The attempt to regulate conflict diamonds

David Gold

The United Nations and the civil war in Angola

During the 1990's, the United Nations made several attempts to mediate and resolve the long-standing civil war in Angola. The civil war in Angola began in 1961, when Angola and Mozambique were Portuguese colonies and political groups within those countries used armed conflict to pressure Portugal for their independence. After Portugal gave up its colonial possessions in 1974, the political movements in Angola split into two broad factions, the Movimento Popular de Libertacao do Angola (MPLA), and the Uniao Nacional Para a Independencia Total de Angola (UNITA). These two groupings soon became part of the Cold War, with MPLA being allied with the Soviet Union and its allies, and UNITA linked with the United States and its allies. By the end of the 1970's, the Angolan civil war was drawing substantial military assistance from the Cold War antagonists, with U.S. supplies and South African military personnel aiding UNITA, and Soviet supplies and Cuban military personnel intervening to help MPLA.

With the end of the Cold War, the situation in Angola changed once again. The United States and the Soviet Union (later Russia) began to collaborate more frequently in the United Nations, including in the Security Council where the threat of great power vetoes had stymied UN actions in the past. A UN-brokered peace agreement in 1991 led to elections in Angola in 1992. But when the MPLA won a plurality in the presidential race and a majority in the legislative elections, UNITA restarted the civil war. The UN imposed sanctions on UNITA in 1993, relating to the importation of arms, military equipment, and fuel. A second agreement, the Lusaka Protocol, was negotiated in 1994 but again UNITA failed to abide by the agreements and the UN extended sanctions to include the freezing of bank accounts, the prohibition of foreign travel for UNITA officials, and the closing of UNITA offices in foreign countries. Further sanctions prohibiting the sale of diamonds were imposed in 1998.

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By 1999, it was clear that sanctions on UNITA were not effective and UNITA was no closer to abiding by the 1991 and 1994 agreements than it was previously. The long-standing nature of the conflict, meanwhile, had attracted the interest of a number of outside observers. In particular, two non-governmental organizations (NGO's), Global Witness based in London and Partnership Africa Canada in Ottawa, issued reports detailing the role of natural resources extraction in providing financial fuel to continue the conflict.[1] Diamonds were the source of UNITA's financing, and because of their role in Angola, Sierra Leone, Liberia, and the Democratic Republic of the Congo, diamonds from these regions became known as "conflict diamonds," or "blood diamonds." At the same time, MPLA's control of Angola's oil fields provided a source of revenue for the government to continue its part of the civil war. A group of researchers were also evaluating and interpreting the Angolan experience. David Keen, a political scientist, used the Angolan experience, along with the experiences of other countries locked in long-term violent conflict, to argue that extracting the riches from resources had become an end in itself, and no longer just the means to a politically-inspired conflict. In Keen's phrasing, war had become a substitute for an economic system. Paul Collier and a team of development economists at the World Bank produced a body of research arguing that low levels of economic development, the absence of effective governmental institutions, and the presence of a resource ripe for predation, rather than political grievance, were among the most important causes of long-term violent conflict.[2] Private research institutes, including the International Peace Academy, the Overseas Development Institute, and Oxford University's Queen Elizabeth House, sponsored and publicized research efforts. The attention being given to the issue of resources and war was mirrored by a number of accounts in major newspapers and magazines, and by actions taken by members of legislative bodies.

Faced with a stalemate in Angola, and rising public pressure, the United Nations Security Council's Sanctions Committee on Angola, then chaired by the Government of Canada serving its two-year term as a non-permanent member of the Security Council, decided to push the issue and formed a group of experts to intensively study the situation and make recommendations to resolve the Angolan conflict. Canada's permanent representative to the United Nations, Ambassador Donald Fowler, took an active role in the research and dissemination of the Pane''s findings and the resulting report has become widely known as the "Fowler Report."

The Fowler Report and conflict diamonds

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Ambassador Fowler and the members of the Panel engaged in a substantial fact-finding and data gathering exercise. They traveled to Angola, where they interviewed former members of UNITA among others, and to countries where it was thought that individuals and governments had aided UNITA in its successful sanction-busting efforts. The Report presented this information in a clear and deliberate manner. Indeed, the report broke ground by identifying individuals and companies, and naming names of government officials where there was strong evidence of their involvement in breaking United Nations sanctions against UNITA. This broke tradition for formal United Nations reports, where the activities of governments and government officials are treated gingerly and with circumspection.

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Ambassador Fowler's panel gathered information on UNITA's ability to circumvent sanctions in four areas: the purchase and delivery of arms, the obtaining of petroleum, the ability to obtain and sell diamonds, and the avoidance of restrictions on financial dealings. Diamonds play a unique role in UNITA's activities. They are a prime means of payment for arms, either via barter or through the prior ability to exchange diamonds for cash. Diamonds are also a store of wealth for UNITA leaders, and a means of buying influence among governments and private organizations.

Security Council resolutions require that Member States take necessary actions to prevent the importation of Angolan diamonds that are not certified by the Angolan Government's Certificate of Origin regime and prohibit the export of mining equipment and services to UNITA controlled territory. The Panel, however, found substantial evidence that these prohibitions were being violated by private individuals and by government officials. In some cases, officials were simply looking the other way with respect to enforcing UN sanctions. There was also evidence of the active participation of government employees and high-level officials in the conflict diamond trade. The Panel also found that UNITA leaders appeared to be benefitting personally in large amounts.

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UNITA obtains diamonds by exploiting mines located in the territory that it controls militarily, and by exerting control over the less formal process of collecting rough diamonds from surface deposits. Angola has no facilities for cutting and polishing diamonds and must ship all of its domestic supply to other countries. Diamonds have a very high value-to-weight ratio and hold their value well over time. Thus, they are easy to transport and can serve as a store of value and medium of exchange, two of the basic functions of currency. This makes diamonds relatively easy to smuggle, easy to use to bribe officials, and easy to use to purchase arms and supplies for war, and to purchase transportation and other services to move them out of war zones to where they can be sold for cutting and polishing. Angolan conflict diamonds would often be labeled with non-Angolan countries of origin, enabling governments and companies to look the other way when the issue of sanctions was broached.

The UN's efforts regarding conflict diamonds extended beyond the Fowler Report. There were expert group reports on Sierra Leone and the Democratic Republic of the Congo, although these and other documents did not contain the level of detail in the Fowler Report, not were they as forthright in naming names. The Security Council continued to pass resolutions, but the momentum established by the Fowler Report soon began to dissipate. The Fowler Report came near the end of Canada's term on the Security Council, and other member countries were less willing to take a leadership role on this issue. Moreover, other developed economies were somewhat hesitant to move forward in establishing legal prohibitions that would conflict with the activities of leading companies. In the United States, for example, legislation was introduced into both houses of Congress to restrict the importation of diamonds originating in zones of conflict. This legislation did not pass the House of Representatives until December 2001 and while it has been introduced into the Senate, the relevant committee has not held hearings as of Summer 2002. The issue, however, did not go away and the politics of conflict diamonds shifted to a new venue.

The Kimberley Process and the attempt at industry control

The rising attention being given to the issue of conflict diamonds and their role in supporting continuing violence soon attracted the attention of the diamond industry. Since diamonds were discovered in quantity in southern Africa in the mid-19th century, the trade in high quality stones has been dominated by a small number of companies, led by South Africa's DeBeers. Most diamonds are found in deep mine shafts, which require substantial capital to dig and maintain, although some are discovered in widely-spread surface deposits, which tend to be mined more casually. While significant diamond fields have been discovered and exploited in Australia, Canada, and Russia, seventy-five percent of gem quality diamonds are mined in Africa. Most African countries, including Angola, lack the legal, technical, and business infrastructure to mine and market diamonds, leaving DeBeers and other large companies with substantial control over the diamond industry. By the 1930's, DeBeers had institutionalized its industry dominance through the Central Selling Organization (CSO), a London-based and DeBeers-dominated organization that allocated gemstones to distributors. In this way, DeBeers not only could determine who would receive its output, but could control the volume and quality of output and thereby the ultimate price, thus acting as a global monopolist. In order to control world prices, however, the CSO had to act as a buyer of last resort, absorbing supply when demand was weak and when countries and mining companies sought to expand their output, and releasing supply when demand strengthened. This system worked for decades but began to show cracks in the 1990's as new mines outside of Africa and increased production from African mines began to strain the CSO's ability to absorb surplus production. DeBeers began to change its market strategy and gave greater emphasis to expanding demand for its product through seeking new markets, such as in Asia, and solidifying its position in existing markets through its "a diamond is forever" advertising campaign.

Perhaps because of the dominance of DeBeers and the ease by which diamonds can be transported, the industry has long been characterized by a combination of formal and informal relationships. Many transactions are consummated verbally among participants with long-standing connections. This absence of a thorough paper trail compounds the difficulties of establishing an effective monitoring regime. Governments have also been lax in establishing procedures. Most rough diamonds are cut and polished in countries other than the country of origin, and then transported again for sale to jewelry manufacturers and manufacturers of industrial equipment, and then transported again to final markets. Import and export data often do not match, partly due to definitional differences and partly due to illegal transport. Countries with small or nonexistent mining operations suddenly became significant suppliers in the 1990's as diamonds from conflict zones were transported and labeled with country of provenance, not the same as the country of origin. Importers tended to ignore this practice, despite knowledge of the scarcity of mining operations in the exporting country.

In this context, the campaign against conflict diamonds pushed the industry to take a position. The sale of diamonds obtained from conflict zones represented an unregulated supply and exacerbated the CSO's problems. Conflict diamond exporters tend to be more concerned with immediate revenue than with maintaining long-term market dominance. Perhaps of even greater importance, the publicity generated by the issue and the promise that NGO's would intensify their campaign threatened to create a public relations nightmare for an industry that relied on the good will of its customers and their governments. DeBeers and other companies announced they would reject diamonds sold by non-official sellers in conflict zones, but such an action is difficult to enforce, given the industry's lack of regulatory structures.

In May of 2000, the major mining and selling firms, along with representatives of governments, NGO's and the UN, met in Kimberley, South Africa, in the first of what became a series of meetings of the "Kimberley Process." Late that same year, the United Nations General Assembly passed a resolution supporting efforts to find a solution to the conflict diamond problem. This resolution was interpreted by a number of governments as providing an international legal justification for the efforts embodied in the Kimberley Process. One of the major issues was the establishment of a system whereby diamonds could be identified in terms of their country of origin. The industry had claimed that it was not possible to separate out diamonds from conflict zones without proper, and widely accepted, documentation.[3] In March of 2002 in Ottawa, after a dozen meetings of the participants, an agreement was reached on establishing regulatory mechanisms for the diamond trade that would enable the segregation of diamonds that were mined and distributed in violation of international sanctions.

These mechanisms, however, appear to be incomplete. The technical aspects of creating a document capable of identifying the origins of diamond shipments as they move throughout the production and marketing system appears achievable. But a country's commitment to play by the new rules is voluntary, with no clear enforcement mechanism and no independent mechanism to gather information on individual country behavior. These weaknesses have been pointed out by NGO's and the United States General Accounting Office in reports issued both prior to and after the March meeting of the Kimberley Process. In reply, the U.S. State Department described the Kimberley Agreement as an early step in an ongoing diplomatic process, and expressed confidence that the process would work.

Conclusion

The context for the trade in conflict diamonds may be changing with the 2002 death of UNITA's leader Jonas Savimbi and with the negotiated peace agreements in Angola and the DRC.

While the Kimberley Process represents a major step in the attempt to control and eliminate the trade in conflict diamonds, a strengthening of the control mechanisms is clearly needed. The context, however, is changing. Early in 2002, Jonas Savimbi, the charismatic leader of UNITA, was killed in battle. Later, the remaining leadership of UNITA negotiated an agreement to end the civil war. At about the same time, a peace agreement was reached in the conflict in the DRC. If both agreements hold and lead to more stable governments, admittedly a big "if" given the recent history in these conflicts, the volume of conflict diamonds on the market is likely to be reduced. The government of Angola has established a corporation to market all of Angola's diamond production.

The history of the struggle against conflict diamonds has involved a number of stakeholders. Initially, NGO's with an interest in peace and development in Africa documented the role of diamonds in conflict while social scientists were researching and modeling the role of natural resources in long-standing violent conflicts. Journalists described what was happening on the ground. The United Nations took an active role as it expanded its mandate to broker and maintain the peace in these conflict zones. And finally, the industry, responding to political pressures and changing economic conditions, joined in the efforts to find a solution. Not all governments participated with equal vigor, and many participants clearly prefer to retain a significant degree of ambiguity in the procedures that are established.

Future prospects may well depend upon these stakeholders maintaining an active involvement in the issue. The stability of governmental institutions in both Angola and the DRC remains in question. The MPLA-dominated government in Angola was able to utilize its control over oil to generate resources for continuing the civil war and there have been allegations of considerable corruption within governmental circles. Of even greater importance, an achievable pattern of economic development that is able to utilize the country's natural resources is needed. Perhaps the example of Botswana, another resource-rich country in the region with substantial diamond deposits, should be examined for parallels. Botswana has attained high growth rates and a more equitable distribution of the products of growth than most other countries. Without such an outcome, Angola will continue to run the risk of restarting a conflict and re-igniting a struggle over conflict diamonds.

Notes

David Gold is professor of economics in the graduate program in international affairs at the New School University in New York City, U.S.A.

1. These two NGOs have been formally nominated for the Nobel Peace Prize by three United States legislators.

2. See Paul Collier's chapter in this issue for more on the economic causes of conflict and Neil Cooper's article for further discussion of the Kimberley Process.

3. Some industry insiders challenged this view, arguing that a skilled diamond expert could identify an uncut stone's origin by sight. Once a stone were cut and polished, however, this means of identification would no longer be possible.

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