

Chapter 2

From Marco Polo to the Syndicate: The History of a Multilevel Organisation

I have already mentioned in the introduction that this study is based on a multilevel method of research, which includes studying the same setting from the perspective of the different groups involved and from different geographical locations. In the study of the diamond industry it is a particularly useful approach because there are many actors participating at the different levels of organisation and therefore having different perceptions on the same social processes. The multilevel approach allowed me to examine and reconsider some taken-for-granted concepts and abstractions. In this context I follow Eriksen, who argues that ‘anthropology also has the authority and the ability to collapse a number of counterproductive dichotomies: the local and the global, the virtual and the real, the place-bound and the “non-place”, the universal and the particular’ (2003:16).

Millions of people are involved in the diamond industry, from digging in Africa to selling jewels in the shops of Antwerp, New York, and Moscow. The diamond industry includes specialists, such as geologists, geophysicists, and chemists. It includes business people: mine owners, bankers, investors, dealers, and brokers. It includes diamond workers, from diggers and other mine workers to cleavers, cutters, and butters. It includes government officials, security, customs, and police. And it includes smugglers, illegal traders, and underground bankers.

Today the organisation of the diamond industry is mainly presented as a diamond pipeline, the continuous process from the production countries to retail and jewellery shops. In other words, the diamond industry is a transnational organisation that in the course of history has created its own social world, which includes various groups and institutions participating in one way or another in the diamond business. The diamond organisation succeeded in the creation of its legality and acceptance, in the creation and maintaining of its value and markets by introducing a ‘diamond mystique’ and by emphasising its tradition and ‘culture’. In this Chapter 1 try to answer the question of how in the course of history the diamond business created its social world and what role is played by two main factors in this process, namely control and mobility.

The role of De Beers is particularly important, if only because today diamonds have become a synonym of De Beers. This diamond multinational, however, is only a part of the process of diamond evolution, and that more and more actors, from various nongovernmental and governmental organisations, try to carve out a position

on the diamond market and to affect the value of the stone. In other words I focus here on the development of the diamond industry and analyse how it managed to create its legality.

Historical Development of the Diamond Business

There is still a disagreement among scholars about the origin of the earliest diamonds (Dickinson, 1965:3). Somewhere around 600 A.D. they were discovered in Borneo. But the famous traveller Marco Polo suggested that the diamonds were born in India.

This kingdom (India) produces diamonds. Let me tell you how they are got. You must know that in the kingdom there are many mountains in which the diamonds are found, as you will hear. When it rains the water rushes down through these mountains, scouring its way through mighty gorges and caverns. When the rain has stopped and the water has drained away, the men go in search of diamonds through these gorges from which the water has come, and they find plenty. In summer, when there is not a drop of water to be found, then diamonds can be found in plenty among these mountains. But the heat is so great that it is almost intolerable. Moreover the mountains are so infested with serpents of immense size and girth that men cannot go there without grave danger. But all the same they go there as best they can and find big stones of fine quality. Let me tell you further that these serpents are exceedingly venomous and noxious, so that men dare not venture into the caves where the serpents live. So they get diamonds by other means. (Polo, 1958:246).

The value of the diamond as a rare stone was to some extent determined by the difficulties in mining it. There are many stories about the unapproachable and dangerous areas where diamonds could be found. Marco Polo tells about big deep valleys surrounded by cliffs, where nobody can enter.

But I will tell you what men do. They take many lumps thus flung down into the depth of the valley. And the lumps thus flung down pick up great numbers of diamonds, which became embedded in the flesh. Now it is so happens that these mountains are inhabited by a great many white eagles, which prey on the serpents. When these eagles spy the flesh lying at the bottom of the valley, down they swoop and seize the lumps and carry them off. The men observe attentively where the eagles go, and as soon as they see that a bird has alighted and is swallowed the flesh, they rush to the spot as fast as they can. Scared by their sudden approach, the eagles fly away, leaving the flesh behind. And when they get hold of it, they find diamonds in plenty embedded in it (ibid.).

There is also another way to get diamonds there.

When eagles eat the flesh, they also eat — that is, they swallow — the diamonds. Then at night, when the eagles come back, it deposits the diamonds it has swallowed with its droppings. So men come and collect these droppings, and there too they find diamonds in plenty. (Polo, 1958:247). You must know that in all the world diamonds are found nowhere else except in this kingdom alone. (ibid.).

This story of Marco Polo, first told in his *Book of Wonders* (1298) looks similar to the famous legend ‘The Valley of Diamonds,’ which is thought to have originated in India, but spread as far as China and the Arabic world, for example, in form of the story of Sinbad the Sailor in *Thousand and One Nights*. This worldwide spread

of the story on diamond production gave the first naïve impression of how difficult and dangerous it was to get diamonds, and how creative and courageous the first diamond-seekers were in their ambitions and actions. Without doubt these stories were the beginning of the glorification of the diamond business.

Throughout history diamonds were mined from the gravel and sand around rivers. The first riverbed (alluvial) diamonds were discovered in India in approximately 800 B.C. In the mines of Golconda the stones were hand dug.¹ Indians were also the first to use diamonds in exchange for goods and services. The trade route went from Punjab via Hindu-Kush and the Bamiyan valley farther on to Persia (Fraser-Tytler, 1967:7–9). There are also sources from the second century B.C.,² which describe trade contacts in diamonds between Chinese and Indians. (Legrand, 1985:26).

Later diamonds were traded between India and Babylon, Israel, Egypt, Syria, Mesopotamia, and Ceylon. The book *Ratnapariska* mentions export of diamonds originated from the Plain of Gang River. In the fourth century B.C. Indian governors started to impose taxes on the export of diamonds (Legrand, 1985; Dickinson, 1965). The earliest European diamond trade center was Venice. Indian diamonds reached Venice by two routes: the southern route through Aden, Egypt, and Ethiopia and the northern route through Persia, Armenia, and Turkey.

The Development of the Diamond Organisation in Europe

The diamond-cutting industry started in Venice sometime after 1330. Prior to that time the cutting of a diamond was considered as if it could destroy its magical qualities. It arrived in Paris in the fourteenth century, when the French jeweller Tavernier brought back to France tales of India's diamonds. Each of those fabulous diamonds had its bloody and cruel story. Tavernier himself brought back to France a huge blue diamond and sold it to Louis XIV.³

The Flemish town of Brugge is located at the end of the trade route from Venice via Milan and the Alps along the Rhine River. In the same period the Flemish county was also known as a centre of trade in diamonds in the Western world, the 'Venice of the North,' famous for its canals and relatively large community of Italian traders, who were bringing diamonds to Brugge for cutting (Legrand, 1985:38). The legendary Lodewyk van Bercken from Brugge was the inventor of the 'scaif',⁴ a revolution for diamond cutting. In the ancient Hindu 'lapidaries' it was long known

¹In the nineteenth century the Golconda mines were exhausted, though even today there are those who believe they can still find diamonds there. The Geological Survey of India found some kimberlite pipes in a nearby area in the late 1990s.

²See, for example, *The Book of Master Lie*, cited in Legrand, 1985:26.

³See the story of the Hope Diamond later in this chapter.

⁴The scaif was a polishing wheel, which allowed symmetrically polishing all the facets of a diamond.

that a diamond could be polished by rubbing it against another diamond. The discovery of van Bercken was that this process yielded a dust, which could cut diamond with great precision (Seidler, 1964:14). The scaif of Lodewyk van Bercken was a polishing wheel with a mixture of olive oil and diamond dust. The rough diamond was clamped in a dop, while the diamond dust on the whirling disc ground away the diamond to the desired angle (Epstein, 1982). Charles the Bold, Duke of Normandy, became the patron of Van Bercken and ordered him to cut a 137-carat diamond, the famous Florentine. Diamond cutters from all over Europe came to study Van Bercken's methods, based on the laws of optics. The rosette cut, developed a bit later, prevailed until a seventeenth century Venetian evolved the brilliant cut (Seidler, 1964:15).

After Lodewyk van Bercken's discovery, the diamond, however, did not stay in Brugge; the port of Antwerp appeared to be a better and more attractive place for trade. In 1499 the Portuguese traveller Vasco de Gama discovered the sea route to India around the Cape of Good Hope. Lisbon occupied an important position as a world trade port, providing Europeans with diamonds coming from India's Goa, the Portuguese trading centre in India, from which a diamond route developed to Lisbon and farther to Antwerp. Because of intensive contacts with Lisbon, Antwerp became the most important trade partner of the Portuguese and the diamond industry began to flourish. During the fifteenth century, when Antwerp grew as an international trade market, diamonds were traded and cut there. In the sixteenth century, the flourishing economic period of the city together with professionalisation of work in precious metals earned the Antwerp diamond workers world fame. After Spanish attacks on Antwerp in 1585, many Antwerp diamond cutters relocated to Amsterdam (Dickinson, 1965; Epstein, 1982; Legrand, 1985; Yogev, 1978).

In the seventeenth century most diamonds were mined in Indian riverbeds. Most of the Indian stones were sent to London, which became the centre for the trade in rough diamonds. Its parallel, Amsterdam, became the centre of cutting. However, many Sephardic Jews from Amsterdam moved to England, where they got permission to import Indian diamonds. They did not receive full citizenship; 'their inferior legal status and the jealousy of the Christian merchants, all prevented the Jews from making full use of the new economic opportunities which England offered' (Yogev, 1978:19).

Since this period, Antwerp has remained the capital of the diamond world. Sea adventurers brought to the port of Antwerp first Indian, and since 1725, also Brazilian diamonds. In that year diamonds were discovered not far from the Rio do Marinhas by the Portuguese, Sebastino Leme do Prado. He recognised the stones during a card game of gold-washers, who used them as fiches (Legrand, 1985:54). Five years later the colony of Tejuco diamond-washers was established, later called Diamantina. In Brazil black and white slaves, men and women, worked in difficult conditions, under the foreman's whip (Dickinson, 1965:12). A kind of bonus system was introduced: for finding a stone of 8 to 10 carats, there was a prize of a new coat, shirts, a hat, and a knife; for a stone of more than 17.50 carats (octavo) he could get freedom, and was allowed to continue working in the mine for wages (Legrand, 1985:59; Dickinson, 1965:12). Hundred of thousands, however, died of

starvation and disease. 'Food was brought inland by racketeers from Rio de Janeiro and was incredibly expensive' (Dickinson, 1965:12). Punishments for stealing diamonds varied from strokes with a stick *en plein publique* to imprisonment, pillory, and branding marks (Legrand, 1985:59).

The pinnacle of Brazilian mine production was reached in the mid-nineteenth century. In addition to the legal production of diamonds with the Portuguese license, the Brazilian period is characterised by different waves of adventurers, the so-called *garimpeiros* (literally, 'The one who by approach of soldiers disappears in the mountains') and later *feitores* (clandestine wholesale buyers) (Legrand, 1985:61).

In the 1720s to the 1730s it appeared that the income became too low in relation to the quantity of the produced diamonds and the price on the European market went down (ibid.:62). The Portuguese government granted the Brothers Bretschneider Company from Amsterdam and the Hope and Cie Bank exclusive rights for the whole exploitation of the diamond regions (ibid.). This was the first European attempt to limit production in order to stabilise prices on the market, a strategy which later was often efficiently used by De Beers.

In 1869, after the first important discoveries of diamonds in South Africa, and then in Congo, Angola, Ghana, Sierra Leone, and Siberia, Antwerp became once more a flourishing diamond centre. About that time the Brazilian fields were depleted. In 1866 Erasmus, the son of Daniel Jacobs, discovered a 'small' rough diamond of 21.25 carats on the bank of the Orange River in South Africa.⁵ The following discoveries were alluvial, but then in 1869 diamonds were found in yellow earth and below a hard rock 'blue ground', later called kimberlite (after the mining town of Kimberley).⁶ The individual operations involved shovels, buckets, jury-rigged cranes, and washing pans. Very soon the most important diamond mine in history, the Kimberley, led to a diamond fever. Thousands of claimants started digging in an area of less than a quarter of a mile wide. Discovery of South African diamonds led to an oversupply in Europe and depressed the prices. At this period diamond clubs were established in Antwerp and Amsterdam, which introduced new rules and agreements among the diamond traders (Shield, 2002:27).

From the Renaissance onwards the demand for diamonds in Europe grew continually. In addition to many unique and famous diamonds, which remained whole, or were cut in different smaller stones, there are many paintings, portraits, and art objects which indicate that more and more people started to enjoy and admire diamonds. In the 1870s production took on absurd proportions and this is actually the beginning of De Beers's history, the unique enterprise which I describe below. South African diamonds came to be mined in the kimberlite pipes, which produced between two and three million carats per year. Various conflicts among owners and workers accompanied the diamond rush in the beginning of the twentieth century. Poor working conditions were the main reason that illicit trade developed among the workers, followed by harsh repression by owners.

⁵After the stone was cut, it became a 10.73 carat diamond, called 'Eureka'.

⁶*The Nature of Diamonds*, American Museum of Natural History, www.amnh.org

Parallel to the main producer, South Africa, rough diamonds were found and explored in many other countries. In Namibia diamonds were found in 1908 in what was then the German colony of South West Africa. After the discovery of a huge diamond field the German colonial government proclaimed the area 'Forbidden Territory,' which remains as such even today. In Russia the diamonds were not mined until the twentieth century and they were brought to the country from all over the world. Peter the Great built his 'Diamond mill' in Peterhoff, a suburb of St. Petersburg. The craft of diamond cutting was developing in small workshops at this time. In the twentieth century new diamond discoveries were made in the USSR. In the 1950s, young geologist Larisa Popugayeva found the first blue-ground pipe, which she called 'Zarnitsa', (The Dawn) and later a second 'Mir' (Peace), and a third pipe 'Udachnaya' (Lucky) were found, all in the province between the Lena and Yenissei rivers, in the province of Yakutia, nowadays known as Sakha, that straddles the Arctic Circle. With these discoveries fame came to Russian diamonds and the government decided to start manufacturing diamonds on an industrial level. In the 1970s the Soviet Union became the third largest diamond producer in the world. In Australia, the United States, and Canada diamond explorations took place in the 1970s and 1980s, which led to discoveries of relatively large kimberlite pipes.

Diamond Pipeline – Structure and Organisation

The diamond pipeline depicts the movements of diamonds from the mine to the shops. The company, De Beers and its Central Selling Organization (CSO) have dominated the international diamond trade for more than seventy years in all phases: sorting, evaluation, and selling, remaining the biggest diamond concern in the world, which is continuously modernising the whole chain, from mine exploitation to the jewellery shops. (Malaquias, 2001:312).

Before discussing the diamond pipeline, the pre-pipeline phase, which includes early stage exploration, discovery, and review of potential mines, must be understood. This stage demands a lot of technological knowledge and large financial investments. De Beers uses advanced technologies such as spectrum and airship gravity technologies. The first one is based on an electromagnetic active system; the second one is a result of geophysical research that measures minute changes in the earth's gravity to detect kimberlite pipes.⁷ De Beers invests huge amounts of money in research and exploration projects, cooperating with various scientific institutions, employing about 200 earth scientists worldwide.⁸

⁷At the end of July 2005 a Zeppelin of DTC (Diamond Trade Center) for development of diamonds in Namibia, with the most advanced equipment on board took his way to Namibia. (*RTL4*, 1 August, 2005).

⁸De Beers, on: <http://www.debeersgroup.com/debeersweb/Diamond+Journey/The+Diamond+pipeline/Ex>

Production Countries – Control and Criminalisation

The birds are flying⁹

World production of rough diamonds in 2005 has been estimated at 160 million carats (valued at \$13.4 billion).¹⁰ In 2004 worldwide diamond production surpassed 150 million carats, valued at \$10.068 billion.¹¹ Diamonds are mined today in more than twenty-five countries, and diamond working takes place in thirty countries worldwide. A few companies mine the majority of diamonds: De Beers, Debswana, and Namdeb (formed of De Beers and the government of Namibia), Russian Alrosa (with the *Udachnyi* (Successful) mine), Australian Argyle, BHP Diamonds Inc. in Canada, and MIBA (Belgian Sibeka together with the government of DRC). There are also many medium-sized companies.

In order to produce a single one-carat diamond, about 250 tons of earth need to be mined.¹² The greatest quantities of diamonds are mined in Botswana, South Africa, Angola, Namibia, Congo, Russia, and Australia. To a smaller extent diamonds are produced in Brazil, Guyana, Venezuela, Guinea, Sierra Leone, Ghana, Central African Republic, China, India, and a few other countries.

Diamonds consist of primeval carbon from Earth's mantle. They crystallise at very high pressures at great depth, more than 150 kilometres down. Diamonds are brought up to the surface of the Earth by magma, which serves, for diamonds, as a kind of elevator to the surface. Carrying diamonds, this magma erupts in small volcanoes, beneath which is a 'pipe' in a carrot-like shape, filled with volcanic rock, which embeds diamonds (Dawson, 1980; Kirkley et al., 1991). The rock got its name kimberlite after the South African town of Kimberley, where the first pipes were discovered in the 1870s.

The first mining step is excavation of a pit into the pipe, the so-called 'open-pit' process. There are also other categories of mine: underground, alluvial, undersea, and coastal. De Beers today employs the most modern and developed methods for diamond production. The purpose of excavation is to reach a hard rock which then must be crushed.¹³ In alluvial mining the ground of the diamond streams must be dug up. Marine mining demands advanced technology. But ultramodern methods are not applied everywhere.

In most situations, especially in African countries, diggers are unskilled laborers with a shovel or a sieve. The wages are very low (\$1 per day), or in goods: a few cups of rice, for example. There are no written contracts and terms.¹⁴ Witchcraft and sorcery are involved before and during the digging. They are employed by the diggers

⁹In Namaqualand means a continuous smuggling of diamonds from mines (Hart, 2003:168)

¹⁰*Mining Review Africa*, April 2006.

¹¹*Idex Magazine*, 9 May, 2005, on: http://www.idexonline.com//portal_FullMazalUbracha.asp?id=24010.

¹²Best Diamonds on: http://www.bestdiamonds.co.uk/diamond_education.asp.

¹³Often crushing also diamonds in it.

¹⁴*Diamond Industry Annual Review*, 2005.

to increase their luck or to protect and fortify them against various evils. Sharp contradiction exists between the advanced world of Western science and the local culture of diamond production. The number of players, including official authorities, local rulers, and central governments is great in each context.

Every country where diamond production takes place is unique and without doubt deserves much more attention and analysis of its political, historical, and socioeconomic situation than is presented here. Fortunately, there is a lot of literature about Sierra Leone, Congo, Angola, and other African countries, about their past, culture, economy, and conflicts. Here I discuss only one aspect, a group of people who live and work in diamonds, without focusing on specific geographic place. This is a professional group, which is found in various diamond-producing countries, with some similarities and many differences. It includes different roles, social positions, and complicated interrelationships. I call this group of people 'diamond searchers'; it consists of *garimpeiros*, *creausers*, diggers, and divers, but also of licensees and sponsors. They all have one dream: to find this one and only 'lucky' stone, which will make them rich.

In some African countries the 'casino economy' is perhaps the most appropriate term for this process. Most of those involved are actually gambling to find a large diamond and refer to money they earn as 'winnings' rather than salaries and profits.¹⁵ This gambling is based on pure luck, *mazzel*, when the wish and dream of every digger, broker, and dealer is to get in his hands this one special, large diamond, which, similar to the first prize or winning a lottery or in a casino will transform him into a millionaire and will totally change his life. It is precisely the reason why so much control is exercised, because no one wants to become a 'loser,' to miss the happy moment of transformation.

The diamond mines are usually located many kilometres outside the villages or small towns, often in impenetrable jungles. In general all 'diamond searchers' can be divided into two categories: those who got the license from the local authorities, working individually or for another licensee, and those who have no official permit to dig, the so-called 'illegal miners.' This illicit miner, the *garimpeiro*, was and still is a Brazilian hero, romanticised in Brazilian oral tradition and public imagination. In this country it was the *garimpeiro* who was a symbol of success and courage. 'Regardless of his fortune, one rule never varies: when he finds a diamond, someone pays him for it' (Hart, 2003:6).

In Africa each of the many small mines is controlled by licensees who, in turn, often work for investors. These investors supply the equipment and other facilities. Looking for diamonds under water, for example, depends on good equipment, which means more people involved and more control. Workers can stay under water up to two or three hours, using air which comes from a diesel oxygen compressor. The life of the divers is difficult; they suffer various chronic diseases and injuries in combination with alcoholism and drug addiction. As one informant told me, 'When you don't dive you drink, and when you don't drink you dive.'

¹⁵ *Diamond Industry Annual Review*, 2005.

In such conditions, hiding a diamond here and there would be probably a natural temptation. Most divers and/or diggers who work for licensees do not get salaries, but they are fed, better or worse, varying from place to place. When a diamond is found, its value is evaluated on the spot and everybody get his or her share. The more people work at the mine, the less money they get. Logically, if the found diamond could be hidden, the digger could smuggle it later and sell to the local trader in the village. However, the inner control is enormous; if there is a discovery workers watch one another in the hope of getting his or her part. Mutual suspicion is prevalent because everyone realises the difference in value when divided among the ten to even fifty workers, compared to the value of a smuggled stone, sold individually direct to the local trader. According to my informant:

If I found a stone my eyes could not stop running automatically from side to side, because I had to know whether other diggers have seen me with my find. If nobody saw me I would hide a diamond in a tooth hole and bring it the same evening to the village for sale.

In addition to the inner control of the co-diggers, there is also an external control of the licensee. This control varies from watching that nothing is hidden in the mouths, noses, or clothes of the workers at the end of the day to keeping close watch by armed men during the whole process of digging. The relationship between the diggers and licensee is not simple. Licensees can accuse diggers of 'not finding diamonds' for a time, and choose to fire him or replace him with somebody else. However, there is probably no threat of unemployment, because diggers can choose either to be hired by another licensee, or to become *garimpeiro*, working for themselves. The latter option has both positive and negative aspects: independence and the chance to earn more money on one hand, but becoming a victim of criminals, or small dealers, or being expelled from the mines by official licensees.

Many miners feel unprotected and unsafe in such an unstable economic situation. Local conflicts between different ethnic groups or between individuals are frequent. In Angola, for example, the local *garimpeiros* believe that Congolese miners, who are illegally looking for diamonds, have 'magic powers;' they steal luck from Angolans with the help of snakes, witchcraft, and curses. The purpose of attributing these evil powers to Congolese is perhaps not only to diminish the competition in their search for 'luck,' but also to find a guilty party for the lack of it. In 2004 the Angolan government decided to expel about 100,000 illegal Congolese migrants from Angola who were accused of stealing diamonds from the local mines.¹⁶ These deportations were accompanied by violence.¹⁷ Officially, all miners must have licenses; however, in many countries illicit mining is a regular

¹⁶*Human Rights News*, 23 April, 2004, on: <http://hrw.org/english/docs/2004/04/23/congo8490.htm>.

¹⁷Different sources report on brutal body searches, rapes, and beatings during the Angolan government operation to expel them from Lunda Norte, a province rich with diamonds, *New York Times*, 29 January, 2004.

phenomenon. In Congo, for example, less than ten percent of miners are officially registered.¹⁸

Also relationships between women and men are far from being idyllic. One woman-immigrant told me:

I was licensee and a full partner with a man (who was not my husband). I used to leave the mine earlier than my partner because I had to prepare food for my children. I suspected my partner to cheat me. I think he was hiding from me diamonds, which were found in my absence. He did not tell me about the profits which he had to share with me. But I could not prove it; I could trust nobody there, neither my partner, nor the diggers, who were also stealing from me.

Other sources indicate that at all times 'women among the diggers were subject to extreme forms of exploitation by male diggers' (Thabane, 2000:118). More serious were the cases when 'men went so far as to murder women to make sure they did not have to share diamonds with them' (ibid.:119).

Weak governments and lack of control in Central Africa led to the development of the informal or parallel diamond economy. This informal economy allows hundreds of thousands of miners and middlemen to survive; it also attracts criminal organisations and government officials, as well as different rebel groups (Dietrich, 2002).

In addition to African countries diamonds are also mined in Russia, Australia, and Canada. Russia has produced about twenty percent of the world's rough diamonds – \$1.5 billion worth in 1999 – and has vast untapped reserves. The export of both rough and polished diamonds is mainly under control of the federal government. The main exporters of rough diamonds are Alrosa and Almazynelirexport. The processing and trading firms possessing a special license are permitted to export their polished diamonds directly. In 2004, the Russian press reported that only six percent of Russian diamonds are actually sold in Russia.¹⁹

In Western Australia diamond production is a relatively new phenomenon which started in 1972 in the Ellendale area and seven years later the most important Argyle mine was discovered, supplying unique red and purple diamonds among others. Canada is also a newcomer, entering the world diamond market in the early 1990s. The most developed project is the Ekati mine near Lac de Gras, where diamonds are mined from five kimberlite pipes.²⁰

In all these countries control of production and prevention of competition is the most important task of the diamond industry. The most efficient strategy is creation of its own laws and exclusion of those who may become a threat. Thousands of

¹⁸Therefore state control over the artisan sector 'rarely extends beyond supervision of the licensed exports (the so-called 'comptoirs')' (*Diamond Industry Annual Review*, 2004).

¹⁹Statement of Vladimir Fyodorov, deputy minister of industry in Yakutia at the 5th Russian conference *Jewelry Market:Trends on the World Market*. *Pravda* on-line: <http://newsfromrussia.com/main/2004/02/12/52267.html>.

²⁰*The Value-Added Aspects of the Canadian Diamond Industry*. A Report by the Federal-Territorial Committee on Value-Added Aspects of the Canadian Diamond Industry – Northwest Territories, September 1998.

people are viewed today as illegal or even criminal, because they do not have a license or any other ‘official’ way to be connected to the formal diamond organisation. ‘A criminal act has to be defined through social and cultural processes that are in themselves played out separate from the essence of the act itself’ (Presdee, 2000:16). The act of replacing or transferring (hidden) diamonds is not an act of illegal smuggling until someone defines it as such, or until the criminalisation of the act takes place in discourse. ‘It is these cultural discourses that both designate any particular act as criminal’ (ibid.). Until somebody who has power, or who takes the right upon himself to the decision that smuggling or digging without permission is a criminal act, the act may be perceived as natural, rightful, or even a taken-for-granted activity. ‘The criminalisation process then is that cultural process whereby those with power come to define and shape dominant forms of social life and give them specific meanings’ (Presdee, 2000:17).

In this context the role of the diamond industry in giving meaning and criminalising activities, which are not a part of its own business, is clear. In order to justify this, the manipulation and agreements with the local rules and officials are done. The so-called ‘illicit mining’ then manifests itself not as a negative definition made by the diamond industry, but as a result of bureaucratic conditions: a miner has to get a license from the government to be able to dig in a specific piece of land (or riverbank). Licenses, however, are very expensive for the majority of the miners. The decision is then quite simple: if one digs illegally for some time, he will find enough diamonds to sell and accumulate enough money to pay for a license. He could even be lucky enough to find a very special stone and then the procedure will be even shorter. This means it is not his purpose to ignore the law, but, on the contrary, in order to respect it he has no choice but to start digging illegally. Another possibility for the would-be miner is to find a sponsor. This sponsor will pay for the license and some other expenses, such as shovels and food, but in exchange, he must sell all the diamonds he finds exclusively to the sponsor. In addition to the agreement which the miner has to make with sponsor, and which will limit his freedom to sell the stones for a better price to other traders, he ‘also needs to pay off the inevitable series of bribes’ to the local officials (Campbell, 2004:22). Criminalisation and bureaucratisation of specific phenomena create the legitimacy for a diamond organisation to seize control and to gain power in the production countries.

Distribution of Rough Diamonds – Marketing Methods

When the diamonds are found, either by individuals, who try to carry them out of mines, or by licensees, who collect them from different diggers, they are usually brought for sale to the open markets in the closest villages to the small-scale diamond dealers. The offices of these local dealers vary from a small market shop with a scale, fan, and a sheet of white paper for identification of the diamond’s colour to modern offices behind barbed wire, with surveillance cameras and armies

of bodyguards. An Israeli diamond trader, an owner of a middle-size company in Sierra Leone told me:

I only hire my security people on basis of their experience in the IDF (Israeli Defence Forces DS). This gives guarantee that they are well trained and know what they are doing. Also the equipment I use is only 'made in Israel'; here in Sierra Leone it is the most advanced one.

Small- to middle-sized traders have different methods of selling. They can sell to middlemen, who either sell on to larger dealers, or directly to the owners of polishing factories. They can also sell rough diamonds by tender but then they may face risks that there will not be enough buyers, or that there will be swings in the markets. Tenders are also held only in a very limited number of locations.²¹ Large local producers sell the greatest part of their production to the CSO (Central Selling Organization) of De Beers, and usually a small portion, called 'windows' (five to twenty percent) independently.

The trade process in the local diamond centers is similar to the practices among diamantairs in Antwerp, Ramat Gan, or Mumbai. Nobody pronounces the price of diamonds, but writes it down, sometimes handing the small piece of paper many times to reach an agreement. When there is no agreement, the buyers approach other dealers. The competition is great from both sides. The estimations of my informants were that the profits of small-scale dealers are, however, large. On the most successful days one may earn \$150,000 to \$200,000 (per day). When there is no luck, most of the dealers still have other business: from electronics and shoe shops to cafés and restaurants. The other commercial activity is, however, not apparent because many restaurants remain empty for weeks.

Luxury cars, mainly Mercedes or BMWs, sometimes three or four vehicles per dealer, large richly furnished villas, and also two to four wives wearing rich clothes and jewels are the indications of their wealth. In Congo there are many dealers who also function as priests. They even set up their own churches, inside which they make their deals. In his impressive photo-reportage on the diamond pipeline the Dutch photographer, Kadir van Lohuizen, included a picture of a pastor and diamond trader Mbaya Kafui in MbujiMayi, Congo, who set up his own church. 'There are three services a week, and 10,000 people come to them, and before the service or after it they sell me the diamonds they've found' (Lohuizen, 2005).

Whereas larger towns generally have foreign dealers from Belgium, England, and Israel, the presence of dealers of Lebanese origin all around Africa is remarkable. The grandparents of many dealers moved to West Africa around the time of World War II to become traders and later focused mainly on the diamond trade. In the 1950s to the 1960s many African miners were financed by Lebanese financiers because the licenses were too expensive. Still today Lebanese traders sponsor individual miners and licensees. In return, the miners are obliged to sell diamonds (very often through smuggling) exclusively to the Lebanese traders (Campbell, 2004:21–22).

In Sierra Leone, price fixing among Lebanese traders allows them to beat the competition. Lebanese traders, Christian and Muslim, conduct a bazaar-type trade.

²¹ Such as in Capetown and Johannesburg, tender are held by TrnasHex, or in Luanda by Endiama.

They exchange notes and make agreements on the prices for diamonds. As one informant, a local dealer in Angola, told me:

When a miner arrives to a dealer, the whole town knows about it at once. If one Lebanese declares a price for a stone, you will never get a better price for that diamond elsewhere in this town. They call on GSM and inform each other faster than the miner walks from one office to another.

This way of price-fixing and strong control of each other's activities characterises the trade of Lebanese dealers. The communication between Lebanese traders is very important for keeping the prices high. In Congo the miners (*creuseurs*) sell diamonds either to middlemen (*negociants*), or directly to agents of the *comptoirs*. Middlemen visit alluvial mines and amass parcels of diamonds over the course of weeks, which they sell later to larger *negociants* or directly to *comptoirs*.²² The miners, either in Congo, Sierra Leone, or Angola always feel cheated, but 'they are stuck because they lack the capital themselves to buy licenses and fund their own operations.' As a result there is always theft and smuggling among the miners.²³

The life of local diamond traders, wherever they live, is full of dangers. The business is based on cash, which can be easily stolen from the shabby offices or extorted by a rival group. In Brazil, for example, 'Dealers compete ferociously for stones, and *pistoleros* sometimes help to tilt the commerce one way or another' (Hart, 2003:15). 'Cheats, too, populate the local diamond trade; every kind of fake shows up' (*ibid.*).

The next step from the local town is to the capitals, where the necessary procedures are gone through to get the certificate. This takes place in the better districts of the African capitals, where predominantly foreign diamond firms have their main offices. The diamonds come either from their own local offices in provincial towns or directly from the individual sellers (local small dealers). The first examination and sorting of stones takes place here. There is much suspicion and control at this stage. Where the diamond business is usually associated with trust; here this is absolutely not the case. The pockets of sorters' trousers are sewn shut, to exclude the possibility of stealing. Multiple controls at the entrance of the offices repeatedly take place. According to my informant all these measures do not help; theft happens anyway. The seduction of all this treasure put on the white paper in front of an underpaid official is simply too great.

After the examination and sorting, the certificates of origin are granted.²⁴ The packages with diamonds are sealed and closed in safes. They are later transferred to international airports to fly to the cutting and polishing centres. Formally the licensed exporters purchase all diamonds. Officially African state governments control the production of diamonds. However, the activities of mine officials, who are supposed to monitor and evaluate the performance of miners, licensees, dealers, and exporters, are not often conducted according to the written regulations.

²²*Diamond Industry Annual Review*, 2004.

²³*Ibid.*

²⁴This certificate system became even more complex after the Kimberley Process (see Chapter 7).

In most cases these officials are unskilled, underpaid, and possess no technical or logistic support. Under these conditions direct deals with the illicit dealers and smugglers present the better option.²⁵ Therefore, the state officials lose control over the entire sector because they cannot influence the behavior of the miners and middlemen.²⁶

The control system in the production countries is often presented as the weakest point in diamond production, because in most diamond-producing countries there is a competition-based diamond buying system, including a large number of official, but also unofficial, offices and individuals. In such a system no central registration and monitor is possible.²⁷ The major actors are diamond middlemen who buy diamonds from diggers and miners and *garimpeiros* themselves. With the right connections, good gifts, and a bit of *mazzel* it is not so difficult to avoid all kinds of bureaucratic procedures and to transfer diamonds to Europe.

For the diamond organisation, however, this control system, or to be more precise the lack of control, is a blessing, because it allows them to have more influence on the transport of rough diamonds from producing countries to Europe than the local authorities. It is also able to control possible competition from the side of individual or small groups of dealers, who try to do business outside the registered diamond networks. This information is important for control of the illicit activities and creation of the diamond industry's own legality. The relevant officials in the production country are used for this purpose. Gifts, which the officials receive from diamond traders, vary from rough diamonds to other items and money. The value of a gift is dependent on different aspects, such as the required efficiency (how quickly the procedure can be completed) and the importance of a deal (how large is a parcel, the origin of rough, etc.). These gifts can include televisions or DVD players, mobile telephones, and, sometimes, even cars. One respondent told me:

With all my gifts I became a 'real king' in W. [a small Brazilian village — DS], because I am was actually subsidizing and providing all the luxury to the local people in jungles, which they never would be able even to dream about without me. The chief wanted a color TV — here you are; his daughter wanted manicure set — no problem! I am their best friend, and I have all the freedom here.

Gift-giving to the local officials is then a most customary phenomenon in this context; nobody views it as an abnormal process, but as part of the hospitality culture and family obligation. In societies where family links are strong and based on clearly defined moral codes these social norms are very powerful. The diamond industry can easily manipulate these habits and rituals, and gain its power and control by playing the local rules of game.

²⁵Diamond Industry Annual Review, 2004.

²⁶*ibid.*

²⁷*Global Witness*, 2001, "Can Controls Work? A Review of the Angolan Diamond Control System." Briefing Document, December.

Processing Centres

Transforming unattractive, mainly gray and dull rough diamonds into a beautiful shining stone which we recognise from advertisements and jewellers' shop windows is another difficult and very precise process, in which millions of workers are involved. The most important countries where diamonds are cut, polished, and processed into jewels are India, Belgium, Israel, and the United States, and China, Thailand, and Dubai are becoming more and more important competitors.

Size, work conditions, and use of technology in the processing factories varies a great deal from one country to another. During my fieldwork I visited places in Antwerp and Tel Aviv, which were full of light, with air-conditioning, computers, and advanced equipment. But I have also seen in the same countries small and badly lit rooms, crowded with sweating workers, who used only loupes and wheels. Many factories are traditionally family businesses, although in Belgium and Israel the work is not done at home, whereas in India houses are specially designed for the business. There, in the 1980s the work took place mainly in one or two rooms at the front side on the ground floor, and the actual living quarters were at the back of the house or on the second floor (Legrand, 1985:244–245).

The majority of the workers I have met at the processing factories during my study were men. Women were basically employed as secretaries and in two cases as system operators. Comparing with the Indian traditional picture, sketched by Legrand, women were not actively involved in the cutting/polishing process in Belgium and Israel. According to Legrand, Indian women, especially the older ones, play important roles as leaders, dividing work among young workers – family members – and controlling them (1985:245). There is a gender division of labour, in which the lower-skilled jobs are occupied by women. During my fieldwork I have not seen women working at the processing factories, neither in Israel nor in Belgium.

Also the age of the workers at the processing centers varies significantly. In Antwerp and Tel Aviv the average age was 40 years old. Different reports indicate that in Surat many young people and children work in diamond cutting. The average age, from different sources, varies from 15 to 16 (Legrand, 1985:245) to even much younger, according to Human Rights organisations. The extreme cases of six-year-old children working at the polishing wheels are often presented in the media.²⁸ Some parents, especially those who moved from rural areas to large cities prefer their children to become diamond workers than to go to school, because they think the education system in their region is very bad. 'There is clear evidence that, as industries such as the gemstones and diamond industry have grown, they have acted as a magnet for poor rural families to move into cities, and often whole families end up working, particularly where schooling is inadequate.'²⁹

²⁸Child Labour in the Diamond Industry, 1996–2000, International Labour Organization, on: <http://www.ilo.org/public/english/dialogue/actrav/child/proj/childiam.htm>.

²⁹Ibid.

In India, entire families dedicate their life and work to the diamond business (Kuriyan, 2002:1–2). Today, the centre of the Indian diamond industry is Mumbai; all Indian sight-holders,³⁰ who buy from De Beers, and most nonsight-holding dealers have their offices in Mumbai. The centre of diamond processing is in Gujarat, in the cities of Surat, Bhavnagar, and Bhuj (ibid. p. 3). Another world centre of trade in gems and diamonds is Bangkok. With the huge boom of the Thai economy in the 1980s the presence of diamond traders, mainly Jewish, has grown as well (see Figure 2.1). The local gem industry, however, is still dominated by ethnic Chinese.



Fig. 2.1 This is one of the numerous Jewish gold and diamonds shops in Chinatown of Bangkok. Jewish jewellers specialise mainly in diamonds, whereas Chinese jewellers offer their clients other gems (rubies, sapphires, emeralds, etc.). Bangkok. October 2006. Photo: Dina Siegel

Since the Indian government made rough diamonds import duty-free, licensing is no longer needed. However, the traditional ways of trade and transport still prevail. The old Indian *angadia* (literally, ‘one who carries valuables’) system, involves couriers who do not use any modern technology; trust is the main and only guarantee that diamonds will arrive safely to the cutting shops. The only paper is a waybill, a *jhangad*, and a packet of diamonds. The couriers play an important role in transporting diamonds from Mumbai (trade centre) to different processing factories in Gujarat. This system has existed for more than a hundred years, when it began with camel caravans. The modern couriers travel by train without any weapons or guards with rough diamonds worth millions of dollars. ‘The system works well. Dealers don’t lose their stones, and apart from the *jhangad*, there isn’t much other paperwork’ (Kuriyan, 2002:4). This manner of value transfer is a worldwide phenomenon, known as an informal values and money transfer system, an unregistered system without governmental control and without the involvement of official banks. In spite of the existence of the well-developed financial institutions, diamantairs

³⁰In 2000–2001 there were 42 Indian sight-holders (Kuriyan, 2002).

in various countries still often make use of the *hawalla* money transfer system, ‘a very old and efficient method used for trade and the sending of remittances to the extended family’ (Passas, 2003:151; Siegel, 2009). Attempts to regulate foreign currency transactions led to an increase of *hawalla* money transfers, ‘Mainly the money reaches the person within a very short time and without any official control or red tape. This old system is based on trust inside the groups of people with no banking systems or with no other possibilities to transfer funds and is still enormously popular in many countries’ (Passas, 2003).

Banks and Bourses

The first financial institution which started to specialise in the diamond industry, was the Belgian Comptoir Diamantaire Anversois, established in 1934 as a joint venture between De Beers and the Belgian banks. This bank is known today as the Antwerpse Diamantbank, which specialises in financing the diamond industry, with a clear emphasis on Belgian companies.

The most well known is the Dutch ABN AMRO Bank. It is the greatest credit-provider to the diamond industry. ABN AMRO, followed by the Antwerpse Diamantbank (ADB) with branches in New York, Hong Kong, and Mumbai, finances approximately one-third of the global diamond trade. The big ‘diamond desks’ are in Antwerp, Bangkok, Hong Kong, Mumbai, Moscow, New York, Singapore, and Tokyo.

The dominant position of ABN AMRO comes from the eighteenth century, established in Amsterdam and later also in Antwerp. ABN AMRO finances the diamond trade and processing, diamond stores, transport, and border facilities. It provides loans for the exploration of diamond mines and takes part in building diamond offices. A small number of other banks specialise in diamond financing.

In Israel, diamond traders must have licenses from the Ministry of Industry and Trade to finance their overseas operations. They also need to open a special U.S. dollar account, the so-called Chani account. These accounts were financed by the central Bank of Israel’s Diamond Fund, but since the 1990s individual banks have been financing them from their own funds.

In India the largest banks which specialise in financing in the diamond industry are the State Bank of India and the Bank of Baroda. Indian diamantairs also use Belgian and Israeli banks. In May 2006, India’s second largest bank, ICICI Bank, opened its first European branch in Antwerp.

The word *bourse* (trading exchange) originates from the Flemish city of Brugge in the fifteenth century and is connected to the name of a nobleman Van der Beurse, in whose house meetings of international diamond dealers took place. There are more than twenty diamond bourses all over the world, all incorporated into the World Federation of Diamond Bourses (WFDB), which is based in Antwerp. The ‘Club’ is the oldest bourse in Antwerp (by 1910 it had been rebuilt three times). The ‘Diamond Casino,’ later the *Beurs voor Diamanthatel* was founded in 1904,

and by 1929 included more than 2000 members. A separate exchange for rough was established by dealers in the late 1920s. Today, Antwerp has four diamond bourses, represented in the Federation of Belgian Diamond Bourses (FBDB) and members of the World Federation of Diamond Bourses. De Antwerpsche Diamantring is the only bourse in the world which exclusively deals with rough diamonds and consequently is the *scaif* for rough diamonds in the world.³¹

The New York Diamond Dealers Club (NYDDC) was established in 1931 as a centre for the diamond trade. The Israel Diamond Exchange was founded in the 1940s. The Diamond Club of Singapore (DCS), the first Asian diamond bourse, opened in 1985. Relatively recent diamond bourses are the Diamond Club of Florida and Moscow's Russian Diamond Bourse (RDB).

Not Without the Syndicate!

If the name evokes images of the Mafia, it's not surprising ... (Campbell, 2004)

The history of the diamond industry is unthinkable without De Beers, which grew from a series of small companies in South Africa to the largest international holding corporation in the world. It produces, markets, invests, controls, and distributes the main part of the world's diamonds. The history of De Beers is long and full of politics, wars, and adventures, but mainly great successes all around the world (Dickinson, 1965; Epstein, 1982; Hart, 2003; Kanfer, 1993).

In the 1870s a rivalry between two English immigrants, Barney Barnato and Cecil John Rhodes, for control of diamond mines in South Africa, brought victory to Rhodes, who founded the De Beers Mining Company. By the end of the nineteenth century this company succeeded in gaining control of almost all the world's supply of rough diamonds. In 1929, the Oppenheimer family seized control of De Beers. In the 1930s Oppenheimer established The Diamond Corporation to handle the sale of diamonds and four years later the Central Selling Organization (CSO), which controlled prices and the mechanism of diamond distribution around the world, as well as advertising and promoting the image of diamonds. This was the greatest success of De Beers: its power to create a worldwide demand for diamonds and its ability to create and control their scarcity. The way in which De Beers achieved this has been widely described in the literature: political manoeuvres and well-planned economic strategies, psychological campaigns, and marketing research. Diamonds, for example, became strategically important in World War II. Millions of carats were necessary for the production of radar and guidance systems for submarines and torpedos. In those years production of diamonds was promoted by De Beers as a symbol of patriotism.

However, the glory of De Beers began to diminish in the beginning of the 2000s, following the anti-'conflict diamonds' campaign and fear of the link between diamonds and international terrorism. Different sources present different statistics on

³¹ *De Morgen*, 12 October, 2004.

De Beers' control of world diamond production (from sixty-six to seventy percent) (Malaquias, 2001:312).³² Powerful competitors, such as the Israeli, Lev Levaev, and Russian Alrosa have appeared. In Chapter 6 this competition is described and analysed in more detail. History has proved that De Beers survived in very difficult periods of economic uncertainty and political turbulence. The great success of De Beers under Oppenheimer was achieved in two significant areas: consolidation of all mines under one firm (The Diamond Corporation, established in 1930) and control of sales and distribution (Central Selling Organisation, established in 1934). To this day it remains 'the most successful cartel arrangement in the annals of modern commerce' (Epstein, 1982:2). To this achievement we must add the role De Beers played in maintaining the value of diamonds in a period when diamonds were no longer rare and mass production began. De Beers caused consumers – men and women – to start to perceive diamonds as an inevitable part of married life and continuity (ibid.). But De Beers means more than economic success, however. One of the fascinating aspects relevant to criminology is the historical definition of De Beers and its specific components: the 'chosen' clique of sight-holders, almost no lawyers, no written contracts, and deals based on handshakes alone. In the literature it is either referred to as a 'cartel,' 'syndicate,' or 'family business.' All these terms have both legal and illegal connotations.

The first term is *cartel*. In general, a cartel is considered a form of cooperation, in which secrecy, exclusivity, and informal rules prevail (Spar, 1994:2). It is based on an arrangement among corporations to control distribution, fix prices, and reduce competition. The parties involved conspire in order to get benefits and/or to damage competitors. American anti-trust laws define as illegal any agreement which can lead to limiting trade, sales, and transportation, or has influence on commerce.

The aspect of total control is one of the most important pillars of a cartel. The original purpose of controlling diamonds was the basis of De Beer's existence from the very first moment (Hart, 2003:48–52). A cartel is a 'despotic ruler', projecting an aura of power. De Beers succeeded in creating an image that its power is so great that no customer, no single diamantair, could survive without it (Hart, 2003:117–118).

But De Beers is also often held up as another form of cooperation, namely a syndicate. Cecil Rhodes is remembered as one who succeeded in taking control of the diamond distribution through the Diamond Syndicate, namely an alliance of diamantairs in South African Kimberley, who agreed on specific rules aiming for high prices and the idea of scarcity. In other words, De Beers is an example of a syndicate in its widely accepted meaning: cooperation between corporations with a general aim to accomplish a specific business objective, where the profits are divided among the participants. In criminology, the syndicate is usually considered in another context, namely, an organised crime syndicate, or a criminal group that regulates relations between various enterprises, which may be regional, national, or worldwide in scope. It may be concerned with only one field of endeavour or with a wide scale of licit or illicit activities. Syndicates fix prices for goods and services, set

³²See also *Global Witness*, 2000:1.

policy, allocate markets and territories, act as a legislature and court, settle disputes, impose taxes, and offer protection from both rival groups and legal prosecution. It is therefore difficult to define the difference between definitions of legal and illegal syndicates.

For generations De Beers dominated the digging and selling of rough diamonds. The process was simple: De Beers ran the mines and brought rough diamonds to a clearinghouse in London, where stones were sorted and evaluated. The sorted rough stones were sold to the chosen clients (sight-holders) at nonnegotiable prices. These sales still take place ten times per year in London. The parcels (packed in shoeboxes) contain a mix of different diamonds, not necessarily those desired by diamantairs. The idea of a package deal is 'buy it or leave it', but if he chose the latter option he knew that he could forget his privileges and his right of being a sight-holder. 'The sights have a mystique. . . . Diamonds lore speaks of the rewards and punishments meted out by De Beers' (Shield, 2002:31).

The question remains: why are the sight-holders ready to buy parcels at the price set by De Beers, without even looking at the stones? Sight-holders pay millions of U.S. dollars in advance for rough diamonds they are not even allowed to see. And what is more striking, they are all grateful for this opportunity. De Beers has succeeded in creating an exclusiveness of belonging to a group of 'the chosen ones' by manipulating the importance and prestige of this group. The principle seems familiar: as with any crime family, once you are inside, you are a member with all rights and duties. 'Like the Mafia, once you're inside the diamond syndicate, you're a part of a family, one that values its privacy and jealousy – even insidiously – protects the family business' (Campbell, 2004:118).

De Beers actually sell not only diamonds, but also, and more important, the reputation of exclusiveness, the feeling of being chosen and best. The value of the diamond in this case goes farther than stones alone; it is the value of social status and prestige. The act of playing the game generates consent for its rules, providing a challenge to the routine (Burawoy, 1979).

Control and Mobility

De Beers controls the diamond chain supply through the Central Selling Organization, which buys Canadian and Russian diamonds and purchases the production of De Beers' mines in Africa. These diamonds are sold to the elite, the carefully chosen sight-holders, who bring the rough diamonds from London to their own businesses, cut and polish them, and then sell them to their own retail customers all around the world. I have already mentioned the exclusive character of the group of sight-holders. However, there is another aspect of exclusiveness, the struggle against real and potential competitors. After buying the parcels the clients process the stones and sell them to retailers. The regulation of price was always conducted through regulation of supply which was totally in the hands of De Beers. If anyone dared to sell rough diamonds on the side, De Beers either bought them too, or put pressure on the

relevant authorities in order to avoid the competition.³³ One example comes from the history of the Israeli diamond industry. In 1977 de Beers became very concerned about Israeli competition. In this period, Israelis started moving to Africa and buying diamonds directly from the local smugglers. Israeli dealers were especially active in Liberia. Also, Israeli banks encouraged the deals in the form of loans, charging only six percent interest. The situation was almost out of De Beers' control. However, the pressure De Beers put on Israeli banks, warnings that it was 'embarking on a policy of manipulating the prices of diamonds in order to trap speculators' (Epstein, 1982), and cutting off shipping of diamonds to only a limited number of diamantairs led to changes in favour of the cartel.

As one Israeli diamond trader explained to me:

Diamonds are De Beers! And nobody can, wish or will be able to challenge its power. It is simply waste of time and energy. If you go against De Beers you go against the giant, the dragon, which will spit fire on you until you disappear....

Another example comes from Africa. In 1981, the government of Zaire (now Congo) decided to terminate selling its industrial-grade diamonds to De Beers. As a response De Beers flooded the market with industrial diamonds from its stockpile, reducing the Zairian prices down to forty percent. Two years later the president of Zaire, Mobutu Seso Seko reopened negotiations with De Beers and made contracts with him on less favourable terms (Spar, 2006:199).

One of the De Beers' strategies to control potential competitors was allowing the small companies of exploration experts to do a dirty job, looking for diamonds, and if they succeeded, then buy out their claims (Campbell, 2004:136). Therefore, De Beers invested in agents who would spy on new discoveries and potential competitors, from Canada to Sierra Leone. In the 1950s De Beers employed Sir Percy Sillitoe, 'the former head of MI-5, the British intelligence agency' to identify and inform on competition under the mantle of the anti-smuggling campaign (Campbell, 2004:118).

Another remarkable case from the mid-1950s of how De Beers recruited intelligence agents, former militaries, and even smugglers themselves to control their mines is this of Fred Kamil, alias 'Flash'. The Lebanese, Kamil, is known as one of the most colorful and important figures in the illicit diamond world. He was a trader in illicit diamonds, buying them from smugglers for a half or a third of the price. Having once been cheated by a smuggler he launched his own campaign against illicit smuggling. He organised his own guerrilla group from Monrovia petty criminals and conducted ambushes at the Liberian–Sierra Leonean border, beating and stealing diamonds from the smugglers. De Beers offered him a 'deal he could not refuse,' namely Kamil and his men would operate as undercover agents for the Lebanese, and as a price Kamil would turn the diamonds over to De Beers and receive one-third of their value in cash (Smile et al., 2000). Kamil worked for De Beers for three years. In 1968, he discovered that he was not, as promised, receiving full payment from De Beers and hijacked the South African Airway Boeing 707, the

³³*The Economist*, 15 July, 2004.

Letaba, when the son-in-law of Harry Oppenheimer was supposed to be on board. When it transpired to be a mistake he surrendered, was arrested, and imprisoned in Malawi. Later, he wrote a book about his adventures (Kamil, 1979).

Even the 1950s De Beers realised that they needed to invest and develop control and security techniques. The Diamond Protection Force (DPF) was established, which used the newest technology, including light planes and helicopter controls, radio communication, and other sophisticated methods. Illicit miners, so-called 'san san boys' and caught smugglers were usually imprisoned, but there were also cases when they were shot and killed (Smile et al., 2000). In large mines x-ray control of diggers is a regular practice. Because of the health danger of frequent x-ray radiation such controls were randomly applied. De Beers, however, in an attempt to stop the mass smuggling from mines, developed 'a low-dose x ray called Scannex, which allowed the security staff to use the x rays more frequently' (Hart, 2003:169, 170).

The control of the so-called smugglers is, however, not only the control of individual diggers, who try to steal from mines and then sell the stones to small local dealers, but control over potential competitors for De Beers' control of supply. Mines are robbed everywhere, from Botswana by criminal groups and from South Africa to Australia by organised gangs to governmental officials. Stolen and smuggled diamonds appear in legal markets on the local scene, where the deals are made in cash. The moment it passes from a thief's or smuggler's hand into the hands of dealers, 'it acquires a pedigree' (Hart, 2003:180). In 1995 the great amount of deals between illicit diamantairs and workers in the alluvial fields in Sierra Leone were discovered by De Beers. The diamond organisation is interested in criminalising these persons and their activities, for example, by promoting antismuggling campaigns, or even assisting local authorities in catching the thieves. 'The elimination of competition meant the avoidance of uncertainty, the formalisation and predictability of outcome, the minimization of risks' (Geis, 2002:129). Criminalisation is, however, only one of the many possibilities to deal with competitors. In Chapter 6 I discuss other strategies, such as negotiation and cooptation with potential rivals.

Another important aspect for the diamond organisation to get its legality and power is to move its activities around the world. Fast reaction to new discoveries and new markets is essential. Throughout its history De Beers demonstrated its flexibility and decisiveness when diamond mines were found.

Illegal Activities of De Beers

In July 2004, De Beers was found guilty of criminal price-fixing. Earlier in its history De Beers faced antitrust cases brought by the U.S. Justice Department in 1945, 1957, and 1974, as a result of this, leaving the American market and developing a network of intermediaries to get diamonds into the country. According to some authors this network operated highly secretly along clandestine routes, similar to weapon and drug barons (Roberts, 2004), from Europe to the United States. 'De

Beers itself is treated almost as an organized crime operation in the United States' (Campbell, 2004:117).

In 1994, De Beers was accused of violating antitrust rules by fixing prices in 1991 and 1992. De Beers had exchanged price information with General Electric, a huge producer of industrial diamonds. However, in 1994, the case was dismissed. De Beers refused to subject itself to the jurisdiction of an American court and there was not enough evidence to prove price-fixing with General Electric. Ten years later, however, De Beers chose to plead guilty and pay a \$10 million fine, a clear strategic decision inasmuch as now De Beers has unrestricted access to the American market. Definition or, more correctly, redefinition of the social context allowed De Beers to clear its name and to continue the same activities under a different interpretation. This all became possible in negotiations between the American legal authorities and the former 'criminal.' Sociological literature is rich with similar cases of syndicates' and cartels' activities. Geis, for example, described how in the course of twenty years General Electric, Westinghouse, and twenty-seven other corporations illegally conspired to agree as to which of them would offer the low bid and fix the price in selling heavy electrical equipment to the public (2002).³⁴

Although De Beers is often described as a cartel or syndicate, there is still another concept often applied, namely the 'family business.' In criminology this concept is also usually associated with criminal business. The family structure is often referred in the literature as an 'organised crime family.' Organised crime is connected to illicit products or services (Block and Chambliss, 1981; Hobbs, 1994; Sterling, 1994; Albanese, 2004; Paoli, 2003). Family structure is mainly characterised by graded ranks of authority from boss down to soldiers (Albanese, 2004:98). Mafia groups in Italy are known as 'families,' although 'these groups are completely separate from the blood families of their members' (Paoli, 2003:16). Also in Turkish mafia families, *baba*, which means literally 'father,' is actually a leader of a criminal group, which has nothing in common with his blood family (Bovenkerk and Yesilgoz, 1998). However, not only products, but also the manner of conducting business is remarkable in the context of family crime activities. It includes secret agreements, striving to enlarge and control specific sectors or branches, punishment of disobedient members, and revenge on rivals. However, the 'family business' of De Beers and of many other diamond companies is mainly associated with close family relations and not with the criminological concepts such as the Sicilian *famiglia* or Mafia brotherhood. This is also a very important source of confusion in the usage of this term.

At the head of the diamond world stands the Oppenheimer family, 'the richest family in South Africa' (Hart, 2003:120). Generations of Oppenheimers keep the power of De Beers. Nicky Oppenheimer is the richest man in Africa,³⁵ the family still owns a forty percent direct stake in De Beers, and Nicky Oppenheimer and his son Jonathan run the company. Although the product of their business itself is

³⁴ Another example is a case of cartel-forming in the construction industry in the Netherlands.

³⁵ His father, Harry Oppenheimer, died in August 2000 at 91 years of age.

innocent, and therefore incomparable with those of criminal families and criminal enterprises, there are some aspects, such as control, protection, self-regulation, and punishment, which are common to both illegal and legal business structures. De Beers is also characterised by secret codes, for example, in providing sight-holders with parcels of diamonds. De Beers operates in high secrecy in careful selection and exclusion of sight-holders. One of the main competitors of De Beers, the Israeli, Lev Levaev, was first invited to become a sight-holder, but later punished by being excluded from the circle of the 'chosen' diamantairs. The same secrecy is exercised in their efforts towards total control of different spheres and markets, including exclusive contracts with governments and other diamond magnates.

Theoretically, it is possible to compare De Beers with different forms of crime organisations: the syndicate or 'family business.' In reality, however, it is a paradox: firstly, because the product in which they deal is not illegal or dangerous, but rather highly valued and positive: the stone of love and happiness. Secondly, with the exception of an incident with 'cartel-forming' mentioned above, De Beers is not associated with any criminal or illicit activities in the economic sphere. On the contrary, De Beers is a highly respected and esteemed economic entrepreneurship, with great economic successes and far-reaching future plans, which are associated with bringing prosperity and jobs to thousands of people worldwide. Although organisations such as the Yakuza and Chinese Triads employ hundreds of thousands of people who work for them, there is a great difference in their impact on the world economy. Thirdly, terms such as syndicate and cartel were first used in the regular economy and only later in association with criminal groups, which also led to a great confusion in the scientific literature.

An Old Monopoly in a New World

Since the 1990s four main developments have been slowly taking place in the diamond world. First, the internationalisation of the sector, in which more and more Indian diamantairs play a leading role; second, the rise of new multinationals, which present a growing competition to De Beers; third, the ongoing struggle for power between the diamond industry and different governmental and nongovernmental organisations; and fourth, the independent routes which some countries prefer to take, avoiding involvement with De Beers. New diamond mines in Canada, Russia, and Australia did not automatically fall into the hands of De Beers; the rough diamonds are either sold to other companies or to De Beers at higher prices. In the 1990s, with the collapse of communism the role of De Beers in Russia strongly diminished. In spite of numerous attempts to negotiate with the new Russian authorities, more and more Yakutian diamonds are now sold to companies other than De Beers. In 1996, the Australian Argyle also decided to terminate cooperation with De Beers. The rapid development of the Internet also contributed to the diminishing of De Beers' control of supply, allowing traders to communicate directly and make deals independently.

According to my respondents, as a result of these drastic changes, De Beers' market share fell from eighty-five percent in the 1970s and 1980s to not more than sixty percent in 2005. These developments caused De Beers to create new strategies and policies in order to protect itself as a semi-autonomous sector and to survive as an economic empire.

In 2001 De Beers announced a new policy, the basic idea of which was to replace the generations-old monopolistic approach of control of the world supply by a strategy of the so-called 'Supplier of Choice.' The message was that instead of focusing on world domination, De Beers would concentrate on adding value to its diamonds through branding and marketing strategies.³⁶ The new hallmark was called the Forevermark, emphasising the old De Beers' integrity of guaranteeing the best quality of diamonds and continuation of its 'A Diamond is Forever' slogan. However, this was not the only step the organisation took in the new direction. In January 2001 De Beers forged a partnership with the French Louis Vuitton Moët Hennessy (LVMH) conglomerate. This action of De Beers was a part of its new strategy to associate the luxury and super-rich articles with De Beers' diamonds, which in the long-term is supposed to emphasise the value of 'real' diamonds of De Beers against the diamonds of all other competitors.

When De Beers announces that they will not try to control the world supply of rough diamonds, but will become one of the players in the market, the question is why should it abandon its hegemony? A close look at the strategies and activities of De Beers since 2001 will reveal that what it promotes as a new direction does not really mean the change of control and power. Perhaps the announced strategies make these old–new tasks even more explicit. De Beers did not terminate its expansion plans. Immediately after announcing the end of its monopoly in July 2001 De Beers conducted a successful takeover operation in Canada.³⁷

The emphasis on the exclusiveness of the De Beers' diamonds means that there is even more careful selection of the sight-holders. Only the richest and the most influential sight-holders are welcome, the control, exclusiveness, and selection remain the most important elements of the organisation policy. The cartel of the hundreds of diamantairs became a cartel of the powerful few ones. In fact more than twenty percent of sight-holders lost their sight in 2003, causing a split between the large companies which received more privileges and larger supplies of rough from De Beers and the medium-sized and small companies which have difficulty in sourcing viable rough diamonds.³⁸

Control and rapid reaction to the changing situation have always been important pre-conditions for the survival of the diamond organisation. In the context of the above-mentioned developments, however, especially in regard to the growing

³⁶ *Fortune*, 19 February, 2001; see also brandchannel on: http://www.brandchannel.com/features_effect.asp?pf_id=34.

³⁷ Winspear mine in Canada's Northwest Territories, on: www.diamonds.net.

³⁸ *Index Magazine*, 10 April, 2006, on: http://www.idexonline.com/portal_FullMazalUbracha.asp?id=25496.

competition and transparency in the social world of the diamond organisation, one may expect that the price of diamonds will fall. When there is no mystique and no longer a monopoly, the value is supposed to decrease, at least theoretically. In the next Chapter I demonstrate that this is not the case in the context of the diamond world. The diamond industry has succeeded not only in creating and maintaining the value of its product and of itself, but during recent years has even increased.

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