



DEMOCRATIC REPUBLIC OF CONGO: DIAMONDS FOR SALE

Kimberley's Illicit Process

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ANTWERP—Somewhere between Africa's diamond mines and the dazzling diamond bazaars of Dubai and Antwerp, a Belgian company called Omega Diamonds has constructed a financial triangular trade, where at least \$3.5 billion worth of diamond profits simply vanished between 2001 and 2008. And, if Belgian investigators are to be believed, there was little anyone could do about it. Not only did Dubai authorities deliberately turn a blind eye to questionable corporate practices of tax evasion and systematic under-invoicing—"tax optimization"

being the preferred term—but the Dubai Multi-Commodities Center (DMCC) leadership appears to have actively blocked investigation by other governments. Instead of being busted and black-balled from the industry, Omega Diamonds, owned by two of the largest industry players, was handed a get-out-of-jail-free card.

While Brussels would claim a major victory on March 14, 2013, after levying a fine of \$195 million on Omega Diamonds—the biggest-ever imposed on a Belgian enterprise—the company and at least two of its principals would escape any other sanction. Ironically, a few days earlier, Omega's former attorney Koen Geens was appointed as Belgium's Minister of Finance, putting him in charge of tax investigators—the very office that was prosecuting his former clients.

But a year earlier, Omega's main shareholder, Ehud "The Argentine" Laniado, sold all his property in Belgium, and according to the industry intelligence newsletter *Rough & Polished*, took up residence in the tax haven of Monaco, beyond the reach of the Brussels tax inspectors. His partner, Sylvain Goldberg, appeared to have moved his operations to Switzerland and Israel—the former a major tax haven, the other, not exactly known for cooperating with foreign tax authorities. Both men remain members in good standing

of Antwerp's venerable Diamond Bourse, whose officials declined to comment on the Omega settlement.

Undoubtedly, Omega was able to beat the system because of its particularly complex web of illicit activities. In short, Omega's illegal diamond trade linked countries in Central Africa to Omega subsidiaries in Dubai and, ultimately, Antwerp. Employing corrupt African autocrats and money-hungry businessmen, Omega would purchase diamonds of questionable origin for little to no money in Angola, the Democratic Republic of Congo, and Zimbabwe. They would then ship the diamonds to Dubai, where they would be given certificates of mixed origin—legal under the Kimberley Process definition—and subsequently over-value the worth of those diamonds. From Dubai, the diamonds would be sent to Antwerp, where they would be sold on the biggest diamond market for more than their actual worth. The money gained from those sales would finance the personal bank accounts of Omega and many of the corrupt characters they employed in their tri-continental scheme.

A three-month investigation into the efficiency of the international agreement designed initially to combat blood diamonds, known as the Kimberley Process Certification Scheme (KPCS), reveals that one of the most effective tactics enabling

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The Kimberley Process

The Kimberley Process Certification Scheme (KPCS), ratified in 2003, was designed to bring an end to the international trade in blood diamonds—gemstones trafficked by African rebel groups to finance civil wars. Currently, 81 states are party to the agreement, including all major rough diamond producing countries.

The KPCS emerged out of earlier efforts to de-fund the Angolan rebel movement UNITA, which from 1992 to 2002, waged a brutal civil war against the Angolan government. After the UN outlawed UNITA and imposed a regime of strict sanctions on the group in 1993, the rebels turned to the illicit mining and trafficking of diamonds to finance their operations. In 2000, faced with ongoing violence in Angola, the Democratic Republic of Congo, Sierra Leone, and elsewhere, declining faith in the legitimacy of diamonds sold to consumers, and a potential worldwide boycott of the diamond trade, representatives from the diamond industry, diamond producing countries, and NGOs met in Kimberley, South Africa to discuss the development of a certification system to thwart the trade in blood diamonds. After three years of negotiations, the KPCS was launched, with endorsement from the UN General Assembly.

Under the KPCS agreement, member states must “establish a system of internal controls designed to eliminate the presence of conflict diamonds from shipments of rough diamonds imported into and exported from its territory,” and “amend or enact appropriate laws or regulations to implement and enforce the Certification Scheme and to maintain dissuasive and proportional penalties for transgressions.” Furthermore, the agreement stipulates that member states must ensure that rough diamonds enter and exit

their countries in tamper-resistant containers accompanied by an authentic KPCS certificate. Each such certificate is issued by the country from where the diamonds are exported and bears a unique serial number. Kimberley members can only trade diamonds with other Kimberley members.

KPCS enforcement relies on voluntary self-monitoring and self-policing. In theory, to obtain a Kimberley Process certificate, diamond producers are required to present evidence to a government monitoring body that their diamonds are conflict-free, while governments are expected to check that the evidence is genuine. The voluntary nature of the KPCS prompted Global Witness, one of the organizations behind the creation of KPCS, to withdraw from the agreement in 2011. “We now have to recognize that this scheme, begun with so many good intentions, has done much that is useful but ultimately has failed to deliver,” Global Witness observed at the time. “It has proved beyond doubt that voluntary schemes are not going to cut it in a multi-polar world where companies and countries compete for mineral resources.”

Further outrage was expressed by the international community when, in 2011, the body that oversees the KPCS allowed Zimbabwe, a member of the KPCS, to begin exporting stones mined from its Marange field. At Marange, Zimbabwean security forces that operate the mines have been accused of many of the same human rights abuses the KPCS was initially implemented to fight, including torture.

Today, despite the controversy over the efficacy of the KPCS, the diamond industry maintains that 99 percent of diamonds traded internationally are certified conflict-free.

—Alexander Hobbs

the continued looting of Africa's mineral resources is the practice of under-invoicing the value of diamonds through subsidiary companies, based in jurisdictions providing legal and financial secrecy, like Dubai. This maneuver alone has managed to subvert and cleanse several billion dollars worth of African diamonds of questionable origin. And although Omega agreed to pay the fine that Belgian tax investigators had imposed as part of an out-of-court settlement, it has denied all guilt.

These jurisdictions are often Kimberley Process-certified, enabling tax havens to act as transit countries for diamonds, serving the purpose of removing the origin of diamonds through certificates of mixed origin. But the root cause of the problem does not lie in the ineffectiveness of the Kimberley Process as a monitoring mechanism for actual conflict diamonds. It lies in the Kimberley Process's commendable goal of removing the stain or reputation of "conflict" from diamonds, through a process of certification. Subverting this process requires narrowly defining the concept that now frames rebels as the sole source of conflict in Africa, which still produces at least 65 percent of the world's production of raw, uncut diamonds. So the cleansed Kimberley Process diamonds, produced in African countries that have not been subjected to violence but which may be ruled by venal autocrats, have augmented the personal wealth of these nations' rulers. Certified as 99 percent conflict-free, they may then be used to produce vast profits for a handful of individuals and families. This mechanism is only just coming into focus thanks to a series of court proceedings in Europe.

By 2007, when the first investigations leading to these proceedings were just de-

bating, Dubai had become a \$35 billion-a-year juggernaut that, by virtue of its lax tax laws, secrecy, and its position straddling the old world of diamonds, represented by Antwerp and the new world of Mumbai and Shanghai. Players like Goldberg and Laniado had already spotted opportunities that a tax haven and diamond hub like Dubai offered. To understand how the Kimberley Process helped Dubai grow into what Britain's Scotland Yard believes is the world's largest entrepot for diamond and gold smuggling, it's only necessary to understand what the reigning Dubai Diamond Council had hoped to achieve—and the myriad of unintended consequences that resulted.

Antwerp was the world's leading diamond trading center and home to the World Diamond Council. As early as 2000, the World Diamond Council was working to protect its position in an industry where much of the world's diamonds passed via Amsterdam's Pelikaanstraat at the heart of their Diamantkwartier. Getting everyone to play by the same rules was critical to protecting Antwerp as home to the 500-year-old diamond cutting and trading business, while fending off threats posed by upstarts such as Tel Aviv's Ran Gamat and, to a lesser extent, Dubai and Mumbai.

Dubai's rise to preeminence may be traced in a barely straight line to 1992, when the beleaguered government in Luanda, the center of barely-legal diamond mining, was facing a loss of control over most of the Angolan hinterlands to UNITA. The government, led by UNITA's rival MPLA, hired a group of former South African soldiers who styled themselves as Executive Outcomes (EO) to, at first advise, and later assume operational command of their military campaign against

UNITA. Heavy arms, gunships, and specialized tracking technology—all expensive—would be needed to bring an end to the murderous campaign of Jonas Savimbi, the leader of UNITA. To fill that increasingly pressing need, the Luanda regime turned to a coterie of Russian-Israeli arms and diamond dealers, namely Sylvain Goldberg, Pierre Falcone, Arkadi Gaydamak, and Lev Leviev. And eventually, to Dubai. But not before the Kimberley Process sought to throw a monkey wrench into their business.

THE RIP-OFF

The Kimberley Process Certification Scheme (KPCS) was designed in 2003 to “keep diamonds tainted with violence out of the international trade,” and was supposed to be limited to the activities of rebel groups in diamond-producing nations of Africa—largely Angola and Zimbabwe. But the \$800 billion Marange diamond field in Zimbabwe, looted through a web of politicians, the army, and opaque companies, was beyond the reaches of the entire Kimberley Process. Instead of bringing to its knees the trade in Zimbabwe’s “blood diamonds,” named for the brutality and looting by President Robert Mugabe’s political and military thugs, their operations continued to be financed by these very diamonds.

Various forms of violence, from physical to economic and social, fall outside of the Kimberley definition, including acts perpetrated by those who control the state and their corporate partners. As one cable, originating at the American Embassy in Belgium and disclosed by Wikileaks, states, “Belgium very recently has begun to take steps to monitor the flow of Zimbabwe-sourced diamonds through Antwerp’s Diamond Office ... but those

involved in the Zimbabwean illicit trade were savvy enough to mingle diamonds with those from other countries such as the DR-Congo, and then send them to other diamond trading centers in ... Dubai where they could receive legitimately-issued Kimberley certificates that indicated the source was ‘mixed,’ and then be sent on to Antwerp.”

“What can we do in the face of this?”

asked Chindori Chininga, chair of the Zimbabwean Parliamentary Portfolio Committee on Mines.

“What is the value of the KP certificate if it comes from places that are also tax havens?” referring to Dubai’s ability to issue mixed origin certificates, eliminating the sources entirely. Chininga, considered a moderate Zimbabwe politician and member of the ruling ZANU party, cautioned that fingering those responsible for establishing or prof-

iting from this corrupt system won’t work if the corruptors are never held accountable. “We must ask who the system is really working for,” said Chininga, who served as Zimbabwe’s Minister of Mines from 2000 to 2004. Several days after an interview with the authors, Chininga, who headed an investigation into the economic activities of diamond companies, was killed in a car accident ahead of forthcoming elections. At his funeral, some family members claimed he was murdered.

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Intelligence dossiers authored by Zimbabwe's notorious Central Intelligence Organization (CIO) would later reveal that six ZANU moderates including Chininga were "to be stopped," and that elections were being rigged with the help of two African presidents, one of them Joseph Kabila from the Democratic Republic of Congo. Finally, according to these documents, money and diamonds were passing from African presidents and businessmen from Zimbabwe through to Dubai, Angola, and China. According to a South African Supreme Court document, including a judgment delivered in September 2011, the system works very well for companies like Omega. This document outlines how the company had effectively operated a massive transfer-pricing scheme through Dubai:

"Omega imported diamonds from Angola and Congo through an associated company in Dubai into Belgium. Omega ordered the shipment of diamonds purchased in Angola and Congo in accordance with the legally required Kimberley Certificates, for delivery ... in Dubai. The diamonds were packed in small parcels. Upon arrival in Dubai the small parcels were retained but repacked into larger parcels, containing diamonds from both Angola and Congo, without physically mixing the stones. Thereafter the new shipment of diamonds was provided with a new Kimberley Certificate indicating that the shipment emanated from the United Arab Emirates and marked 'diamonds of mixed origin.' The new shipment was issued with a new invoice ... addressed to Omega wherein the value of the diamonds was increased."

According to the seized invoices, the increase in value, from Dubai to Antwerp, was estimated at 20 percent to 31 percent. For each shipment, a new price list and a mixed origin Kimberley Process certificate were attached. Omega had systematically under-valued diamonds from Africa via their Dubai-based trading company, Tulip FZE, run by Vivian Hawkins-Green, sister-in-law to Laniado. The company then increased the value when exporting from Dubai to their Antwerp-based entities. This was done by taking advantage of the Kimberley practice of allowing non-producing diamond trading countries like the United Arab Emirates to mix diamond parcels as needed and then issue their own certificates of mixed origins, enabling Dubai to omit the real origins of diamonds—in this case, Zimbabwe, whose diamonds were initially banned from international traffic by the Kimberley Process. By becoming a member of the Kimberley Process, tax havens like Switzerland and Dubai legitimately obtain the right to obfuscate the origins of African diamonds. The entire system rests largely on the integrity of African diamond producing and exporting governments, diamond dealers, and conduit countries like the United Arab Emirates. The goal is to prevent blood diamonds, synonymous with Angola's former rebel movement, UNITA, or Zimbabwe, from entering the international diamond trading chain.

UNDER-INVOICING

The dubious strategy of under-invoicing was used by Omega, which had exported an average of at least \$1.2 billion of diamonds every year between 2001 and 2008—\$10 million per month from the Democratic Republic of Congo and \$100 million per month from Angola. David Renous, a former Congo-based

diamond buyer for Omega, claimed that a substantial number of these diamonds were under-valued and declared neither in Angola nor the DRC.

Renous told Belgian and American investigators that this systematic under-declaration was done with the cooperation of key Angolan elites, including longtime President José Eduardo dos Santos, and was part of an elaborate scheme to compensate at least one arms trader, Arkadi Gaydamak, for re-arming Dos Santos's party, between 1992 and 1998, and in defiance of UN sanctions on Angola's protagonists. The arms, all of Russian design and East European origin, were supplied in violation of UN arms sanctions. But the arms dealers and other facilitators needed to be paid. In a conflict-ridden, cash-poor country like Angola, hard currency, especially in large quantities, is quite difficult to obtain. Along came diamonds and their merchants.

Gaydamak's payoff was to become a silent partner in Omega's monopoly with the Angolan government. Israeli diamond magnate Lev Leviev, active in Angolan diamonds since 1998, would be the principal financier. The Tulip FZE, Renous claimed, "generated profits. The profits could either be reinjected into the system to grow the capital, or used as desired. [Gaydamak] laundered funds legally. Nobody knew about it." The system, Renous told investigators, not only allowed Gaydamak to launder his arms wealth outside of Angola through diamonds—an easy-to-access hyper-mobile resource, but also allowed mass profiteering from the value of diamonds. These were sold at rock bottom prices to Gaydamak's own subsidiaries abroad.

But the alleged money-laundering, under-invoicing, and tax avoidance in

Africa, all illicitly taking place under the umbrella of Kimberley Process-certification, were not the problems investigated by the Belgian court. The fraud lay in the fact that Omega and Tulip then sought to avoid taxes in Belgium. In fact, Omega never officially kept more than two percent of the profits, in a valiant effort to sidestep taxes payable on such profits. Three of Omega's connected entities including evaluation company MDC, as well as trading companies DexDiamond and MBD, would trade the diamonds—on paper—and send cash onward to various bank accounts

largely based in tax havens, such as Luxembourg, Dubai, and Switzerland. Other players in the operation are alleged to have included several Dubai-based diamond merchants, since all the profits would ultimately stay in Dubai. And all the companies, Renous claimed, were under the control of Laniado.

There is little doubt why the Belgian investigators closed the file on a four-year-long investigation that stretched from Antwerp to Africa and the Middle East. Tax havens like the Kimberley Process-certified Dubai ensured the paper trail would lead to multiple dead ends. Prosecutors could not prove Omega benefitted from over-invoiced sales from Dubai to Antwerp. As the U.S. Embassy cable from Brussels, released through WikiLeaks, quoted an investigator stating, "It's like our fax line was directly connected to their shredder [in Dubai]."

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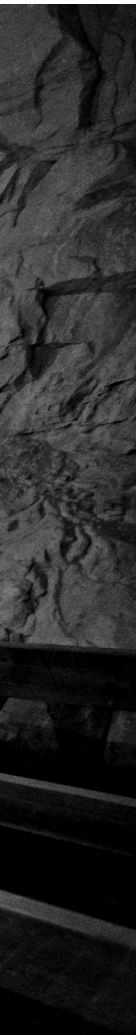


The eerie silence from the UAE in response to official requests for information was answer enough.

DESTINATION DUBAI

Dubai is one of the top three diamond trading hubs, rivaling such historic centers as Antwerp, and the world's leading cutting and polishing hub, Mumbai. Dubai's Almas Towers, the tallest commercial building in the Middle East, is said to house more than

1,000 diamonds dealers, as well as 300 international and regional companies. In 2003, KPCS was inaugurated in the UAE by the Ministry of Economy, naming the Dubai Multi Commodities Center Authority (DMCC) the sole point of entry and exit for diamonds in the country. The Financial Secrecy Index (FSI), assessing the UAE's opacity, ranks it at 80 percent, or "the top end of the secrecy scale." All of which has made Dubai a prime global transit point for diamonds of all



provenance, described by Nick Shaxson, author of *Treasure Islands*, as “one of the filthiest spots on the planet.” And that has nothing to do with hygiene.

“Because of the Kimberley Process certificates, the diamond dealers did not want to ship the diamonds directly from their African buying offices to the market,” says one leading Belgian government diamond investigator, who requested we withhold his name for fear of political reprisals. “The shipments were diverted to the UAE (Dubai). The certificate and invoice was then changed to a desired price and then shipped to a trading center. This way the evaluation office in the trading center received a shipment of rough diamonds with a UAE Kimberley Process certificate ‘origin: mixed or unknown,’ and with a value close to the market price. The full purchase amount, as mentioned on the invoice, is transferred and diverted to different accounts all over the world, private accounts or accounts of individuals. In the bookkeeping, all transfers are attributed to the UAE supplier. It may be clear that the UAE as a transit point was only created to produce ‘new’ documents in order to mask the origin of the diamonds and to create a possibility to divert the payments.”

In another American embassy cable released by Wikileaks, former CEO of the Dubai Diamond Exchange (DDE), Noora Jamsheer, claimed that the Kimberley Process system in Dubai was corrupted, and that she was offered commissions to turn a blind eye. In 2007, she resigned because she was “unwilling to make compromises and overlook suspicious shipments of diamonds.” According to the cable, concerning one suspicious shipment, “In September 2006, ... Ahmed bin Sulayem, DDE Chief Operating Officer, authorized the release of this shipment.” The Kimberley Process

certificate from Ghana was not properly authenticated at the time of its release. As the court cable continued, “Jamsheer believes that Dubai and the UAE are being very short-sighted by not stringently abiding by the KP protocols. She thinks that the desire to make Dubai a hub of the diamond trade is the motivation for a willingness to gloss over some suspicious transactions.”

SETTING UP OURSELVES

In an attempt to gauge how quickly and easily layers of secrecy could be accessed for companies intent on under-invoicing commodities, we contacted Vandort Consulting and Intuit, two leading firms facilitating DMCC company formation. We explained that our primary purpose was to engage in “tax optimization” strategies for our diamonds, meaning to under-invoice by using different price lists, and to Kimberley Process-certify our diamonds in countries other than the countries of origin. We also requested as much non-disclosure and opacity as possible—nominees, anonymity, banking secrecy, and other layers of secrecy.

In seeking to enlist their help as clients, we told them, “We deal in Zimbabwean, Angolan diamonds. We often obtain KPC in Tanzania, South Africa, and Namibia for lower reputational risks, before exporting directly to our trading center. However, our partners have informed us that tax optimization banking would be better suited for a Dubai-based entity [as recipient of our rough diamonds]. Also, that DMCC can offer us use of mixed origin certification.”

Vandort provided a price list: establishment of a new company or subsidiary (\$8,200), a flexi-desk (\$4,200) or serviced office (\$9,600), professional fees (\$4,000), visas (\$2,100), bank account (\$1,500). There were no rules as to who would occupy the office. The entire process would

take four to six weeks to establish. The companies could not operate in the UAE real economy, save through locals. Renewal of the trade license requires financials of the DMCC entity, not the parent company.

We explained how worried we were that artificially reducing our profits, avoiding taxes, or using different lists would result in external penetration of our company's activities. The most accommodating consultant at Vandort suggested, "If you are worried about privacy of your economic activities for tax optimization purposes, you could...incorporate an off-shore company in, for instance, the British Virgin Islands (BVI) which can hold the shares in the DMCC company. The costs to incorporate a BVI company are \$2,500 including our costs." The company informed us that DMCC would require all corporate papers, including beneficial owners, but that there had not yet been any government inquiries. Intuit suggested a more proximate tactic for the additional secrecy layer, using the Ras Al Khaimah (RAK) free zone in Dubai, which allows anonymity of ownership and the ability to protect assets legally from claims by others. It would take just a week to incorporate.

ROOTED IN ARMS TRADE

To understand the full implications for the Kimberley Process's credibility and the industry's claim to be its own best policeman, only one key fact is essential. The persons who've benefitted most from contributing to UNITA's destructive 10-year campaign to seize power by way of a diamond-funded war were the very ones who allegedly benefit most from the Omega deal.

UNITA and its late leader Jonas Savimbi, along with former Liberian President Charles Taylor, were among the

main reasons KPCS was implemented in the first place—to cut off their movements from financial oxygen.

To place this in its full historical perspective: Twenty years ago, UNITA founder Jonas Savimbi angrily rejected his narrow loss to incumbent Angolan President Eduardo dos Santos in UN-supervised elections, re-igniting one of Africa's most brutal civil wars. In a country blessed—or cursed, depending on your perspective—with some of the richest alluvial diamond deposits in the world, buyers from Antwerp were enlisted as financiers of the war.

In 1994, in an effort to deprive Savimbi of his source of cash for weapons, the UN slapped sanctions on all diamond dealings with the rebel leader. Faced with a major crisis of legitimacy and a threatened worldwide boycott of the diamond trade, the world's largest diamond producer, De Beers, and the South African government initiated the Kimberley Process. Its chief aim was to sever all rebel movements from the formal diamond trade. Between 2001 and 2003, more than 50 countries and over 90 diamond traders formally signed up for the Kimberley Process Certification Scheme—including the government of Dubai, then just a tiny player with little more than \$5 million in annual turn-over.

By 1997, the Luanda regime found itself trapped. Though their military campaign had pushed UNITA out of every major Angolan town, the government's ability to pay for their mercenaries and expensive military hardware was increasingly constricted. Documents brought to light by the "Falcongate" investigation in Paris implicated the late French President François Mitterrand's son Jean-Christophe and a clique of top African officials in gun-running and money-laundering. Through

this probe, it emerged that Gaydamak—vying with Goldberg and Leviev for control of Angola's prolific diamond production—hit on a method that not only circumvented UN arms sanctions, but also contributed greatly to undermining the very foundations of the Kimberley Process.

The meteoric rise of Isabel dos Santos, daughter of Angola's president, to the position of Africa's first woman billionaire can be traced to this system. First floated by Gaydamak in the mid-1990s, her goal was to create a diamond-buying monopoly, much like De Beers' scheme in Namibia, Botswana, and South Africa. Her company, TAIS, was set up in 1997 and incorporated in Switzerland for the sole purpose of diamond trading. Two years later, as mercenaries helped the Angolan armed forces establish control of Angola's prolific Lunda Norte diamond fields, President dos Santos decreed that henceforth only ASCorp Ltd—an Omega subsidiary based in Angola—would be permitted to buy and export Angolan diamonds. Total control, with zero accountability, coupled with an official monopoly produces its own set of opportunities—as events in Angola would so clearly illustrate.

By early 2004, these partners took full advantage of the higher legal hurdle set by the newly-created Kimberley Process by dropping the price they would pay officially for Angolan rough diamonds to below \$200 a carat, thereby fattening the margin they in turn would make when selling to Antwerp and Tel Aviv. In 2007, the World Bank criticized the practice “based on concerns about special and privileged treatments.” In effect, the Luanda regime actively promoted a scheme that would rob their own country of several billion dollars of revenue lost to Omega—the intermediary that made it all happen.

Omega's diamond-laundering scheme, a daisy-chain of briefcase companies registered in tax havens, all controlled by either Goldberg or Laniado's clan, would launder money through blind investment trusts in jurisdictions ranging from Luxembourg to Cyprus. But Omega is just one company in this sordid tale. There are thousands of such companies working the murky world of Africa's diamond fields. Actual losses to African countries from widespread under-invoicing and other form of illicit activities, according to the UN Economic Commission for Africa (UNECA), could be as high as \$200 billion each year.

For their part, since 2011, Omega and the Angolan regime, notably President dos Santos, his military, and corporate allies, circumvented potential obstacles by operating out of another tax haven. In Geneva, they were able to continue business-as-usual through acquisition of shares in companies like De Grisogono, founded by the king of black diamonds, Fawaz Gruosi—publicly uninvolved in prior ASCorp dealings.

REBOOTING KIMBERLEY

Not all governments are equal. The difference between diamond-producing countries and non-producing tax havens is vast. The latter provide the legal and financial-secrecy infrastructure enabling illicit activities, while the former struggle to generate revenue for citizens' needs. But efforts to interdict the trade in rebel-produced diamonds fail to take into account the role of diamond-producing governments. Whether authoritarian, undemocratic, or corrupted, they may be far more pernicious than rebel movements. For unlike rebel groups, these regimes are legitimately accepted as global players—exploiting national resources in the name of citizens, but abusing or

diverting national wealth for the profit of their rulers or criminal elements with ties to the leadership.

Alas, most of these activities still take place in a technically legal way within the bounds of the Kimberley Process, using the process to provide a veneer of legality to deeply criminal undertakings. Designed to shut out the violent activities of one specific group—rebel organizations, as a means of protecting revenues of the world's largest diamond players—it has become a process that merely lubricates this spiral of illicit operations.

Instead, the geography needs to be broadened to include other forms of violence and violations—including economic violence from under-invoicing and tax avoidance; and political and civil rights violence, when harsh authoritarian or one-party state regimes are financed through revenues, facilitating directly and indirectly, cultural, social, and collective violence.

The Kimberley Process definition has enabled a 99 percent clean diamond industry to exist largely because the real violence of the industry is whitewashed, ignored, or excluded entirely from the framework—

Comments

Tulip FZE's Vivien Hawkins, sister-in-law to Laniado, responded to repeated interview requests stating, "we choose not to be interviewed and accordingly do not want to comment on subjudice matters and reserve our rights to invoke appropriate legal remedies against any public comments on subjudice matters." Since then, court actions have terminated and a settlement has been reached. Still, Omega Diamonds, including Serge Majer (M.D.C) and Aslan Piha (Margaux) and its listed auditors, WF & Co, failed to respond to repeated interview requests.

Deutsche Bank Luxembourg responded, "Please be informed that banks in Luxembourg are bound by a duty of professional secrecy pursuant to the law dated 5 April 1993 on the financial sector. Based on this duty of professional secrecy, please [accept our] apologies that we are not entitled to answer your request and provide you with any information."

Neither Angola's Ministry of Finance, nor Angola's state diamond companies including Endiama and Sodiam, replied to multiple interview requests.

Representatives of the Kimberley Process, based in the DRC, also failed to respond at the time of print. Lev Leviev responded with threats of a lawsuit seeking "substantial damages" for unspecified issues. Attempts to contact Arkadi Gaydamak were unsuccessful. Jamsheer declined to be interviewed.

In Dubai, the Kimberley Process office and its listed head Mariam al-Hashemi were contacted. But the request was forwarded to the DMCC's public relations office. Jade Mamarbachi, director of the public relations consultants Brunswick Group, responded only by inquiring about the nature of the story, including "who else [we] were interviewing."

Following several email exchanges, interview requests with the DMCC were denied. We replied "Dubai is both a major diamond trading hub and a tax haven," central to the illicit activity. Mamarbachi stated in a subsequent e-mail, "I understand, and they know that. I have gone through it with them. This is their stance."

the criminal portion of which continues to exist entirely on the periphery. In the end, if the Kimberley definition remains limited to rebels, rather than the far broader array of often unsavory players who have forced their way into the industry, violating the letter and spirit of the system, there may be no fundamental way to save the diamond industry. The Kimberley Process as it is currently defined is a system that produces the wrong kind of results.

It would be difficult, if not politically impossible, to reform the Kimberley Process in its current form, particularly as it took the better part of two years to originally negotiate with all the diamond industry players. Still, a few tweaks could help curb the illicit off shore-based trade. The definition of conflict diamonds must be broadened to include economic and political conflicts—rather than simply violent conflicts—underwritten by illicit profits. No country that does not actually produce diamonds should be allowed to issue Kimberley Process certificates, and producing countries governed by authoritarian

regimes, or dominated by big corporate players, who refuse to disclose pricing policies to investigating authorities should be suspended from the process. Better policing of the diamond police themselves—the key demand of clean diamond campaigners like Global Witness and Fatal Transactions, which unmet, led to their withdrawal from the negotiations process—appears to be the single most important aspect that could be quickly addressed. Finally, tax havens—including Dubai, Luxembourg, and Switzerland—should be barred from playing any role whatsoever in the diamond pipeline, save as end consumer destinations of diamonds themselves.

To accomplish these changes, of course, would take another injection of good faith from all the original signatories of the Kimberley Process—which, given the abuses and the loopholes that have clearly emerged, should be attainable. And while the stakes are high, if these revisions are not quickly implemented, the Process itself will soon become little more than another failed and empty gesture. ●