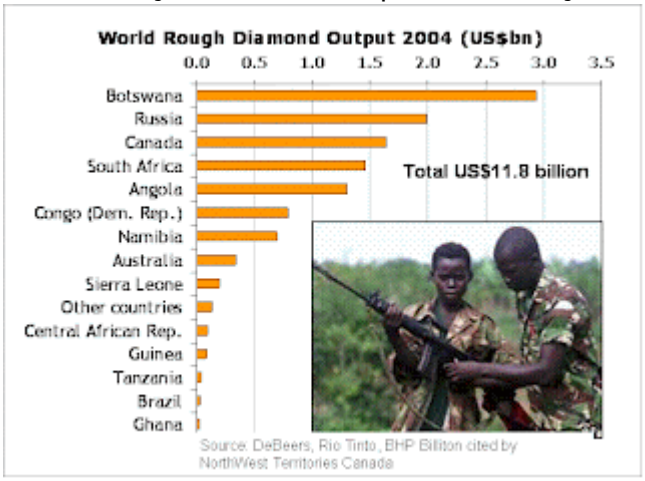
Diamonds – curse or charm?

written by Clive Bates | 4 February 2007



Saw *Blood Diamond* – an action-movie-with-a-message, though laced with clichés (mercenary with a heart of gold, pouting female journalist as searcher after truth, silly shoot-outs etc). But also brutal depiction of what the very dirty end of the diamond business looks like – militarised slave-labour , child soldiers, violent abuse like amputations and, of course, an illegal trade funding arms and militias fuelling conflict that reaches up to the comfortable cities of London, Antwerp, Jo'burg and New York. The film had a good airing for the excellent Global Witness and Amnesty diamond campaigns, and their joint venture Blood Diamond Action.

Despite the horrors of the film, conflict diamonds are one aspect of Africa's habitual miseries where things *are* getting better and there may even be cause for optimism…

The Kimberley Process has established a system for identifying legitimately produced diamonds and now has wide participation (it claims covering 99.8% of diamonds). In several major diamond producers, conflicts have at least reduced in intensity, for example in Sierra Leone, Angola and DR Congo (though each of these should be regarded as high risk and deserving of great attention on the part of the international community). Only Cote D'Ivoire and Liberia now face UN diamond sanctions. The diamond industry (overview) has realised that reputational risk is extreme for such 'positional goods' as diamonds and is working to get its case across (see the World Diamond Council and its Diamond Facts web site) and its act together.

All of this is not without critical voices, and rightly so given the history of abuse and oligopoly. The critics are essential to keep the pressure on and to widen and strengthen the coverage of the controls. See for example: *Kimberley Process at Risk* by Global Witness and *True Cost of Diamonds – the Kimberley Process* by Amnesty International, which detail shortcomings, points of leakage and areas for

improvement. It doesn't look that convincing from the retail end… I'm not a particularly big user or buyer of diamonds myself, but I did find the consumer information on the origins and conflict-free status inconsistent between suppliers and not really confidence-inspiring (see conflict policy for suppliers: *Diamond Geezer*, *Blue Nile* and *De Joria*)

Perhaps the most hopeful aspect of the diamond business is that it does not always visit the 'resource curse' on those countries blessed or condemned with diamond deposits. The really good example comes from the largest diamond producer of all – Botswana (see chart – source), where diamonds have been a force for good (see Botswana's *Diamonds for Development* web site). The government of Botswana's 50:50 joint venture with DeBeers, *Debswana*, is perhaps the nearest thing to model (at least as near as you could get with a monster like DeBeers). This to me is the key structural issue – as with so much else in Africa, success or failure comes down to governance, transparency and a leadership that wants to serve its people, not pillage them. The trouble is that diamonds and other resources are often the reason for poor governance – if a government takes its revenue from the ground, it has less reason to be accountable to its citizens.

An excellent paper from the IMF, *Did Botswana Escape from the Resource Curse?* makes this point through regression analysis:

> *As to the role of governance in transforming resource abundance into economic development, data from 89 countries reveal that an abundance of natural resources does not guarantee growth. What determines the degree to which natural resources can contribute to economic development is governance. Good governance—specifically a strong public voice with accountability, high government effectiveness, good regulation, and powerful anticorruption policies—tends to link natural resources with high economic growth. The last two dimensions of governance are especially important for natural resource management in developing countries.*

So why am I going on about this… ? Well I just think the governance agenda in Africa is central – including and especially the governance of natural resources endowments. We don't hear that much about it in the Make Poverty History and Aid, Trade, Debt mantras that dominate the discourse on development. Perhaps

we think it impolite and improperly post-colonialist to mention the despicable behaviour of so many African leaders and the completely inadequate efforts of the African Union and NEPAD to build governance through peer review and peer pressure.