West Africa: Rocks in a Hard Place

The Political Economy of Diamonds and Regional Destabilization

By Lansana Gberie

It is not just about Sierra Leone, it is regional and international, and in some instances it is worldwide. And it boils down to diamonds.

David Crane, Chief Prosecutor, Special Court for Sierra Leone, 2003

Unlike Southern Africa, where diamond discoveries since the 1860s helped to shape the destiny of the entire region south of the Limpopo, diamonds only became a factor in West Africa in the mid 20th century. Ghana (then British-ruled Gold Coast) was the first to register significant commercial exploitation of diamonds in the region, beginning in 1919. The next significant discoveries were in Sierra Leone, over ten years later, in 1930. Commercial exploitation started in 1935, soon surpassing the Ghanaian industry in value, and in both social and political significance. Guinean diamonds were discovered two years after Sierra Leone's, in 1932, but significant commercial exploitation, hampered by low returns and the advent of World War II, began only in the 1950s, and did not became a serious factor in the country's political and economic development until recent years. Liberia's diamond industry is smaller and far less organized than its neighbours, and although production, beginning in the 1950s, peaked at 150,000 carats per annum for several years in the 1970s, they were

The Study

West Africa, Rocks in a Hard Place, is an Occasional Paper of the Diamonds and Human Security Project, a joint initiative of Partnership Africa Canada (Ottawa), the International Peace Information Service (Antwerp) and the Network Movement for Justice and Development (Freetown). The project aims to shed greater light on, and to help end, the trade in conflict diamonds. This paper exposes the continuing crises of armed violence in the West African sub-region by highlighting the role and influence of diamonds. It is a background paper focusing on the political economy of conflict in the region, providing information on, and analysis of, the nature of the region's diamond resources. It asks the question: Why have diamonds been so susceptible to criminal predation and violence? Research for the paper was conducted in six countries in West Africa — Sierra Leone, Liberia, Guinea, Côte d'Ivoire, Gambia and Ghana. The author is grateful to the Accra-based Third World Network and to several other organizations and individuals who contributed to the research. Some of them have taken risks, as did the author during an attempt to visit Burkina Faso to investigate that country's role in diamond and weapon smuggling. The result was an arrest at the airport, interrogation, and an eventual expulsion. The views expressed in the paper are those of the author and the project, and do not necessarily reflect the views of organizations supporting the project.

the Diamonds and Human Security Project

Occasional Paper #9,
Partnership Africa Canada • International Peace Information Service • Network Movement for Justice and Development
Series Editor: Ian Smillie

mainly small industrial stones. Throughout the years, Liberia has been important where diamonds are concerned, mainly because it was a fencing nation for high quality diamonds smuggled from Sierra Leone. Côte d'Ivoire's diamond industry, the least important in the region, was a low-level affair, under well-regulated corporate control from the 1960s to the early 1980s when the diamond deposits appeared to have been exhausted. Today, the industry is left mainly to informal miners, and official control is minimal. The main diamond areas, around Korhogo in the north of country, came under rebel control at the end of 2002. The other two countries of interest in the region, Burkina Faso and Gambia, have no known diamond reserves but have been shady players in the region's illegal diamond trade. Indeed, Burkina Faso, became a very important player in Africa's conflict diamond nexus.

In the 1960s, West African diamond production, at 7.5 million carats per annum, represented 26 per cent of global output. But by 1983, while over-all global production increased to around 40 million carats, West African production had fallen below one million carats a year.[1] There were several reasons for this, ranging from the exhaustion or near-exhaustion of reserves (Côte d'Ivoire in particular) to the collapse of governmental control and the rampant smuggling and other irregularities which accompanied it. The decline of Sierra Leone's diamond industry, which was in the 1960s and 1970s the region's largest, with exports peaking at two million carats a year, illustrates the problem. Under the incompetent rule of President Joseph Momoh (1985–1991), almost all economic activities in Sierra Leone, already in long-term decline since the days of Momoh's despotic and corrupt predecessor Siaka Stevens, became terminally sclerotic. During the 1980s, two groups of players competed to milk the country's diamond reserves: a community of expatriate and settler Lebanese (who had dominated the informal industry from the beginning) and elements of a Russian/Israeli mafia. Among others, Russian mobsters Shaptai Kalmanovitch and Marat Balagula financed both licit and illicit mining, smuggling gems to Thailand, where they were reportedly swapped for heroin, which was then distributed in Europe.[2] In 1988, official diamond exports had fallen to only 50,000 carats.

While this level of criminality was intolerable, the 1990s brought a much more toxic connection to the illegal diamond trade. Sierra Leone's decade-long war, beginning in 1991 and officially ending in January, 2002, provides the classic case of a diamond-fuelled war. But the story of resource-driven warfare begins earlier, in neighbouring Liberia. Its spread to Sierra Leone and then Guinea can only be understood in the context of the warlord political economy that developed in Liberia. On Christmas Eve 1989, a fugitive former Liberian official named Charles Gbankay Taylor led a group of about 150 armed fighters in an attack on Liberia from a base in Côte d'Ivoire. The ostensible reason was to overthrow the bloodthirsty dictatorship of President (formerly Master Sergeant) Samuel K. Doe, but the campaign soon after devolved into ethnic massacres and banditry. At first, Taylor sponsored his war by looting Liberia's rich hardwood timber reserves, reportedly making hundreds of millions of dollars for himself in the process.[3] Diamonds played little, if any, role in Taylor's Liberian campaigns, partly because Liberia's diamond mines were already in shambles by the time he struck. But Taylor learned during his campaigns that he could operate with relative freedom in his illegal exploitation of the country's rich extractive resources, finding ready buyers from Europe and elsewhere, and safe conduits and havens in Côte d'Ivoire and Burkina Faso.

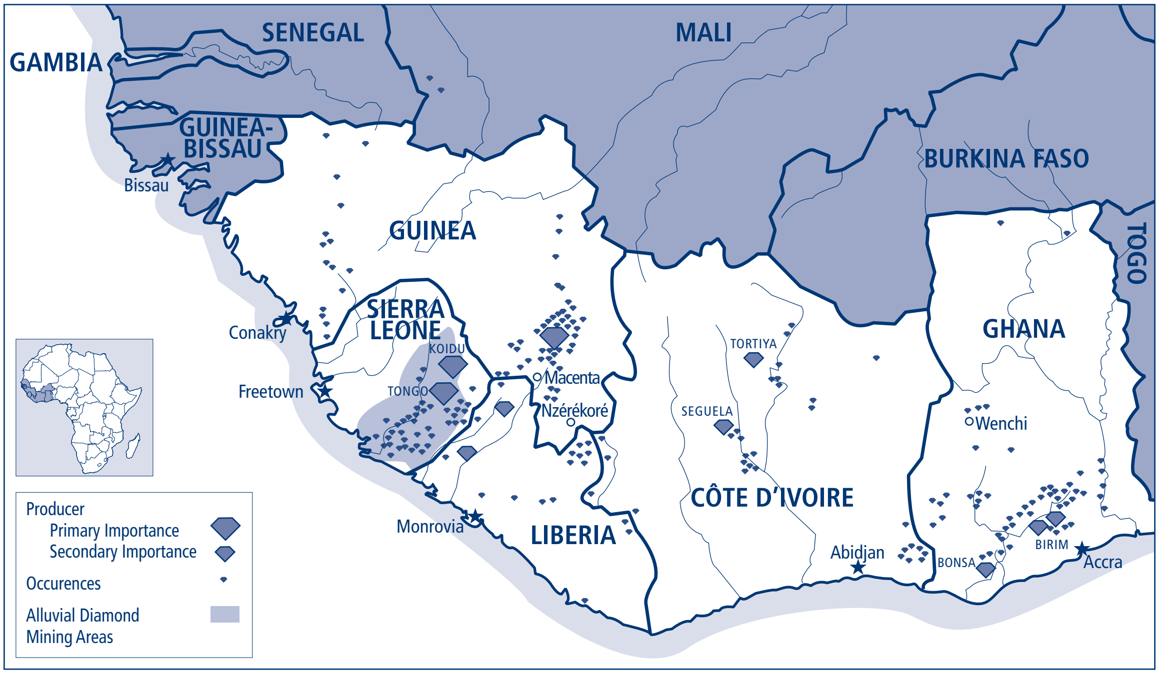
When Taylor's ambition to capture Monrovia was frustrated in 1990 by the intervention of troops from the Economic Community of West African States (ECOWAS) — the intervention force was called ECOMOG — he consolidated his hold on the parts of the country he had overrun, which he called 'Greater Liberia', creating what William Reno has called the quintessential 'warlord economy.'[4] Tens of millions of dollars worth of timber was shipped from 'Greater Liberia', mainly to France and Italy through the Ivorian port town of San Pedro. It was not so much that the conflict created, to quote two scholars who have studied the phenomenon of private economic activity in armed conflict, a 'niche market for companies willing to avoid regulation and assume greater levels of risk.'[5] It was that companies and governments, in Europe and Africa, actively colluded in the looting of Liberia for short-term gains and for dubious political reasons. When Sierra Leone's diamonds entered the fray, the number of players multiplied, and the stakes became much higher.

During the stalemate occasioned by the West African ECOMOG peacekeeping intervention, Taylor mentored, trained and armed Sierra Leone's Revolutionary United Front (RUF), which launched its first attacks against border towns in Sierra Leone in March 1991. Taylor provided the RUF with the same kind of safe haven provided to him by Côte d'Ivoire and Burkina Faso, and when the RUF captured the diamond districts of Kono and elsewhere in Sierra Leone in 1992, he gave them the conduit for the diamond exports that would fuel their war and his own personal ambitions. Partnership Africa Canada's January 2000 report, *The Heart of the Matter: Sierra Leone, Diamonds and Human Security*, exposed the connection between diamonds and the continuation of war.

With enormous international attention focusing on Sierra Leone, and with the deployment of thousands of UN troops in the country by September 2000, Taylor shifted his attention to Guinea which, like Sierra Leone, shares long borders with Liberia, and which also possesses large diamond reserves. Exactly the same approach was applied to Guinea as had been applied to Liberia and then Sierra Leone. 'Rebels' — initially thought to be Guinean insurgents, but actually RUF and Liberian fighters — attacked across the border, feinting north at Forecariah and then moving more forcefully in the east, reaching within 100 kilometres of the country's diamond areas. As in Liberia and Sierra Leone, the economic objectives were two-fold: to deprive a legitimate government of the revenue it would need to fight back, and to gain access to resources that would add fuel to the conflict. *Destabilizing Guinea: Diamonds, Charles Taylor and the Potential for Wider Humanitarian Catastrophe*, a study of Guinea's crisis, produced by PAC in 2001, argued that 'Guinea's conflict, like the apparently waning one in Sierra Leone, is largely over resources — a rapacious and mercenary campaign for wealth.' The report said that Guinea's diamonds had become 'a magnet' for the predatory forces of Charles Taylor. At the time, the fighting — which had witnessed the destruction of some of its cities, the mass displacement of hundreds of thousands and the killing of thousands more — was treated by much of the international community as a humanitarian crisis, and not as part of the continuous narrative of escalating regional violence, with Taylor's Liberia as the primary instigator. Many even concluded that there might be a genuine rebellion against the undoubted corruption of Guinea's leadership. But no Guinean figure emerged to claim responsibility for the conflict, and when President Lansana Conté — a stubborn old soldier — mobilized his forces and resolutely beat the invaders back into Liberia and Sierra Leone, the 'rebellion' was heard of no more.

This was not the end of West Africa's linked crises, however. Liberia itself now erupted into violence after President Conté decided to arm and support anti-government Liberian dissidents based in his country.[6] By the end of 2002, the rebel Liberians United for Reconciliation and Democracy (LURD) appeared to be largely contained, although fighting continued to flare episodically. But then Côte d'Ivoire, once a regional economic powerhouse, began to unravel, with the emergence of three 'rebel' factions following a failed coup attempt in September, 2002. There were reports of massacres and disappearances, and accusations by its beleaguered government, elected only two years before in a popular vote, that neighbouring Liberia and Burkina Faso were supporting anti-government militias. Côte d'Ivoire is the world's largest producer of cocoa, and it also has large reserves of timber. Most of these are concentrated in the west of the country, close to the Liberian border, and now the scene of fighting between Liberian-backed rebels and Ivorian government troops. Liberia's General Coocoo Dennis, a close aide of Taylor, and the man responsible for Taylor's logging operations in Grand Gedeh county — which is close to western Côte d'Ivoire — is believed to be the mastermind of 'rebel' activities in that part of Côte d'Ivoire. Both French and Ivorian intelligence reported in December, 2002, that former RUF commander and Taylor acolyte, Sam 'Maskita'

West Africa: Diamond Occurences



Bockarie, was active there as well.[7] That same month, long-simmering stories about an al Qaeda connection resurfaced. The *Washington Post*, citing a year-long investigation by various European intelligence agencies, reported that millions of dollars worth of West African diamonds had been bought by al Qaeda through channels arranged by Taylor and Burkina Faso's President Blaise Compaore, and that Taylor was paid $1 million for facilitating the deals. The study concluded that the bulk of the diamonds came from the RUF in Sierra Leone.[8] The issue of the RUF and Taylor links to al Qaeda has been discussed in an earlier PAC study,[9] and arises here only tangentially — in the context of the highly unregulated and corrupt nature of the wartime diamond industry in Sierra Leone, and the toxic nature and on-going criminality of Taylor and Compaore.

Recent UN Expert Panel reports on Liberia have focused too narrowly on Taylor's role in Sierra Leone's war and the illegal diamond and arms trade. A more comprehensive approach focusing on Taylor's threat to wider regional stability is urgently required. In a detailed March 2003 report, Global Witness documents the Liberian government's role in setting up, arming and leading supposed Ivorian 'rebel' groups — the Movement for Justice and Peace (MJP) and the Ivorian Popular Movement of the Great West (MPIGO), both operating close to the Liberian border. According to Global Witness, the 'Liberian government has entrusted its closest and most experienced operatives for the insurgency in Côte d'Ivoire. These are individuals, such as Sam Bockarie, and logging companies, such as Maryland Wood Processing Industries (MWPI). They have been involved in planning, implementing and overseeing the operations.'[10] The report also documents Liberian plans for a new 'two-pronged attack' on Sierra Leone which would involve 'activating cells of well-armed, Liberian paid operatives already within Sierra Leone, to be joined by an external force of Anti-Terrorist Unit (ATU) fighters attacking from Liberia.' The ATU, Taylor's elite security force, is now dominated by former RUF members. In the meantime, while Liberia goes without electricity and running water, Taylor is reported to have accumulated 'at a minimum, approximately US$3.8 billion from the illegal diamond and timber trades.'[11] This money is said to be in Swiss bank accounts. A more recent report has demonstrated in great detail how West African diamonds have been used by Hezbollah and al Qaeda to launder money and finance international terrorism.[12]

Case Studies

Brief sketches of the industries of the five diamond producing countries — Ghana, Sierra Leone, Liberia, Guinea and Côte d'Ivoire — are provided below. Each country's diamond industry has its own history and peculiarity, albeit with shared characteristics — dominance of the Lebanese and other foreign elements, the artisanal nature of most mining, and chronic smuggling and corruption. Gambia is not included in these case studies because it has no diamond industry. It has, however, been exporting hundreds of millions of dollars worth of diamonds in recent years — evidently stolen from elsewhere, probably from Sierra Leone. Solving this problem is important for the success of the international Kimberley diamond certification scheme; investigative research in Gambia yields clues pointing to the involvement of Lebanese resident in Sierra Leone. Burkina Faso is also not included because although it may have diamond reserves, they are negligible. The main interest in Burkina Faso is its role in smuggling, and in supporting rebel groups in the region. The diamond sectors in Côte d'Ivoire and Ghana, which have in the past been little studied, will get more coverage while that of Sierra Leone, the most important and therefore most extensively studied, and that of Guinea, the subject of a PAC report in 2001, will receive briefer reviews.

Liberia: The Love of Liberty & Money

Liberia was founded by freed American slaves in 1822, and never experienced formal colonialization. However throughout the 19th and much of the 20th century, it fell under the exclusive patronage of the US, which effectively bankrolled it. Until 1980, the country was ruled by a corrupt and mercenary Americo-Liberian elite, who reduced the country's indigenous population to near-subservience. Some of the 'natives', as indigenous Liberians were called, carried out a bloody coup in 1980, and Master-Sergeant Samuel Kanyon Doe, an illiterate soldier, took power. Instead of the freedom and prosperity that he promised his long-suffering countrymen, Doe instituted a regime of psychotic brutality, murdering opponents and carrying out horrendous ethnic purges. In 1989, one of his former state officials, Charles Taylor, who had earlier been charged with embezzling $900,000, launched violent incursions aimed at overthrowing the long-term dictator. As noted above, however, Taylor's own campaigns were characterized by ethnic purges and vandalism, soon becoming little more than organized theft on a vast scale. The pillage of the region's rich primary resources, timber at first and later diamonds, became the bedrock of his warlord-type economy.

Liberia's current international notoriety, however, has less to do with Taylor's murderous rule in Liberia than with his criminal meddling in neighbouring countries. In January 2000, PAC published a study which placed responsibility for Sierra Leone's decade-long war on Taylor, who mentored, supported and managed the nihilistic RUF, looting Sierra Leone's diamond resources for his own personal and political ends. The report noted that Liberia had 'become a major 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.'[13]

The figures speak for themselves. In 1988, before Liberia imploded into civil war, it exported $8.4 million worth of diamonds, the average in a good year. Yet in 1995, when formal economic activity in Liberia was almost non-existent, Belgium imported $500 million worth of diamonds which were declared as 'Liberian'. A large proportion of these diamonds undoubtedly came from Angola's rebel UNITA movement, whose leader was a close Taylor ally. And certainly a large proportion came from Sierra Leone. Liberia has a long history of dealing in stolen Sierra Leonean diamonds, far predating Taylor. The country's diamond industry had been negligible before Sierra Leone's great 1950s diamond rush triggered massive smuggling through

Monrovia. The phenomenon soon became institutionalized when diamond dealers from Europe and elsewhere established offices in Liberia, principally to buy smuggled gems. Liberia then became a fencing nation, creating fictitious mines as cover for the smuggled gems from Sierra Leone. What Taylor added to this level of criminality was far more poisonous: the RUF, guns and drugs.

The UN Security Council took note of this problem, in May 2001 imposing comprehensive sanctions on Liberia, including an embargo on its diamond exports, a travel ban on senior Liberian officials and their families, including Taylor, and a ban on Liberian importation of weapons. After two annual reviews, the sanctions remained in place. This is no doubt because of Liberia's continuing role in destabilizing parts of the sub-region, including Guinea and Côte d'Ivoire, as well as because of Taylor's brutal politics within Liberia itself.

Liberian Diamonds

Diamonds were discovered in Liberia just before World War I, but it was not until 1925 that the giant British-owned Consolidated African Selection Trust (CAST) sent in prospectors, who reported no finding worthy of commercial enterprise. In 1933, the Holland Syndicate reported diamond occurrences in the Koenbong area, close to the Sierra Leone border. The Holland Syndicate spent about £40,000 on prospecting, and in 1934 offered to sell its concessions to CAST. A skeptical CAST instead offered to work the diamond mines with the Holland Syndicate on a profit-sharing basis, and an agreement was struck. A government mining company operating at about the same time reported only $365 worth of diamond exports in1936/7.[14] CAST left the country in 1935 after failure to reach agreement with the Liberian government on mining issues. It was not until the 1950s that mining companies and diamond dealers began to move into Liberia, largely because of the huge finds in neighbouring Sierra Leone and Guinea. In 1956, over one million carats of diamonds were officially exported from Liberia, a large proportion of these undoubtedly smuggled from Sierra Leone and Guinea. After the authorities in Sierra Leone instituted tighter controls on diamond mining activity in the 1960s and 1970s, Liberian diamond exports decreased considerably, and on average the country could export only small amounts of diamonds, a large proportion of them of the industrial, low-value type. By the mid-1980s, prospectors had all but given up on Liberia as a diamond producer of commercial viability.

All mining activity in Liberia is artisanal. The diamond reserves are entirely alluvial although deposits of kimberlite are known to exist in western Liberia, close to the border with Sierra Leone. The most valuable diamond occurrences can be found in the western and northwestern regions (Grand Cape Mount, Gbarpolu — formerly Lower Lofa, and Lofa Counties). Of the twenty mining districts in Liberia, thirteen are located in these regions. A Canadian company, Mano River Resources, Inc. has been engaged in diamond exploration in Western Liberia for nearly five years. Official exports of diamonds in 1999 were 8,500 carats, although Belgian import figures register volumes many times higher. The Ministry of Lands, Mines and Energy estimates that this figure represents only 10–15 percent of what actually left the country that year. In 2000, diamond production increased to 22,112 carats, representing a 162.1 percent rise over 1999. In the first quarter of 2001, diamond output increased by 78.5 percent to 3,885 carats when compared to the output of 2,177 carats for the corresponding quarter of 2000. These are still tiny volumes, insignificant in comparison with Sierra Leone, where the industry is small by world standards. Since May 2001, after UN sanctions were imposed on Liberian diamonds, there has been no official export of diamonds from Liberia, and Central Bank statistics indicate no transactions.[15] Curiously, even though Liberia was officially exporting no diamonds, there were, in 2002, still three diamond exporters in the country: MARS Diamonds, the Empire Diamond Company, and Diandorra Minerals. In addition to these, there were twelve recognized diamond brokers and ten diamond broker agents operating in the country.[16]

In 'normal times', in order to obtain a mining license in Liberia, an applicant must apply to the Minister of Lands, Mines and Energy, and pay a fee of US$10,000 to work a mining plot of 100 square kilometers. The applicant must also pay a surface rental fee of US$6,776, an income tax of 35 per cent, and an employees' withholding tax. The Minerals and Mining Law of Liberia requires that anyone who wishes to engage in the buying and selling of diamonds, whether for local resale or for export, must apply to the Minister of Lands, Mines and Energy to obtain a permit and a license. Only Liberians are authorized to engage in the buying and resale of diamonds on the local market. But foreigners and Liberians who have the capacity to buy diamonds for the export market may do so once they meet the stipulated requirements. A diamond buyer for the local market is required to pay an annual license fee amounting to US$750; an exporter US$14,000, plus three per cent of the appraised value as royalty. Further, the individual or company must have a bank guarantee of not less than US$50,000.[17]

Prior to the war, the diamond trade was dominated (in numerical terms) by ethnic Mandingo elements (*Marakas*) who owned large claims and who also accounted for the large majority of those involved in buying and selling. But the Lebanese, with better credit facilities and more contacts, were in control of much of the trade, buying the gems from miners and *Marakas* and reselling to buyers abroad, mainly in Europe. A significant quantity of stones was smuggled out. Today, the President of Liberia officially controls the trade. A Strategic Commodities Act passed into law by the National Legislature grants the president full authority to negotiate and approve any treaty or agreement on behalf of the Liberian government. All finds from the various mines must be reported to the local mining agent. The Inspector General of Mines is the most important single Liberian involved in the trade. All finds must receive his approbation either directly or indirectly through sub-agents before they can be sold. Additionally all mines are required to surrender a certain percent of their finds and in some cases they are confiscated by the Inspector General, who reports directly to the President. Under this arrangement, the Ministry of Lands and Mines plays only a marginal role in the export of diamonds.

Côte d'Ivoire

Until recently, Côte d'Ivoire, a former French colony which gained independence in 1960, was a bastion of stability and prosperity in the sub-region. In the midst of the chaos and increasing poverty all around, Côte d'Ivoire grew to become the third largest economy in sub-Saharan Africa, with a GDP per capita that was, in 2001, three times higher than that of Nigeria, the second largest economy in sub-Saharan Africa after South Africa. But Côte d'Ivoire has been a negative force for many years in the engulfing crises of the region, having provided training and logistical support for Taylor's rebels in their pillaging of both Liberia and Sierra Leone. A coup occurred in Côte d'Ivoire at Christmas, 1999. It was led by General Robert Guei, head of the army and a close ally of Taylor — providing him with arms and training for his troops, as well as a safe conduit for timber and other goods looted in Liberia. The coup set in motion a destabilizing trend which finally imploded into near-civil war in late 2002.

Côte D'Ivoire Diamonds

Although Côte d'Ivoire is still recorded as the origin of millions of dollars worth of diamonds, in reality its diamond industry has been in a parlous, near-chaotic state since the late 1970s. The Ivorian journalist Mathieu Bledson, editor of the satirical online magazine *Gbich* (and the subject of death threats in February 2002 for stories he wrote about mining activities and child labour) has written a number of revealing articles for Abidjan's *Ivoir'Soir*, one of the country's better newspapers. In one of them, 'Everyone Wins, Except the State', Bledson visits the vestigial diamond mining district of Séguéla, where he finds that among the miners, many of them illicit (*clandos*), there are no effective regulations governing mining activities. There is nostalgia for the 'boom' of the 1970s. 'We don't earn a lot', an illicit miner says. 'But we earn more than the state'. Some of the *clandos* are armed with guns, and patrolling soldiers or gendarmes are afraid of them. There are incidences of murder and 'accidental' deaths when mining pits cave in, sometimes perhaps helped by a familiar miner superstition — the belief that when a miner dies in a pit cave-in, the place will soon become rich in diamonds.

Diamonds were discovered in the region of Séguéla in 1927 by two engineers from the company Forminière. Further exploratory missions, led by Bardet and Desmons for Minafro, discovered several diamonds in the Marahoué basin, around Mankono and north of Séguéla between 1934 and 1936. Beginning in 1946, several exploration companies began operations in the region between Bouaké-Ferkessedougou-Odienné-Touba and Séguéla. The 1946 prospecting mission led by Bardet led to the discovery of a deposit in Tortiya in 1947. Work undertaken in the region of Séguéla extended to Yani and the Marahoué basin. Mining activities were tightly controlled, and independent artisanal diggers were not encouraged. At the time of independence in 1960, Société Minière du Bandama (SMB) — created in 1961 — worked the diamond reconcentrations from Séguéla on the Marahoué. One state company, SODEMI, was also created, working in collaboration with the West African Selection Trust after 1961.

Ivorian diamonds are characteristically small but of almost uniformly good quality. Formal mining was suspended in 1978 due to the near-depletion of reserves and low returns, and the total production from the period 1948–1978 was only 4,751,852 carats. In the 1990s, following a drop in cocoa prices, the government decided to focus on the mining sector in order to give second wind to the flagging Ivoirian economy. This led to an intensification of exploration and production of gold, nickel, diamonds, iron, manganese and platinum. The new interest in diamond mining, however, coincided suspiciously with the brutal rebel wars in Liberia and Sierra Leone, of which Côte d'Ivoire was a low key but important sponsor. Both Taylor's National Patriotic Front of Liberia (NPFL) and the RUF maintained bases in Côte d'Ivoire (in Danane and Abidjan) throughout their campaigns, and the country was a major conduit for goods looted from rebel-held Liberia and Sierra Leone. Côte d'Ivoire diamond exports rose exponentially in the 1990s just as the RUF took over control of the diamond-rich regions of Sierra Leone. In 1996 alone, Belgium imported 2.2 million carats from Côte d'Ivoire, almost half of what it had taken 30 years to produce between 1948 and 1978.

In 1995, the government set out a new mining code which introduced important innovations, including two sets of mining regulations, one applicable to industrial mining and the other to artisanal mining. It introduced a modified tax regime aimed at attracting new investors. Exploration and mining licenses were also established. The exploration license is given by decree and is valid for three years, renewable twice for two years, to a maximum of 10 years The license gives its holder exclusive rights for exploration and testing, and access to an exploitation permit on deposits that are discovered.

The most significant mining venture to appear after this sudden burst of governmental interest in diamond mining was African Mining and Petroleum Resources (AMPR), formally the African Carnegie Diamonds Company, a British firm traded on the OFEX exchange for unlisted securities. Carnegie Diamonds owns 100 per cent of Carnegie Minerals Ivory Coast (CMIC), a private diamond exploration company registered in Abidjan. Through CMIC, AMPR obtained a joint venture agreement with the government in the late 1990s. Most of the company's activities, however, have been limited to exploration, and in 2002, it claimed to have explored an area in northern Côte d'Ivoire, close to the original Séguéla diamond districts. This was said to have a potential of 50,000 to 150,000 carats a year with a value of $100 per carat 'for the next few years.' By December, 2002, however, in the midst of the violence that gripped the country, the company had suspended operations. Not everyone, however, was so cautious. The *Guardian* reported in February, 2003, that a 'Saudi Arabian diamond speculator' had hired 50 mercenaries, six of them British, on behalf of the Ivorian government to help fight against the anti-government rebels. The mercenaries were allegedly paid £76,000 pounds a month,[18] an astonishing figure that suggests that the 'diamond speculator' clearly takes estimates of Ivorian diamond reserves seriously. It also resuscitates an issue which became a major problem during the Angolan and Sierra Leonean civil wars: hired guns and warfare in Africa, complicating formal diplomatic efforts to ensure both cease-fires and responsible as well as responsive governance.

Ghana:
Gateway to West Africa

Ghana gained independence from Britain in 1957, the first state in West Africa to do so. After successive coups and complete economic meltdown, Ghana began the slow process of recovery in the late 1980s and is today one of the more stable and prosperous states in the region, with a democratic political system. A huge sign in front of the terminal building at the Kotoko International Airport in Accra proudly announces: 'Accra, Gateway to West Africa.' It is not an idle slogan. Many international airlines now transit in Ghana before they move on to places like Côte d'Ivoire (once far more stable and prosperous), and there has been a decade-long boom in business and construction. The economy is dominated by primary products — gold, timber and cocoa.

In spite of its historical importance, Ghana's diamond industry is a low-profile affair, of little interest to the global diamond trade. Diamonds, first discovered in 1919, represent only 1.5 per cent of gross exports. Few major diamond mining companies or traders take it into account, with the exception of a recent agreement with Indian buyers to purchase Ghana's diamonds for cutting and polishing in India. This picture is, however, a complacent one. Because of Ghana's stability in a region of endemic warfare, the country has attracted foreign business interests for some time now. Many diamond trading Lebanese and other nationals who fled the war in Sierra Leone are now based in Ghana, and since the 1990s, Belgian imports of high quality gems from Ghana have increased, a curiosity since Ghana produces overwhelming tiny, industrial stones. It is reasonable to conclude that diamonds from elsewhere, Sierra Leone and Guinea almost certainly, are passing as Ghanaian.

Ghana's Diamonds

Commercial production began in 1920, with total production through to 2000 exceeding 112 million carats. The diamonds are entirely alluvial, and the bulk of the mining occurs in the Birim and Bonsa diamond fields. The Birim diamond field is located in the Birim valley, some 110 km northwest of Accra, covering an area of approximately 4500 km^2. Here diamond mining is concentrated in the town of Akwatia and its satellite communities. It accounts for about 98 per cent of Ghana's diamond production. The Bonsa diamond field is about 30 km north west of Sekondi-Takoradi and covers an area of approximately 720 km^2. Production volume is quite small compared to other major diamond producers, and Ghanaian diamonds are noted for their characteristic small sizes, with 2mm diamonds constituting more than half the total weight of production, and about 90 per cent of the actual stones mined. In addition, Ghanaian diamonds are of low quality with over 65 per cent being industrial diamonds.

The industry has been dominated by the Ghana Consolidated Diamonds (GCD) Limited, Cayco (Ghana) Limited, Dunkwa Goldfields Limited, and numerous private licensed small-scale miners and illegal miners (*galamseys*). GCD has been the largest and oldest company, derived from African Selection Trust, which was established in 1924, but which underwent several stages of transformation until it became wholly state-owned. GCD has been available for divestiture since 1995. The company operates a form of tributor system — small-scale producers given small acreages from the GCD concessions to mine and sell their finds to the corporation. Records from GCD indicate that there are 493 tributors with a total of 6000 workers registered to them. However, fewer than half this number are active and only 134 tributors had their licenses renewed as of June 30, 2002. There are also small-scale miners — private licensed individual miners and illegal miners, on the increase since 1989 following the regularization of the small scale mining sector.

The government exercises control over the diamond industry through the Ministry of Mines, the Precious Metals Marketing Corporation (PMMC), the Minerals Commission, the Mines Department and the Chamber of Mines. A two per cent tax is imposed on the value of diamonds to be exported. The PMMC itself however pays 35 per cent tax on its operational profits just like any other company in the country. The PMMC is a central player in the diamond industry in Ghana. Established in 1989 as part of the mining sector reform process, it comes directly under the supervision of the Ministry of Mines and Energy. The main function of the PMMC is the marketing of diamonds from all producers in the country, including large scale mechanized producers such as the GCD, and gold from small scale miners. In addition, it undertakes to add value to its products by engaging in the polishing of some diamonds and the manufacture of gold jewelry. Its clientele for polished diamonds and gold jewelry are the urban population of Accra and visitors to Accra. Diamond marketing in Ghana takes a variety of forms from mining sites to export. Licensed Buying Agents (LBA) are permitted to purchase diamonds and gold in the field, while Licensed Buying Companies (LBC) are engaged in the export of diamonds through the PMMC, which usually signs performance contracts, on the basis of which contracts are renewed or refused annually. Apart from these groups there are non-licensed buyers who purchase mainly from illegal miners and intend to sell to the LBAs.

According to the PMMC, there are 150 LBAs registered to purchase diamonds from the various production centres. However, half of this number are inactive. There are seven diamond dealing companies, whose licenses are evaluated and renewed annually depending on performance. Three of these are from India, two from Israel and one each from Belgium and China.

Although officials of the PMMC will not substantiate any cases of smuggling in the diamond industry, they concede that they have no reasonable grounds to dismiss it. They point out that the annual volumes of diamonds purchased and exported have grown since the regularization of the sector in 1989, an indication that at least smuggling is declining. Information gathered from buyers and miners in the field, however, suggests that foreigners do bring diamonds from outside the country to sell to licensed buyers in Accra. Many of these diamonds undoubtedly come from Sierra Leone, Liberia and Guinea.

Sierra Leone

Of the five countries under review, Sierra Leone's diamond industry is the most significant, both in terms of the value of its exports and the very important political and geo-political role that the industry has played over the years. It is also the most studied.[19]

After a decade of diamond-fueled war, the country conducted successful elections in May 2002, and appears to be sustaining its hard-won peace and democracy. The diamond industry, which produced such outstanding stones as the 969 carat Star of Sierra Leone, is being revamped to attract new and credible investors.[20] Some estimates anticipate Sierra Leone's diamond output within a few years at close to one million carats, from a low point of almost nothing during the height of its bloody rebel war. Kono District, in eastern Sierra Leone, was the first place in West Africa where kimberlite reserves were discovered. Subsequent kimberlite finds were made at Tongo, also in eastern Sierra Leone. DiamondWorks Ltd., a company that became controversial because of its involvement during the 1990s with mercenaries, holds concessions covering the kimberlite reserves in Kono, and it estimates reserves of 6.3 million carats. The Tongo reserves are estimated at 3.5 million carats. Concessions there are held by Rex Mining Company. In addition, Mano River Resources, a Canadian mining company, is investigating the extension of the kimberlite dyke system west of Koidu, and Olympus Development Co. is exploring the Panguma kimberlite dyke system. Africa Diamond Holdings Ltd (ADH), a Canadian diamond exploration company, holds the largest land area lease by an exploratory company in Sierra Leone — 14,500 km^2. In 2003 the company undertook the first high-resolution airborne magnetic geophysical survey in Sierra Leone. Artisanal mining still accounts for most production but as investor confidence is restored, better-funded mining operations are likely to take over most of the important mining areas.

A UN-inspired diamond certification regime was instituted in September 2000, and Sierra Leone is

Illicit diamond digging in Kono District.

part of the Kimberley Process international diamond certification system. Since the initiation of the original certification system in 2000, the diamond industry has been distinctly more transparent, a situation enhanced by the end of the war in January, 2002. In 1999, Sierra Leone exported only $1.5 million worth of diamonds. By 2000 exports increased to $11 million. The following year, official exports reached $26 million, and in 2002 they totalled $42 million. With the implementation of the Kimberley scheme in 2003, the government expects that exports may double again. The problems of Lebanese dominance and corruption of the industry, a critical factor for the country's long-term stability, are still to be addressed, however.

The larger problem of accounting for the decade-long war is now being addressed by two instruments of transitional justice: an internationally mandated 'Special Court' and a Truth and Reconciliation Commission (TRC). The Special Court deals with those in positions to have 'planned, instigated, ordered, committed or otherwise aided and abetted in the planning, preparation or execution' of war crimes and crimes against humanity during the war. Investigators for the Court have unearthed gruesome evidence of atrocities in the diamond-rich region of eastern Sierra Leone. Late in 2002, a Court team sealed off a suspected mass grave at Tomboudou, in Kono District: it was a pond where 400 to 1,000 people were murdered and buried in 1998 by the combined forces of the RUF and rogue elements of the Sierra Leone Army calling themselves 'The Peoples Army.'[21]

In March 2003 the Court indicted an initial batch of seven people — including the RUF leader Foday Sankoh, as well as a cabinet minister and leader of the Civil Defence Force (CDF). The Court's prosecutor, David Crane, a former judge advocate in the US army, has said that the Court will be trying not just political and military leaders who were in command positions in Sierra Leone during the war, but also external funders and collaborators, including those motivated by a desire to enrich themselves through the illegal diamond trade. The war, Crane says, 'was the most black-and-white, good-versus-evil situation that I have ever seen in 30 years of public service. This was a cynical attempt to take control of a country to control diamonds to make money to buy guns and weaponry to keep them in power so they could influence in the region…it boils down to diamonds in eastern Sierra Leone.' Crane added that the conflict 'was not local. It is not just about Sierra Leone, it is regional and international, and in some instances it is worldwide, and it boils down to diamonds.' [22]

Guinea

Diamonds were first discovered in Guinea in 1932, and in 2001 reserves were estimated at 25 million carats, worth well over $2 billion. Artisanal miners, better regulated in Guinea than in Sierra Leone, account for a large proportion of the production, but there are over 14 mining companies holding exploratory licenses. The major player is AREDOR First City Mining, which is 85 per cent owned by Trivalence, a Canadian mining company; the balance is owned by the Guinean government. Guinea's diamonds, like those of Sierra Leone, are characteristically of high value — over 70 per cent are of gem quality. Like Sierra Leone, Guinea implemented its own certification regime, and subsequently joined the Kimberley Process international certification scheme. The diamond industry, although always vulnerable to corruption, has been better regulated than most in the region.

While diamonds occur widely in Guinea, *la Haute Guinée* and *la Guinée Forestière* are the two regions with concentrated diamond production, and the Prefectures of Kérouané and Macenta host diamond production companies. Diamonds are second only to bauxite in terms of their importance to the Guinean economy. The prefecture of Macenta is the closest to the border with Liberia, while Guéckédou is only five kilometers from the Sierra Leonean border. Some districts, like Nongoa and N'Zô straddle the border of the three countries. This geographical factor has led to two unwelcome developments: widespread fraud and smuggling, and in 2001, rebel attacks from Liberia and Sierra Leone. Details of the RUF/Liberian incursion can be found in a 2001 PAC publication, *Destabilizing Guinea: Diamonds, Charles Taylor and the Potential for Wider Humanitarian Catastrophe.* [23]

As in Sierra Leone and elsewhere in West Africa, the government of Guinea forbids foreign artisanal mining. However, as in Sierra Leone, a number of Lebanese and people from elsewhere in West African participate in illicit diamond exploitation. The towns of Kindia, Forécariah, Dabola are full of dealers not recognized by the Ministry of Mines.

Guinean diamond production fluctuates, both in quantity and quality. The highest quantity of exports was in 1995, at 452,018 carats. Exports in 2000 reached only 52,850 carats, valued at $US16.7 million.[24] Production increased to 103,000 carats in 2001. The highest revenue was achieved in 1997, at $46.9 million, based on 379,638 carats, or $123 per carat. According to specialists at the Bureau National d'Expertise (BNE), this was a year of exceptional stones. Between September 1992 and December 2001, Guinea exported 3.4 million carats, valued at US$328.3 million, an average of $95.66 per carat. Export statistics show that the quantities increased by 10 per cent between 2000 and 2001 but that the value decreased by a half from $42.5 million to $23.7 million. The decreased productivity was said to be the result of rebel attacks and the increased instability since 2001, compounded by the high incidence of industrial stones — a curiosity since Guinea, like Sierra Leone, produces largely gem diamonds.

photo: Ian Smillie

Ruins of United Nations compound (Guékedou) after an RUF attack, May 2001

Conclusions and Recommendations

The diamond industries of the five countries under review vary in size and importance but all share a number of important characteristics. The first is that the formal (corporate) and informal sectors (artisanal) appear to be always in competition, with the corporate side overwhelmingly dominated by foreign capital, and the artisanal side by under-funded indigenous miners, both licit and illicit. The second is that all have been subject to illegal exploitation and smuggling, and actual returns to the state have been extremely small compared to overall production. Taxes are low and theft is common. The third important factor is that almost all, with the exception of Liberia, have participated in the Kimberley Process international certification scheme, and all have taken tentative steps to make fundamental reforms of the industry.

Diamonds in the region have been implicated in terrible wars, and have compounded the corruption and misrule that have had such corrosive effects. Reform of the diamond sector is not therefore simply a matter of convenience, to demonstrate compliance with international agreements. It is an important security, developmental and nation-building consideration.

In 2000 the New York-based International Peace Academy (IPA) published a book on current civil wars around the world. Edited by Mats Berdal and David Malone, *Greed and Grievance: Economic Agendas in Civil Wars*, argued for the incorporation 'at some level and in some form, the "economic dimension" in order to better understand the causes and the persistence of conflict.'[25] This path-breaking book, with its excellent case studies of conflicts fuelled by extractive resources, was followed by a World Bank report, 'The Economic Causes of Civil Wars,' authored by Paul Collier. That report emphatically asserted that wars are being caused or perpetuated by the availability of primary and 'lootable' commodities in poor and weak states around the world. Some of Collier's conclusions may seem overdrawn, but the basic thrust of his arguments can hardly be disputed. These two influential studies and many that have followed, have had a profound impact on how the world, and the UN Security Council in particular, views some of the most persistent wars in Africa. The UN Panels of Experts on Angola, Sierra Leone, Liberia and the Democratic Republic of the Congo have demonstrated authoritatively that in the conflicts that ripped these four African states apart, diamonds were an overriding factor. And there is powerful new evidence that the use of diamonds for money laundering has gone beyond simple tax evasion into the financing of international terrorism.[26]

The Kimberley Process

The 'Kimberley Process' was initiated by the Government of South Africa in May 2000, in an effort to grapple with the problem of conflict diamonds. Concerned about how diamond-fueled wars in Angola, Sierra Leone and the Democratic Republic of the Congo might affect the legitimate trade in other producing countries, more than 50 countries met on a regular basis to develop an international certification system for rough diamonds. On January 1, 2003, the international certification system came into effect, worldwide.

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

The strongest argument for full and effective implementation of the Kimberley Process agreement, which came into effect on January 1, 2003, is that diamonds are an extremely valuable resource, representing a multi-billion dollar industry. From mining through trading, cutting, polishing and retailing, the industry employs hundreds of thousands of individuals and has great potential as a purveyor of development and prosperity. But diamonds have also demonstrated their malignant powers. Their regulation is, therefore, a matter of sound economics. Another, perhaps more important argument in favour of an effective Kimberley Process is usually understated. Many diamond-producing nations in Africa are very weak, and are unable to provide the kind of regulation that would make international oversight and monitoring unnecessary. The industry in Africa is thus extremely vulnerable to criminal predators, foreign as well as local. What the past decade has demonstrated beyond dispute, is that such predation has grave human security implications: it has led to war and terror and banditry on a vast scale. Why a small, impoverished country like Liberia could be so central to the destabilization of countries bigger and better organized than itself is a disturbing question that requires attention at the highest levels of the Security Council. But no one can argue that had Charles Taylor been denied access to diamonds and hardwood timber, his reach would have been far more limited — and West Africa might have been spared some of the horrors of the wars and destabilization that resulted.

Recommendations

1. The UN Security Council ban on weapons imports to, and diamond exports from Liberia must be maintained until there is credible evidence that Liberia has stopped sheltering and arming dissidents from neighbouring countries. The UN Security Council should take a wider view of Liberia's role in regional destabilization, focusing on the government's use of timber revenues to fund its military activities and money laundering, as well as continuing weapons imports and the role played by diamonds.

2. The Kimberley Process international certification scheme for rough diamonds came into effect on January 1, 2003. Given the huge discrepancies between known production capacities in Ghana, Guinea and Côte d'Ivoire and what is said to be imported from these countries into Belgium and other countries, it is imperative that credible, independent reviews be undertaken of these countries' ability to comply with Kimberley Process minimum standards, as soon as possible.

3. The Kimberley Process has admitted Burkina Faso as a member of the international diamond certification scheme. Burkina Faso, a country with no diamonds, has been named in several UN Security Council Expert Panel Reports as trafficking in conflict diamonds. The Kimberley Process should remove Burkina Faso from its membership if it expects the system to have any credibility.

4. The Kimberley Process must institute a regular system of independent monitoring of *all* national control mechanisms. Without this, it will have little meaning in countries where a long-corrupted diamond trade simply ignores borders and regulations.

5. When Liberia is ready and able to re-enter the legitimate diamond trade, the Kimberley Process certification scheme must conduct a prior independent review to determine the country's ability to meet the scheme's minimum standards. It must also cap Liberia's diamond exports at pre-1980 levels (by volume and per-carat value), until and unless there is credible geological evidence to justify increases.

Notes

[1] Greenhalgh, Peter, *West African Diamonds 1919-83*, Manchester University Press, Manchester, 1985, pg. 9.

[2] Friedman, Robert I., *The Red Mafiya: How the Russian Mob has Invaded America*, Little, Brown and Company, New York, 2000, pg. 57.

[3] For a detailed account of Taylor's campaigns, see Stephen Ellis, *The Mask of Anarchy*, Hurst & Co., London 2000.

[4] Reno, William, *Warlord Politics and the African State*, Lynne Rienner Publishers, Boulder, Colorado, 1998.

[5] Lunde, Leiv and Taylor, Mark B. 'Approaches to Regulating Private Economic Activity in Armed Conflict,' paper presented at an International Peace Academy conference at Bellagio, Italy, June 2002. Mimeo

[6] See Kleveman, Lutz 'New War at Home for Rebel-backing Taylor,' *Daily Telegraph*, May 17, 2001.

[7] Author's interview in Abidjan, Côte d'Ivoire, December 2002.

[8] *Washington Post*, 29 December, 2002.

[9] Gberie, Lansana, *War and Peace in Sierra Leone: Diamonds, Corruption and the Lebanese Connection*, Partnership Africa Canada, Ottawa, 2002.

[10] Global Witness, *The Usual Suspects: Liberia's Weapons and Mercenaries in Cote d'Ivoire and Sierra Leone*, London, March 2003, pg. 29.

[11] *Ibid.*, pg. 7.

[12] Global Witness, *For a Few Dollars More*, London, April 2003.

[13] Smillie, Ian, Gberie, Lansana and Hazleton, Ralph, *The Heart of the Matter: Sierra Leone, Diamonds and Human Security*, Partnership Africa Canada, Ottawa, 2000, pg. 70.

[14] Greenhalgh, *op cit*, pg. 71.

[15] Report of the Panel of Experts Pursuant to Security Council Resolution 1343 (2001), para. 19, United Nations, New York, 2001, pg. 76.

[16] *Ibid*, pg. 77.

[17] Government of Liberia, 'An Act Adopting A New Minerals and Mining Law'; Section 15.6 – Performance Bond.

[18] *The Guardian*, 22 February, 2003.

[19] See, for example, *The Heart of the Matter: Sierra Leone, Diamonds and Human Security*, by Ian Smillie, Lansana Gberie and Ralph Hazleton, and *War and Peace in Sierra Leone, Diamonds, Corruption and the Lebanese Connection*, by Lansana Gberie, published by Partnership Africa Canada in 2000 and 2002 respectively.

[20] 'Sierra Leone, Ready for Business,' *Mining Journal* Supplement, February 2003.

[21] Dowden, Richard, 'Justice goes on trial in Sierra Leone,' *The Guardian*, 3 October, 2002.

[22] Pape, Eric, 'A New Breed of Tribunal', *Newsweek.com*, 4 March, 2003.

[23] Gberie, Lansana, *Destabilizing Guinea: Diamonds, Charles Taylor and the Potential for Wider Humanitarian Catastrophe*, Partnership Africa Canada, Ottawa, 2001.

[24] Ministry of Mines Statistics, Government of Guinea.

[25] Berdal, Mats and Malone, David (eds.), *Greed and Grievance: Economic Agendas in Civil Wars*, Lynne Rienner Publishers, Boulder, Colorado, 2000, pg.1.

[26] Global Witness, *For a Few Dollars More*, London, April 2003.

the Diamonds and Human Security Project

Partnership Africa Canada • International Peace Information Service • Network Movement for Justice and Development

West Africa: Rocks in a Hard Place. The Political Economy of Diamonds and Regional Destalibization

by Lansana Gberie
Series Editor: Ian Smillie

ISBN: 1-894888-28-6

Design: SUM Incorporated

Partnership Africa Canada
323 Chapel St.,Ottawa, ON K1N 7Z2, Canada
www.partnershipafricacanada.org

International Peace Information Service
http://users.skynet.be/ipis/mainuk.htm

Network Movement for Justice and Development
www.nmjd.f2s.com

Other Titles in the Series:

1 Destablizing Guinea: Diamonds, Charles Taylor and the Potential for Wider Humanitarian Catastrophe

2 Diamonds: Forever or for Good? The Economic Impact of Diamonds in Southern Africa

3 Fire in the Ice: Benefits, Protection and Regulation in the Canadian Diamond Industry

4 Hard Currency: The Criminalized Diamond Economy of the Democratic Republic of Congo and its Neighbours

5 The Kimberley Process: The Case for Proper Monitoring

6 War & Peace in Sierra Leone: Diamonds, Corruption and the Lebanese Connection

7 Diamond Industry: Success, Complacency and Suspicion in the Indian Diamond Industry

8 Diamonds in the Central African Republic: Trading, Valuing and Laundering

Disponible aussi en français

The Diamonds and Human Security Project is supported by the Program on Global Security and Sustainability of the John D. and Catherine T. MacArthur Foundation, the Canadian International Development Agency, the British Department for International Development, The Canadian Catholic Organization for Development and Peace, the International Development Research Centre, the Canadian Department of Foreign Affairs and International Trade, The Canadian Autoworkers Social Justice Fund, Inter Pares, CUSO, Terre sans Frontières, Centre canadien d'étude et de cooperation internationale, and several other organizations.