

insights

The
Heart 
of the **Matter**



SIERRA
LEONE

Diamonds & Human Security

Ian Smillie Lansana Gberie Ralph Hazleton

Partnership Africa Canada (PAC) is a coalition of Canadian and African organizations that work in partnership to promote sustainable human development policies that benefit African and Canadian societies.

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The Heart of the Matter: Sierra Leone, Diamonds and Human Security

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Memuna Mansary, 3, with her brother Ibrahim. Rebels have terrorized Sierra Leoneans by chopping off the hands and feet of civilians – often women and children.

Photo: AP/Wide World Photos

This study grew from a discussion among members of an informal group in Ottawa called the ‘Sierra Leone Working Group’. Meeting under the auspices of Partnership Africa Canada (PAC), the group concluded that diamonds were central to the conflict in Sierra Leone, and that a highly criminalized war economy had developed a momentum of its own. The group believed that no peace would be sustainable until problems related to mining and selling diamonds had been addressed, both inside Sierra Leone and internationally.

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This study is about how diamonds - small pieces of carbon with no great intrinsic value - have been the cause of widespread death, destruction and misery for almost a decade in the small West African country of Sierra Leone. Through the 1990s, Sierra Leone's rebel war became a tragedy of major humanitarian, political and historic proportions, but the story goes back further - almost 60 years, to the discovery of the diamonds. The diamonds are, to use the title of Graham Greene's classic 1948 novel about diamond smuggling in Sierra Leone, *The Heart of the Matter*.

In the 1960s and 1970s, a weak post-independence democracy was subverted by despotism and state-sponsored corruption. Economic decline and military rule followed. The rebellion that began in 1991 was characterized by banditry and horrific brutality, wreaked primarily on civilians. Between 1991 and 1999, the war claimed over 75,000 lives, caused half a million Sierra Leoneans to become refugees, and displaced half of the country's 4.5 million people.

There is a view that Sierra Leone's war is a crisis of modernity, caused by the failed patrimonial systems of successive post-colonial governments. Sierra Leonean writers have rejected this analysis on several grounds. While there is no doubt about widespread public disenchantment with the failing state, with corruption and with a lack of opportunity, similar problems elsewhere have not led to years of brutality by forces devoid of ideology, political support and ethnic identity. Only the economic opportunity presented by a breakdown in law and order could sustain violence at the levels that have plagued Sierra Leone since 1991.

Traditional economics, political science and military history are of little assistance in explaining Sierra Leone's conflict. The point of the war may not actually have been to win it, but to engage in profitable crime under the cover of warfare. Diamonds, in fact, have fueled Sierra Leone's conflict, destabilizing the country for the better part of three

decades, stealing its patrimony and robbing an entire generation of children, putting the country dead last on the UNDP Human Development Index.

Over the years, the informal diamond mining sector, long dominated by what might be called 'disorganized crime', became increasingly influenced by organized crime and by the transcontinental smuggling not just of diamonds, but of guns and drugs, and by vast sums of money in search of a laundry. Violence became central to the advancement of those with vested interests. As the mutation of the war in Sierra Leone continued and spread through the 1990s, so did the number and type of predators, each seeking to gain from one side of the conflict or another.

The Diamond Industry and De Beers

In 1998 the international diamond industry produced an estimated 115 million carats of rough diamonds with a market value of US \$6.7 billion. At the end of the diamond chain, this was converted into 67.1 million pieces of jewelry worth close to US \$50 billion.

The De Beers group of companies mines, or partners in mining, the majority of the world's diamonds. De Beers purchases by far the majority of all diamonds produced, and more or less sets the price of rough diamonds on the global market. Manipulation of both the supply

About Diamonds

Diamonds are derived from two main sources. Primary deposits are those which occur in basic volcanic rock, known as kimberlite. Secondary deposits are those which occur in alluvial deposits of weathered kimberlite. Although kimberlite is found worldwide, little is diamondiferous.

The mining of kimberlite pipes is an expensive and capital-intensive operation, involving tunneling underground for hundreds of feet in order to extract diamonds. Where there are large and productive kimberlite pipes, one will usually find large companies with extensive investment funding. Although there are many kimberlite pipes in the world, a large proportion of diamonds are still recovered from alluvial deposits. Alluvial diamond fields are created by the disintegration of volcanic rock (kimberlite) over a long period of time. The product of the disintegration, including diamonds, can be carried away by river systems and deposited over widely scattered areas, including the sea-bed. Alluvial mining involves the separating of rough diamonds from earth and gravel. This can be done by a single person working with a sieve and shovel, or by large dredges which can remove tons of earth and gravel quickly.

Gemstones, including diamonds, are weighed in carats. One carat is 0.20 grams. Individual stones vary in average size from 0.01 ct. (about 1 mm in size) to more than 0.7 ct. Prices vary according to quality - weight, shape, clarity, colour. A 1 ct. gem-quality rough stone could be worth as little as US \$12, or as much as US \$2000. A cut diamond of this size would be worth many times more than this once it reaches the retail market.

Key Events in Sierra Leone's History

- 1787: 377 black and white colonists from Britain land in Sierra Leone; most die within two years
- 1792: 1200 'free Negroes' sail from Nova Scotia to Sierra Leone where they establish the settlement of 'Freetown'.
- 1799: A Royal Charter gives legal status to the colony.
- 1808: Establishment of a Crown Colony (Sierra Leone thus becomes the first modern state in sub-Saharan Africa).
- 1827: Establishment of Fourah Bay College, the first university in sub-Saharan Africa.
- 1896: Establishment of a Protectorate over territories of the interior.
- 1961: Independence
- 1964: First Prime Minister, Sir Milton Margai, dies; power goes to his brother, Albert Margai.
- 1967: General elections are marred by widespread violence, in part because of Margai's plan to establish a one-party state. Army takes power as 'National Reformation Council'.
- 1968: Non-commissioned officers seize power and invite Siaka Stevens, apparent winner of the 1967 election, to take power. Elections reconfirm him in office.
- 1970s: Stevens consolidates power through violence, corruption and intimidation, creating an Internal Security Unit with Cuban assistance. 1977 elections are rigged and marred by violence, after which Stevens declares a one-party state.
- 1985: The economy in ruins, Stevens - now 80 - hands over to former army chief, Joseph Momoh.
- 1990: Momoh relaxes press restrictions; moves to reintroduce multi-party democracy; UNDP Human Development Report places Sierra Leone last out of 160 countries; Charles Taylor begins his war in Liberia; 80,000 Liberian refugees flee to Sierra Leone; ECOMOG is established with Freetown as the rear base.
- 1991: Former army corporal Foday Sankoh leads Revolutionary United Front (RUF) attacks on Sierra Leone border towns from Liberia; attacks continue, marked by brutality against civilians; children are kidnapped and inducted into RUF; Momoh doubles the army, recruiting 'hooligans, drug addicts and thieves' and children.
- 1992: April: A mutiny by unpaid soldiers becomes a coup; Momoh flees; National Provisional Ruling Council (NPRC) assumes power under Capt. Valentine Strasser (age 27); brutal war continues; RUF attacks target civilians. Their hallmark is crude amputations - feet, hands, lips, ears, noses - with special attention to women and children. 120,000 refugees flee to Guinea; widespread internal dislocation.
- 1993: Kamajor (traditional hunters) militia begins fighting against RUF along with Republic of Sierra Leone Military Forces (RSLMF) and ECOMOG; rebel atrocities continue.

and demand for rough diamonds on world markets is managed through its Central Selling Organization (CSO), headquartered in London.

The CSO sources diamonds from De Beers mines as well as from the 'outside market' - diamonds produced by non-De Beers firms. Diamonds purchased by the CSO are in turn sold at ten annual 'sights' (sales) to 160 'sightholders'. Sightholders are designated by De Beers and are presented with mixed 'parcels' of diamonds. The parcels are packages of combined rough gem quality and industrial diamonds, and may include stones from a combination of countries. Parcels are priced by De Beers and are bought by sightholders - ironically enough, sight

unseen. Sightholders then take the diamonds to other cities where they are resorted and repackaged for onward sale, or for cutting and polishing.

Until the 1980s, De Beers was directly involved in Sierra Leone, had concessions to mine diamonds offshore, and maintained an office in Freetown. Since then, however, the relationship has been indirect. De Beers maintains a diamond trading company in Liberia and a buying office in Conakry, Guinea.¹ Both countries produce very few diamonds themselves, and Liberia is widely understood to be a 'transit' country for smuggled diamonds. Many 'Liberian' diamonds are of Sierra Leonean origin, and others reported-

"Oh, the diamonds, diamonds, diamonds," Yusef wearily complained. "I tell you, Major Scobie, that I make more money in one year from my smallest store than I would in three years from diamonds. You cannot understand how many bribes are necessary."

Graham Greene,
The Heart of the Matter, 1948

It is virtually inconceivable that De Beers is not - in one way or another - purchasing diamonds that have been smuggled out of Sierra Leone.

- 1994: RUF overruns diamond areas, bauxite and titanium mines; economy essentially bankrupt; Freetown threatened. By now an estimated 50,000 have been killed and about half the country's 4.5 million people have been displaced.
- 1995: February: NPRC employs Gurkha Security Guards for combat duty, but following setbacks they withdraw; May: Executive Outcomes contracted by NPRC; by June, the RUF is beaten back from Freetown and diamond areas liberated; rebel activity subsides.
- 1996: January: Palace coup in which Julius Maada Bio replaces Strasser; peace talks with RUF begin in Abidjan; March: elections marred by RUF violence are reported to be otherwise free and fair by international observers; Ahmed Tejan Kabbah becomes President; November: Foday Sankoh and Kabbah sign a peace accord.
- 1997: May: Soldiers release 600 prison inmates and seize power, forming the Armed Forces Ruling Council (AFRC). Kabbah flees. Major Johnny Paul Koroma, a former coup plotter, becomes chairman and invites RUF to join the government. AFRC/RUF rule characterized by systematic murder, torture, looting, rape and shut-down of all formal banking and commerce throughout the country.
- 1998: February: ECOMOG launches offensive on Freetown, driving the AFRC/RUF out. President Kabbah returns. Sierra Leone armed forces disbanded. Towns and villages throughout the country experience continued attacks and extreme brutality from AFRC/RUF forces. July: Security Council creates UN peace-keeping operation, UNOMSIL, and sends 40 military observers and later human rights observers. October: An estimated 10,000 - 12,000 ECOMOG troops continue to battle AFRC/RUF. An estimated 800-1200 Nigerian soldiers have been killed, and the cost is estimated at \$1 million per day. October: Trials of soldiers and civilians result in death sentences for many, including Foday Sankoh. Attacks continue; RSLMF regroups.
- 1999: January: AFRC/RUF elements attack and enter Freetown resulting in two weeks of arson, terror, murder and dismemberment. Cabinet ministers, journalists and civil servants are tortured and killed. Parts of the city are razed, over 6000 civilians are killed before ECOMOG pushes them back. 2000 children are reported missing. February: Nigerian presidential candidates agree that Nigeria should get out of Sierra Leone soon after Nigeria's return to civilian rule on May 29. The UN Security Council discusses Sierra Leone. July: GOSL concludes a negotiated peace agreement with the RUF, giving Foday Sankoh and several other RUF and AFRC leaders cabinet positions. All RUF and AFRC leaders are given amnesty. August: Phased Nigerian Troop withdrawal begins. October: UN Security Council approves a 6000-member Peacekeeping Force for Sierra Leone with authority to use 'deadly force' if required. December: Kenyan and Indian contingents of the new UNAMSIL peacekeeping force begin to arrive in Sierra Leone.

ly originate as far away as Russia and Angola. De Beers says that it does not purchase Sierra Leonean diamonds. Through its companies and buying offices in West Africa, however, and in its attempts to mop up supplies everywhere in the world, it is virtually inconceivable that the company is not - in one way or another - purchasing diamonds that have been smuggled out of Sierra Leone.

Belgium and the Diamond High Council

Antwerp is the world centre for rough diamonds. More than half of the CSO sightholders reside in Antwerp. Antwerp is also the

principal 'outside market' serving as a funnel for more than half of all the diamonds produced in the world. The formal trading of diamonds in Belgium is structured around the Hoge Raad voor Diamant (HRD) - the Diamond High Council. The HRD is a non-profit umbrella organization officially acknowledged as the voice of the entire Belgian diamond industry. The mission of the HRD is to maintain and strengthen the position of Antwerp as the world centre for diamonds. Smuggling in the Belgian context refers to diamonds which enter Belgium without being declared to customs officials, and which are not licensed for import by the Ministry of Economic Affairs and the HRD

The diamond, a symbol of purity, makes a market that functions both above and below ground, in which the licit and the illicit mingle freely and comfortably, the line between them almost imperceptible, usually irrelevant. Diamonds bring out the worst in men – and women.

David Koskoff, *The Diamond World*, Harper Collins, New York, 1981

Diamond Office. Neither the Government of Belgium nor the HRD have estimates of the quantity or source of smuggled diamonds. In addition, there are few active policies aimed at controlling diamond smuggling.

A factor which eases large-scale diamond smuggling and inhibits the tracking of diamond movements is the manner in which the HRD documents diamond purchases. The HRD records the origin of a diamond as the country from which the diamond was last exported. Therefore diamonds produced in Sierra Leone, say, may be officially imported and registered as originating in Liberia, Guinea, Israel or the UK, depending on their journey from one trading centre to another.

A major problem with the Belgian environment - as it pertains to Sierra Leone or any other diamond producing country - is the lack of interest and information on the true source of the diamonds entering the country. A comparison of West African diamond export figures with Belgian imports is revealing. For example:

- * while the Government of Sierra Leone recorded exports of only 8,500 carats in 1998, the HRD records imports of 770,000 carats;
- * annual Liberian diamond mining capacity is between 100,000 and 150,000 carats, but the HRD records Liberian imports into Belgium of over 31 million carats between 1994 and 1998 - an average of over six million carats a year;
- * Ivory Coast, where the small diamond industry was closed in the mid 1980s, apparently exported an average of more than 1.5 million carats to Belgium between 1995 and 1997.

Of further interest where transparency and accountability are concerned, is the question of who actually monitors imports and exports on behalf of the Belgian government. Oddly, this role is carried out largely by the HRD itself, the representative and lobbying institution for the Belgian diamond industry. In

recent years there have been a number of judicial inquiries which have shown that the overall system violates almost any definition of neutrality, and is an invitation to corruption. Cases of fraud in the Antwerp diamond trade are legendary and Antwerp has become one of the primary world centres for Russian organized crime.

The Sierra Leone Diamonds

The first Sierra Leonean diamond was found in 1930, and significant production commenced in 1935. Sierra Leonean production is characterized by a high proportion of top-quality gem diamonds. The Star of Sierra Leone, a magnificent 969-carat diamond, was discovered in the Koidu area. By 1937 Sierra Leone was mining one million carats annually, reaching a peak of 2 million carats in 1960. From 1930 to 1998, approximately 55 million carats were mined (officially) in Sierra Leone. At an average price in 1996 dollars of US \$270 per carat, the total value is close to US \$15 billion.

In 1935, the colonial authorities concluded an agreement with De Beers' Sierra Leone Selection Trust (SLST), giving the company exclusive mining and prospecting rights over the entire country for 99 years. By 1956, however, there were an estimated 75,000 illicit miners in Kono District - the heart of the diamond area - leading to smuggling on a vast scale, and causing a general breakdown of law and order. The buyers and smugglers at that time were mainly Madingo and Lebanese traders. With the tightening of security between Kono and Freetown in the early 1950s, Lebanese smugglers began moving their goods to Liberia. Antwerp, and then Israeli-based diamond merchants soon noticed the booming diamond trade in Monrovia, and many established offices there. De Beers itself set up a buying office in Monrovia in 1954, in order to keep as much of the trade under its control as possible.

In 1955, the colonial authorities scrapped SLST's nation-wide monopoly, confining its

In recent years there have been a number of Belgian judicial inquiries which have shown that the system violates almost any definition of neutrality, and is an invitation to corruption.



Destruction in Freetown, January 1999.

operations to Yengema and Tongo Field, an area of about 450 square miles. In 1956, they introduced the Alluvial Mining Scheme, under which both mining and buying licenses were granted to indigenous miners. Many of these licenses came to be held by Lebanese traders who had begun to settle in Sierra Leone at the turn of the century.

Siaka Stevens became Prime Minister seven years after independence in 1968. A populist, he quickly turned diamonds and the presence of SLST into a political issue, tacitly encouraging illicit mining, and becoming involved himself in criminal or near-criminal activities. In 1971, Stevens created the National Diamond Mining Company (NDMC) which effectively nationalized SLST. All important decisions were now made by the prime minister and his right hand man, a Lebanese businessman named Jamil Mohammed. From a high of over two million carats in 1970, legitimate diamond exports dropped to 595,000 carats in 1980 and then to only 48,000 in 1988. In 1984, SLST sold

its remaining shares to the Precious Metals Mining Company (PMMC), a company controlled by Jamil. Stevens retired in 1985, handing over power to Joseph Momoh, who placed even greater responsibility in the hands of Jamil.

From the late 1970s to the early 1990s, aspects of Lebanon's civil war were played out in miniature in Sierra Leone. Various Lebanese militia sought financial assistance from their compatriots in Sierra Leone, and the country's diamonds became an important informal tax base for one faction or the other. This was of great interest to Israel, in part because the leader of the important Amal faction, Nabih Berri, had been born in Sierra Leone and was a boyhood friend of Jamil. Following a failed (and probably phoney) 1987 coup attempt in Sierra Leone, Jamil went into exile, opening the way for a number of Israeli 'investors' with close connections to Russian and American crime families, and with ties to the Antwerp diamond trade.²

'As with the mutation of viruses... war is turned against civilians in the pursuit of profits, [and] these civilians may be forced to resort to violence in order to survive. The impoverishment of particular geographical and ethnic groups may also precipitate the "spreading" of war to new areas as predatory groups seek new assets to appropriate.'

David Keen, 'War as a Source of Losses and Gains', Queen Elizabeth House, Oxford, July 1995



The Revolutionary United Front (RUF) rebel war began in 1991 and soon after, Momoh was replaced by a military government - the National Provisional Ruling Council (NPRC). Despite the change in government, however, RUF attacks continued. From the outset of the war, Liberia acted as banker, trainer and mentor to the RUF, although the Liberian connection was hardly new. With a negligible diamond potential of its own, Liberia's dealings in stolen Sierra Leone diamonds have been a major concern to successive Sierra Leone governments since the great diamond rush of the 1950s.

What was different and more sinister after 1991 was the active involvement of official Liberian interests in Sierra Leone's brutal war - for the purpose of pillage rather than politics. By the end of the 1990s, Liberia had become a major centre for massive diamond-related criminal activity, with connections to guns, drugs and money laundering throughout Africa and considerably further afield. In return for weapons, it provided the RUF with an outlet for diamonds, and has done the same for other diamond producing countries, fueling war and providing a safe haven for organized crime of all sorts.³

The 'Juniors' and Private Security Firms

President Momoh's search for new investors in the early 1990s was carried forward by the NPRC military government. With De Beers out of the picture, and with the disappointing and short-lived Israeli experience behind it, the government now began to receive overtures from small mining firms, known in the business as 'juniors'. Three of these juniors became heavily involved in Sierra Leone during the 1990s, some with interests that extended far beyond the mining of diamonds.

All three companies trade on Canadian stock exchanges, no doubt because of Canada's reputation as a source of easy venture capital for small mining and exploration companies. The first, Rex Diamond - with de facto head-

quarters in Antwerp - has an integrated mining, sorting, cutting and marketing operation, holding Sierra Leonean concessions in Zimmi and Tongo Field. Although Rex claims friends among both government and the RUF,⁴ this is denied by the RUF,⁵ perhaps understandably. In 1998, Sierra Leone lost its only combat helicopter - a serious problem because the Soviet-built gunship had been the government's most effective weapon against the RUF. Zeev Morgenstern, Rex's Managing Director, and Serge Muller, the company's President, came to the government's aid by making an arrangement to supply engines, parts and ammunition worth US \$3.8 million. The deal went sour as a result of defective parts supplied from Russia. According to the Washington Post, Morgenstern and Muller have both said, '...the arms deals were unrelated to Rex's mining activities'.⁶

The second firm is Toronto-based AmCan Minerals, which holds various exploration licenses in Sierra Leone. Because of the security situation, AmCan has so far done little diamond mining, although it recently acquired a South African-owned firm, ArmSec International (SL) with connections to both the diamond and the security industries. AmCan's Sierra Leone lawyer is Chairman of the Government Gold and Diamond Office, the body responsible for overseeing the monitoring, valuation and taxation of the diamond industry.

The third 'Canadian' firm is the London-headquartered DiamondWorks, an outgrowth of Carson Gold and Vengold, companies promoted by Robert and Eric Friedland. In 1995, DiamondWorks acquired Branch Energy Ltd., a private company registered on the Isle of Man. DiamondWorks and Branch Energy have become the subject of widespread interest because of their apparent but much-denied connections with two major international security firms, Executive Outcomes and Sandline. In 1995, The Government of Sierra Leone, backed militarily onto the Freetown peninsula by the RUF and facing certain defeat, engaged the services of Executive



A small pump drains an alluvial diamond pit. Photo: Des Garvey.

Outcomes (EO) to help in its defense. With 200 imported soldiers, air support, and sophisticated communications equipment, EO pushed the RUF back from Freetown within a week, and within another month had cleared the major diamond areas of Kono as well. Shortly after EO took control of the diamond areas, Branch Energy - which had introduced EO to the GOSL - secured a 25 year lease on Sierra Leonean diamond concessions.

In 1997, DiamondWorks' Sierra Leone country manager was seconded - as a 'private citizen' - to Sandline, in connection with a controversial arms shipment intended for the briefly exiled government of Tejan Kabbah.

The juniors arrived in Sierra Leone after the formal instruments of the state - notably law, order, probity and justice - had all but disappeared. They also arrived in the midst of a war which had at its epicentre the same thing that brought them to the country - diamonds. Lawlessness, however, was not new. The government of Sierra Leone had - from the 1950s - given up pretending that it could police the diamond areas. From the days of the SLST Diamond Protection Force, it had encouraged and even required foreign investors to make their own security arrangements. This goes a long way to explaining why the juniors appear to have such an intimate relationship with private security firms.

There is a distinction to be made, however, between the need to hire a private security firm in order to police a mining operation, and the provision of troops and weapons in support of a faction in a civil war. Some would argue that regardless of Executive Outcome's own purpose, its involvement in Sierra Leone was in a good cause. EO successfully protected a democratically elected government against a brutal and illegitimate rebel force. And EO was certainly cheered in the streets of Freetown for its efforts. Some would also argue that the provision of weapons to the democratically elected government of Tejan Kabbah - a UN arms embargo notwithstanding - made sense and was in support of a good cause.

The problem is not the individual episodes, but the bigger picture which they help to form - of a world in which beleaguered and legitimate governments find little formal international protection against internal predators, and are forced into Faustian bargains in order to survive.

In the absence of a governmental capacity for self-protection, and in the absence of effective mechanisms for international protection, private security firms and mercenaries may be seen by some as the way of the future. Closely connected to mining interests, the phenomenon, however, is more than just a convenient way to let the international community 'off the hook'. It begins to look like a protection racket, with the payment for assistance made in future mineral concessions - 'concessions for protection'.

It is unclear whether junior mining companies have the capacity to undertake serious mining ventures in Sierra Leone. Only time and peace will tell. On the latter point, however, a peace agreement is only one step in a long process that will be required to provide real security in the diamond areas. An important next step will be the demobilization of fighters and a return to the rule of law under government authority, and major investments in long-term human development. Before government authority can be established, however, there may well be a lengthy interregnum required for UN peacekeeping forces.



A group of amputees poses for the camera, Freetown 1999.

Recommendations

Any recommendations for solutions to Sierra Leone's terrible and complex problems must be pragmatic enough for at least a reasonable chance of success. In other words, they should be realistic. Some of what follows is optimistic, but where Sierra Leone diamonds are concerned, business as usual is certainly not realistic.

No single recommendation on its own will solve the problems of Sierra Leone's diamond industry, and most of the recommendations are part of a comprehensive set of changes that need to be addressed together. In fact taken together, the recommendations have major policy implications not only for governments and international organizations, but for civil society organizations in Sierra Leone and abroad, for private sector firms and for individual consumers.

In addition to national and international dimensions, there are important regional dimensions to the diamond trade and the conflict in Sierra Leone. There will be no lasting results to peacekeeping, peace-building and reconstruction unless all three dimensions are addressed.

The recommendations fall under eight broad headings. The first two sets have to do with the environment in Sierra Leone. The third and fourth sets deal with De Beers and with the diamond environment in Belgium. The fifth set has to do with neighbouring states, particularly Liberia. One recommendation deals with the concept of a consumer campaign - possibly a necessary precursor to change elsewhere.

The general thrust of the recommendations aims at improved human and economic security, a sustainable peace, and at changing the economics of the diamond trade. If smuggling can be made more difficult, and if legal mining, investing and trading can be made more attractive, the potential for change can be turned into reality.

1 Framework for the Recommendations

- 1.1 A Permanent Independent International Diamond Standards Commission should be created under United Nations auspices in order to establish and monitor codes of conduct on governmental and corporate responsibility in the global diamond industry. It should draw members from intergovernmental institutions such as the Commonwealth and the OAU, from the diamond industry, from international law enforcement agencies and from international civil society organizations.
- 1.2 In addition to the diamond-specific recommendations in this report, the development of sustainable peace in Sierra Leone will require major investment by the government of Sierra Leone and by donors in long-term basic human development and the creation of democratic institutions. Diamond-specific initiatives must be integrated into wider programmes aimed at building fundamental human security and democracy, involving parliamentarians, journalists, teachers and a broad cross-section of civil society.

2 Recommendations for Action in Sierra Leone

- 2.1 Establishment of the rule of law and human security throughout the country is of primary and urgent importance for a return to peace, and for appropriate exploitation of the country's mineral resources. In the short- and medium-term, donor agencies, friendly governments, the UN Peacekeeping Force and ECOMOG must facilitate the disarmament and demobilization of extra-governmental forces. Force must be used in a timely fashion to halt a resurgence of conflict.

The places you can sell uncut diamonds are pretty limited. It should not be beyond our wit to devise an international regime in cooperation with the diamond trade that cuts off the flow of diamonds from those who use them to buy arms and fuel conflicts.

Robin Cook, British Foreign Minister, September 21, 1999.



- 2.2 Special long-term UN security forces must be deployed in all major diamond areas.
- 2.3 Attention should also be given by the UN Peacekeeping force to blocking or destabilizing major smuggling routes from Sierra Leone into neighbouring countries.
- 2.4 Donors should actively support current British Government efforts to rebuild Sierra Leone's army and police force. A professional diamond unit should be created with the ability to anticipate and counteract criminal activities. This reform should place training in human rights law and international humanitarian law at the centre of its efforts to create a credible, non-partisan army.
- 2.5 The Government of Sierra Leone must ensure full transparency, high standards and rigorous probity in the implementation of its diamond purchasing, valuation and oversight activities. Corruption and conflicts of interest must be dealt with quickly and decisively. There is an important role to be played in this effort by Sierra Leonean civil society. Assistance in reviewing current systems and developing an enforceable code of conduct should be sought from appropriate donor agencies.
- 2.6 Systems must be developed in Sierra Leone for the payment of fair prices to legitimate small miners. The banking system must be able to provide adequate and timely funding to finance such purchases. Schemes which actively promote participation in small-scale artisanal mining by Sierra Leoneans, and which actively discourage the participation of non-citizens should be given top priority.
- 2.7 Effective and honest monitoring and inspection systems must be established throughout the mining and trading system. External assistance should be sought in developing these. Competent UN inspectors should be posted at different points in the system.
- 2.8 In creating incentives for foreign investment in larger-scale mining operations, the Government of Sierra Leone should raise its standards for investors, insisting on a minimum per annum exploration budget and/or minimum levels of market capitalization and/or assets. Full corporate transparency must also be provided. Assistance in developing such standards should be sought from international securities commissions.
- 2.9 While it is reasonable to expect mining firms to provide security within their immediate areas of operation, under no circumstances should they be provided with concessions in return for larger security or military operations, or in return for the supply of weapons.

3 De Beers

De Beers is part of the problem. In its efforts to control as much of the international diamond market as possible, it is no doubt purchasing diamonds from a wide variety of dubious sources, either wittingly or unwittingly. The breadth of its control, however, is also its major strength, and is part of the solution to the problem. If De Beers were to take a greater interest in countries like Sierra Leone, and if it were to stop purchasing large amounts of diamonds from countries with a negligible production base, much could be done to end the current high levels of theft and smuggling.

- 3.1 As a matter of urgency, more rigorous oversight on the issue of origin must be instituted by the CSO.
- 3.2 Strong efforts should be made by the Government of Sierra Leone, international bodies such as the United Nations and the World Bank, and concerned governments, to persuade De Beers to return to Sierra Leone. At a minimum, De Beers should be persuaded to open a purchasing office in Freetown and should be given every incentive to do so.

3.3 Strong efforts should be made by the same international community to persuade De Beers to halt the purchase of all diamonds originating in Liberia and Ivory Coast until clear international guidelines have been developed for proving that any diamonds sold in these countries are genuinely of local origin. De Beers and all other foreign firms should be encouraged to close their purchasing offices in these two countries.

4 Belgium

The structure of the Belgian diamond industry may have served useful purposes when the industry was smaller. Today, however, it looks irresponsible, secretive and seriously under-regulated. It has a demonstrated attraction for new forms of organized crime, and is complicit in fueling African wars. The following recommendations are made to the Diamond High Council and the Government of Belgium, but they are also made to the European Union, and to other governments and institutions in Europe and Belgium with the potential to influence the outcome of events.

- 4.1 The Government of Belgium must take full and direct responsibility for oversight of the Belgian diamond industry. This includes taking direct responsibility for customs, valuation and statistical procedures.
- 4.2 The conflict of interest posed by the government's current customs-related arrangements with the HRD should be terminated.
- 4.3 A high-level commission of enquiry should be instituted into the Belgian diamond industry as a whole, with particular reference to its lack of transparency and questionable paper work, and its possible infiltration by organized criminal elements. Such an enquiry, while of primary interest to Belgian authorities, has implications that extend far beyond Belgium. The Belgian Government should invite representatives of interna-

tional bodies and/or other governments to participate in the enquiry.

- 4.4 The HRD and/or the Government of Belgium should immediately prohibit the processing of all diamonds that are said to be of Liberian and Ivory Coast origin.
- 4.5 As a matter of urgency, more rigorous oversight on the issue of origin must be instituted by the HRD and the Government of Belgium.
- 4.6 The Government of Belgium and the HRD should, as a matter of urgency, investigate the diamond 'fingerprinting' technology being developed by the Royal Canadian Mounted Police. The sooner this technology is in widespread use, the easier questions of identification will become.

There is concern in Belgium that tougher controls would drive the diamond industry away to countries such as Israel, where oversight may be equally lax. This is not a good enough reason to ignore the Belgian problem, but it is a reason for rigorous international investigation of other diamond trading centres (see Recommendation 8).

5 Liberia and Ivory Coast

Liberia has become a major criminal entrepot for diamonds, guns, money laundering, terror and other forms of organized crime. The astoundingly high levels of its diamond exports bear no relationship to its own limited resource base. By accepting Liberian exports as legitimate, the international diamond industry actively colludes in crimes committed or permitted by the Liberian government.

- 5.1 The United Nations Security Council should place a full embargo on the purchase of any diamonds originating in, or said to originate in Liberia until a full and objective international review can be carried out of the country's legitimate resource base, and until exports fall into line with that resource base.

The Identification of Diamonds

The identification of rough diamonds is an issue of great interest to law enforcement agencies. Long thought to be impossible, new diamond 'fingerprinting' technology is being developed in consultation with the Royal Canadian Mounted Police. The RCMP stresses that it has yet to clearly identify the limitations and capabilities of the system through actual use. The potential difficulties in applying the technology are reduced, however, by the fact that the bulk of the rough diamond trade is centralized in only two organizations and two locations, the HRD in Antwerp and De Beers' Central Selling Organization in London.

5.2 The United Nations Security Council should place a full embargo on the purchase of any diamonds said to originate in Ivory Coast until a full review can be carried out of the country's legitimate resource base, and until exports fall into line with that resource base. Consideration should be given to imposing the same restrictions on Guinean diamonds.

6 Canada

As 'home' to a high proportion of the world's junior mining companies, Canada has a particular responsibility to ensure good corporate citizenship abroad. New standards and codes of conduct have been implemented by some companies and provincial securities commissions in recent years, but these are directed largely at matters of financial transparency, professional competence and issues dealing with capitalization. Some deal with environmental issues. They do not, however, deal with issues of corporate behavior in war zones or with issues such as contravention of the International Convention Against the Recruitment, Use, Financing and Training of Mercenaries.⁷

6.1 All Canadian securities commissions should initiate discussion among their members about issues relating to corporate conduct in war zones, with special reference to direct or arm's length trade in weapons and materiel, involvement with individuals and companies recruited abroad to engage in hostilities in a third country, or the arrangement of mining concessions in return for protection of any sort. Guidelines dealing with such issues should be created or added to existing codes.⁸

6.2 The Royal Canadian Mounted Police should be encouraged and supported in its development of diamond 'fingerprinting'. Efforts should be made to develop systems for adopting the technology as a matter of course in diamond producing

countries and in major trading centres around the world, including the CSO and Antwerp.

7 A Consumer Campaign

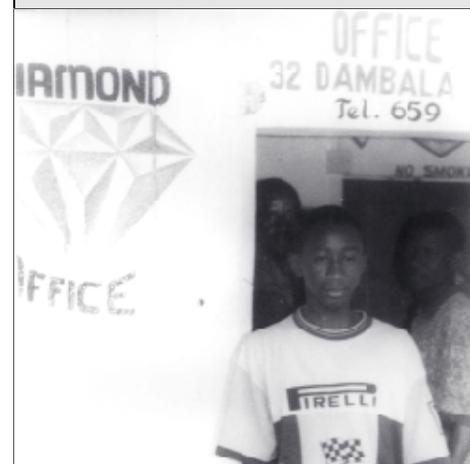
Like diamonds, the Atlantic slave trade essentially served non-African markets. And like the diamond trade, the impact of slavery was devastating for many West African countries: it spawned predatory bandit groups acting like the RUF, UNITA and the NPFL, and mercenary regimes based entirely on violence and slave raiding. These regimes and bandit groups were sustained and motivated by the slave trade - by the arms and other resources they received for selling captive human beings to Europeans. With the end of the Atlantic slave trade, however, they collapsed or were swept aside in short order. The abolition of the slave trade was significantly influenced by a consumer campaign in Britain, aimed at the products of slave labour - mainly sugar from the Caribbean. The political and commercial damage to the slave trade of such campaigns was as much responsible for abolition as the humanitarian imperative.

At the bottom of the UNDP Human Development Index and wracked by almost a decade of war, Sierra Leone could not possibly be in worse condition today than if it never had any diamonds. Diamonds have, in fact, been a curse, not a blessing. This does not have to be the case, but concerted action on all the recommendations above will be necessary just to start making a difference. The recommendations will not be easy to implement, nor will they be cost-free. The easiest thing for the major actors - De Beers, the HRD, the Governments of Belgium and Sierra Leone, the UN Security Council - will be to do as little as possible.

One way of drawing greater attention to the urgency of the matter and of gaining broader support for change, would be a consumer campaign. One has already been started in Europe⁹ and it would not be difficult to expand it. Imagine:

The diamond industry does not need or want conflict with government or NGOs. It is in our economic interest to cooperate and find reasonable and responsible ways to deal with war diamonds.

(Martin Rapaport, 'Blood Money', Diamond Net, Nov. 11, 1999)



Loot, not better government, has motivated the psychotically brutal guerrillas of Sierra Leone. They trade the diamonds they control for arms through neighbouring Liberia, under sponsorship of President Charles Taylor, their long-time patron.

New York Times, Editorial, August 8, 1999.

- * Diamonds are *not* a girl's best friend - witness the brutalized little girl (shown on the cover of this report) with no hands that President Kabbah took with him to the Lomé talks in 1999;
- * For some people, diamonds are more 'forever' than for others - witness 75,000 violent deaths in Sierra Leone;
- * Diamonds are a guerilla's best friend - witness Sierra Leone's coups, rampaging criminals, etc etc.

Sixty million individual pieces of diamond jewelry are sold every year, indicating a sizeable target audience.

An effective consumer campaign could inflict damage on an industry which is important to developing economies and to poor people working in the diamond industries of other countries such as Botswana, Namibia, South Africa and India. Those considering the possibility of initiating or joining a campaign, therefore, would have to consider how many lives in countries like Sierra Leone, Angola and the Congo these jobs are worth. Speaking in November 1999, De Beers Chairman Nicky Oppenheimer said,

"Damage to the diamond market will not on its own deprive the warlords of their treasuries, but it will kill prosperity and encourage poverty in other well regulated African countries and in the cutting centres of India and around the world... Indeed, damage the market and you undermine orderly mining regimes and ensure instead that there will be more Angolas, more Congos, more Sierra Leones. It could ensure that there will be no more Botswanas, South Africas or Namibias."¹⁰

Diamond analyst Martin Rapaport, while critical of the UN, Global Witness and what he sees as hypocritical politicians and bureaucrats, also fears a consumer campaign, but understands that it could hurt. 'The bottom line,' he says, 'is that the diamond industry does not need or want conflict with government or NGOs. It is in our eco-

conomic interest to cooperate and find reasonable and responsible ways to deal with war diamonds.' He says that 'from a humanitarian and moral perspective, our industry must do everything it reasonably can to ensure that diamond money is not used to fuel conflict... As an industry we must take responsibility for our actions and develop trade-wide practices that we believe are correct and moral.'¹¹ Nelson Mandela has said the same thing: 'We would be concerned that an international campaign... does not damage this vital industry. Rather than boycotts being instituted, it is preferable that through our own initiatives the industry takes a progressive stance on human rights issues.'¹²

The word "boycott" does not appear in this report. Certainly a boycott could damage the industry. But the idea of a campaign is different: it is about transparency, change and urgency. Where people's lives are concerned - as they are in Sierra Leone - time is of the essence. In the absence of clear and meaningful movement within the industry and among other international actors, the point of a campaign would be to help the industry 'take responsibility for its actions' - not damaging it, but improving it.

8 Further Study

This report has not dealt with the problems of Angolan or Congolese diamonds and their relationship to other countries in the region. Angola's problems - which are similar to those of Sierra Leone - were under consideration by a United Nations panel of experts when this report was being finalized. Recommendations emerging from that panel will no doubt need to be considered in relation to what has been recommended here.

This report has also not addressed the diamond trade in other parts of the world, most notably in Russia, Ukraine, New York, Israel and India. Further solutions to some of the problems identified here might follow additional research into these and other trading, cutting and polishing centres.

Further Information

This report is available in an edited form at www.web.net/pac. It is also available in French from PAC. Further information on diamonds and the conflict in Sierra Leone can be found in the full 90-page report which is available from Partnership Africa Canada at a price of Can \$25.00 or US\$20.00, including postage and handling. A general overview of the diamond industry can be found in *The Diamond World* (David Koskoff, Harper Collins, New York, 1981). Specific books on Sierra Leonean diamonds include: *The Sierra Leone Diamonds* (H.R. Van Der Laan, Oxford University Press, 1965); *The Knave of Diamonds* (Michael Harbottle, Seeley, London, 1976); *Corruption and State Politics in Sierra Leone* (William Reno, Cambridge University Press, 1995). *Africa Development* (Vol. XXII, Nos. 3/4, 1997) contains many excellent articles by Sierra Leoneans on the war. A daily source of reliable information on Sierra Leone can be found on the Sierra Leone Web: www.Sierra-Leone.org.

Sources for specific items in this report follow:

¹ De Beers, 1998 Annual Report

² This period and the details are well documented in Reno (see above).

³ See Reno and *Africa Development* (above), and Christopher Clapham (ed.) *African Guerrillas*, James Currey, Oxford, 1998

⁴ Ben Holemans on Rex Question and Answer web site. (www.Rexmining.be/rdmc/Company/Q_and_A/gea_content.htm.) June 28, 1999.

⁵ E-mail from RUF to NINJAS (<http://206.253.196.7/-wsapi/investor/reply-10846986>) August 6, 1999

⁶ Rupert, James, 'Diamond Hunters Fuel Africa's Brutal Wars' *Washington Post*, October 16, 1999

⁷ This Convention was passed by the United Nations General Assembly after ten years of debate and negotiation in 1989. It was to enter into force one month after it had been ratified by 22 states. By the end of 1997, it had been ratified by only seven.

⁸ This is a complex issue, made more difficult by the fact that as many as one third of 'Canadian' mining companies are based outside Canada. One way of looking at it has to do with shareholder protection. Mining firms are expected to apply due diligence to technical matters in the interest of their shareholders. Lack of diligence in political, military and ethical matters overseas can place shareholder investment at risk. The Alliance of Manufacturers and Exporters Canada makes a reasonable start at such issues with its 'Good Corporate Conduct Abroad'. The issue, however, is not codes, but how to give them teeth.

⁹ By the British NGO, Global Witness - URL: www.oneworld.org/globalwitness

¹⁰ Oppenheimer, Nicky, 'Diamonds Working for Africa', Speech to the Commonwealth Business Forum, Johannesburg, Nov. 11, 1999

¹¹ Rapaport, Martin, 'Blood Money', Nov. 11, 1999, Diamond Net, URL: www.diamonds.net/news

¹² IRIN Newsbriefs, UN Office for the Coordination of Humanitarian Affairs, 17 November, 1999

About the Authors

Ian Smillie, an Ottawa-based consultant, has 30 years of international development experience, as manager, programmer, evaluator and writer. He was a founder of the Canadian NGO Inter Pares, and was Executive Director of CUSO from 1979 to 1983. His most recent publications include *The Alms Bazaar: Altruism Under Fire: Non Profit Organizations and International Development* (IT Publications, London, 1995) and *Stakeholders: Government-NGO Partnerships for International Development* (ed. With Henny Helmich, Earthscan, London, 1999).

Since 1997 he has worked as an associate with the Thomas J. Watson Jr. Institute at Brown University on issues relating to humanitarianism and war. Ian Smillie started his international work in 1967 as a teacher in Koidu, the centre of Sierra Leone's diamond mining area.

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Ralph Hazleton holds a PhD in economics. He has 25 years of experience divided equally between Canadian academia, where he has worked as a political economist, and Africa, where he has worked as a senior manager of development and emergency efforts in Zaire, Zambia, Tanzania, Rwanda, and more recently, in Liberia and Sierra Leone. He was awarded the Meritorious Service Medal by the Government of Canada for his work with Rwandan refugees in Zaire in 1994-5.