years, Namibia — unlike Zimbabwe — consistently denied any involvement in the exploitation of the DRC's resources, despite allegations in the media. The Windhoek government, however, finally revealed in early 2001 that it was running a diamond exploration operation in Muji Munene, Tshikapa, in the DRC's Kasai-Occidental province.<sup>118</sup> The connection between this operation and the Namibian Ministry of Defence suggests that Windhoek's troop deployment in the DRC overlaps considerably, and could be partially defined, by this commercial venture.

The mine is leased by 'August 26 Holding Congo', a joint venture between the Namibian and Congolese governments, registered in Kinshasa. The company is a subsidiary of the August 26 Holding Congo, formed under Namibia's Defense Act of 1990 as a parastatal for the Ministry of Defense.<sup>119</sup> The Namibian government has not provided much information about the



Tshikapa mining venture, with Defence Minister Nghimtina citing ‘military confidentiality’, and his consequent inability to comment on a company registered in the DRC — a convenient way to ensure obscurity.<sup>120</sup> The Ministry of Defence further noted that mining (as opposed to prospecting) had not occurred as of early 2001. Rights to the concession were awarded in 1999 for a period of five years.<sup>121</sup>

Another publicized connection between Namibia, the DRC and diamonds occurred when three Namibians were reportedly detained in the DRC when attempting to broker a diamond deal in mid- 1999. The *Namibian* newspaper reported that the three were N. Kashume (former director of Kalahari Holdings), D. Shimwino (director of Namibian Protection Services — a subsidiary of Kalahari, and a director of August 26) and P. Naudili (a manager of Namib Contract Haulage — also a subsidiary of Kalahari).<sup>122</sup> The common denominator, Kalahari Holdings, is a private business reportedly managed by Namibia’s ruling party, the South West Africa Peoples Organisation (SWAPO), and has a diverse portfolio of business interests. The conglomerate has many subsidiaries and boasted that it was ‘a shareholder in alluvial diamond mining’ in Angola through Capic Nordeste de Angola.<sup>123</sup> The *Namibian* newspaper reported that the three individuals were sent to buy rough diamonds for Glahari, another subsidiary of Kalahari, and were only released after the personal intervention of Namibian President Sam Nujoma — an allegation vehemently denied by Nujoma.<sup>124</sup>

## Angola

Unlike Harare and Windhoek, the Government of Angola has genuine national security interests tied to the outcome of the war in the DRC. Angola has sought to protect the Cabinda oil enclave and to isolate rear bases used by rebels (UNITA and Cabinda separatists). Luanda assisted Laurent Kabila on his march to Kinshasa in 1996 and 1997, paradoxically with the armies of Uganda and Rwanda, in order to oust UNITA’s most staunch supporter, Mobutu Sese Seko. Savimbi’s support from President Lissouba of the Republic of the Congo (Brazzaville), especially after the fall of Mobutu, led to decisive Angolan intervention in

that country’s militia battles in 1997, bringing quick victory to the former dictator, Dennis Sassou-Nguesso.

The ouster of Mobutu and Lissouba suggested that UNITA would no longer be afforded unrestricted access to arms and commodity imports, as well as diamond export routes. Certain major arms import channels were altered, but the rebels’ access to the international diamond market remained unhindered for the most part, with many of the same trading networks remaining in place — similar to apolitical diamond smuggling routes through Luanda. The relationship between Luanda and Kabila cooled considerably, but Kigali’s aborted assault on Kinshasa drew direct military support for Kabila from Angola. To date, Angola’s commercial operations in the DRC are limited, and the government has not openly focused on financial compensation for troop deployment in the DRC.

One visible economic pursuit, however, concerns Angola’s national petrol company, *Sociedade Nacional de Combustiveis de Angola* (Sonangol) which entered into a joint venture agreement with the Kinshasa regime, creating Sonangol-Congo in October 1998. This represented Sonangol’s third foreign venture (previous joint ventures were in Portugal in 1994 and São Tomé in 1997). Unlike these two prior cases where Sonangol was the minority shareholder, Sonangol-Congo is majority- owned by Sonangol (60%), with the DRC government holding the remaining 40% (through Comiex)<sup>125</sup> — perhaps indicative of Angola’s prominent position in militarily safe-guarding the Kabila regime, starting in 1998. Sonangol-Congo targeted joint oil exploration with the Congolese government and the development of the DRC’s domestic petrol market, with Sonangol as a major supplier. Sonangol-Congo may represent an effort by Luanda to obtain a majority stake in the DRC’s petrol sector, under the guise of bilateral cooperation. Dominance of the petrol sector in the DRC could help Angola gain leverage in disputed deep-water oil concessions in the Gulf of Guinea.

Diamonds represent another aspect to Angolan deployment in the DRC. The Angolan government has reportedly negotiated with Kinshasa concerning the joint exploration and development of diamond reserves

bordering the two countries. According to *African Mining Intelligence*, Angola has also sought repayment from Kinshasa for diamonds originating in Angola but sold through the DRC in towns such as Kahemba and Tembo where the local diamond trade is almost completely dominated by illicit Angolan diamonds.<sup>126</sup> The source also notes that the Angolan government has sought to cooperate in areas such as policing contraband diamond operations.

## Conclusions

Marauding soldiers are not a new phenomenon in the DRC. What is new since 1997 is that the soldiers are regular troops in the armies of neighbouring countries. Nor is military looting new in the DRC. But there has never before been such flagrant examples of African armies deploying across borders to plunder the natural resources of a neighbouring state. This is not what was envisaged in the slogan 'African solutions to African problems'. In fact the phenomenon only adds new problems to old ones. Rather than the 'noble option' described by Zimbabwe's Defence Minister, it is at worst, little more than international aggression, and at best, very old-fashioned plunder.

Diamonds will never serve to uplift the populations of Central Africa in the absence of security. The present military balance in the region has had a profound effect on the DRC's diamond trade, and the commercial activities of nations deployed in the DRC give some indication of the region's future. The current war has exposed the commercial interests of most of the foreign armies deployed in support of, or in opposition to the Kinshasa regime, not to mention their relations with numerous rebel groups, non-state forces and militia.

State sovereignty determines the *de jure* legality of plundering, but the *de facto* criminality of resource acquisition through military deployment applies to all sides of the conflict. This is especially true given the opaque nature of the commercial deals pursued by Kinshasa's allies, and the fact that Laurent Kabila was himself a rebel, converted to legitimacy overnight by force of arms rather than an electoral contest. Ruling the

national capital may define sovereignty and legitimacy, but it does not excuse African leaders who plunder their own countries. The limited or non-existent nature of democratic institutions in all of the countries involved in the war underscores the problem, as each services its own elite minorities with loot obtained from the DRC.

While security considerations and regional defense pacts have been cited as justification for external involvement, financial rewards have altered the objectives. Commercial considerations take predominance over military mandates. Traditional exit criteria, such as the return of stability or the achievement of a strategic foreign policy objective, also become irrelevant if the occupying army participates in long-term commercial activity. Furthermore, if the armed forces are essentially self-funding, the financial constraints of deployment become marginalized.

The theoretical consequences of military commercialism have broader implications than the manipulation of resource acquisition in the DRC. Changes in civil-military relations in the deploying states, and a mutated military ethos may have a profound regional effect. The propensity of stronger states to intervene in a neighbour's conflict, and the nature and length of these interventions, could in future be determined by the commercial success of protagonists in the DRC's current war. Many African militaries exhibit predatory behaviour in domestic settings, accosting and terrorizing civilians in times of peace and internal dispute. Commercial ventures of senior officers set an example for junior officers and other ranks. Lower ranking officers are also influenced through direct involvement in private enterprises, such as mining diamonds and coltan. Over time, commercial activities can develop into self-reinforcing military behaviour with entrepreneurial opportunism an established military objective. The importance of traditional military strategy diminishes, as financial reward becomes a key function of deployment.

The most dangerous consequences of external military commercialism may emerge when the war is over and soldiers return home. Governments will then be faced with soldiers and officers who are dissatisfied with low wages and fewer opportunities to moonlight and plunder.

## VII. Conflict Diamonds: Definitional Issues

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Conflict diamonds are generally considered to be diamonds that finance wars in Africa, waged against legitimate, although not necessarily democratic, governments. The Kimberley Process has considered several working definitions of conflict diamonds, finally settling on the following:

*Conflict diamonds* means rough diamonds used by rebel movements or their allies to finance conflict aimed at undermining legitimate governments, as described in relevant United Nations Security Council (UNSC) resolutions insofar as they remain in effect, or in other similar UNSC resolutions which may be adopted in future, and as understood and recognized in United Nations General Assembly Resolution 55/56, or in other similar UNGA resolutions which may be adopted in future.<sup>127</sup>

The Security Council has so far imposed sanctions only on diamonds from Liberia, and on Angolan and Sierra Leonean diamonds that are not certified by government authorities. Another definition, proposed by the UN General Assembly in December 2000, recognized that conflict diamonds emanate from rebel territory, irrespective of UN sanctions: ‘...understanding conflict diamonds to be rough diamonds which are used by rebel movements to finance their military activities, including attempts to undermine or overthrow legitimate governments’. The reference to ‘legitimate governments’ in these definitions could lead to various interpretations, and distinguishing between conflict and non-conflict diamonds is extremely difficult under the circumstances prevailing in Central Africa.

Artisanal production in Angola and the DRC is classified by who controls the miners and who buys their diamonds. In Angola, *garimpeiros* who mine diamonds in areas controlled by UNITA produce conflict diamonds, while *garimpeiros* who mine in government territory produce legitimate diamonds. Because *garimpeiros* are

almost entirely unlicensed, and because zones influenced by the FAA and UNITA fluctuate, or may be only separated by a river, distinguishing between the ‘good’ and ‘bad’ *garimpeiros* is highly problematic. *Garimpeiros* who mine exclusively in FAA territory may be forced to pay protection fees or taxes to UNITA when the rebels sweep through the locality looking for loot. The proceeds of their work then finance UNITA to a certain degree. Similarly, *garimpeiros* mining under UNITA may find themselves in government territory after an FAA offensive, and may market their diamonds through official networks. Middlemen may sell diamonds — clean or otherwise — through Ascorp, or through illicit channels in Luanda or the DRC.

The 2002 peace accords in Angola may change what are considered ‘good’ and ‘bad’ diamonds. If UNITA abstains from military activity and pursues political opposition to the MPLA regime, there should no longer be conflict diamonds in Angola. If UNITA or splinter groups revert to armed opposition, their diamond exports will again be defined by conflict.

The DRC diamond trade raises similar scenarios. Congolese middlemen (*négociants*) purchase illicit Angolan diamonds in northern Angola or southern DRC. These diamonds are then sold to larger *négociants* or exporters (*comptoirs*) and are mixed with Congolese or other Angolan diamonds before being officially exported or smuggled out of the DRC. Large distances seemingly separate the warring parties in the DRC, but diamonds from the Congolese rebel groups can be easily mixed into the DRC’s legitimate artisanal production.

Overlapping trade networks, in which diamonds move simultaneously in different directions between government and rebel territory, make it impossible to determine the exact origin of Kinshasa’s official exports. As in Angola, diamonds may be mined by

**Table 15. Belgian Diamond Imports from Rwanda, Uganda and Tanzania, 1998-2001**

Rwanda	Carats	Value, US\$
1998	166	16,000
1999	2,500	439,000
2000	30,973	1,888,000
2001	9,970	1,245,000
<b>Uganda</b>		
1998	11,303	1,440,000
1999	11,024	1,813,000
2000	9,387	1,263,000
2001	23,957	2,539,000
<b>Tanzania</b>		
1998	3,091	1,188,000
1999	6,879	2,500,000
2000	26,732	11,328,000
2001	16,570	4,487,000

Source: HRD, Antwerp

*creuseurs* operating in conflict zones that are influenced by a number of armed groups. The diamond trade in the DRC is not as militarized as in Angola, meaning that while the FAA and UNITA jockey for control over *garimpeiros*, Congolese rebel groups control strategic locations to profit from the informal economy, and tax larger middlemen and foreign buyers in towns that serve as local catchments.

Previous sections of this paper have described how illicit and conflict diamonds have flowed in and out of the Central African Republic and Brazzaville with impunity. While Belgian importers are notorious for spurious declarations of diamond origins and provenance, Belgian trade statistics do provide interesting insights into a trade which is rife with illicit and conflict diamonds. Vastly fluctuating diamond import statistics from Rwanda and Uganda (which have no diamonds of their own), and aberrant statistics from Tanzania provide clues about how the traffic in illicit and conflict goods has moved with the shifting power balances in the region.

## Conclusions

Conflict diamonds cannot be ‘defined away’ by restricting them to United Nations resolutions. These help, but so far they do not even begin to touch the death and violence, the corruption, criminality and collapse that have accompanied the Central African trade in diamonds.

The gray areas of African war zones are not isolated, improbable or anecdotal ‘what-ifs’. They represent the realities of conflict where territorial occupation is fluid and sporadic, where government ‘legitimacy’ is questioned — sometimes for good reason — and where commercial interests may even link the officers of opposing armies. More importantly, perhaps, there is a very gray area between conflict diamonds and the much larger trade in illicit diamonds. The voluminous illicit traffic, long tolerated by the legitimate diamond industry and governments worldwide, provides the cover under which the much more pernicious conflict diamonds move.

## VIII. Conclusions and Recommendations: A Wicked and Professional Theft

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The history of bad governance, war and human suffering in Central Africa is a blight on the 20<sup>th</sup> century that has carried forward without letup into the 21<sup>st</sup>. The first challenge, where diamonds are concerned, is to ensure that diamonds do less, rather than more damage. Governments must take charge, and they must take responsibility for managing their diamond industries properly, fairly and transparently. Some suggest that giving greater power over its diamond trade to a bad government simply deprives innocent artisanal miners and their families of an income that might not otherwise be available. The alternative, however — a free-for-all in which diamonds flow with impunity across borders, attracting tax evaders, money launderers, gun-runners and sanctions busters as they go — is not a viable option.

The answer is *not* to allow diamonds free rein, but to deal with the more substantive problem, the quality of governance in Central Africa. Part of this includes ensuring governments' access to the fair and legitimate income that might be derived from the country's resources, including diamonds. Part of it includes good management of these diamond resources, and ensuring that those who mine them receive fair compensation. The ultimate diamond-related answer to bad governance is *not* to encourage (or allow) smuggling to other countries, but to deny a 'bad country' access to the world diamond market entirely. This was done in a symbolic way by the Security Council in 2001 when it banned so-called Liberian diamonds from the international trade. Until there is a worldwide diamond regulatory system, however, warlords and thieves can still pass their diamonds through illicit channels and other countries into Europe, North America, Asia and the Middle East.

The trade in conflict and illicit diamonds is partly about problems of African governance. But it is also about the governance of diamond imports in wealthy nations, and it is about the governance and regulation

of the diamond industry itself. Governments and the diamond industry must address the problems with greater transparency and much greater vigour. They must be prepared to bar decisively from the trade those for whom deception, theft, conspiracy, smuggling, sanctions-busting, even gun-running and full-scale war, have become a normal part of business.

### Definitions

The gray areas of African war zones represent the realities of conflict where territorial occupation is fluid and sporadic, where government legitimacy is questioned, and where commercial interests begin to surmount all others. More importantly, there is a *very* gray area between conflict diamonds and the much larger trade in illicit diamonds. The voluminous illicit traffic, long tolerated by the legitimate diamond industry and governments worldwide, provides the cover under which conflict diamonds are traded.

Conflict diamonds cannot be 'defined away' by restricting them to United Nations resolutions. These help, but so far they do not even begin to touch the death and violence, the corruption, criminality and collapse that have accompanied the Central African trade in diamonds.

### Transparency

The lack of information and transparency, even in the legal diamond trade in Central Africa (and just about everywhere else), makes the trafficking of illicit and conflict diamonds child's play. Much more research on individuals, companies and networks involved in the legitimate diamond trade, as well as on production trends at local levels and by major mining firms, will create a better understanding of the regional diamond economy. Without a basic level of comprehension and good statistics, identifying those involved in the illicit

diamond trade will be very difficult. The work of the consecutive UN Expert Panels, the Belgian Senate Commission of Enquiry into the exploitation of Central Africa (particularly the Congo), and regional police initiatives in concert with Interpol are to be commended, and should continue.

## The Kimberley Process

One way of dealing with both the supply and the demand side is the creation of a full-fledged, global diamond certification system. The Kimberley Process proposes such a system. It would ensure, in the first place, that all rough diamonds are accompanied by a government certificate of origin. But that is far from enough.

- Part of the system relates to statistics. Bad statistics, false statistics, and no statistics at all have plagued the diamond industry for years. The accidental and often deliberate statistical confusion created by governments and the industry have made it not just possible, but virtually effortless to conceal huge transactions in illicit and conflict diamonds. Under the Kimberley process, if a country neighbouring the DRC exports more rough diamonds than it is known to produce, action can and must be taken. The same would hold true for all countries trading in diamonds.
- The second issue has to do with controls in both exporting and importing countries. The minimum standards proposed by the Kimberley Process require effective government oversight. Details have been developed, but these will only be as effective as the monitoring systems that accompany the Kimberley Process, and by the deterrents that are established for non-compliance. These must be clear and automatic. If a country cannot manage its diamond resources and industry, it must be ostracized from the legitimate world diamond market. If a company cannot demonstrate that the diamonds it buys and sells are clean, it too must be ostracized from the legitimate diamond trade.

These sanctions cannot be limited to African countries or to producers alone. Countries with trading,

cutting and polishing industries, such as Belgium, India and Israel will be obliged under the Kimberley Process to guarantee that rough diamonds will be handled in a certain way. This must include industry audits to verify that *diamantaire* outputs match receipts. None of this can be done with any level of assurance or credibility unless there is an international inspection system as part of the overall scheme. International inspections must be undertaken by independent professionals who can certify that industry and national controls meet the agreed minimum standards.

- And the third issue has to do with penalties for non-compliance. The ultimate penalty has to be a restriction of access to the international diamond trade. The natural consequence of this in Central Africa — smuggling — can be offset by careful oversight of exports from neighbouring countries, by good analysis of international trade statistics, and by ensuring that individuals caught with smuggled goods go to prison. Smuggling is against the law in all countries, including Belgium, Israel, the United States, Britain and other major diamond importers. So is theft. And yet smuggled diamonds, stolen diamonds, conflict diamonds still cross all borders with impunity, as though diamonds are somehow different from other goods that are regularly intercepted and impounded. It is hard to identify more than a handful of diamond dealers arrested anywhere in Europe or North America in recent years for smuggling diamonds or evading taxes. None has been arrested for breaking UN sanctions. Dealers committing these crimes are not spurned by the diamond industry, unlike those who cheat fellow *diamantaires* or diamond banks — crimes that are taken very seriously by the entire industry. And yet hundreds of millions of dollars worth of diamonds from Central Africa evade taxes, borders and oversight every year on their way to the world's cutting, polishing and trading centres.

The Kimberley Process agreement of March 2002 brought together more than 35 governments and the EU, and it dealt satisfactorily with all of these issues

except one: regular independent monitoring of all national control systems. Without this, the system, expected to begin late in 2002, will be neither credible nor effective. This issue must be taken up again by the Kimberley Process itself, the UN General Assembly which has twice addressed the issue, and if necessary, the Security Council, which has so far fielded four sets of expert panels to advise on diamonds and conflict.

## The DRC

The United Nations Security Council should treat DRC diamonds in the same way as it has treated Angolan and Sierra Leonean diamonds. It should require all states to restrict the direct or indirect import of rough diamonds from the DRC except those controlled by the Government of the DRC through a certification system that complies with the provisions of the Kimberley process.

The Government of the DRC should appoint an internationally recognized independent diamond valuator.

The Kimberley Process should appoint an independent review mission to ensure DRC compliance with Kimberley Process minimum standards, as soon as the

Government of the DRC has made the appropriate changes to its systems and legislation.

## The Republic of the Congo

The Republic of the Congo has become a major hub for the trafficking of illicit and conflict diamonds. Like Gambia, another centre of illicit diamond trafficking, it has for too long escaped international attention and censure. The United Nations Security Council should take up this issue as a matter of urgency, and should place an embargo on all diamonds exported from the Republic of the Congo until a complete and credible international audit can be conducted into the origin and legality of diamonds being exported from Brazzaville.

## Central African Republic

The Central African Republic is being used as a conduit (or its name is being used as a cover), for tens of millions of dollars worth of illicit and conflict diamonds every year. It is essential that the CAR be brought into the Kimberley Process as quickly as possible, in order to halt the use of its name and its territory in the trafficking of illicit diamonds. This must be accompanied by a credible, international review to ensure compliance.

**Table 16. Selected Non-Producing Countries: Declared Rough Diamond Imports into Belgium (US \$ million)**

Country	1997	1998	1999	2000	2001
Uganda	0	1.3	1.8	1.3	2.5
Rwanda	0.7	0.2	0.5	1.9	1.2
Zambia	Less than \$100,000 for all years combined				13.6
Congo-B	454.6	41.5	14.4	116.6	223.8
Gambia	131.4	103.4	58	19.1	6.2*
U.A.E	2.5	5.5	14.9	108.1	149.5
Hong Kong	90	46.4	71	170.6	170.4

\*Total to August 2001 only.

Source: HRD, *Diamond Intelligence Briefs* and others. Hong Kong has also become a major exporter of rough diamonds to Israel.

## Diamonds from Other Non-Producing Countries

United Nations Expert Panels have examined the connection between resources and conflict in the DRC. They have shown that foreign armies are actively involved in resource plunder, including the theft of diamonds. The Security Council has yet to take effective action on this matter. This is a disturbing reflection on its willingness to act. As a matter of urgency, the Security Council should halt the trade in diamonds from African countries that do not mine them within their own borders, unless they can prove *beyond doubt* that the diamonds were obtained legally. This ban should include Gambia, Uganda, Rwanda, Zambia and Burundi.

Aberrant Belgian diamond imports from Tanzania, the United Arab Emirates and Hong Kong require more investigation, as does the Zimbabwean diamond trade. Hong Kong has also become a significant supplier of rough diamonds to Israel in recent years.

Further, the Security Council should endorse the proposed Kimberley Process certification system, but should insist that it contain tough and unequivocal provisions for the regular, independent monitoring of all national control mechanisms.

## Donor Agencies

Bilateral and multilateral aid programs to all countries dealing in stolen diamonds should, as a matter of urgency, be actively reviewed for downgrading or suspension.

Multilateral institutions such as the IMF and the World Bank should review their programs in all diamond producing countries with a view to providing support for reforms that will assist in wider compliance with Kimberley Process standards.

## Foreign Military Adventures in the DRC

Marauding soldiers are not a new phenomenon in the DRC. What is new since 1997 is that the soldiers are regular troops in the armies of neighbouring countries. Nor is military looting new in the DRC. But there have never before been such flagrant examples of African armies deploying across borders to plunder the natural resources of a neighbouring state. This is not what was envisaged in the slogan 'African solutions to African problems'. In fact the phenomenon only adds new problems to old ones.

Diamonds will never serve to uplift the populations of Central Africa in the absence of security. The present military balance in the region has had a profound effect on the DRC's diamond trade, and the commercial activities of nations deployed in the DRC give some indication of the region's future. The current war has exposed the commercial interests of most of the foreign armies deployed in support of, or in opposition to the Kinshasa regime, not to mention their relations with numerous rebel groups, non-state forces and militia.

## Sequencing

In these recommendations, there is a question of sequencing. The point, as noted elsewhere, is not to give more resources to bad governments. Nor is it to embargo diamonds from one place, only to encourage smuggling elsewhere. A logical sequence of events might be as follows:

- review and enhancement of the Kimberley Process provisions for regular independent monitoring of all national control measures;
- stringent international review of the diamond industries in the CAR, Zimbabwe and Tanzania for Kimberley Process compliance;
- donor review of measures and programs which might encourage or assist in compliance with Kimberley Process minimum standards;



- ban on trade in rough diamonds from non-producing countries named in this and UN Expert Panel Reports: Republic of the Congo, Rwanda, Uganda, Zambia, Burundi, Gambia, Togo, Burkina Faso;
- simultaneous introduction of Kimberley Process minimum standards in all other producing and trading countries.

Conflict diamonds are not just a regional problem, their implications are global. Without a comprehensive and simultaneous approach — as envisaged by the Kimberley Process — and without proper inspection and real deterrents for illicit behaviour, piecemeal solutions will be ineffective.



The United Nations and other bodies have sought a variety of solutions to the problems of the DRC and its neighbours. A study such as this can only deplore the low success rate of these initiatives, and urge more concerted international action to end the problems. In this context, it may be worth recalling the preamble of the United Nations Charter, signed in 1945:

We the peoples of the United Nations,

- determined to save succeeding generations from the scourge of war...
- and to reaffirm faith in fundamental human rights, in the dignity and worth of the human person, in the equal rights of men and women and of nations large and small,
- and to establish conditions under which justice and respect for the obligations arising from treaties and other sources of international law can be maintained,
- and to promote social progress and better standards of life in larger freedom,
- and for these ends to practice tolerance and live together in peace with one another as good neighbours,

- and to unite our strength to maintain international peace and security,
- and to ensure, by the acceptance of principles and the institution of methods, that armed force shall not be used, save in the common interest,
- and to employ international machinery for the promotion of the economic and social advancement of all peoples,

have resolved to combine our efforts to accomplish these aims.

In fact not one of these aims has been met in the Democratic Republic of the Congo and few have been achieved in its neighbouring countries.



In February 2002, the members of the gang that bulldozed its way into London's Millennium Dome 16 months earlier — in an attempt to steal \$300 million worth of De Beers diamonds — were sent to prison with terms ranging up to 18 years. The judge who sentenced them condemned their 'wicked' and 'professional' raid. The media reported that had it succeeded, the theft would have been the biggest robbery of all time. Not quite.

A quiet and more wicked theft of diamonds, larger than that planned for the Millennium Dome — and equally professional, takes place every year in Central Africa, and it is seldom reported. Hundreds of thousands of people have died as a result. Millions are deprived of government services that might have been available had the diamonds been sold through legal channels and been taxed in the process. No judge speaks; no perpetrator goes to jail; no *diamantaire* is chastised; no fiancée is deprived of an engagement ring.

# Statistical Annex

Table 17. DRC: MIBA and Artisanal Production, 1983-2000

Year	MIBA			Artisanal		
	Carats	US\$	US\$/ Carat	Carats	US\$	US\$/ Carat
1983	5,538,110	47,789,332	8.63	6,174,620	91,129,628	14.76
1984	6,566,807	56,662,573	8.63	11,562,880	159,852,768	13.82
1985	6,619,142	54,089,605	8.17	12,998,029	145,362,062	11.18
1986	7,910,900	64,996,879	8.22	14,541,128	160,211,379	11.02
1987	7,719,927	66,393,062	8.60	11,600,792	129,327,369	11.15
1988	7,999,902	72,391,218	9.05	10,226,870	206,235,257	20.17
1989	8,911,220	91,796,991	10.30	8,740,985	159,057,133	18.20
1990	9,650,479	102,573,619	10.63	9,770,072	155,125,266	15.88
1991	7,215,970	76,981,768	10.67	10,598,159	135,212,089	12.76
1992	4,345,016	46,319,911	10.66	8,934,164	185,091,516	20.71
1993	4,710,324	52,175,187	11.08	10,616,768	259,782,433	24.47
1994	4,878,410	53,321,776	10.93	11,376,742	243,178,171	21.38
1995	5,507,050	62,690,410	11.38	16,344,807	314,783,138	19.26
1996	6,506,815	75,924,114	11.67	15,436,905	312,973,482	21.27
1997	6,167,811	78,096,666	12.66	15,580,462	308,059,805	19.77
1998	6,831,000	93,963,800	13.76	19,252,000	356,839,000	18.53
1999	4,788,000	97,261,900	20.31	15,327,000	192,635,000	12.57
2000	4,640,000	76,603,665	17.98	11,366,000	162,800,000	14.32

Sources: Figures taken from various diamond reports on the DRC, including Banque Centrale du Congo Condensé d'Informations Statistiques 31/2001, Observatoire Gouvernance Transparence (OGT), Centre National d'Expertise, 1998 and 1999 annual reports. There are serious discrepancies between different sources, suggesting that the volume and value of official exports changes depending upon which governmental agency is consulted.

Table 18. Diamond Exports by DRC Comptoirs, August 2001 — February 2002

Comptoir	August			September			October			November			December			January			February		
	Cts. (000)	US\$ (m)	US\$/ Ct	Cts. (000)	US\$ (m)	US\$/ Ct	Cts. (000)	US\$ (m)	US\$/ Ct	Cts. (000)	US\$ (m)	US\$/ Ct	Cts. (000)	US\$ (m)	US\$/ Ct	Cts. (000)	US\$ (m)	US\$/ Ct	Cts. (000)	US\$ (m)	US\$/ Ct
Ashley	141	3.9	27.43	167	3	17.88	191	1.5	7.96	36	1.4	39.43	193	1.5	7.62	111	1.9	17.17	96	2.5	26.46
IDI-Congo	362	6.5	17.83	96	2.1	21.95	56	1.3	24.02	11	0.6	54.78	122	0.7	5.61	105	0.9	8.59	8	0.6	75.39
Mazal Gem	195	2.2	11.10	139	1.6	11.75	193	1.5	7.6	132	1.6	12.38	40	1.2	28.33	67	1.0	15.48	150	1.5	9.75
MBC	37	0.5	12.87	21	4	18.30	5	0.1	25.11	10	0.2	16.25	7	0.1	17.00	0.4	.05	120			
Millenium	158	1.8	11.26	352	1.7	4.93	265	1.9	7.12	452	1.5	3.25	222	0.8	3.57	290	1.8	6.13	183	1.3	7.14
Primogem	332	3.7	11.01	359	5.3	14.77	278	6.7	23.9	430	8.3	19.27	311	5.1	17.59	332	6.7	20.25	260	6.1	23.64
Tofen-Congo	99	3.6	36.64	45	3	67.00	134	5.8	43.41	227	7.6	33.57	103	4.7	45.96	138	5.2	38.04	104	4.6	43.65
Top Int.	49	1.9	37.62	31	1.4	44.02	15	0.4	28.13	65	0.6	9.34	17	.08	4.97	35	0.2	5.22			
Intradia							8	0.6	70.41	5	0.4	89.48	5	0.3	54.72	10	0.6	60.42	6	0.5	86.39
Empire							11	0.1	4.83	13	0.3	23.49	2	.09	52.74	12	0.4	35.26	8	0.3	38.89
<b>Total</b>	<b>1375</b>	<b>23.9</b>	<b>17.39</b>	<b>1210</b>	<b>18.5</b>	<b>15.3</b>	<b>1157</b>	<b>19.9</b>	<b>17.18</b>	<b>1383</b>	<b>22.6</b>	<b>16.32</b>	<b>1024</b>	<b>14.9</b>	<b>14.56</b>	<b>1102</b>	<b>18.9</b>	<b>17.14</b>	<b>816</b>	<b>17.4</b>	<b>21.44</b>

# Notes

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- <sup>1</sup> [www.adiamondisforever.com/jewelry/famous\\_star.html](http://www.adiamondisforever.com/jewelry/famous_star.html), 7 January 2001. The website is sponsored by De Beers' Diamond Trading Company.
- <sup>2</sup> Vasagar, Jeevan, 'The Making of the Millennium Star', *The Guardian*, London, 8 November 2000
- <sup>3</sup> <http://newsbbc.co.uk>, 23 December 2000.
- <sup>4</sup> The DRC ranked 142nd out of 162 countries listed in UNDP's 2000 Human Development Index, *UNDP Human Development Report*, Oxford University Press, Oxford, 2000
- <sup>5</sup> Marysse, Stefaan, Testimony at the Belgian Senate Commission on resource exploitation in the Great Lakes, 14 December 2001
- <sup>6</sup> Matshafu bin Swedi, Gaby, Manuscript, Next edition of 'Le Diamant en République Démocratique du Congo', September 2001
- <sup>7</sup> The smuggling of diamonds has plagued MIBA and is a stable outlet for informal production. The smuggling of diamonds produced by artisanal miners certainly raises this proportion since thefts from MIBA are most likely not at the same volume.
- <sup>8</sup> Diana Hubbard, 'Zaire — Economy', *Africa South of the Sahara*, 1996, p 1024, Europa Publications
- <sup>9</sup> 'Zaire: EIU News Analysis — country update', *Economist Intelligence Unit*, 1995, from Reuters Business Briefing 8 March 1995
- <sup>10</sup> 'Zaire: Official diamond export figures reflect stronger world market conditions and limited benefits of economic recovery programme', *Gas Daily Risk Monitor*, 24 October 1986, from *Reuters Business Briefing*
- <sup>11</sup> Wrong, Michela, 'Zaire: Copper — Gecamines unlikely to meet 50,000 T target', *Reuters News Service*, 13 April 1994
- <sup>12</sup> *Ibid*
- <sup>13</sup> 'Zaire: Belgian companies decide on their future', *Tendances*, 28 January 1993, from *Reuters Business Briefing*
- <sup>14</sup> *Economist Intelligence Unit*, DRC, Third Quarter 1998; production for 1997
- <sup>15</sup> *Ibid*, Country Profile 2001 and EIU First Quarter 2000.
- <sup>16</sup> Data supplied by Gaby Matshafu bin Swedi, 'Le Diamant en République Démocratique du Congo', MBS, Kinshasa, August 1999, from MIBA Brochure, FIKIN 1999, and the Centre National d'Expertise
- <sup>17</sup> Reno, William, 'Sovereignty and Personal Rule in Zaire', <http://webafrica.ufl.edu/asq/v1/3/4.htm>, accessed 20 August 2001.
- <sup>18</sup> *Ibid*
- <sup>19</sup> *Ibid*
- <sup>20</sup> Dowden, Richard, 'Zaire: Mobutu puts his country on the market', *The Independent*, 16 March 1994, from *Reuters Business Briefing*
- <sup>21</sup> Reno, *op cit*
- <sup>22</sup> *Ibid*

- <sup>23</sup> Coakley, George J, 'The Mineral Industry of Congo (Kinshasa)', United States Geological Survey, Mineral Information, 1997, [www.minerals.usgs.gov/minerals/pubs/country/africa.html](http://www.minerals.usgs.gov/minerals/pubs/country/africa.html)
- <sup>24</sup> *Economist Intelligence Unit*, DRC, Fourth Quarter 1996, Zaire
- <sup>25</sup> *Ibid*, Fourth Quarter 1999.
- <sup>26</sup> Dietrich, Christian, *Central Africa Minerals and Arms Research Bulletin*, Issue 2, June 2001, [www.diamondstudies.com](http://www.diamondstudies.com)
- <sup>27</sup> 'Diamant: Les *comptoirs* en désaccord avec le gouvernement', *Economica* (Kinshasa), 1 April 2002, [www.digitalcongo.net](http://www.digitalcongo.net).
- <sup>28</sup> Sources: Banque Central du Congo (BCC), *Condense d'Informations Statistiques*, Numero 31/2001, page 39 'evolution de la balance commerciale'. Official diamond exports for 1996 and 1997 were extrapolated from the BCC's calculations of total diamond exports (citing the sum of official exports and an estimated fraud of 120% of the official sector). Official diamond exports for 1997-2000 were calculated using a report by the Centre National d'Expertise (CNE) cited in the BCC *Condense d'Informations Statistiques*, Numero 31/2, page 40. Fraudulent diamond exports were then estimated at 120% of official exports as the BCC suggests. Note that the author's calculation of total diamond exports varies from that given by the BCC later in the report. Apparently, the BCC was using other data than that supplied by the CNE which is used as a source for the value of official exports.
- <sup>29</sup> Berger, Sharon, 'Congo signs \$700m agreement with IDI Diamonds' *Jerusalem Post*, 2 August 2000.
- <sup>30</sup> Dietrich, *op cit*
- <sup>31</sup> The UN Expert Panel on Angola has reported extensively on Angolan smuggling to the DRC and to the Republic of the Congo. For the latter, see UN Security Council Document S/2001/363, 18 April, 2001, pg. 24
- <sup>32</sup> Statistics are from the Government of Belgium. See also *The Heart of the Matter: Sierra Leone, Diamonds and Human Security*, by Ian Smillie, Lansana Gberie and Ralph Hazleton, Partnership Africa Canada, Ottawa, 2000, and UN Security Council Report on Sierra Leone, S/2000/1195, December 2000
- <sup>33</sup> 'Note Introductive sur le Secteur Minier Conetrafricain', Ministère des Mines, de l'Energie et de l'Hydraulique, Bangui, October 2001.
- <sup>34</sup> *Ibid*.
- <sup>35</sup> Michaud, Paul, 'What will happen to Bokassa?', *New African* January 1987, pg. 35
- <sup>36</sup> Hubbard, Diana, *Central African Republic Economy, Africa South of the Sahara 1996*, Europa Publications Limited.
- <sup>37</sup> UN conference on the least developed countries, country presentation for the Central African Republic, pg.7, Paris, 1 September 1981.
- <sup>38</sup> Arnold, Guy, 'Central African Republic: Fighting to Survive or Surviving to Fight?' *New African*, October 1982.
- <sup>39</sup> *Washington Post*, 'Bokassa cites Giscard ties in a bid to influence vote', 5 September 1981.
- <sup>40</sup> Dawson, Steve, 'Central African Republic: United Reef — United Reef reaps revenues from its Bamingui diamonds,' *Northern Miner*, 25 September 1995.
- <sup>41</sup> According to a source involved with the project.
- <sup>42</sup> Three diamonds industry sources, two of which previously mined in the CAR and one that operates a *comptoir* in Bangui, allege that neither CADCO nor CAMCO exported diamonds officially since the two companies were connected to the highest government officials.

- <sup>43</sup> Pallister, David, 'Hain accuses five of smuggling for UNITA' *Daily Mail and Guardian*, 18 February 2000.
- <sup>44</sup> Economist Intelligence Unit, CAR, First Quarter 1998.
- <sup>45</sup> *Ibid.*, Third Quarter 1998.
- <sup>46</sup> 'Central African Republic: Bangui diamond bourse trades over 2,250 carats', Reuters News Service, 9 April 1996.
- <sup>47</sup> Four of the six diamond *comptoirs* were put on trial in late 1997. The state sought over US\$16 million and jail terms for company representatives. President Patassé had proclaimed by decree in July 1995 that diamond exporters were to pay an eight per cent duty on their exports, as well as setting a monthly minimum of US\$2 million for each *comptoir* — which attracted financial penalties if not achieved. These rules were not enforced or respected, resulting in the government laying charges against companies in contravention of the regulations only in 1997. The companies were Société d'achat de diamants et d'or (SADIOR), Société de diamants (SODIAM), La Couronne, and Société centrafricaine de diamants et d'or (SOCADIOR). The director of La Couronne was Pablo Dorado, Spanish consul in Bangui, and the director of Sodiam was Vassos Anagnostellis, the Greek consul ('Consuls prosecuted for non-payment of fines in Centrafrican', *AFP Europe*, 15 November 1997). The four companies won their case against the government in 1998, although the proceedings did have implications for the Minister of Mines and Energy.
- <sup>48</sup> Jones, Lucy, 'Tranquility and trade pump life back into Africa's heart', *Guardian Weekly*, March 21, 2002.
- <sup>49</sup> Addendum to the report of the Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth of DR Congo, S/2001/1072, 13 November 2001.
- <sup>50</sup> Report of the Panel of Experts on Violations of Security Council Sanctions Against UNITA, S/2000/203, 10 March 2000.
- <sup>51</sup> IPIS interview with Dirk Draulans, Knack, Brussels, June 2001. Draulans photographed Bout in Gbadolite, the MLC headquarters, in early 2001.
- <sup>52</sup> Report of the Panel of Experts on Liberia, S/2001/1015, 26 October 2001.
- <sup>53</sup> Afsane *et al.* 'L'Insaissable Victor Bout', *Le Monde* (Paris), 26 March 2002.
- <sup>54</sup> According to *Rapport News* (4 March 2002), Bout denied any links to al Qaeda during a radio interview in Moscow on 28 February 2002.
- <sup>55</sup> Interview with Johan Peleman, UN Aviation Expert and Director of the International Peace Information Service.
- <sup>56</sup> Free-for-all at gem auctions, *Africa Analysis*, 3 September 1999.
- <sup>57</sup> Private communication with UN Angola Monitoring Mechanism, a diamond exporter in the CAR and a member of Ascorp.
- <sup>58</sup> *A Rough Trade*, Global Witness, London, 1998, pg. 3
- <sup>59</sup> Hodges, Tony, *Angola from Afro-Stalinism to Petro-Diamond Capitalism*, James Currey, 2001, pg.162.
- <sup>60</sup> Kaplan, I, *Angola: A Country Study*, The American University, Washington, 1979, pg.222.
- <sup>61</sup> *Africa South of the Sahara, 1996, op cit*, Angola
- <sup>62</sup> *Ibid*
- <sup>63</sup> 'Endiama Wins "Significant Premium" for Diamonds', *Financial Times*, 29 November 1988, from *Reuters Business Briefing*
- <sup>64</sup> *Ibid*
- <sup>65</sup> Diamond Losses — Endiama Loses over \$100M in 1990 due to Smuggling, *Africa Economic Digest*, 9 September 1991 from *Reuters Business Briefing*

- <sup>66</sup> Hodges, *op cit*, pg161.
- <sup>67</sup> [www.endiama-angola.com/Historia%20da%20Empresa.html](http://www.endiama-angola.com/Historia%20da%20Empresa.html), 5 March 2002.
- <sup>68</sup> Peterson, S, 'Angola: Diamonds Help Finance Continuing Civil War', *Sunday Telegraph*, London, 25 February 1990, from *Reuters Business Briefing*.
- <sup>69</sup> On-going discussions with former buyers of UNITA diamonds in the 1990s prior to the UN sanctions
- <sup>70</sup> Paragraphs 53-54, Addendum to the final report of the Monitoring Mechanism on Sanctions against UNITA, S/2001/363, 11 April 2001
- <sup>71</sup> Dietrich, Christian, 'Inventory of formal diamond mining in Angola' in *Angola's War Economy: The Role of Oil and Diamonds*, Jakkie Cilliers and Christian Dietrich (eds), Institute for Security Studies, Pretoria, September 2000, pg 151.
- <sup>72</sup> Paragraphs 53-54, Addendum to the final report of the Monitoring Mechanism on Sanctions against UNITA, S/2001/363, 11 April 2001
- <sup>73</sup> Ascorp Financial Report, 2000
- <sup>74</sup> Dietrich, Christian, 'Power struggles in the diamond fields', in *Angola's War Economy: The Role of Oil and Diamonds*, *op cit*, pg189.
- <sup>75</sup> See Vincent Hugeux and Vincent Nouzille, 'Diamants couleur sang' *L'Express*, 7 December 2000, [www.lexpress.presse.fr](http://www.lexpress.presse.fr), 5 February 2001; and 'Namco Raises US\$9.4 Million of Financing and Secures a Strategic Investment of US\$15 Million', *PR Newswire* (London), 26 March 2001.
- <sup>76</sup> Hugeux and Nouzille, *op cit*
- <sup>77</sup> Melman, Yossi, 'Angola has a new emperor', *Ha'aretz Daily Newspaper*, 30 March 2001, [www.3haaretz.co.il](http://www.3haaretz.co.il), 8 May 2001.
- <sup>78</sup> *Ibid*
- <sup>79</sup> 'Blanchiment d'argent et mafia russe', *Le Parisien*, 23 March 2001, <http://archives.leparisien.com>, 7 May 2001. Also see 'La renégociation de la dette de l'Angola envers la Russie ouvre une autre piste', *Le Monde* (France), 9 April 2001, [www.lemonde.fr](http://www.lemonde.fr), 5 June 2001; and Gay Leshem, 'I Only Wanted to Work With Powerful Jews (Like Dani Yatom)', *Yediot Aharonot* (Leshabat Supplement), Tel Aviv, 21 January 2000, pp 4-6.
- <sup>80</sup> Leshem, *op cit*
- <sup>81</sup> Pallister, David, and Henley, Jon, 'British Warrant Issued in French Arms Row', *The Guardian*, 26 March 2001, [www.globalpolicy.org/security/sanction/angola/2001/0326corr.html](http://www.globalpolicy.org/security/sanction/angola/2001/0326corr.html), 8 June 2001.
- <sup>82</sup> Many more details on this story and others can be found in *All the President's Men: The Devastating Story of Oil and Banking in Angola's Privatized War*, Global Witness, London, 2002.
- <sup>83</sup> 'Can Controls Work? A Review of the Angolan Diamond Control System', Global Witness, London, December 2001, pg. 6.
- <sup>84</sup> Statistics of the governments of Belgium and Liberia.
- <sup>85</sup> *Economist Intelligence Unit*, DRC, Third Quarter 2000
- <sup>86</sup> *Economist Intelligence Unit*, DRC, Fourth Quarter 2000
- <sup>87</sup> This section is based on prior articles by the author: 'The commercialisation of military deployment in Africa', *African Security Review* 9.1, Institute for Security Studies, [www.iss.co.za](http://www.iss.co.za), 2000; and 'Commercialisme Militaire Sans Éthique et Sans Frontières', *L'Afrique des Grands Lacs Annuaire 2000-2001*, Harmattan Press, Paris.
- <sup>88</sup> See, for example, Chappleau, P. and Misser, F., *Mercenaires S.A.*, Desclée De Brouwer, Paris, 1998.

- <sup>89</sup> Dietrich, Christian, 'The commercialisation of military deployment in Africa', *African Security Review* 9.1, Institute for Security Studies, [www.iss.co.za](http://www.iss.co.za), 2000. For a discussion of Executive Outcomes and DiamondWorks in Sierra Leone, see Smillie, Ian, Gberie, Lansana and Hazleton Ralph, *The Heart of the Matter: Sierra Leone, Diamonds and Human Security*, Partnership Africa Canada, Ottawa, 2000.
- <sup>90</sup> See, for example, Reno, William, *Warlord Politics and African States*, Lynne Rienner, Boulder, 1998.
- <sup>91</sup> UN Panel of Experts on the Illegal Exploitation of Natural resources and Other Forms of Wealth in the Democratic Republic of the Congo, S/2001/357, 12 April 2001, paragraph 46
- <sup>92</sup> *Ibid*, paragraph 32.
- <sup>93</sup> *Ibid*, paragraph 46.
- <sup>94</sup> *Ibid*
- <sup>95</sup> IPIS interview with Sanjivan Ruprah, February 2002, Antwerp
- <sup>96</sup> Communiqué issued by Sanjivan Ruprah's lawyer, De Temmerman, 18 February 2002, Belgium
- <sup>97</sup> See UN Security Council S/2000/1195, 20 December 2000, and S/2001/1015, 26 October 2001.
- <sup>98</sup> *Ibid*, paragraph 85.
- <sup>99</sup> *Ibid*, paragraph 86.
- <sup>100</sup> *Ibid*, paragraph 126.
- <sup>101</sup> *Ibid*, paragraph 129.
- <sup>102</sup> *Ibid*, paragraph 130.
- <sup>103</sup> *Ibid*, paragraph 127.
- <sup>104</sup> Paragraph 46, Addendum to the final report of the UN Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth of the Democratic Republic of the Congo, 13 November 2001, S/2001/1072
- <sup>105</sup> For an analysis of the coltan market in eastern DRC, see Jeroen Cuvelier and Tim Raeymaekers, 'Supporting the War Economy in the DRC: European Companies and the Coltan Trade', IPIS, January 2002
- <sup>106</sup> For example, they imposed a five per cent tax on the commercial price of medicine shipped to eastern Congo by one NGO, and demanded US\$100,000 for 'back taxes' on salaries paid to the expatriate workers of another NGO Source: 'Notes from the field: Congo', Refugees International, 4 September 2001, [www.reliefweb.int](http://www.reliefweb.int).
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- <sup>109</sup> Block, Robert, 'Zimbabwe's Elite Turn Strike in Nearby Congo into a Quest for Riches', *Wall Street Journal*, 12 October 1998
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- <sup>113</sup> Herbert, R, 'Kabila mining deal seen as 'payment' for Mugabe forces', *The Sunday Independent*, 8 November 1998.



- <sup>114</sup> Hartnack, M, 'Private firm to aid Kabila's war', *Business Day*, 27 September 1999.
- <sup>115</sup> Addendum to the Report of the UN Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth in the Democratic Republic of the Congo, S/2001/1072, 13 November 2001, paragraph 79
- <sup>116</sup> Maletsky, Christof, 'Nam interested in DRC minerals', *Namibian*, 25 October 1999
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- <sup>119</sup> *Ibid*
- <sup>120</sup> Hamata, Max, 'Govt's got a secret', *The Namibian*, 2 March 2001, [wwwnamibian.com](http://wwwnamibian.com), 6 March 2001.
- <sup>121</sup> Amupadhi, Tangeni, 'Defense defends DRC mine', *op cit*
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- <sup>125</sup> Report of the Panel of Experts, *op cit*, paragraph 171
- <sup>126</sup> 'Angola/Congo-K: Luanda Calls for Compensation', *Africa Mining Intelligence*, 6 February 2002, Indigo Press
- <sup>127</sup> Kimberley Process working document, 'Essential Elements', Version 1, March 2002.

# Acronyms and Abbreviations

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<b>ADF</b>	Allied Democratic Force	<b>MBC</b>	Minerals Business Company
<b>AFDL</b>	Alliance des forces démocratiques pour la libération du Congo-Zaire	<b>MIBA</b>	La Société Minière de Bakwanga
<b>ALiR</b>	Armée de libération du Rwanda	<b>MISAB</b>	Mission inter-africaine de surveillance des accords de Bangui
<b>Alrosa</b>	Almazi Rossii Sakha	<b>MLC</b>	Mouvement de libération du Congo
<b>AMF</b>	America Mineral Fields	<b>MPLA</b>	Movimento Popular de Libertação de Angola
<b>Ascorp</b>	Angola Selling Corporation	<b>NALU</b>	National Army for the Liberation of Uganda
<b>BCC</b>	Banque Centrale du Congo	<b>OKIMO</b>	Office des Mines d'Or de Kilo-Moto
<b>BCMP</b>	Bourse congolaise des matières précieuses	<b>Osleg</b>	Operation Sovereign Legitimacy
<b>Britmond</b>	British Diamond	<b>PMC</b>	Private Military Company
<b>CADCO</b>	Central Africa Diamond Company	<b>RCD-Goma</b>	Rassemblement congolais pour la démocratie-Goma
<b>CAMCO</b>	Central Africa Mining Company	<b>RCD-ML</b>	Rassemblement congolais pour la démocratie - Mouvement de libération
<b>CAR</b>	Central African Republic	<b>RENAMO</b>	Resistencia Nacional Moçambicana
<b>CNE</b>	Centre National d'Expertise	<b>RoC</b>	Republic of Congo
<b>Comiex</b>	Compagnie Mixte d'Import-Export	<b>RPA</b>	Rwanda Patriotic Army
<b>DRC</b>	Democratic Republic of the Congo	<b>RPF</b>	Rwanda Patriotic Front
<b>DSL</b>	Defense Systems Limited	<b>Sedico</b>	Société d'évaluation de diamants au Congo
<b>DW</b>	DiamondWorks	<b>Sediza</b>	Société d'évaluation de diamants au Zaire
<b>Endiama</b>	Empresa Nacional de Diamantes de Angola	<b>SWAPO</b>	South West Africa Peoples Organisation
<b>ECOMOG</b>	Economic Community of West African States Monitoring Group	<b>SOMINKI</b>	Société Minière et Industrielle du Kivu
<b>EO</b>	Executive Outcomes	<b>THI</b>	Trans Hex International
<b>FAA</b>	Forças Armadas Angolanas	<b>UR</b>	United Reef
<b>FAR</b>	Forces Armées Rwandaises	<b>UNITA</b>	União Nacional para a Independência Total de Angola
<b>FAZ</b>	Forces armées zaïroises	<b>ZANU-PF</b>	Zimbabwe African National Union-Patriotic Front
<b>FDD</b>	Forces pour la défense de la démocratie	<b>ZDF</b>	Zimbabwe Defence Force
<b>FECODI</b>	Fédération des diamantaires congolaises	<b>ZDI</b>	Zimbabwe Defence Industries
<b>FMLN</b>	Frente Nacional para a Libertação de Angola		
<b>HRD</b>	Hoge Raad voor Diamant (Diamond High Council)		
<b>IDI</b>	International Diamond Industries		
<b>IDAS</b>	International Defense and Security		



## the **Diamonds** and **Human Security** Project

Partnership Africa Canada • International Peace  
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and Development

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by Christian Dietrich  
Series Editor: Ian Smillie

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