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Have African-based Diamond Monopolies Been Effective?

Introduction

Diamonds that fuel African wars, known now as 'conflict' or 'blood' diamonds, are derived mostly from central Africa. Rough diamonds valued at approximately US$370 million in 1999 and $170 million in 2000 passed through rebel territory in this region. Angola's rebel movement, the União Nacional para a Independência Total de Angola (UNITA) controlled the export of approximately $300 million in rough in 1999, which perhaps fell to $100 million in 2000.[1] The main rebel groups in the Democratic Republic of Congo (DRC)[2] do not play as active a role in mining diamonds themselves, although they tax and regulate artisan miners who can then sell to foreign dealers operating in towns such as Kisangani, Goma and Gbadolite. The diamond trade in eastern and northern Congo, much of which may completely bypass rebel taxation, is in the order of $70 million per annum, or more.[3]

Angola and the DRC instituted diamond-exporting monopolies in 2000 to reduce smuggling and increase official state revenue – although the DRC is in the process of renegotiating its contract with the exclusive license holders at present.[4] The monopolies were also promoted as a means to prevent conflict diamonds from entering the legitimate national rough trade, especially in Angola. Some will dispute this second point but both monopolies were offered as a means to clarify and regulate the ambiguous and unruly nature of the local diamond markets in these two central African countries – especially after De Beers announced a unilateral embargo on Angolan diamonds in October 1999.[5] This article will appraise the success of the monopolies by focussing on whether the regimes have increased state revenue, curbed smuggling, increased transparency and oversight, and reduced official outlets for conflict diamonds.

Moreover, the principal foreign power sources behind these two monopolies will be examined. Allegations of links between certain monopoly members and illicit activity will be assessed, with several cases highlighted to provide a more complete picture of the dynamics within the monopolies. Above all, this article seeks objectivity in attempting to separate fact from fiction, and in citing the possible sources, and reasons behind, numerous rumours in circulation – and how these rumours may play into the interpretation of data.

Democratic Republic of Congo (DRC)

Reviewing the Monopoly's Success

An Israeli firm, International Diamond Industries (IDI), headed by Dan Gertler, was awarded an eighteen-month monopoly on diamond exports from the DRC in July 2000 through the company's subsidiary IDI-Congo, to take effect 30 days after signing – the contract was reportedly repealed in April 2001.[6] 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".[7] Nearly one year later this certificate of origin scheme has yet to be instituted – although it was agreed upon on 27 April 2001. Despite government officials defending the contract with IDI-Congo as a means to prevent the export of conflict diamonds and increase state revenue, the deal was in reality meant to provide cash for Laurent Kabila's war effort, with talk of military assistance, presumably from the Israelis.[8]

IDI-Congo's exclusive diamond export contract was concurrent with the government's suspension of all other export licenses, with many foreign dealers forced to depart the DRC when their work permits were subsequently annulled – despite the fact that the export licenses were supposed to be valid until the end of the year. Artisan diggers and local traders were still allowed to operate but had to sell to IDI-Congo since the other exporters (*comptoirs*) were forced out of business.[9] The monopoly, which was meant to harness illicit diamond transactions and exports, had just the opposite effect on the diamond sector. Certain Congolese diamond traders reportedly refused to sell to IDI-Congo, leading to the increase of fraudulent activity. The monopoly was accused by its competitors of "cherrypicking the best Congolese diamonds and offering below-market prices for the rest, frustrating many producers who then smuggle their stones across the border for sale in the neighboring Republic of Congo".[10]

According to figures produced by the Hoge Raad voor Diamant (HRD) in Antwerp, Belgium did not import any diamonds from Republic of Congo (Brazzaville) in August 2000, but once the IDI-Congo monopoly came into effect, imports from Brazzaville jumped to 427 000 carats in September, 1 179 000 carats in October and 853 000 carats in November. When the monopoly reportedly began losing momentum, Antwerp imports from Brazzaville declined to 360 000 carats in December and 295 000 carats in January 2001 – probably also due to the effects of the rain season on artisanal mining. The exact origin of these diamonds is not known and they cannot all be attributed to the DRC; illicit Angolan diamonds have historically passed through Brazzaville, including those exported by UNITA rebels. The increased volume of rough passing through Brazzaville, however, partially suggests that IDI-Congo's diamond exporting monopoly resulted in an increase of diamond smuggling by Congolese and foreign traders, with Antwerp importing $120 million in rough from Brazzaville between September and January 2001. One might assume, therefore, that IDI-Congo's monopoly reduced state revenue as all other diamond exporters lost their operating licenses, with some possibly preferring the illicit trade and exporting DRC diamonds from Brazzaville instead. But was this IDI-Congo's fault?

Brazzaville, across the Congo River from Kinshasa, has long been a supplier of rough diamonds to Belgium; for example, Belgium imported over $1 billion in diamonds from Brazzaville from 1996-1997.[11] Regulations for exporting diamonds are much more lax in the Republic of Congo which has no domestic production. Export duties on rough diamonds are also cheaper than in the DRC – allowing traders in the Republic of Congo to pay higher prices for rough. Brazzaville's diamond exports to Antwerp increased dramatically, from $1.5 million per month before the creation of the IDI-Congo monopoly, to $25 million per month after the monopoly took effect.[12] This is based in the historical fact that attempts by Kinshasa's governments to control the national diamond trade have been met by smuggling to neighbouring Brazzaville. President Joseph Kabila's aim to liberalise the DRC's diamond sector, and repeal his father's directives, should alter this situation but it remains to be seen if the state treasury will profit to the same degree with IDI-Congo's departure.

The Congolese newspaper *Le Potentiel* reported on reduced prices offered for rough by IDI-Congo and the monopolists' preference for gem over industrial quality diamonds.[13] This accusation is debateable since other sources note that IDI-Congo paid a higher price per carat than the average of the numerous *comptoirs* it replaced. An article by Ngwanza Abor in *The Newspaper* promotes IDI-Congo's purchasing methods by revealing that the company paid on average $24.34 per carat during four months of operation (October-January 2001), compared with an average of $7.72 dollars per carat paid by the official *comptoirs* in 1999, and $12.56 per carat from January to August 2000.[14] Average carat value, however, means little without referencing exactly which diamonds were purchased. The DRC's diamond mining parastatal, the Société Minière de Bakwanga (MIBA), produces large volumes of lower quality diamonds that reduce the average carat value. A spokesman for IDI contends that the company bought all of the diamonds offered by MIBA – suggesting that IDI-Congo raised the average price paid per carat of all the DRC's official diamond exports.[15] Conversely, one source close to MIBA notes that IDI-Congo did not purchase a MIBA tender in October 2000, which reportedly went to Super-Gem, and has only bought two out of four MIBA tenders as of May 2001.[16] If this were correct, the higher price paid per carat by IDI-Congo would only display a higher proportion of gem-quality stones. It also remains unclear whether IDI-Congo's contract with the government encompassed all Congolese diamonds, or excluded production from MIBA.

Average prices paid per carat and discrepancies over the commercialisation of MIBA's production do not answer the question of whether the monopoly maximised government revenue from the diamond sector. Ironically, while smuggling through Brazzaville increased, so did government revenue. The previously cited article in *The Newspaper* from January 2001 favourably compares IDI-Congo with the previous chaotic system of numerous *comptoirs* exporting rough diamonds from Kinshasa.[17] It reports that IDI-Congo purchased $72 million in rough diamonds from October 2000 to January 2001, compared with $39 million by the twenty-seven official *comptoirs* during the same four-month period in the previous year, with the vice-minister of mines and the former Centre national d'expertise cited. It would appear that IDI-Congo commercialised more diamonds than the *comptoirs* it replaced, concurrent with increased smuggling through Brazzaville, perhaps highlighting the fact that many *comptoirs* did not declare all of their purchases, and smuggling syndicates currently exporting from Brazzaville previously operated illegally from Kinshasa. According to a document obtained from Congolese sources, titled "Bilan I.D.I Congo" (IDI-Congo Balance Sheet), tax levied on IDI-Congo's exports generated more revenue for the state than taxes paid under the old system: $6,605,979 after IDI-Congo's first three months compared with $1,189,607 during the same period in the previous year.[18] Handwriting and a signature on the document, allegedly that of Vice-Minister of Mines Ambroise Mbaka, also notes that the $6.6 million is inclusive of payments for the exclusivity license – which will be discussed later.

The recent United Nations report on the plundering of the DRC's resources briefly mentions IDI. The report uses exceptionally harsh wording to describe the monopoly: "This deal turned out to be a nightmare for the Government of the Democratic Republic of the Congo and a disaster for the local diamond trade as well as an embarrassment for the Republic of Congo, which is currently flirting with illicit diamonds. According to different sources, IDI paid only $3 million instead of $20 million and never supplied military equipment".[19] Such an uncharacteristic attack in a UN report seems very curious. The report is also extremely vague about the diamond trade in the rebel-held portions of the Congo, making one suspect that the panel's research methodology concerning diamonds was inadequate. Furthermore, it is not possible to verify the truth of the UN's allegations against IDI-Congo since they are not supported by published evidence. Subjective wording describing IDI-Congo, such as 'a nightmare' and 'disaster', could make detractors suspect that the monopoly's competitors supplied the information cited by the UN.

Documents obtained by IPIS are similarly difficult to interpret and provide for two conflicting conclusions pertaining to the amount paid by IDI-Congo to the state. IDI-Congo's alleged "License d'Exclusivité", dated 7 September 2000 in Kinshasa, refers to an accord between the government and IDI-Congo on 31 July 2000. According to this document, IDI-Congo is provided, "contre paiement du montant de 20.000.000,00 US Dollars (Dollars Americains Vingt Millions) le droit d'exclusivité dans le secteur du diamant" – translated as exclusive rights in the diamond sector against the payment of $20 million. This document is apparently signed by Dr. Nkere Ntanda Nkingi, special representative to the head of state for public and private investments, and Mawampanga Mwana Nanga, Minister of Finances and Budget. IPIS requested copies of the bank transaction in which this $20 million was paid in full or through instalments but IDI did not furnish these details, although Lior Chorev remarked that 'as far as he knew, the money was actually paid to the Congolese government'.[20] It is difficult to verify how much money was indeed paid by IDI or IDI-Congo. The "License d'Exclusivité" appears to be a receipt from the Congolese government, and the signatures of the Minister of Finances as well as that of Kabila's special representative for public and private investments would suggest that this document is more than an agreement of intent from IDI-Congo, which is cited as occurring on 31 July 2000.

The other document, however, titled "Bilan I.D.I. Congo" (mentioned previously) shows that the $6.6 million in diamond receipts to the Congolese state for the first three months of the monopoly may have included payments for licenses. Handwriting and a signature under the section titled "Augmentation des recettes de l'Etat", allegedly that of Vice-Minister of Mines Mbaka, refers to the $6.6 million as being inclusive of payments for exclusivity. Since the government receipts were not higher than $20 million for the first three months, and if this $6.6 million is inclusive of the license, then perhaps IDI-Congo did not pay the full $20 million and, instead, paid a smaller sum of perhaps $3 million as alleged by the UN. Lior Chorev, when questioned about this possible discrepancy, remarked that the $6.6 million "is only the amount that was paid as tax and does not include the money paid for rights and for the exclusivity", of which he reportedly has documentation.[21] The question of what IDI-Congo was expected to pay, and whether those payments were made in full, remains unanswered since conflicting terms of payments for exclusivity are used, and no documentation of bank transfers has been furnished. In the meantime, journalists have criticised IDI for not respecting its contract, citing the UN report exclusively.

The question concerning benefits to the Congolese government can be answered by citing increased state revenue, regardless of whether the $6.6 million sum is inclusive of payments for licenses or not. The DRC government seems to have made more money out of the IDI-Congo deal than during the previous system of competing *comptoirs*. Even if the license fees paid by the *comptoirs* were added to the previously cited figure of $1.18 million in taxes for the last quarter of 1999 under the old system, it is unlikely that this would equal state revenue gained from IDI-Congo in the last quarter of 2000. Moreover, increased smuggling through Brazzaville, which appears to have been a direct result of government restrictions on the domestic diamond trade, may not represent a tangible loss to the Kinshasa government. Interpreting the Brazzaville statistics as a net loss to the Kinshasa government would have to be based on the assumption that these diamonds passed exclusively through official routes in the DRC under the previous system. Diamonds have historically been smuggled out directly from Kinshasa to major trading or polishing centres, approximations of which can be obtained through comparisons between the DRC's export figures and Belgian import figures[22] – Belgium is currently the only country to publicly release rough diamond import figures categorised by country. During the IDI-Congo monopoly, Belgium imported 3.4 million carats valued at $117 million from the DRC between September and December 2000. This suggests that diamonds were smuggled out of Kinshasa and imported legitimately in Antwerp, even if one MIBA tender went to an Antwerp-based company in October 2000 – unless the IDI-Congo contract was being legitimately circumvented by the DRC government. When vice-Minister Mbaka declares that "We are losing around 50 million dollars a month"[23], this is true but it cannot be conclusively linked to IDI-Congo's activities. It is likely that these smuggling routes existed under the old system. Indeed, Laurent Kabila's restructuring of the diamond trade in the beginning of 1999, including the cancellation of all diamond purchasing licenses and a ban on foreign currency transactions, pushed the legitimate diamond trade into well-established illicit circuits with profits declining through mid-2000.

The issue of conflict diamonds does not seem to have been addressed after initial statements declaring the government's intentions to regularise the domestic trade by awarding the IDI-Congo monopoly. One rumour circulating in Kinshasa and Antwerp alleges that IDI-Congo bought UNITA diamonds.[24] This has not been verified and has been denied by IDI. Nor is there any evidence of IDI-Congo buying rough diamonds from territory controlled by rebels in eastern Congo: Lior Chorev stated that, as far as he knew, conflict diamonds in the DRC "are easy to identify because of their unique origin (Kisangani) and color. We put great efforts to prevent any marketing of such diamonds."[25] The movement of conflict diamonds through diggers and middlemen is a likely occurrence, however, whether from northern Angola (where UNITA mines), or from areas such as Lodja and Lusambo in south-eastern Congo, where local dealers make arrangements with the rebels and government alike. The volume of this trade in 'conflict diamonds' is not known but the political and military complexities of the war in the Congo make the official market one of many expected outlets for these diamonds, especially with UNITA's diamonds in northern Angola being similar to those of south-western Congo around Tshikapa. The trade in conflict diamonds basically follows the same routes as the trade in illicit diamonds, many of which are commercialised and legitimised by middlemen in remote locations, closer to the mines than to the capital. Even if conflict diamonds were commercialised by mistake, this would have been due to the impossibility of certifying the origin of rough sold by middlemen – a situation that existed before IDI-Congo's entrance and will not change in the near future. It is therefore not even necessary to criticise the DRC's new certificate of origin deal with Antwerp's HRD on 27 April 2001; it is an entirely superficial system because conflict diamonds enter official routes at the same points as non-conflict artisan diamonds, long before tamper-proof certificates with water marks and sequential numbering are of any relevance.

Other Concerns

Dr. Nkere Ntanda Nkingi, one of the signatories of the previously mentioned 'License d'Exclusivité' and special representative to the head of state for public and private investments, alluded to a possible venture whereby Israeli military specialists would work in the DRC in connection with or in exchange for the IDI-Congo contract. He was quoted by the *Associated Press* as saying that "the Israeli army would train the Congolese police anti-smuggling unit to improve control over the country's diamond wealth"[26] and that "IDI is the only company which could offer us such a deal [involving training of anti-smuggling agents] and that is one of the reasons why we chose them".[27] The statement was denied the next day by IDI, the Israeli Defence Ministry and the Congolese government, with Nkingi later put in jail for unspecified reasons. IDI's spokesman for the company's representative in the Congo, Lior Chorev, corrected the statement by Nkingi, noting, "I.D.I was more than happy to recommend people but we're not directly involved in any military operation".[28]

Alleged copies of initial correspondence between Dan Gertler Diamonds (DGD) and the Congolese government are in the possession of IPIS and show that Gertler had been trying to enter into the country since early 1998, before IDI had been formed.[29] According to this correspondence, DGD, based in Ramat-Gan and represented by Dan Gertler, boasts of the CEO's family ties – his grandfather is Moshe Schnitzer, former President of the Israel Diamond Exchange and DGD "has the full backing of M. Schnitzer &Co".[30] This letter is dated 12 March 1998 in Kinshasa and was addressed to the DRC Minister of Mines, Kibassa Maliba, noting that DGD is a capable diamond trading company, referencing its activities in Russia, Sierra Leone and Guinea, and states that the company 'owns and operates its own mining, transportation and security equipment, and trains its own personnel'. According to this alleged correspondence, the initial proposition was a contract for the purchase $2 billion in rough diamonds over a period of 24 months. Another letter is dated 12 March 1998 and titled "Memorandum d'Intention" and is the alleged correspondence between Minister Maliba and Gertler concerning the previously mentioned proposition.[31] According to the last paragraph of this letter, the company mentioned, "Dan Gertler", considers as a partner in the realisation of this memorandum the "Russian Military Brotherhood", created under Presidential decree number 634 on 23 June 1995 in Russia. This memorandum further references contracts that were concluded between the Russian Military Brotherhood and, according to the wording in the document, Dan Gertler Diamonds on 25 February 1998.

Other alleged correspondence between DGD, the Russian Military Brotherhood (RMB) and the president of MIBA, Mr. Katende, occurred on 22 March 1998.[32] According to this letter to MIBA under the heading "Russian military brotherhood", the RMB expresses its satisfaction with negotiating the participation of its partner "Dan Gertler Diamond". The letter mentions that the RMB has considered the offers on the termination of the construction of a power plant in the area of MIBA's activity, and that the RMB is prepared to organise the investments for the decision of this question. The two concluding paragraphs read: "We are interested in development of mutual cooperation in the field of creation of bank and joint venture on production of diamonds and gold … We represent interests of known firms according each of these questions and are ready to sign the Agreements on intentions with the indication of terms of execution of our propositions … Yours faithfully, Director of department 'Development of cooperation With the countries of Africa'". Another alleged letter from "Dan Gertler Diamond" addressed to the president of MIBA notes that the company "Dan Gertler Diamond" wishes to conclude a contract for the purchase of $3 billion dollars of rough diamonds over a period of 5-10 years, and mentions to MIBA that the company recognises the Russian Military Brotherhood as its partner in the realisation of this contract.[33]

The deal outlined in the alleged correspondence seems to have involved Dan Gertler Diamonds guaranteeing the purchase of diamonds from MIBA for ten years, with MIBA agreeing to pay for the construction of a power station and for the electric power provided from this station through diamond purchases. An intriguing aspect is the difference between the financial commitment referenced to the government ($2 billion) and to MIBA ($3 billion). Furthermore, a second company is mentioned in a chart of this association, with the "East Power Corporation" in charge of the power station. These documents do not clarify exactly what role the Russian Military Brotherhood was to play: whether it was to work with the East Power Corporation, or replace it for a contract on the termination of the power plant's construction, with the RMB acting as a broker of sorts. Lior Chorev, when asked about the alleged association between Dan Gertler Diamonds and the Russian Military Brotherhood, noted that the RMB had offered to mediate a contract with MIBA in early 1998 and, despite one meeting with the head of MIBA, there was no subsequent relation with the Russian Military Brotherhood.[34] He also mentioned that since IDI was not registered as a company at that time, "I.D.I and the contract with the Congo had nothing to do with the Russian Military Brotherhood".[35]

Little information can be found on the Russian Military Brotherhood. Lt-Colonel Pavlov at the Office of the Defence, Military, Air and Naval Attaches, Embassy of the Russian Federation in Washington D.C. supplied a link to an internet site. This site lists the Russian Military Brotherhood's activities as a military school and a program for teenage abusers of alcohol and narcotics. [36] According to the site, the main aims of the RMB are the development of programs concerning the social adaptation of reserve military members and their families; the organisation of pre-enrolment and military drill training for youths; the organisation of military-patriotic measures such as military sport and camps for youth; and consulting on judicial questions of military enrolment. The RMB appears to be a non-governmental organisation despite being created by Presidential decree. One source notes that the RMB is comprised of many Russian generals who had initially opposed Yeltsin's military reforms but then pledged allegiance to the president by 1995, playing into the struggle between the Russian Defence Minister and the head of the State Duma Defence Committee.[37]

Diamond industry sources in Belgium allege that there could be a business relationship between Gertler and Lev Leviev, one of the principles of Angola's diamond monopoly, with further allegations that Leviev helped Gertler secure the DRC monopoly and that the Angolan government lobbied Kinshasa for the continuation of the IDI-Congo contract. These unsubstantiated rumours led to suggestions of a common link between Israeli and Russian interests, and were further fuelled by reports that a Russian named Bill Davidson works for IDI-Congo, reportedly as the company's representative.[38] Lior Chorev responded to an IPIS inquiry concerning connections with this individual, noting, "he is a Russian working as a freelancer. I.D.I retained a service from him but as far as we know he works for many organisations as a freelancer".[39]

Despite the tenuous associations outlined thus far, an Israeli journalist, Ron Ben-Yishai, remarked that it is 'difficult to believe that Gertler would become involved in an arms deal in the Congo after he lost a considerable amount of money in Sierra Leone, and his mother and grand-father would not have allowed it in any case'.[40] The *Yediot Aharonot* weekend supplement, on 19 September 1999, noted that Gertler was linked to Dov Katz and Yair Klein for a program of diamond purchases in exchange for military training and arms deliveries in

Liberia and Sierra Leone in 1997.[41] According to this publication, Katz was the linkman between Gertler, who was to provide financing, and Klein, who was to provide the training. The end result was a failure of the operation due to convoluted military and political developments in Sierra Leone that led to the lengthy imprisonment of Klein in Freetown under suspicion of arming the rebels. Klein had also been reportedly involved in training security personnel of the Medellin drug cartel in Colombia in the 1980s (through the company Chod Hachanit)[42] and was thereafter convicted of illegally exporting military equipment in Israel; he has so far evaded a warrant for his arrest in the United States relating to his activities in Colombia.[43] Presently, IDI has a buying operation in Sierra Leone.[44]

Angola

The Angola Selling Corporation (Ascorp) monopoly was instituted in February 2000, replacing six official buying companies. Similar to IDI-Congo, Ascorp was promoted as a means to bolster state revenue by reducing the chaotic nature of the domestic diamond market and to funnel rough through a legitimate and transparent outlet. Such oversight was also seen as a means to prevent diamonds mined by Angola's UNITA rebels from being exported through official channels in Luanda, as occurred under the previous system.[45] Ascorp is comprised of the Angolan state, represented by Sodiam (Sociedade de Commercialização de Diamantes), Wellox of Israel and Tais of Belgium.[46] Sodiam holds 51% while the foreign partners, Sylvain Goldberg of Omega Diamonds and Lev Leviev, who has numerous financial platforms, share the remaining 49%. Some sources note that Goldberg and Leviev evenly split the 49% share of Ascorp, while other sources indicate that Leviev holds a larger percentage[47] – and there have also been rumours that Angola tried, unsuccessfully, to push Leviev out of the monopoly. It would appear that Leviev is the main financier behind the Ascorp operation, with Goldberg reportedly brought into the joint-venture due to his alleged association with Isabelle dos Santos (daughter of the Angolan president) in the diamond buying company RDR.[48]

Ascorp and Angola's Diamond Industry

Angola's diamond industry is comprised of formal, informal and illicit sectors. The formal market consists of all licensed mining companies. The informal market, renamed the 'artisan' market by Ascorp, concerns diamonds commercialised by licensed buyers but which have been mined by unlicensed diggers, or *garimpeiros*. The illicit market comprises diamonds mined by *garimpeiros* and purchased by unlicensed buyers as well as diamonds mined or sold by UNITA, and including *garimpeiros* under rebel control. The overlap between the informal and illicit sectors is considerable because the legitimacy of the buyer is the only separation between the two.

Output by the different sectors of Angola's diamond industry has been difficult to calculate due to the lack of available data. Two sets of statistics have been obtained; one is from the Angolan government (supplied to the author by the Belgian HRD) and another from Ascorp, and are outlined in charts 1 and 2.[49] These figures are often contradictory, and, due to major flaws in the data provided by the government of Angola, statistics presented in the Ascorp financial report appear to be more reliable. Both sets of data will be analysed in comparison, however, since the government's estimates of the informal sector may provide greater insight than solely relying on Ascorp's statistics.

Formal Market

According to the Ascorp financial report that excludes January 2001[50], Angola's formal production reached 2.7 million carats, valued at $367 million in 2000. This is a 17% increase in both value and volume over the figures given for 1999 that are listed as 2.3 million carats valued at $313 million. The Ascorp figures also cite formal production of 1.6 million carats valued at $244 million in 1998. The government-supplied figures, however, cite 1.4 million carats valued at $424 million in 1998. The government data show formal production increasing by 46% by volume to 2.1 million carats in 1999, but declining 52% by value to $279 million – an almost impossible task. [51] This major discrepancy in the government figures, and the fact that they diverge so clearly from the Ascorp figures and the author's own estimates of formal production, make one suspect that the data were deliberately falsified.[52] Ascorp is not involved in mining and the expansion of formal sector output is due mostly to increased production by Angola's major mining companies. Ascorp's monopoly actually created a certain degree of acrimony among several of the legitimate producers who wanted to pursue their own marketing arrangements. It is possible, though, that the Ascorp system introduced a certain degree of transparency in declarations of diamond output by mining companies.

Informal Market

According to the Ascorp financial report (excluding January 2000), production by Angola's informal market reached 1.2 million carats, valued at $371 million in 2000, up from 1.1 million carats, valued at $263 million in 1999 and 1.0 million carats, valued at $180 million in 1998. Since Ascorp reformed purchasing methods in the informal market in early 2000, exports are shown to have risen by 41% by value and 13% by volume over 1999. Similarly, the average price per carat increased by 25% from $235 (1999) to $293 (2000).

Again, there are discrepancies between the statistics in the Ascorp financial report and those supplied by the Angolan government to the HRD in 2000. The government figures cite exports from the informal market for 1998-1999 as follows: 1.2 million carats, valued at $256 million in 1998; and 1.3 million carats valued at $298 million in 1999. Comparing these figures to the Ascorp statistics, it appears that there are considerable discrepancies in estimations of the informal economy in both 1998 and 1999. The government figures attribute 217 000 carats and $76 million more to the informal economy than the Ascorp data for 1998, and 240 000 carats and $35 million more for 1999. Higher values of rough exports from the informal market, as cited by the government statistics, raise suspicion as to Ascorp's effectiveness in cornering this sector in 2000. If the figure for 2000 from the Ascorp financial report, cited as 1.2 million carats valued at $371 million, is compared with figures provided by the government for the informal market in 1999, cited as 1.3 million carats valued at $298 million, Ascorp actually commercialised 93 000 *fewer* carats than the previous buying operations in 1999. This is a major discrepancy despite the fact that Ascorp was only instituted in February 2000. The higher price per carat, cited by the Ascorp figures as $293 in 2000 compared with $219 in 1999, according to the government figures, could explain the lower volume but higher value of Ascorp's exports compared with 1999 – although an increase in carat value by over 30% in one year seems improbable. The 1.2 million carats commercialised by Ascorp from the artisan market in 2000 is also nearly equivalent to the informal market exports in 1998 cited by the government statistics at 1.2 million carats, valued at $256 million, or $202 per carat.

Evaluating Smuggling and Government Revenue

The Ascorp regime must be evaluated primarily by the performance of the informal (artisan) sector, since it does not control formal production (but may somehow influence declarations of output). The monopoly reportedly does not profit much from its rough purchasing operations due to high security costs.[53] It is actually hard to understand why *garimpeiros* would sell to Ascorp unless forced to do so since the monopolists reportedly reduced prices offered for rough diamonds.[54] According to comparisons between the two sets of statistics, Ascorp did not increase the volume but did increase the value[55] of diamonds commercialised by the informal market since the imposition of the monopoly in February 2000; the informal market increased by $73 million but declined by 90 000 carats from 1999 to 2000. This makes it difficult to support the claim, reportedly made by Vice Minister for Geology and Mines, Antonio Carlos Sumbula, that 'Angola lost $2 million per day due to diamond smuggling before the creation of Ascorp, which was halved after the imposition of the Ascorp regime'.[56] Massive formal sector output and marginal informal sector fluctuations do not lead to the conclusion that Ascorp reduced the volume of diamonds circumventing official Angolan government channels, unless the Vice-Minister is suggesting fraud by the licensed mining companies prior to Ascorp.

Ascorp's greatest achievement has been the increase in state revenue from the formal and informal diamond sectors, which was only listed as $10 million in 1998 and $21 million in 1999, but $66 million in 2000, according to the Ascorp financial report – although it cannot be determined if a well regulated but liberalised system would have performed any worse. This accomplishment makes Ascorp a resounding success in terms of its primary aim of increasing 'the income of diamond trade in Angola'.[57] The 51% holding of the Angolan state in Ascorp also means that a portion of the monopoly's profits will be funnelled through the government. Ascorp therefore appears to have achieved the domestic beneficiation of the Angolan diamond trade, curbing the under-reporting of export figures. Perhaps under this new system of accountability in the diamond sector, the government can now disclose how this money has been reinvested to the benefit of the country's population or national development.

Conflict Diamonds

Conflicting data and the sporadic disclosure of official statistics remain difficult issues to resolve. The inability to definitively account for Angola's legitimate diamond production runs parallel to themes of resource extraction in war economies. Ascorp has increased state revenue but has the monopoly also reduced official outlets for conflict diamonds? 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".[58] Previously, diamonds produced by artisan miners who worked for the rebels, government strongmen or alone, were sold to illicit and licensed buyers in government-garrisoned towns. Naturally, UNITA also utilised the same route for diamond exports because the rebels procured many of their commodities locally, including weapons and petrol at times.

The introduction of a single marketing entity and reduction in competition between buying houses was supposed to be followed by the licensing of middlemen and *garimpeiros* (numbering up to several hundred thousand) in the diamond fields. This was 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, therefore not restricting the entrance of UNITA diamonds to the degree previously envisioned. The unruly diamond economy of Angola has so far resisted moves by Ascorp to impose order and regularity on informal and illicit financial networks. If allegations of Ascorp paying lower prices for diamonds were true then ironically this would be the most effective means of preventing the domestic commercialisation of UNITA's production.

The volume of diamonds mined by UNITA has declined drastically since government military offensives in 1998. UNITA's diamond production was approximately $600 million in 1997, falling to $250 million in 1998, but then rising to $300 million in 1999.[59] The rebels have since suffered major military defeats, starting in late 1999 in the central highlands, and produced perhaps $100 million in 2000, a figure that probably has not changed much to present and is sufficient for a mobile guerrilla force. The Angolan Minister of Mines, however, reported in December 2000 "UNITA does not control any diamond zone today … We are now concerned with (halting) the illegal trafficking of diamonds and not with UNITA's blood diamonds".[60] This statement has not since been reiterated and may overlook likely UNITA mining activity in Cuando Cubango, Moxico, Lunda Sul, Lunda Norte, Malange, and Uíge provinces. UNITA has obviously been pushed out of many diamond areas that it controlled in 1999, and has been replaced by unaligned or government-friendly *garimpeiros*, meaning that Ascorp has thus been forced to deal with the increased smuggling of non-conflict diamonds. Unfortunately, UNITA mines and exports diamonds in sufficient numbers to taint Angola's informal diamond sector, even if the rebels only sell a limited volume domestically. The often-repeated notion that no system is infallible actually begs the question of what percent of contamination by UNITA diamonds is acceptable. While the Angolan government professes the legitimacy of its diamonds, it has not divulged known UNITA positions in the diamond fields that are historically adjacent to those controlled by the national military. By dismissing the fact that UNITA controls producing territory, the Minister's statement may suggest that Ascorp seeks to legitimise the substantial informal diamond sector and bring the profits through official circuits in Luanda, no matter what the exact origin of the rough. A newsletter from the Angolan Embassy in the US notes that Ascorp "has reduced the black market for diamonds by channelling all sales through the new company".[61] If Ascorp refuses certain stones, or would deter intermediaries dealing with UNITA, these diamonds would instead be sold across Angola's borders, a situation similar to Sierra Leone.[62] The result is that Angola's certificate of origin, instituted concurrent to the creation of Ascorp, serves as a good public relations tool but may not correspond to realities in Angola's diamond fields.

The UN Angola Mechanism Report, dated 11 April 2001, noted that "[Ascorp] buyers are able to identify the origin of the diamonds they buy, …parcels of diamonds worth more than $100,000 are unusual; smaller parcels are more typical, with about five clients bringing in diamonds worth $400,000 a week (typical UNITA diamond trades involve larger parcels, worth $1 million and upwards)".[63] It has yet to be seen exactly how the Ascorp buyers can positively identify UNITA diamonds mined in close proximity to government-friendly *garimpeiros*. It would also seem strange to base the presence of UNITA diamonds on parcel sizes, since the rebels could just as easily export smaller packages of diamonds through a greater number of intermediaries. Perhaps the most practical solution would be for UN employees to be stationed at the 23 Ascorp buying offices in order to examine purchasing methods and observe measures used by Ascorp employees to verify that diamonds are not of UNITA origin.

It does appear, however, that the Angolan Ministry of Mines and several Ascorp managers do intend to reduce the laundering of UNITA diamonds through official circuits, if only to prevent criticism from potential competitors. It is also easier to critique and condemn Ascorp rather than solve the problem of 'conflict' diamonds entering Angola's legitimate 'artisan' production. Angola's informal diamond economy represents one of the country's only forms of revenue for impoverished *garimpeiros*, civilian patrons and military strongmen alike. The perceived chaos in the diamond fields actually revolves around competing and inter-connected parties ruled by self-interest that thrive outside of state control and which are anathema to Ascorp's planned licensing regime. There may also be some formidable power sources in Luanda that profit from favourable commercial incongruities in the diamond fields. Comprehensive plans for licensing *garimpeiros* may never be workable in Angola's diamond fields due to the inherent difficulty of extending state control over ungovernable terrain. Ascorp's proposal to license miners using photographic identifications that are bar-coded and linked to a computerised database would be difficult even in a wealthy European country where there is no war and borders are well defined. The campaign against conflict diamonds, however, has necessitated impoverished producing countries such as Angola to counter with formidable efforts at public relations by promoting concepts that may not actually be practicable at present. Conversely, such cynicism is possibly unwarranted given a recent investigation of Ascorp by Global Witness. Global Witness noted that the Ascorp team genuinely plans to reduce the autonomy of middlemen and buy directly from *garimpeiros*, enabling regional profiling of production and purchasing.[64] This overhaul of the informal diamond economy is naturally in the financial interests of Ascorp, but could also improve transparency in relation to conflict diamonds. *Garimperios* and middlemen will not participate in the new system without sufficient incentives, however, which may compel Ascorp to rely on the efficiency of its own security force.

A quantitative analysis suggests that Ascorp may be the best possible system for Angola despite its flaws, given a greater degree of transparency and firmer measures to counter smuggling through major transportation hubs. Higher government revenue has been recorded and the monopoly certainly seems to be more concerned with isolating UNITA diamonds than were the buyers operating in 1999. Ascorp's release of statistics is also an improvement over the previous system of competing buying houses that refused to divulge information. A deeper examination of Ascorp reveals more subjective undercurrents in Angola's political economy that suggest the monopoly was not created solely for the intention of boosting official revenue. Ascorp has been used as a means for central political patrons to reduce the financial autonomy of military officers in the diamond fields. This would be a positive transformation of Angola's diamond economy except that it remains questionable whether the political elite will seek to eliminate diamond smuggling circuits or will harness the profits from this illicit activity; "Rather than revamping buying practices by licensed dealers, the monopoly seems to be aimed more at co-opting and incorporating financially rebellious generals, forcing them to obtain the necessary paperwork through partners in the *Futungo*" [presidential palace where all power resides].[65] It is therefore possible to see Ascorp in a different context, one that is determined by competition between centripetal and centrifugal commercial forces between central authority and military strongmen in the diamond fields. It is within this framework of the patrimonial state that the laundering of conflict diamonds overlaps with attempts to control the informal (artisan) market.

Other Concerns

Ascorp's ability to monopolise the export of Angolan diamonds is remarkable considering the diamond industry giants that it replaced, among which are De Beers, Steinmetz and Sons, Lazare Kaplan International and Arslanian Frères. Rumours of Ascorp's imminent annulment in mid-2000 proved unfounded with the monopoly's hold in Angola undiminished, and De Beers announcing its complete exit from the country on 24 May 2001. Some of the foreign companies previously involved in the informal market have maintained representation in Luanda, but it seems unlikely that Ascorp will divulge any power to competitors. The Ascorp monopoly has succeeded in commercialising the totality of Angola's legitimate diamond production due to an efficient marketing strategy and the financial acumen of its foreign shareholders.

Ascorp's credentials have never been questioned from a financial perspective but, rather, from the perspective of having too great an aptitude in areas unrelated to diamonds. Negotiations leading to Ascorp's genesis remain confidential. It does not seem that there was a tender process for the inclusion of foreign companies in Ascorp, nor has the government revealed why partnership was awarded to Leviev and Goldberg to the exclusion of other reputable foreign companies. Leviev's status as one of the world's largest diamond dealers, as well as Goldberg's strong position in Antwerp and knowledge of Angola's informal market, makes this duo appear to be highly capable, though perhaps no better equipped to market diamonds than other multinationals formerly operating in Angola. Rumours in the diamond industry suggest that Ascorp may owe its creation to networks previously established to trade in military services and hardware. There are no direct connections between Ascorp, or its principal investors, and the military industry but, instead, circumstantial associations between several Ascorp personalities and African conflicts where natural resources influence politics and war making.

Lev Leviev, seemingly Ascorp's principal external investor, runs a global commercial empire that includes the Leviev Group, Lev Leviev Diamonds and Africa-Israel. His influence appears to be centred in Israel, Russia and former states of the Soviet Union. The Leviev Group is the largest manufacturer of diamonds in the world with a reported turnover of $1.5 billion[66], with polishing factories in countries including Russia and Armenia. Leviev is the chairman of Africa-Israel, a publicly traded Israeli company that he purchased from the Bank of Leumi in 1996.[67] It provides him with numerous financial platforms through activity in real estate, hotels, shopping malls and construction companies. Leviev also holds considerable power in Russia, partially through his influence in the Federation of Jewish Communities in the CIS (former Soviet Union). He is reportedly protected by the highest Israeli authorities and has cultivated close relations with Russian oligarchs through his position as president of the Russian-Israeli chamber of commerce.[68]

Leviev's participation in Angola's diamond sector began through investment in the Catoca kimberlite project, the largest producer of Angolan diamonds. Catoca was conceived in 1992 as a Russo-Angolan joint venture reportedly involving Angola's debt to Russia for arms deliveries during the Cold War. Production from the mine only commenced after Leviev invested over $25 million into the project in 1997. The mine is managed by Almazzi Rossi Sahka (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. He reportedly lost this right in late 1999[69] but then regained control through the imposition of the Ascorp monopoly, much to the consternation of the Alrosa management. Leviev's initial involvement in Catoca appears to have paved the way for his participation in Ascorp, as well as in the Camafuca kimberlite pipe in Angola. It would appear, therefore, that the creation of Ascorp could have stemmed from Leviev's prominent position in Angola's formal diamond sector.

Another possible scenario concerning Leviev's success in Angola has been forwarded, which involves personal networks rather than diamonds: "One version has it that Leviev was helped by his friend and eventual partner in Africa Israel, Arcadi Gaydamak, 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 cronies of President Eduardo dos Santos".[70] Arcady Gaydamak purchased 15% of Africa-Israel in January 2000, a deal that was explained by a company spokesman on the following terms: "Levayev believes that the company can reach international achievements in energy, real estate, and investment assets following the partnership with Gaydamak".[71] Gaydamak, a businessman with Russian and Israeli citizenship, worked as an economic advisor to Angolan President dos Santos[72] and was reportedly involved with Pierre Falcone in the renegotiation of Angola's debt to Russia in 1996 through the French bank Paribas and the Russian bank Menatap.[73] The *Yediot Aharonot* quotes Gaydamak 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'".[74] Some alleged arms deals, however, were scrutinised by French authorities and an international arrest warrant was reportedly issued for Gaydamak in 2000 and he "is wanted for questioning by Paris magistrates about a £450m allegedly illegal arms deal with Angola in the early 1990s".[75] The French newspaper, *le Parisien*, reported that the French intelligence service DGSE had been observing Falcone and Gaydamak for possible money laundering through petrol and arms sales, as well as for Gaydamak's possible association with Russian organised crime.[76]

Gaydamak also reportedly has close ties to Danny Yatom, a former head of Mossad and security advisor to Ehud Barak.[77] According to the *Yediot Aharonot*, it was actually Yatom who introduced Gaydamak to Leviev around the beginning of 1999.[78] Yatom had previously established a security firm named Strategic Consulting Group (SCG) in July 1998 along with Avi Dagan, the former head of Mossad's collection department[79] and the company sought contracts in Kazakhstan[80] and Algeria[81]. Yatom and Dagan also visited Angola in 1999 with Arcady Gaydamak, according to the *Yediot Aharonot*, "to examine an option in engaging in a large security project", and after Gaydamak introduced the two men to a senior Angolan government minister, "the terms of the deal were agreed upon".[82] Yatom reportedly left SCG when Barak's government took office in July 1999[83] and the status of this Angolan project is unknown.

Israeli General (retired) Ze'ev Zahrine[84] was also reported to have been part of the Ascorp establishment until late 2000.[85] It is not clear exactly why he departed from Angola; a turf war between Israeli, Belgian, British and South African Ascorp members is alleged to have occurred, with Israeli security interests diminished. Zahrine was the manager of Levdan, an Israeli military service provider that was reported to have had a contract for presidential security in Angola.[86] Levdan previously completed a three-year contract to train the armed forces and presidential guard for Pascal Lissouba in Congo-Brazzaville in the mid-1990s, after which the Congolese government "agreed to buy more than $10 million worth of Israeli weapons and military equipment."[87] An oil company, Naptha that is also involved as a 5% equity partner in Angola's Block 33 concession, seems to have "benefited from Levdan's services in Angola, as they did in Congo-Brazzaville" with Levdan playing a "vital role in Naptha's acquisition of its Congo-Brazzaville oil contract."[88]

A Belgian member of Ascorp's security is Paul Motmans who works through a company named SAO and was the focus of a recent investigative journalist publication, *Mao Magazine*.[89] The magazine reports that "Motmans is an ex-member of the Belgian national guard who started a number of security companies in the early nineties, together with Sylvain Goldberg". According to this publication, Motmans has as his associate in Angola Willy Van Mechelen, an ex-member of "BOB" (Bijzondere Opsporingsbrigade – Special Investigations Brigade) who was indicted in a narcotics smuggling case, related to the famous Dutch "IRT-affaire" (a Dutch scandal and parliamentary inquiry into highly controversial techniques used by their drug squads). Van Mechelen officially had to resign. *Mao Magazine* also notes that his brother owns a number of brothels in Antwerp.

Rupert Bowen, a British national, also worked for Ascorp for an undetermined period of time in late 2000/ 2001 and has now left the company. Bowen was previously the first secretary for the British High Commission in Namibia, after which he represented Branch Energy in Sierra Leone from the mid to late 1990s. Branch Energy played a close, yet undetermined, role with Sandline International, the British private military company, and Executive Outcomes, a South African 'mercenary' company involved in Angola and Sierra Leone. Bowen's name appears in association with the rearming of the Kabbah regime by Sandline International to oust the military junta led by Johnny Paul Koroma in 1999 despite a UN arms embargo on Sierra Leone.[90] Bowen was not implicated in the transaction although he reportedly liaised with the British High Commissioner for Sierra Leone, Peter Penfold, to inform him that arms had been delivered.[91] Another name appearing in the fiasco was Rakesh Saxena who was reportedly supposed to bankroll the Sandline operation in return for diamond and other concessions by the Kabbah government.[92] Saxena could not fulfil his role, however, because he was arrested in Canada on charges of possessing a forged Yoguslavian passport.[93] Saxena also faced a warrant for his arrest in Thailand over charges of fraud; he had been instrumental in defrauding the Bankok Bank of Commerce in 1996.[94] Later, Saxena invested heavily in Global Explorations, a Toronto based company that sought diamond concessions in Sierra Leone and Angola.

Another Ascorp peculiarity was the reported involvement of André Roque da Silva at a buying office in Malange in late 2000. He has since been removed from his position due to the activities of his brother, with which he does not appear to be associated. His brother is, reportedly, Manuel Roque da Silva, otherwise known as Manu, who was mentioned in the UN 'Fowler' report on Angola sanctions busting in connection with UNITA diamonds – although the UN was not capable of determining his surname. Manu is now allegedly purchasing rough diamonds in Namibia with an important government official where his contacts extend from Windhoek to Katima Mulilo.[95]

Conclusion

IDI-Congo and Ascorp have increased government revenue from the domestic diamond industries of the DRC and Angola. Ascorp generated over $60 million for the Angolan government compared to half that during 1998 and 1999 combined. IDI-Congo's financial benefit for Kinshasa is not as easy to discern due to different terms used for payments on the exclusivity license, and the lack of data concerning the actual sum paid for the monopoly. Nevertheless, IDI-Congo appears to have generated more revenue for the DRC government than the previous *comptoirs* in 1999 and the first half of 2000, despite various examples of increased diamond smuggling through Brazzaville – which can also be attributed to diamonds illegally exported from Angola.

The issue of conflict diamonds remains unresolved. Ascorp and IDI-Congo are at least concerned with the issue of contamination by conflict diamonds but it cannot be determined whether they have truly emplaced effective measures to counter this problem. The difficulty with any certificate-of-origin regime naturally depends upon the trading circuits from artisanal mines to first point of sale. Ascorp and IDI-Congo do not reportedly purchase directly from the innumerable alluvial diggings in remote locations, so the responsibility of rejecting conflict diamonds falls on middlemen who provide this link between foreign buying houses and artisan diggers. Foreign companies send their representatives to central locations to purchase from middlemen, who buy from sources that cannot always be determined by the exporting company. Diamonds follow a pyramidal route from mines to trading centres such as Belgium and Israel, making it more economical (in terms of licensing costs, salary payments and security concerns) for foreign representatives to buy alluvial goods in local catchments that are fed by peripheral mines. Conflict diamonds naturally move quite easily within this system, especially in Angola where UNITA mines in close proximity to government garrisons and there is no genuine control over the buying activities of middlemen. Similarly, the legitimate diamond market in the DRC merges with diamond smuggling routes in areas such as Lodja and Lusambo where middlemen deal with the governments in Kinshasa and Goma (headquarters of one rebel army), and Tshikapa where diamonds arrive from Angola.

There are no simple answers for combating the problem of conflict diamonds. Embargoes on Angola and the DRC would be disastrous for these governments as well as the informal diamond economy of the region that provides subsistence to hundreds of thousands of people; and it would only redirect conflict diamonds to other outlets. Perhaps an interim measure would be for the governments of Angola and the DRC to regularly produce verifiable statistics concerning the value and volume of carats purchased by licensed buyers, categorised by geographical location of purchase, as well as data concerning artisan production categorised by region or zone where the diamonds are believed to have been produced. More reliable figures must also be released concerning formal production, since company-specific data is often lacking or out of date. Ascorp does seem to have initiated this type of transparency in the company's annual report, a move that is highly commendable since it should reduce the incongruities that facilitate the laundering of conflict diamonds. Neither IDI-Congo nor the DRC government, however, have instituted a similar measure.

Analysing Ascorp and IDI-Congo in terms of increased revenue and nuances of the trade in conflict diamonds in Central Africa does not address issues concerning alleged associations between monopoly members and activities unrelated to diamonds. Possible scenarios have been explored but there is no conclusive evidence of misconduct. Circumstantial links, however, suggest that these monopolies may have brought together a diverse group of individuals that have prior experience in areas where natural resource extraction and war making influence the national economy. Some Antwerp diamond dealers note that the strength of Ascorp and IDI-Congo is derived from the association of some of their members with activities related to the military industry as well as a network of formidable personal connections in Israel and Russia. The monopolies contend, on the other hand, that they are legitimate businesses that have been slandered by their competitiors. It would seem that IDI-Congo and Ascorp are indeed represented by reputable diamantaires, some of which have or have had tenuous, yet inconclusive, links to individuals or companies involved in military services. In summary, Gertler's reported links to Klein do not prove that Gertler was involved in wrong-doing; nor does an alleged association with the Russian Military Brotherhood suggest that IDI-Congo's monopoly, awarded in 2000, nearly 18 months after the dates on the documents in the possession of IPIS, had anything to do with the provision of foreign military advisors to the Congolese government. Similarly, the fact that Gaydamak reportedly owns 15% of Africa-Israel does not necessarily associate Leviev or Ascorp with Gaydamak's past activities in Angola. On the other hand, these monopolies have been capable of outmaneuvering substantial competitors for unknown reasons. Full transparency by the principals of foreign companies involved in the monopolies, as well as the Congolese and Angolan governments, will be the only method of verify the truth of many allegations and rumours in circulation.

The larger issue at stake in allegations and counter-claims is the destination of rough diamonds from Angola and the DRC. De Beers cancelled its buying operations in these two countries, citing its concern over conflict diamonds – a move that many diamantaires believe can be translated as adroit competitive positioning.[96] This has left diamond industry representatives from Belgium and Israel to compete for Central Africa's diamonds. Israel is actively seeking direct sources of rough diamonds in Africa to reduce a reliance on other trading centres and bolster its domestic diamond industry. This outlook is summarised by Shmuel Schnitzer, the president of the Israeli Diamond Exchange and uncle of Dan Gertler: "If we are successful in making Israel into a center for rough diamonds, these diamond traders [Israelis] will not be compelled to go abroad all the time".[97] Professor William Reno notes that the symbiosis between external policy and commerce in smaller states such as Israel is particularly acute: "smaller powers such as Israel are more constrained to use commercial agents to exercise influence . . . Tighter connections between commercial and security services make Israeli firms relatively attractive to Angolan officials in pursuit of their fighting strategy. Seen from Tel Aviv, military and commercial strategies toward places like Angola are especially hard to separate".[98] Belgian dealers and industry representatives, on the other hand, have tried to break the IDI-Congo monopoly in the DRC so that the Congo's substantial exports are funnelled through Antwerp instead. Certain sources in the Belgian diamond industry, keen on the DRC's production, have sought to discredit the IDI contract on the grounds of increased fraud and smuggling activity, with others leaking information to discredit members of Ascorp.

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Chart 1

Statistics of Diamond Exports Provided by Ascorp:

Formal Market

	1998	1999	2000
US $	244 122 000	313 906 000	367 559 303
Carats	1 666 100	2 353 400	2 749 841

Artisan (Informal) Market

	1998	1999	2000
US $	180 784 000	263 355 000	371 443 464
Carats	1 049 600	1 117 100	1 264 162

Chart 2

Statistics of Diamond Exports Provided to the HRD by the Angolan government:

Formal Market

	1998	1999
US $	424 905 831	279 127 649
Carats	1 448 289	2 112 634

Informal Market

	1998	1999
US $	256 151 805	298 133 982
Carats	1 267 538	1 357 898

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[1] See Angola's War Economy: The Role of Oil and Diamonds, Jakkie Cilliers and Christian Dietrich (eds) Institute for Security Studies, Pretoria, September 2000. Note that De Beers disputes these figures due to UNITA's manpower shortages. However, there is no clear estimate of informal digers working under UNITA rule, nor is there any manpower to carat production ratio that can be applied due to the erratic nature of diamond deposits, diamond mining techniques and technology used – even at the lower end of industrial mining operations. The UN Mechanism on Angola disputed the De Beers figures for 1999, noting that UNITA's production "was almost certainly larger than $150 million in 1999". Paragraph 171, Monitoring Mechanism on Angola Sanctions, S/2000/1225, 21 December 2000. However, the April report by the same panel of experts notes that UNITA's 1999 production was probably in excess of $300 million. Savimbi's battlefield losses in late 1999 and throughout 2000 corresponded with the loss of territory in the diamond fields, with the rebels fully reverting to a guerilla war, hence the estimate of approximately $100 million exported by UNITA in 2000.

[2] These are the Rassemblement Congolais pour la Démocratie - Goma (RCD-Goma) and the newly formed Front de libération du Congo (FLC) between Jean-Pierre Bemba's Mouvement de Libération du Congo and an RCD splinter group.

[3] Rough diamonds exported legally by diamond *comptoirs* operating in Kisangani reached 99 000 carats in 2000 according to documents from the RCD-Goma Departement des Terres, Mines et Énergie. Under-reporting by several *comptoirs*, mis-declarations of value, smuggling by unlicensed dealers and diamond production in north-eastern Congo are not accounted for by these figures which cite only $7.6 million total value.

[4] The IDI-Congo contract has been officially suspended although the company reportedly continues its opreations as usual. The Congolese Vice Minister of Mines said that IDI would be welcome to bid for a diamond exporting license once these were offered in the free market. "Congo liberalizes diamond exports", *Jewelers Circular Keystone*, 25 April 2001.

[5] Except for diamonds that De Beers was contractually bound to purchase from the SDM concession (run by Ashton).

[6] IDI-Congo's contract is currently being renegotiated although the company continues its purchasing operations. There has been talk of the government awarding 8 licenses with IDI allowed to bid for one of them.

[7] Sharon Berger, "Congo signs $700m. agreement with IDI Diamonds" *Jerusalem Post*, 2 August 2000.

[8] Bruce Stanley, "Diamond Monopoly Hands Obscure Israeli Firm the Key to Congo's Economy", The *Associated Press*, 18 March 2001, http://ap.tbo.com, 13 May 2001.

[9] Dr. Nkere Ntanda Nkingi, special advisor to Laurent Kabila is cited as saying that Congolese nationals should remain involved in the diamond trade because 'the new system will enable every miner, digger or local trader to get a decent and fair price for the goods to be sold to IDI'. "Congo Awards Exclusive Diamond Marketing Rights to Israeli Trading Group" *Diamonds and Jewelry View*, from *Mazal U'Bracha Magazine*, September 2000, www.diamondsview.com/news_113_sep.htm, 19 February 2001. The press often cites IDI-Congo's monopoly on the purchase of diamonds in the Congo, although local middlemen appear to have retained their licenses but they were required to sell to IDI-Congo.

[10] Bruce Stanley, "Diamond Monopoly Hands Obscure Israeli Firm the Key to Congo's Economy", The *Associated Press*, 18 March 2001, http://ap.tbo.com, 13 May 2001.

[11] Antwerp HRD Statistics, *1997 Annual Report*, Antwerp, 1998, p.32.

[12] According to statistics provided by the HRD in February 2001 concerning imports from DRC and Congo-Brazzaville, and HRD annual statistics for 2000.

[13] "Matières précieuses. Seulement six colis de diamant exportes en deux mois", *Le Potentiel*, 23 November 2000, www.digitalcongo.net/actualite/00-11-24-diamant.shtml, 19 February 2001.

[14] Ngwanza Abor, "IDI Congo réalise 72 millions USD en 4 mois", *The Newspaper*, 24 January 2001, www.digitalcongo.net/actualite/01-01-24-diamant.shtml, 24 April 2001. Interestingly, this article does not give statistics for September 2000, presumably when IDI-Congo began its monopoly.

[15] Lior Chorev, special strategic and communication consultant to IDI, communication by email, 24 May 2001.

[16] According to a source close to MIBA, interview by telephone 26 May 2001. Also see "MIBA: IDI Diamonds Misses Again on October Auction", *Africa Mining Intelligence*, Indigo Publications, 15 November 2000, www.africaintelligence.com 12 June 2001.

[17] Ngwanza Abor, "IDI Congo réalise 72 millions USD en 4 mois", *The Newspaper*, 24 January 2001, www.digitalcongo.net/actualite/01-01-24-diamant.shtml, 24 April 2001.

[18] According to a document titled "Bilan I.D.I. Congo", received 15 May 2001 from an unnamed Congolese source.

[19] Report of the Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth of the Democratic Republic of the Congo, paragraph 151, 12 April 2001, www.un.org/News/dh/latest/drcongo.html, 17 April 2001.

[20] Lior Chorev, special strategic and communication consultant to IDI, communication by email, 16 May 2001.

[21] Lior Chorev, special strategic and communication consultant to IDI, communication by email, 24 May 2001.

[22] Christian Dietrich, "Porous borders and diamonds" in Angola's War Economy: The Role of Oil and Diamonds, Jakkie Cilliers and Christian Dietrich (eds) Institute for Security Studies, Pretoria, September 2000, p324.

[23] "Belgium and Congo sign agreement to end conflict diamond trade", *AP World News* via NewsEdge Corporation, 30 April 2001 www.un.int/drcongo/disc14/00000025.htm, 24 May 2001.

[24] Léonard Kalala "Le diamant empoisonne les relations entre Kinshasa et Luanda", *Le Potentiel*, Kinshasa, 12 February 2001, http://www.digitalcongo.net/actualite/01-02-12-diamant.shtml, 23 May 2001.

[25] Lior Chorev, special strategic and communication consultant to IDI, communication by email, 25 May 2001. Diamond dealers in government and rebel held territory of the DRC note that diamonds from different geographical locations such as Lodja, Lusambo and Banalia can be distinguished, as well as those diamonds

from northern Angola and southern DRC. This is probably true for the most part, and could be validated by an examination of any conflict diamonds that have been rejected by IDI-Congo or the Kinshasa government.

[26] "DRC: Israeli company awarded diamond contract", *Integrated Regional Information Networks (irin)*, 5 September 2000, www.reliefweb.int, as accessed 23 May 2001.

[27] "Idi and Congo; Partners in (Anti-) Crime", September 2000, www.diamondsview.com/news_143_sep.htm, 19 February 2001. From *Mazal U'Bracha Magazine*.

[28] "DRC: Israeli company awarded diamond contract", *Integrated Regional Information Networks (irin)*, 5 September 2000, www.reliefweb.int, 23 May 2001.

[29] Documents provided by an unnamed banking source, March 2001.

[30] Moshe Schnitzer was replaced as the president of the Israel Diamond Exchange by his son, Shmuel Schnitzer in 1998, and he is now honorary president. Shmuel Shnitzer works with Moshe Schnitzer in M. Schnitzer and Co. in partnership with Asher Gertler, Dan Gertler's father. Sharon Berger, "Diamonds in the Rough", *Jerusalem Post*, 11 April 2001, www02.jpost.com/Editions/2001/04/09/Features/Features.24316.html, 15 May 2001.

[31] Documents provided by an unnamed banking source, March 2001.

[32] Documents provided by an unnamed banking source, March 2001.

[33] Documents provided by an unnamed banking source, March 2001.

[34] Lior Chorev, special strategic and communication consultant to IDI, communication by email, 24 May 2001.

[35] Lior Chorev, special strategic and communication consultant to IDI, communication by email, 24 May 2001.

[36] According to the website http://windoms.sitek.net/~rmb/rmb/RMB.htm, 22 May 2001.

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[49] The statistics from Ascorp were supplied to the author on 11 May 2001 in the form of an Ascorp financial report covering February-December 2000. The Angolan government statistics were obtained from the Belgian HRD in April 2000.

[50] The lack of data for January is an important consideration for the quantitative discussion although production in January is usually very low due to the rain season.

[51] Christian Dietrich, "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, p154.

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[53] According to sources close to Ascorp, confidential interviews.

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[71] 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.
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