

MEDIA EDUCATION FOUNDATION

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The Diamond Empire

Transcript

Part 1 begins on pg. 1

Part 2 begins on pg. 15

PART 1: INTRODUCTION

NARRATOR: On a hill above Johannesburg is the private estate of one of the wealthiest families on earth. They've made their fortune by manipulating markets and fixing prices. Their money has come from ordinary people all over the world who imagine they're investing in something rare and valuable. But this is a family which deals in illusion. It presides over one of the last great cartels, an extraordinarily successful business empire worth \$60 billion. This is the Oppenheimer family and their trade is diamonds.

NARRATOR: The richest diamond jewelry market in the world is in New York. It's a \$10.8 billion business. Around 47th Street, there are twenty-five thousand people who buy, cut, polish and sell diamonds, from the most glamorous jewelry to the cheapest mail-order. It's a highly secretive and risky business. The Oppenheimers themselves declined to help in any way in the making of this film. Bill Goldberg is one of the few top dealers who will talk openly about what he does.

BILL GOLDBERG: It's fascinating, it's amazing that a lot of men that are ten years younger than I am can't wait to retire and I can't wait to get here in the morning at eight o'clock, to produce these beautiful works, these beautiful pieces of art from what looks like a pebble on the beach. And then to nurse it through all its stages and then to finally come up with some of these wonderful things is just a joy.

NARRATOR: Bill Goldberg is one of the elite dealers who specialize in exceptionally large diamonds. His workshop is just off Fifth Avenue. Some of the diamonds they handle can take many months to cut, and eventually sell to movie stars and royalties for a million dollars – or more.

BILL GOLDBERG: This stone took us one of the longest – maybe eight or nine months. It was the most impossible task – every time we had new surprises. Nature is very funny when it comes to these things. There were new hidden imperfections, which we didn't think existed before which always seemed to sneak in. But eventually...

ROBERT BOGEL: Everyone here is very highly skilled technician, and some of them have very specific jobs to do. This man for example, he's cutting the 85-carat stone. Right now it's around 36-carats, and he's putting the finishing facets on the bottom of the stone. The man behind him put the finishing facets on the top of the stone. These gentlemen are very skilled and they bring out the final fire in the diamond, the brillianteing. This stone is going to be a gem. This stone started out 38 carats; it's down to 21 now, about 21 now? About 21, yeah. Harvey's working the stone out, there's a lot of problems, there's a lot of balancing to do. It's coming out nice, you can see the shape; it's going to be a gorgeous marquise. Moishe's shaping the stone using a diamond that's attached to this stick and another diamond that's rotating on the spindle and he's shaping both at the same time.

NARRATOR: Diamonds are measured by weight, in carats, five to the gram. But their value depends on color, clarity and cut. The highest prices are made by flawless pinks, blues or yellows; the very best can top \$100,000 a carat. This stone will sell for a million dollars. Diamond is one of the hardest natural materials. Many grams must often be ground away and the smallest mistake is inordinately expensive. Turning a rough stone into a traditional marquise or brilliant calls for skilled planning from a rough designer.

ROBERT BOGEL: I will try and find the largest and most pure stone in here. As a matter of fact, this stone will probably end up being three different stones because of the imperfections that I can find. For example I do see a pear shape and I do see an emerald cut and I do see an oval. The most important thing is bringing out the beauty.

NARRATOR: Around eighty percent of all the rough gem diamonds in the world come through organizations run by the Oppenheimer company, De Beers. But not anyone can buy them. There are fewer than 200 merchants in the world selected for the privilege of buying from De Beers. They're known as sight-holders and everyone else must in turn trade with them.

BILL GOLDBERG: We're sight-holders, we get a site every five weeks from De Beers. If you can come up with a huge sum of money it would not – certainly not – would not qualify you to be a sight-holder. It's rather the man that started twenty-five years ago with very little, with one or two cutters, who has fifteen or twenty now here, and was constantly on the scene buying and he's the man who means to stay here with his children who follow him – he's the one who qualifies to be a sight-holder. It's like being admitted to a club.

NARRATOR: Unless you're a member of the club, it can be extremely difficult to do business. But De Beers is the strangest of clubs. For while the American jewelers are its biggest single market, its virtual monopoly of the gem diamond supply makes the De Beers company illegal in the United States. It cannot sell its diamonds there. Instead, sight-holders must travel – not to South Africa, but to London, to a building known only as 17 Charterhouse Street. It's a fortress where four-fifths of the world's diamonds are sorted and graded. A sight-holder sends a request for the grade of diamonds he wants, but there are no guarantees, because it's De Beers who decides whether or not he gets them. It could mean life or death for his business.

[Exchange]

Salesman: Good afternoon, gentlemen.

Sight-holder: Good afternoon.

Salesman: This is your sight for October.

EDWARD EPSTEIN: In this shoebox is basically the diamonds that they're going to cut that month. And in this mixture of diamonds, there are large diamonds, there are small diamonds, there are colored diamonds, there's what De Beers wants to be on the market. So they distribute to the cutters what is in short supply and withhold from the cutters what is in abundance, so they control the market through this. And there are all sorts of hidden signals in this box, like if suddenly the sight-holder - as the person is called - gets many diamonds worth hundreds of thousands of dollars, he'll know he did a special favor and he's being rewarded for that favor. On the other hand, if he finds he's been given a large number of uneconomical diamonds to cut, he'll realize he's fallen out of favor.

NARRATOR: Even the world's top dealers are at the mercy of De Beer's central selling organization. Bill Goldberg usually requests special stones alongside the ordinary ones, but even he doesn't know what to expect.

[EXCHANGE]

Salesman: Sir, good morning.

Bill Goldberg: Good morning.

Salesman: Here are the regular goods and two boxes of specials.

Bill Goldberg: Thank you.

Salesman: So we'll see you later.

BILL GOLDBERG: Aha - see, this is very interesting. These are greens that come from Botswana, and this is a regular cut-and-dry bread and butter item. And quite often, these are priced in such a way that there's very little profit to be made on these goods. For whatever reason at any given moment they make a policy decision - I've been very angry and cussed a lot and been very upset - but that's how the cookie crumbles. I have no options.

NARRATOR: What can you do when that happens?

BILL GOLDBERG: Just cuss and fret and look forward for the next, that things will change at the next sight.

NARRATOR: Can you leave all that on the table and say "I'm not interested, I'm not going to make a profit this month"? Can you do that?

BILL GOLDBERG: told you on the way over here we can leave some of the specials but we just don't leave the regular goods. Somehow it doesn't work that way.

NARRATOR: Diamonds are crystals of carbon, formed by the heat and pressure two thousand kilometers below ground. But there are places like Namibia, in Southern Africa, where they can be picked up out of the sand. Volcanoes force them to the surface where they can be mined from the rock. But along rivers and shorelines, the water washes them out, and these, the alluvial

diamonds, are brushed with the sand from the crevices, or scooped and sorted from the dunes. There are extinct volcanoes across Africa, America, Asia, Russia and Australia and the landscape around them is often littered with diamonds. For such a rare and valuable commodity, the supply seems truly staggering. Diamonds can even be picked up in the sand off the coast and in Namibia, speculators lease concessions from the government in the hope of dredging a fortune from the shallows.

JOHN GURNEY: You can go to other coastlines and expect to find a few diamonds but I think you can't build up a scenario that's as optimistic as one can build up for the west coast of South Africa. If you look at what's on the land and there's three or four raised beaches on land that have produced more than a hundred million carats of diamonds. In one of our concessions alone, and it's not one of the bigger concessions, we have mapped twenty-two beach levels. So if you drew a parallel through that, you're again going to come out to a number, which is of the order of a billion carats or in excess of that. It's a place for individuals with a lot of ability in the water and a flare for running their own business. It's a place where you can go and become a cropper and owe the bank manager for your boat but you can also go up one day and find a million Rands worth of diamonds.

NARRATOR: Although large gemstones are comparatively rare, this one small corner of Africa has produced millions of diamonds. And the fact that De Beers controls eighty percent of the whole world's supply of gemstones makes it one of the most remarkably successful business monopolies in history. It's a story which begins in Kimberly, South Africa in 1871. Until that year, mines had been few and diamonds rare, mostly from India and Brazil. But Kimberly was vast. Settlers rushed to make their fortune. Among them two young Englishmen, Charles Rudd and Cecil Rhodes.

JOHN RUDD: Charles Dunell Rudd, my great-grandfather, and Cecil Rhodes met here in October, 1871. They were early in the rush here and they would have found an anthill, a mining camp, and as Rhodes described it as "Stilton cheese", as the claimholders dug down into this enormous diamondiferous Kimberlite pipe. But their eyes were more directed towards De Beers' mine, which is about a mile over the horizon there. And that's where they dealt with the farmer De Beer, and they bought that farm out for 6000 pounds. And the thoughts of Rhodes immediately began to concentrate on the amalgamation of all these individual claimholders. And by 1880, he had amalgamated all the claimholders on his mine – the De Beers mine – and that began the amalgamation of all the diamond mines and the formation of De Beers consolidated mines began in 1888.

NARRATOR: What Rhodes had created was the diamond cartel. De Beers was modeled on a French scheme to monopolize copper, buying up mines, controlling supply and raising prices. Large new finds in South Africa could have brought diamond prices tumbling, had they been released onto the market. But from its headquarters in Kimberly, De Beers bought out almost every new find. Shortly before the First World War, diamonds were also found further north, in German Southwest Africa, so De Beers sent a young German-born diamond dealer to survey the territory. His name was Ernest Oppenheimer.

ALBERT ALLETZHAUSER: Ernest Oppenheimer, in 1914, two months before the outbreak of war went there to survey the territory and came back with a report that was mind-boggling: the fact that this was the richest diamond field in the history of the world – it was an alluvial field meaning diamonds were on the surface, you could go pick them up. And in fact they put what they termed back then natives, black natives, each put a tin can around their neck and they lined them up, and they'd get on their hands and knees, and they'd just – pink, pink, pink – put the diamonds into the tin cans as they walked on their hands and knees. This is how rich the fields were.

NARRATOR: Ernest Oppenheimer double-crossed De Beers. The German landowners, afraid of expropriation as World War I came to an end, agreed to merge their companies with Oppenheimer's. Within a few years, it was clear that he had landed a supply of diamonds to rival even the mines owned by De Beers.

ALBERT ALLETZHAUSER: Coming into the 1920s, Ernest Oppenheimer then said to De Beers – who controlled for the most part the diamond syndicate, diamond cartel – he said to them 'listen, I am going to flood the world market unless you make me chairman of the company.' And in 1929, he was made Chairman of De Beers. That is the basis of the Oppenheimer fortune.

NARRATOR: Oppenheimer's mine has become the forbidden zone, a private Namibian estate of over twenty thousand square miles. Ever since the 20s, it's put his family in the position to flood world diamond markets should their control be threatened. Such huge finds transformed the supply of diamonds, but the romantic image of extreme rarity and high value persisted.

[CLIP, "Million Dollar Rocks"]: *Most every famous diamond in the world is represented in this case. They are worth many millions of dollars and trails of blood, romance, and adventure follow the history of each gem. The Kohinoor is the most celebrated jewel in the world – countless tragedies of love and war have been played for its possession, and now it rests in the British Royal Crown, and the lucky lady who wins this boy will sometime possess this jewel.*

NARRATOR: while the public continued to imagine that all diamonds were rare and romantic, De Beers were mining enormous quantities. Oppenheimer saw that more huge finds might force prices to go plummeting downwards. In 1929, a De Beers mining engineer warned, "The diamond market is...dependent for its smooth and efficient functioning upon...the illusion in the minds of the general public that the diamond is a rare and valuable stone." Oppenheimer's partner and De Beers' director Sir David Harris also saw the implication: "for goodness sake keep out of the newspapers and Parliament the quantity of diamonds that can be produced." But as the colonies developed, diamonds began turning up all over Africa.

EDDY FORTUNE: In the year 1931, in the morning I used to leave Kimberly three o'clock by bicycle and then I used to ride about thirty-one miles out to a little shack out by the diggings, and I used to work there. I didn't have trouble selling diamonds because my quality was very good. There was very big demand. I never found a big diamond; the biggest I found was 38 carats. But small diamonds and medium sizes –10s, 12s, 14s –plenty of them.

NARRATOR: Alluvial diamonds washed from the rock by the rivers were not hard to find. But too many little mines might threaten De Beers' control.

EDDY FORTUNE: Certain companies came and they bought out the small diggers, you see. That's how they developed and became the company De Beers.

NARRATOR: Oppenheimer's cartel not only went on buying out the mines, but also took the trouble to mop up stray stones circulating in the villages. A film inspired by De Beers in the 1950s painted a picture of their adventurous young traders setting up buying offices in the bush.

ALBERT ALLETZHAUSER: These young graduates – Oxford graduates – basically a buying office was them, a bunch of porters with food on their head and a cash box on their head, and they put a box down in a middle of a clearing and they'd start buying diamonds in the local currency. So they'd ship in all these guys to do this to prevent smuggling.

NARRATOR: But Ernest Oppenheimer had more to do than just buy up a few odd stones. One unconfirmed rumor suggests that during the depression of the 1930s, the market was so bad he considered dumping huge quantities of diamonds into the ocean. As recently as 1992, when the rivers dried up in Angola and local people took the chance to pick up thousands of alluvial stones, De Beers is said to have paid \$350 million to buy them out. When writer Edward Epstein investigated the diamond trade in the 1970s, he found that De Beers had in the past used countless ways to keep up the illusion that diamonds were rare and valuable.

EDWARD EPSTEIN: Each time diamonds are found in an inconvenient place, they begin – the diamond cartel, through intermediaries, through law firms they hire – ways to think 'how can we prevent these diamonds from reaching the market?' And declaring something a national park, tying things up in litigation – these are just the methods. And there's an infinite number of different methods that you can use once you understand what the objective is. The objective is to prevent mines from being developed that are outside their control. I wound up on this voyage of discovery, starting off with the idea that there was this object of great value and that it was just a question of how many could you get out? And I wound up discovering that it was just the opposite, that there was an abundance of these and the problem was stopping them from getting to the market, not getting them to the market.

NARRATOR: Murfreesboro is in President Clinton's state of Arkansas. Hillary Clinton wears diamonds found in a mine discovered there at the turn of the century. It's a sixty-two acre site, one of the world's largest, far from De Beers' African empire and right on the doorstep of the world's richest jewelry market. But commercial mining was abandoned in the 1920s, even though geological surveys indicate great promise. And so it's never competed with the De Beers cartel.

EMPLOYEE: Ok, lets get down here and see what it's gonna go for.

CORKY HENDERSON: According to the Justice Department records, Sam Rayburn and other principals of the Arkansas Diamond Corporation met in the office of JP Morgan. In attendance at that meeting was Sir Ernest Oppenheimer. As a result of that meeting—and what transpired is

unknown—but the mine superintendent was telegraphed to shut the mine down and prepare it for a sustained closure. And as a result major operations never resumed at the Arkansas diamond mining plant.

NARRATOR: The reason for this big mine’s closure remains a mystery. But whatever it was, since 1921, the Arkansas mine has been little more than a tourist attraction. Like most diamond fields, it would have produced relatively few gems, but had many smaller diamonds been found, they could have been important for American industry. Diamonds are used in cutting tools and the industrial diamond is a multi-billion dollar business in its own right.

EMPLOYEE: Hmm, we got one. We got one, Mr. Fred. It’s yellow, light yellow. Like a triangle.

NARRATOR: Industrial diamonds have a strategic importance because they are used in the making of weapons. But the closure of the Arkansas mine meant that the American military depended on De Beers in London. In the late 30s, as war threatened in Europe, US strategists wanted a stockpile of diamonds on their side of the Atlantic, but De Beers hesitated.

WALTER ADAMS: The story of De Beers during World War II was truly shameful when they denied the United States, which was an ally of Great Britain, and an ally of South Africa in prosecuting the war, when it denied the US free access to required quantities of industrial diamonds.

[CLIP]: *Defense production in factory and arsenal begins far behind the assembly line. It starts first with a machine...*

NARRATOR: Afraid that prices would fall if a stockpile was sold off after the war, Oppenheimer refused at first to allow sufficient stocks out of De Beers control. The US President was outraged, but De Beers still claimed they were following orders from the British government.

WALTER ADAMS: Only after complicated arrangements, where De Beers insisted on retaining control of those industrial diamonds by placing the supply organization in Canada, was some accommodation reached so that the United States could obtain the quantities of industrial diamonds needed for the war effort on its own behalf and the behalf of its allies.

NARRATOR: Not only was Ernest Oppenheimer reluctant to see diamonds cross the Atlantic, there were allegations that De Beers’ companies were charging British companies forty percent or more over peacetime prices. And worse was to come.

THOMAS HELSBY: The Nazis did appear to be getting a steady supply of diamonds, and the Americans were very concerned to find out where they came from. We were able to get documents – secret documents, declassified – from the National Archives in Washington that describe the investigation that they mounted into the smuggling of diamonds out of the Congo.

NARRATOR: The Congo investigation had been led by an American intelligence officer, Henry Lee Staples. Before he died he worked with his son on a memoir of those days.

HANK STAPLES JR.: He had assigned an agent; “Teton” was his code name. He had, through whatever means those agents have, determined that the largest source of leakage was the Forminier mine. The diamonds that were leaked from the Forminier mine went to various points in Africa and from there were by various routes smuggled into Germany. Belgian Red Cross parcels were loaded with illegal diamonds and then sent to Switzerland and from Switzerland to Belgium, which was of course occupied by the German forces.

NARRATOR: But even when they’d identified the Forminier mine as the source of the smuggling, Staples and his agents still faced their hardest task: how could the traffic be stopped?

THOMAS HELSBY: The Forminier mine is, of course, one of the producers that is signed up in the cartel. Its production is exclusively marketed through the cartel. And indeed, the company, which controls the mine, Sobeca, had as one of its principal shareholders Ernest Oppenheimer.

NARRATOR: Although senior officials in the United States were convinced that diamonds smuggled from the Congo were essential to the German war effort, they found themselves unable to do anything about it.

HANK STAPLES JR.: They knew exactly what was going on, they also had come up with what they felt was an effective method of dealing with it, but were unable to implement it through interference from the Ministry of Economic Warfare.

NARRATOR: How has the Ministry of Economic Warfare have interfered in this investigation?

HANK STAPLES JR.: Certain of its members were involved with the diamond cartel.

THOMAS HELSBY: The investigation was terminated. And the agent, Teton, was convinced the investigation was terminated as a result of influence on the British government. We were able to obtain declassified documents in Washington showing his cables complaining that the investigation had been aborted early.

NARRATOR: Not only did the American agents complain of interference in their inquiry, but they claimed that without the Congo stones, the Nazis had only eight months’ supply of industrial diamonds. Meanwhile, a senior US official, Robert Hunter, alleged that the cartel’s war-time prices were ‘a form of profiteering, the more obnoxious because it has been accompanied by pious public professions of sacrifice and patriotic foregoing of profits.’ Indeed, De Beers’ wartime adverts were an appeal to American public patriotism. Wear our gems, they said, because they fund the mining of the industrial diamonds America needs to win the war. De Beers’ advertising campaigns continue but now it’s a matter of creating a market for vast quantities of diamonds using images of rarity.

[CLIP, De Beers television commercial]: I have survived desert winds, drifted down ancient rivers. Who am I? The eternal gift of love between man and woman. I am a diamond. I am forever.

HERBERT CHAO GUNTHER: The De Beers campaign is probably one of the most successful campaigns, I mean measured in terms of the growth in the market. In the 1930s they were selling a rather insignificant amount of diamonds in America. By the early 80s, they were selling close to \$2 billion worth. Since the 1930s, De Beers have targeted middle class Americans, but the campaign has been so successful it has transformed buying habits everywhere. The best adverts came from Hollywood, and were screened to millions all around the world.

EDWARD EPSTEIN: And they opened a Hollywood office, and in the Hollywood office they would give out diamonds to producers in return for them putting the diamonds in a film in a way that was considered very favorable. Now what was considered favorable was very simple: surprise. If a woman was brought in on this decision, she might have a lot of ideas of what she wanted, so what they wanted to do was create the idea that the man had to surprise the woman and present her with a diamond.

[CLIP] Voice 1 (male): *And now for the important question I wanted to ask you.*

Voice 2 (female): It's about time; I'm dying of curiosity.

Voice 1: You know I'm madly in love with you. I want you to marry me, Lily. You're in love with me too, aren't you?

Voice 2: Well if I'm not then I'm afraid I don't know what love is.

Voice 1: Here's your engagement present.

Voice 2: Oh, Jeffrey, it's beautiful!

Voice 1: Well that's Milo.

Voice 2: Milo?

Voice 1: Yes, he's wondering what's taking us so long.

Voice 2: Wouldn't he be surprised if he knew?

Voice 1: I doubt if he'd be surprised at anything!

HERBERT CHAO GUNTHER: Not only are we talking about what is a familiar process today of planting products in films—we've all heard of product endorsements and that sort of thing—but we're talking about Hollywood in its Golden Age, where entire movies were created, they identified the biggest stars, actresses of that period, and they never appeared in public without their De Beers diamonds.

[SONG]: *Because diamonds are a girl's best friend!*

NARRATOR: Claudette Colbert and Merle Oberon were given special scenes to show off their De Beers diamonds. The film *Diamonds Are Dangerous* was conveniently retitled *Adventure in Diamonds*. And opposite Marilyn in *Gentlemen Prefer Blondes*, the hero suddenly changed from British gentleman to South African diamond tycoon. But it wasn't just the movie stars who enchanted America.

EDWARD EPSTEIN: The British Royal Family was another idea of what, in the American mind, represented the ultimate in how you should behave, and how you should behave

aristocratically and well. And of course the British Royal Family was more than willing to go along because diamonds came from British colonies.

[CLIP, Newsreel]: *From this, the largest man-made hole in the world, over 100 million pounds worth of diamonds have been recovered. In the De Beers sorting room, 3 million pounds worth of rough diamonds were on view.*

HERBERT CHAO GUNTHER: The Royal Family was lobbied heavily, and successfully so, so that the English Royalty, Queen Elizabeth, started wearing diamonds. And she basically left all of her other gems off. That's a tremendous coup for a public relations agent to get the Royal Family essentially to become sales agents.

NARRATOR: De Beers' advertising set their diamonds brilliantly in a world of glamour and wealth, but their best-known slogan, 'a diamond is forever,' was born of fear: the fear that prices would fall if their new middle class customers started selling their jewelry second-hand. They had to be persuaded that every diamond was unique.

[CLIP, Television commercial]: *Search in vain for a more enduring or brilliant creation. You can comb the world and never find one the same. It is rare. It is precious.*

EDWARD EPSTEIN: So they had to create the idea that one, you should never sell a diamond even though its value would only increase, and secondly, that people should store and hoard these diamonds. So the whole idea that a diamond is forever is really their desperate hope that people will hold diamonds forever.

[CLIP, Television commercial]: *It is love. And its only promise is forever.*

HERBERT CHAO GUNTHER: Nobody's aware that diamonds and all the associations we have with diamonds is the product of a marketing strategy. It's completely invisible, transparent.

[CLIP, "The Rites of Passage" Promotional Video by De Beers]: *Building on our Rites of Passage program, doubling the investment...*

NARRATOR: In a recent dealer's promotion, De Beers spelled out its strategy to convince customers that diamonds are traditional, not only on engagement, but also at sweet sixteen and after ten and twenty-five years of marriage.

[CLIP, "The Rites of Passage"]: *Let's start with your bread and butter, the support behind the Rites of Passage. Our goal is to make diamonds a cultural imperative, so that newer products, like the diamond anniversary band and the 25th anniversary diamond, will become as obligatory as the diamond engagement ring, bringing your customers back again and again.*

HERBERT CHAO GUNTHER: If you measured in terms of how all the myths associated with this advertising campaign have been deeply inculcated in people – it's reached deeply into the popular imagination—this is probably the most successful campaign in history.

NARRATOR: While, by the 1950s, the ad campaign was successfully creating a mass market for large numbers of diamonds, every new discovery posed a threat to the cartel. And in the mid 1950s, diamonds were discovered in Stalin's Russia.

[CLIP]: *In 1947, geological prospecting parties entered the Yakutian Ttaiga. Would this daring hypothesis be confirmed or not? The answer was given after seven years of persevering search. Yakut diamonds.*

[CLIP]: *Workers gaze with pride at what they have accomplished.*

NARRATOR: If the Russians simply sold their diamonds on the open market, it would end the control of the cartel. So, in 1957 while De Beers were very publicly opening a new building for their central selling organization in London, Sir Phillip Oppenheimer, very privately, began to do business in Moscow.

THOMAS HELSBY: Russian diamond production was a problem for the cartel. Russian Communists were anathema to the South Africans. Equally, the South Africans were an anathema to the Russians. This created a problem for the cartel because they couldn't be seen to be dealing with the Soviet diamond production. The cartel is an operation that's well used to cloaking their business operations in mystery. They simply set up a separate operation owned by a U.K. merchant bank across the street from their offices. The diamonds would appear to have found their way into the central selling organization without a problem.

MENDY CASZIRER: The Russians behaved very rationally: they're only interested in making the best price for their commodity. Russia's a producer of gold. Have you heard that they dump gold? They don't dump gold, they don't dump platinum either – there's a market price for it. They fully well know that to make the top price they cannot dump any goods, they cannot start selling large quantities, and they won't. They're not suicidal; they're in business.

NARRATOR: By the 1980s, Russian diamonds were pouring quietly through London. Gordon Waddell, then Oppenheimer's son-in-law, was seen at the Bolshoi. Officially coming from South Africa, he couldn't even have had a visa.

[CLIP, "Panorama," BBC 1981] *Newscaster: Could I ask you—?*

Gordon Waddell: No, thank you very much.

Newscaster: Could I ask you what you were doing—

Gordon Waddell: No.

Newscaster: —what you were doing in Moscow?

Gordon Waddell: No, just go away. You're being thoroughly unreasonable. You spoke to me politely and I said no, I have nothing to say.

Newscaster: Do you not think its interesting that –

Gordon Waddell: I have nothing to say.

Newscaster: Were you just there for the ballet?

THOMAS HELSBY: The other interesting feature of the Russian diamond production was that there was an extraordinarily large proportion of medium sized stones in the quarter to half-carat

size. De Beers then came up with perhaps one of the great new product inventions in jewelry history: the Eternity Ring, a ring that was designed to use up this excessive production of low-size stones. And it is perhaps amusing to think that at the height of the Cold War, the Eternity Ring that was being so successfully marketed in America was filled with stones from Siberia.

NARRATOR: While Americans unwittingly bought Russian diamonds, the Russians unwittingly sold them on the cheap. In 1992, the Russian Parliament launched an investigation and heard evidence that all along, De Beers had been undervaluing their diamonds.

MENDY CASZIRER: I think it's difficult to estimate how much they lost actually with De Beers. It could have very well been possible, that if they would have sold the goods to somebody else, that they would have made also only the same price. There just wasn't anybody else who could get in, that's the difference. That's where we go back to the monopoly.

NARRATOR: Despite huge fines since the 1880s, the diamond cartel has kept control, under an illusion of rarity and romance. Big gems are still rare and valuable. Smaller stones can only be made to pay if cutters can be found to work cheaply enough. Some of the world's biggest sight-holders are found in India. This consignment has come from one of De Beer's many London organizations. It could be worth \$30 million. A few years ago nobody would have tried to cut rough stones, which were so small, but if the cartel is to use its surplus and reach a mass market without undercutting the value of diamonds across the board, these tiny stones have to be turned cheaply into jewelry. It can only be done in the third world. Three-quarters of the world's gems are cut by shops in Surat, in western India. De Beers doesn't own or control these shops, but it does supply them.

DR. PRAVIN JAGANI (subtitles): By coming to the diamond industry, these people have become prosperous. They had no education and no other way of earning a living. The diamond industry has provided them with a living and provided money for their families. One important thing I must say is that the workers in the diamond industry often get traumatic injuries. They sit with their legs under the platform of the grinding wheel. If their clothing gets caught in the rotating part of the machinery, their legs get hurt, and there are many knee-injury cases. Many knee-injury cases are found where the knee joint is distorted and there is a fracture of the patella bone.

NARRATOR: There are some 750,000 cutters in the workshops around Surat, perhaps 100,000 of them children under thirteen. They can place 58 exact cuts on a diamond less than half a carat – smaller than a broken pencil lead. Many children work a twelve-hour day, six days a week, and earn 4 US cents a stone. New York cutters work with million-dollar gems, but the New York high streets sell diamonds cut here.

DALE BEARMAN: The Indian diamonds have made it possible to make a low-priced jewelry that looks like a lot. It's called 'more flash for less cash.' This is the expression that's used in the industry, and this seems to be the trend. We perceive popular retail price points to top out at about \$500—this is what most of our customers are demanding now—and starting as low as \$75, \$80. We just got in some new samples today. These are examples. Here's a ring that sells for \$70. There is \$2 worth of diamond in this ring. But the fact that we can market it as an article

with a genuine diamond makes it more salable. Here's another ring. This is a \$90 ring. There's a \$1 diamond in here. It's a white finish that makes it appear like diamonds. There's only one diamond in the center.

NARRATOR: At the center of the diamond cartel's dazzling success is still the little family business Sir Ernest Oppenheimer built up after the Great War. The company is a very private affair and no one from De Beers would cooperate in the making of this film. Few people know the inner workings of the cartel as well as corporate investigators, Kroll Associates, who've examined it on behalf of other business clients.

THOMAS HELSBY: The diamond cartel has lasted for seventy years and shows no sign of weakening. What makes this cartel different is it's controlled by a single company, a single commercial organization, and that's De Beers. De Beers itself is controlled by another South African company, Anglo American; interestingly, Anglo American is controlled by De Beers. And that interlocking ownership is what allows one small family company, E Oppenheimer and Sons, who own just a small shareholding in Anglo American, to control the whole edifice.

NARRATOR: New York's jewelry market is testament to the cartel's success, combining a hugely increasing supply with buoyant prices. But business cartels are against American trust law, and three times since the 40s, US governments have begun prosecution against De Beers and its associates under the Sherman Act.

WALTER ADAMS: If you look at an organization like the De Beers cartel, it's a state within a state; it is a government unto itself. And certainly it is not an organization that is subject to the regulatory force of anything resembling a competitive market. Section 1 of the Sherman Act says that 'every contract combination or conspiracy in restraint of trade is hereby declared to be unlawful.' The Sherman Act, in effect, says that as long as you have enough competitors and as long as they act independently, the public interest will be protected. But once you have conspiracy among them, the public interest will be undermined.

NARRATOR: De Beers cannot operate openly in the States and to maintain its influence therefore, it has had to play an astute legal game. Bringing a South African company to American justice has proved almost impossible.

JOEL DAVIDOW: We hired a South African solicitor to serve a notice on De Beers in South Africa. It took a while to get any South African lawyer who was willing to even serve the paper. Eventually one agreed and he wrote us an affidavit of his experience, which was that he took the court paper and took it to De Beers and the De Beers representative took the paper, ripped it into small shreds, threw it on the ground and stamped on it and basically threw him out.

NARRATOR: While a subsidiary once paid a nominal fine, De Beers has been proof against American justice. Lawyers have found it impossible to touch the Oppenheimers in South Africa and they've also been unable to penetrate De Beers' safe haven in London.

CARL SCHWARTZ: It's well known that the British government has historically been vigorously opposed to any US enforcement of anti-trust laws against the activity that takes place

in Great Britain. And, as we know, a great deal of what De Beers does take place in Great Britain. De Beers has been I believe very careful in maintaining no assets of any significance in the United States.

NARRATOR: Having no American assets, De Beers cannot be prosecuted in the United States, but at the diamond dealer's club in New York, the cartel's writ still runs. The club members are small traders, buying and selling polished stones. Safe in Johannesburg and London, De Beers is nowhere to be seen. But so long as most diamonds pass through the ritual of its Charterhouse Street site, De Beers can maintain the price.

BUYER: In order for me to give you the \$2000 – the two stones that are less than a carat, I'd like to reject.

SALESMAN: I'll take the two stones back.

THOMAS HELSBY: The De Beers' operation is essentially the control of the production of diamonds. They control the chain of supply of diamonds, and that's the way in which they control the diamond market. If somebody were to try to go around the cartel, the concern that they would have to have is, how long would it last? Because of course De Beers in the past has been very successful at bringing all the producers into the cartel.

NARRATOR: But De Beers' time-honored methods of wooing the world's diamond dealers and industrialists into the cartel are now being called into question.

THOMAS HELSBY: One of the things that we found was the directors of De Beers and of Anglo American – publicly traded companies – were paid by a private Oppenheimer company based in Luxembourg, without any disclosure to the shareholders of these public companies. Now these kinds of things perhaps did go on in the 1950s, but there's been an enormous move in corporate governance in the last twenty and thirty years towards much greater transparency and disclosure.

NARRATOR: And now the cartel's methods are being put to the test. The issue arises from synthetic diamond technology developed long ago for use in industry. De Beers have their own factory in Ireland; their biggest potential rival is the American giant General Electric. Under the Sherman Act, De Beers and GE should not combine or attempt to work together.

ED RUSSELL: GE developed a process for making a pure C-12 diamond, and I was widely quoted in the international press that this would be a several-hundred-million dollar opportunity for us, but to do it we had to grow gemstones. And we started a process for growing gemstones. And after a short period of time we were making gemstones, three to four carats, flawless ease, which is a very high grade of diamonds, and because we were growing them synthetically, we had a number of advantages: we could make them all the same size, and you could color them – you could make them blues. So it was very easy to grow a 3, a 4 carat blue diamond. Once having established our technical capability to do that, we started to look at the \$4 billion gemstone market.

NARRATOR: But as soon as Ed Russell began to edge beyond industrials, he ran up against resistance within GE, where it was decided to kill the project and not compete with De Beers and the gemstone market. Soon after, Ed Russell was sacked.

ED RUSSELL: What happened after I was terminated, a price increase on all industrial diamond products was put in by GE and De Beers - they followed each other with identical prices that were implemented.

NARRATOR: Ed Russell's complaints have led the Department of Justice to investigate the industrial diamond market. GE and De Beers have been charged with conspiracy to fix prices. Both companies deny the charges, but fines could run into tens of millions. Whatever the outcome of the trials, the hold the Oppenheimer cartel has over the industry is more than a matter of corporate politics. It's a hold on the heart, a carefully crafted illusion, an illusion, which it seems nobody wants to shatter.

[A PARTY]

Guest 1: I'm wearing the diamonds because my sweetheart has given them to me and it means love and it means forever.

Guest 2: The diamonds, aren't they a girl's best friend? Did something change?

Guest 1: The diamond is forever; they last forever; they're always beautiful.

Guest 3: Diamonds? Diamonds – they're a woman's best friends.

NARRATOR: Wherever there are diamonds, the chances are that they were dug by the African poor or were bought secretly and on the cheap from Russia. Probably, they were cut by Indian children. In almost every case, they'll have passed through De Beers' office in London, and in almost every case, the Oppenheimer family will have taken their cut.

[END]

PART 2: INTRODUCTION

NARRATOR: Zaire is rich in resources but its people are desperate. While the few grow wealthy, the rest are left to scratch for whatever they can find. The chance to get rich seems worth any risk, even being buried alive. This is a fight over diamonds.

FOUAD KAMIL: I have followed the diamond from the swamps of Africa to the window shops of Europe. I hate diamonds. I hate diamonds. If people know what I know about diamonds, if they have seen the suffering, the murder, the torture, the bribery, the corruption that is invested, that is invested to bring a diamond to the window shop in Europe, many honest, decent woman would never look at a diamond.

NARRATOR: Until 1979, Fouad Kamil was a private detective investigating unlicensed diamond dealing and smuggling in Africa. To get his information, he chose to kidnap people who were under suspicion.

FOUAD KAMIL: We hired a place outside Johannesburg, and that's where we kept our prisoners. Two Italians specialized with this sort of work. Punishment, beating, without leaving marks. Holding people for a period of time without trial, without handing them over to the police.

NARRATOR: Kamil was paid for the smugglers he caught by companies in the De Beers diamond cartel, although there's no evidence that they were aware of his brutal methods. The cartel controls the supply of 80% of the world's rough gem diamonds and is run by two companies, Anglo American and De Beers, from their Johannesburg headquarters. Both these companies have been run since the 1920s by the Oppenheimer family, who have become known in public for their liberal views. Harry Oppenheimer was Chairman of Anglo American until 1982.

[CLIP, Speech] *Harry Oppenheimer: We have to believe and by our practice demonstrate that the pursuit of business efficiency and the search for a free and just society are not contradictory objectives. They're in fact two aspects of the same thing, two sides of one coin.*

NARRATOR: But during its history, the efficiency of the diamond industry has often seemed at odds with freedom and justice. Harry Oppenheimer inherited his diamond empire from his father Ernest, but it had been established in the 1880s by the British colonist Cecil Rhodes. His fortune was undoubtedly made by putting business before anything else.

[CLIP]: *High up near Bulawayo, visited by the great and humble alike, lies the tomb of Cecil Rhodes, not in South Africa, but in the country of his creation, Rhodesia. Ironically, the famous empire builder, in his commercial activities turning the early diamond rush into a vast industry, sowed the seeds of Apartheid. For the diamond fields did more than turn Rhodes and his friends into billionaires. They called for cheap labor. Negro labor.*

DUNCAN INNES: Particularly after they discovered the diamond mines, what they were looking for was to try and create a work force for those mines. And the problem was that they needed unskilled workers, but the problem was that most of the available potential labor force were black people living on the land. And in order to get them into the mines, they had to find ways of forcing them off the land. And one of the mechanisms they adopted was passing various taxes such as pole tax, hut tax, even a dog tax, which forced people living on the land to pay cash to the government. And they didn't have cash because they were not part of a cash economy, so they therefore had to go into the mines to earn the money to pay the taxes. And it was actually Cecil Rhodes, while he was Prime Minister of the Cape and also Chairman of De Beers, who introduced the legislation that made this taxation possible. And as he said when he introduced it, 'we will have to teach the native the dignity of labor.'

NARRATOR: In order to pay the new taxes, many Africans had to leave their families and walk hundreds of miles to find work in the mines. What they found when they arrived bore little

resemblance to the ‘dignity of labor.’ De Beers quartered their miners in men-only compounds, heavily policed and not unlike penal colonies. Once inside the compounds, the miners couldn’t leave until their contract was over. Closed, single-sex compounds were to become a model for the entire mining industry of South Africa and a cornerstone of Apartheid. From the beginning, De Beers was determined that African employees should not supplement their meager wages by smuggling diamonds, and they designed the labor regime accordingly. Early accounts describe how, at the end of their contract, laborers were stripped naked and kept in special cells for three days and three nights. In case they’d swallowed any diamonds, De Beers’ detectives examined their feces. Nowadays, they simply x-ray some of the departing miners. The partnership between the diamond industry and Apartheid extended to the huge opencast mine near the mouth of the Orange River in what has become Namibia. Since the 1920s, this mine has been a major source of the Oppenheims’ power. In its day it was the richest diamond mine in the world and over the years has realized profits of around 4 billion pounds. De Beers’ film from the 1950s proudly unveiled a new model-mining town.

[CLIP, De Beers Educational Film]: *But in a few years, Oranjemund has achieved the settled appearance of a pleasant town to live in, a good town in which to enjoy life, have a home and raise a family.*

NARRATOR: But the smart appearance hid a familiar reality: family life was still only for whites.

ELIJAH HAWII (subtitles): There was great suffering, being separated from our families. You were no sooner married than you had to leave to take a contract. But you were away so long that she may take up with another man, and we ourselves became lonely and were tempted. This was the anguish caused by the total separation of the contract labor system. There was a great difference. The whites were in good houses, well furnished. They were living a luxurious life. Even our colleagues who were domestic workers came to tell us how the whites lived.

[CLIP, De Beers Educational Film]: *The Ovambo miners who have come from a thousand miles north live in this African village, which is being designed as a little oasis in contrast to the harsh desert in which they work.*

GORDON BROWN: When I arrived in the mine in 1968, I was quite appalled by the conditions for the migrant laborers. The working hours were long. It was a 60-hour week. The conditions under which they worked, well, they were out in the open, very little protection against the cold and the wind. They weren’t given much to eat. They were given half a loaf of brown bread and a flask of cold tea to last them throughout their 10-hour shift. Conditions in the hostels were not much better. There were no decent dining facilities. They had to eat in their rooms out of aluminum buckets. There was no real privacy. The hostels themselves were not very nice places to be in, single-sex hostels, 20 people to a room, in some instances.

NARRATOR: Until 1972, De Beers recruited for Oranjemund through a labor board, run jointly by the mine owners, the farmers and the South African government. Even now, the Ovambo people can still recall how the board’s methods ignored their traditions and offended their sense of dignity.

SAMUEL KAXUXUENA: The medical examinations are done in a cleaning type of building. People go in there in rows, undress and be naked facing each other and no age division, you all go in at the same time. And they examine you; they examine your penis and your anus. We resented it because it wasn't done by a professional doctor and the man who was doing it simply tells you to undress and line up and sometimes he uses vulgar language. And in fact there's no point in time when he could tell you what he has discovered.

NARRATOR: More recently and following miners' protests, the company began to reform some of their labor practices. In 1979, De Beers made a film called *A Family Affair*. It sought to show a modern, caring face.

[CLIP, News Brief]: *In a decision taken by the De Beers company to move away, so far as it was possible to do so and as quickly as possible, from the system of migrant labor, we are moving away from that system and we are making a great effort and I think a very successful effort to replace it by a system by which the workers in the mines will be permanently resident and will not be going backwards and forwards between the mines and their homes in quite different parts of the country.*

NARRATOR: De Beers eventually recognized black trades unions, but fifteen years after *A Family Affair*, many De Beers miners still live far away from their homes and families.

MENE DIPICO: Since 1985, since we came into this company, we engaged De Beers in any number of discussions to get better conditions for our people. And that led us to push them to build houses for all the employees like they are building houses for the white employees and mine workers. Through those engagements, De Beers came to terms, but from 1990, when they started to build and renovated the hostels, like you are seeing them today, when they reduce them to about 8 people to stay in one room. So that is the position. And De Beers still has the capacity to build better accommodations for its employees.

NARRATOR: Conditions were still very different for blacks and whites, and suspicion of theft was still important to the regime. This led to further indignities.

MENE DIPICO: When they suspect you...any employee who could actually buy a new car has been investigated, built a house or renovated his house, he was investigated. So people were dismissed and the reasons given which was there on paper was 'security reason.' And our people were very afraid to take De Beers at a higher level because in our country De Beers is an empire.

NARRATOR: For many South Africans, Anglo American/De Beers does indeed look like an empire. Oppenheimer companies have been involved in brewing, chemicals, paper mills, farms, newspapers and television. And ever since Rhodes introduced tax laws to bring labor to the mines, the interests of the diamond trade have been entwined with those of the state. Companies in the Anglo American group built the bomb-proof office block in Pretoria housing the computers which enforced the pass laws, built secret underground installations for the army, manufactured munitions for South Africa's colonial wars, and made tear gas for the police. Much of this had its routes back in the 1960s.

DUNCAN INNES: When, in 1960, we had the Sharpeville massacre, a number of international companies in South Africa decided to get out of the country and many investors also withdrew, overseas investors withdrew their investments from the stock exchange. Companies like Anglo American and other large corporations then bought up the shares on the stock exchange in order to prevent the exchange from collapsing, which would have generated a financial crisis. They actively supported the economy, and therefore gave the government a base from which it could protect itself.

NARRATOR: Today, the Anglo American group holds up to 40% of the total value of the Johannesburg Stock Exchange. But as international opinion has hardened against Apartheid, the Oppenheimers have sought to promote liberal causes, whilst at the same time maintaining their relationship with the state. It's been a difficult line to tread.

[CLIP, Chairman of the Anglo American Corporation]: *I think one's got to put this in two ways. I mean there's my own position as an individual – I've never believed that the government's policies are right, particularly in the racial field. But I also would think it quite wrong in my capacity as Chairman of the Anglo American Corporation to use that position in order to try to press the government into views which I believe in, but they don't believe in.*

DUNCAN INNES: He himself has publicly come out against Apartheid on many occasions and continues to do so. I think the problem is—and this is where he's been criticized in the past—the problem is that the mining houses that he controlled made use of the migrant labor system. They made use of the compound system, they made use of the pass laws, they made use of all the institutions, which in fact created Apartheid. So in that sense, people questioned, why on the one hand does this man oppose Apartheid but on the other hand he makes money out of Apartheid?

NARRATOR: But elsewhere in Africa, there was no Apartheid state upon which to rely. New diamond finds were more difficult to control. In Sierra Leone, despite appearances, the diamond business was beyond the control of either government or cartel. It was a constant struggle to limit supply and thereby maintain prices.

[CLIP]: *Diamonds were first discovered in Sierra Leone in about 1930. And the local people went to work for the company that today leases hundreds of square miles from the government.*

NARRATOR: Fouad Kamil was a private diamond detective in Sierra Leone involved in trying to catch illicit diamond dealers, though there's no evidence that his employers knew of the methods he used.

[CLIP]: *In remote parts of the controlled area, the shine-shine stones, as they call diamonds, were there for the taking.*

FOUAD KAMIL: Nothing of the sort took place when I was there. You see, the police didn't dare to go to the illicit mining areas; no one ventured there. So they left the Africans to mine wherever they wanted and waited for them until they crossed the borders where we were. And the police gave us free hand in the border: 'you can do whatever you like, we just don't want to

know about it.’ So we arrested whoever went there. Searched them. Those that didn’t have diamonds, we allowed them to cross to Liberia. And those that had diamonds, I took them as prisoners. I interrogated them, got the information from them. I kept them as long as I wanted, a week, two weeks, some of them months. And released them when I wanted.

[CLIP]: *Yes it still goes on, this illegal digging, in spite of everything. The lure of riches and everything that wealth can buy is often greater than respect for the law. Some folks maybe can afford to take a lazy objective view of the whole illicit diamond business. But that’s not the view taken by the government of the country. The law is the law, and British justice prevails in Freetown.*

FOUAD KAMIL: There was beatings, there was punishments without food. We did everything we could to extort the information from them. There was a stage where no one dared to pass from there, diamonds or no diamonds. So to put it bluntly, we were a terrorist group. That’s what it amounts to. Diamonds going out of Sierra Leone and other African diamond markets were going to what Anglo American described as “black markets,” that is Antwerp, Amsterdam, Germany, some parts of the United States and Israel. Now, these people were labeled ‘black markets’ by Anglo American, but in their own countries they were respectable diamond dealers. There is always a competition between Anglo American/De Beers group and other dealers all over the world for a bigger slice in the world diamond markets. And this did not suit Anglo American. They wanted the whole plate for themselves.

NARRATOR: As African nationalism took hold, keeping control became even more difficult for the cartel. Zaire has large diamond deposits, but the events, which surrounded independence, threw the cartel’s control into doubt.

[CLIP]: *Thirtieth of June 1960. This was a city of radiant joy, as the people celebrated Congo Independence Day, a happy occasion full of bright hope.*

NARRATOR: The Congo’s first democratically elected leader, Patrice Lumumba, was critical of the colonial mining arrangements and the local Belgian mining company, Union Minière, a member of the cartel, supported army moves against him.

[CLIP]: *A new chapter begins in the dark and tragic history of the Congo, with the return to Leopoldville of deposed Premier Lumumba. Following his capture...*

NARRATOR: The coup against the leftist leader Lumumba was backed by the CIA and ended in his murder. Mobutu Sese Seko emerged as the dictator of what became Zaire. At first his nationalist rhetoric didn’t seem very different from that of his predecessor.

STEVE ASKINS: Mobutu had made what seemed like very left wing, radical statements, talking about the ‘colonial exploiters,’ threatening to nationalize all sorts of foreign mining property. And in flies American businessman Maurice Tempelman.

NARRATOR: Tempelman was an independent diamond dealer, the key intermediary for De Beers.

STEVE ASKINS: In a matter of 10 days, Maurice Tempelsman holds consultations in Brussels with key officials, meets with the U.S. embassy in Kinshasa, has consultations with the U.S. State Department, speaks with Mobutu, flies on to go meet with Mr. Oppenheimer of De Beers in South Africa in what, according to, what is certainly shown by a number of declassified U.S. State Department documents to be an attempt to stitch together a relationship between the De Beers empire and the Mobutu regime.

NARRATOR: The Oppenheimers, through Tempelsman, arranged to have the exclusive supply of diamonds from the Meba mine shipped to their offices in London.

STEVE ASKINS: For many years there was a pattern and a practice where, by regular intervals, Mobutu would send some of his agents to Meba, the diamond company, to take a look at the most recent production and to select out the best gem quality stones to be flown off, presumably to be sold through his account in Antwerp. Madame Mobutu, this is somebody who's traveling on a diplomatic passport, who just gets whisked right through customs, doesn't get stopped. However, there was one occasion a few years ago when Madame Mobutu went off to Belgium and she forgot some of her luggage. She sent her secretary, apparently, back to Kinshasa or back to Gbadolite where Mobutu has his main palace to get the luggage. The secretary when into customs, didn't show the right kind of documents, was stopped and inspected and according to the Belgium reports was found carrying \$6 million worth of diamonds. You just need one word. The word is 'kleptocracy.' I'm not the person who invented that word, I wish I did, but it's been used by political scientists to describe governments whose fundamental organizing principle is one of theft.

NARRATOR: Mobutu is now one of the richest men in Africa. His people are still among the poorest, and when diamonds are found an opportunity to make a little money is not to be missed.

STEVEN COHEN: Zaire has substantial diamond resources as well as other mineral resources, and the revenues generated from those resources could have gone to benefit the Zairian people and they haven't. The revenues have gone for two purposes: they've either been siphoned off to Mobutu's private bank accounts or they've been used to provide benefits for foreign governments or foreign companies in the hope that those foreign governments and foreign companies will then be supportive of Mobutu and will help him remain in power. I mean, essentially Mobutu's used the wealth of Zaire for two purposes: to enrich himself and to enrich his foreign supporters.

NARRATOR: The diamond cartel has made a pact with Apartheid in South Africa and lived with the corrupt government found in other parts of the African continent. Even in the developed world, the prospect of a free market raised the fear that uncontrolled supply would cause prices to fall. But diamonds continue to be found. In 1979, rumors began to circulate that diamonds had been discovered in Australia. Attention focused on the Ashton project of Conzinc Rio Tinto, CRA, prospecting in Western Australia.

MAUREEN TOWIE-MUGGERIDGE: Very, very exciting days, we had to in fact make quite sure that we didn't talk about what we were doing because it was necessary to keep our activities

as confidential as possible and a Telex message came in – we were still in the days of Telexes – to say that the laboratory had recovered diamonds in two of the samples, diamonds and chromites. So of course we knew then without any shadow of a doubt that there must be a diamond source somewhere immediately upstream of Smoke Creek.

PETER MAHER: The story that came back to me was that there were so many diamonds up there that they were actually picking them up off the surface. And that the couple of CRA directors who had flown up that weekend had actually pocketed a few of the diamonds to bring back and show people. So when that was coming through and CRA was throwing up such a tight security, we knew there must be something there.

NARRATOR: Maureen Muggeridge's Ashton discovery grew into the biggest mine in the world. In 1992, the partners in what has become the Argyle Mine reported diamond sales of over 8 metric tons.

HON. PETER DOWDING: People had no idea of the size of it or the impact of it and I think still in some way, it's not recognized for the tremendously valuable resource that it is. It's in a very isolated part of Western Australia, it's in the far north, very small population; the working community have by and large flown 2,000 kilometers each rotation and so there isn't a great deal of visible signs of the operation of the diamond mine, but it is a fantastically important resource for Australia.

NARRATOR: Argyle not only increased the supply of small industrial diamonds, but gave Australia a special distinction in gemstones.

CHARLES DEVENISH: They produce a variety of colors, which is very unique to this mine and out of the 36 million carats come some of the rarest diamonds in the world. The extraordinary thing is nature's thrown up these freaks, which are just unique and special and, you know, they're-- they're something that we're all madly trying to get hold of, can't get enough of. If you look at this small, very intense pink from Argyle, and it's only - I think it's about 18 points - and then you compare it against this two-carater from Argyle, the two-carater is worth about \$22,000. Now, if we could superimpose that color on that small pink into that two-carater, that two-carater would be worth at least a million dollars in today's market. Now, Argyle only gets maybe three, four or five of those stones a year, maximum, out of, remember, 35, 36 million carats of diamonds.

NARRATOR: The Argyle experts reckon that one in a million carats they find is pink, a color produced by virtually no other mine. But they have increased the worldwide production of other colors and grades by a third; inevitably therefore the CRA Ashton Argyle project attracted the attention of the cartel.

NEVILLE LEGG: The Ashton project certainly had huge reserves, which, if it had gone into independent hands, would certainly have challenged De Beers' monopoly. Now, I know that the Indian government had made representations to Australia to take over the marketing. I, myself, met with one independent diamond trader who was visiting from London and he was also putting

in his bid and trying to persuade the Australian government that, in fact, as said, there were enormous benefits for Australia and it was not in the interest to further reinforce a monopoly.

PETER MAHER: I remember at the time we happen to get a hold of a copy of their marketing study, and it showed that the real fear CRA had was that if they would market the diamonds independently that the CSO would attack them by reducing diamond prices or getting diamond prices low in the categories of diamonds that Argyle was going to produce.

NARRATOR: Controlling around 80% of the gemstone market, the CSO – De Beers’ central selling organization – could easily have undercut Argyle as a competitor. But in the event, Harry Oppenheimer flew in from South Africa and turned his attention to buying Australian shares and courting Australian newspapers.

NEVILLE LEGG: Many Australian journalists were invited to South Africa, sponsored by De Beers, to go on I suppose tours, which were meant to promote De Beers’ image and soften the impact of De Beers’ penetration into the Australian economy. And soon after those tours took place it became quite evident in the Australian media, mainly through the newspapers, that it was a very pro-CSO approach being adopted by the media so I think De Beers’ strategy worked quite well in that they had softened up the Australian media and the media reciprocated by promoting, through favorable stories to the De Beers takeover of the Ashton project.

NARRATOR: The campaign worked. Most Australian diamonds are now sold uncut to De Beers. Argyle markets the remaining few itself, including its unique pinks.

CHARLES DEVENISH: I think if you were to invest money in diamonds, you’d invest it in those very rare colors because they are so special. And I think the international market has woken up to the fact that here’s a real collectible and they want to get their hands on it. Unfortunately we are not in a position to get as much as we’d like because Argyle does their own marketing of it and so we sort of take a bit of a back seat in this whole aspect. But certainly there’s a huge demand out there – I’ve found I’d say every day we get calls from people around the world wanting pink diamonds.

NARRATOR: At first the Western Australia state government held a 5% stake in Argyle and sold its diamonds independently in Antwerp. It was a rare chance to monitor world prices and keep a check on De Beers. But when the authorities decided to sell their stake in public flotation, the other partners simply bought it out.

HON. PETER DOWDING: There was a fair degree of lobbying from the mining industry, including the owners who were really very unhappy at what had occurred in the government obtaining its equity’s stake. Our biggest concern as a government was that its terribly difficult to know whether your royalty rates are correct unless you’ve got some yard stick to measure the production by – and that was one of the great strengths of the separate sales arrangement. Ashton and CRA then had an opportunity to buy back the farm as it were, and the opportunity for the public and the public, through the medium of the state, to retain that ownership and ensure an independent train of activity was really lost, and I certainly regret that.

HON. PETER DOWDING: Once again I suppose we're back to the position that we were in 1982, which is effectively that the diamond industry as it is presently structured is entirely dependent upon the international relationship with the De Beers organization, and unless there are some other major finds, then the mining industry will just be an adjunct of the De Beers group.

NARRATOR: Having held the line in Australia, the cartel's control was then threatened by the fall of communism in the Soviet Union. Russia has produced diamonds since the 1950s. The Mirny mine in Siberia still has extensive un-mined deposits. So too does the mine at Archangel. Like Argyle in Australia, Russia has a deal with De Beers, allowing it to market a fraction of its stones independently while selling the majority through the cartel. The deal expires next year and a Russian parliamentary investigation of the diamond business has created a demand for further concessions. Meanwhile, new cutting rooms are coming on stream in the former Soviet Union and not just for the emerging domestic market.

MENDY CAZIRER: They definitely want to retain for Russia, the value added by manufacturing a larger proportion of the rough diamonds that are being produced in Russia, to retain them for local production and local manufacturing to make polished out of it. If diamond production in Russia relies mostly in the better qualities, not only in the better qualities but in the better colors, so they will really be catering for a very specific market. And they have had this market share, they can increase that market share as well, and now the question is when and how?

NARRATOR: In 1992, the Oppenheimer's opened an office in Moscow. Russia already produces more diamonds than South Africa and its need for hard currency is ever more desperate. If there's a radical change of government, all De Beers' diplomacy may come to nothing.

NARRATOR: Meanwhile, there are troubles enough at home for the Oppenheimers.

NARRATOR: By the mid-1980s, the Apartheid regime was fighting for its life. Anglo American/De Beers were caught between increasingly militant black nationalists and an increasingly hard-lined state, a confrontation which led to a state of emergency in July 1985. In fact, the cartel was already looking towards a new future. In September of that year, Anglo American chairman Gavin Relly flew to Lusaka to negotiate terms with Oliver Tambo and the ANC in exile.

GAVIN RELLY: It makes a difference when you sit down and hear other people's points of view. I think they've tended to be not the sort of points of view quite, which we had believed them to be. There were some clarity in our own minds as a result of having seen them, and I believe in their minds too. There was a good deal of opportunity to see the point of view of South African business, which I believe is essentially reformist.

OLIVER TAMBO: They certainly understood our position, they understood why we are thinking about nationalization, and they understood it. They raised problems about

nationalization in an economic system. We understood those problems but those are problem, which would be tackled at the time.

NARRATOR: But De Beers had already faced the possibility of nationalization under black majority rule. Their key mine lay in Namibia, the South African protectorate and was worked by their local company, CDM. In the mid-1980s, with the United Nations demanding Namibian independence, questions began to be asked of CDM's relationship with the white South African regime.

JOE PUTZ: The government had the right to evaluate and inspect the stones. It voluntarily subcontracted that right of inspection to diamond boards and inspectors who were De Beers-paid officials, or who received a split salary: half the salary from the government and half the salary from De Beers. Which must have created some conflict of interest to put it mildly.

ERIC LANG: If you phoned the diamond board, CDM would answer the telephone. The same secretary of CDM was the secretary of the diamond board. Evidence later on showed members of the diamond board being corrupted with gifts that documentation was just simply not filled in and not returned. They had an absolutely free reign. One mustn't forget that they produced over 50% of the export earnings of this country and obviously the future of the economy of this country was completely related to diamonds. When I approached the authorities and the mining house as such, the reaction was a cover-up from both sides. And I started probing what was really going on.

NARRATOR: Eric Lang's inquiries struck a chord with Gordon Brown, De Beers' local mine manager. Brown was seeing confidential business plans, which indicated the mine, could close early. He took copies and sent them to a safe address in Cape Town.

GORDON BROWN: These documents came across my desk in the normal course of my duties at CDM and that's where I discovered what was happening on the mine. It was actually illegal, what they were doing, they were picking the eyes out of the mine, taking all the richer deposits and leaving the poorer deposits for later. They wanted to maximize their profits in the era before independence, to get as much as they could out before Namibia came to independence.

NARRATOR: It was at this time that a South African judge, Peter Terrine broadened an existing corruption inquiry and began to investigate De Beers.

GORDON BROWN: The Terrine Commission people came down here to Cape Town and we met at the ____ Hotel and they advised me that for my personal safety it would be in my interest to come out publicly with the information which I had on CDM's activities in Namibia, the over-mining and such.

JOE PUTZ: Terrine not only asked but demanded submissions from De Beers and CDM at regular intervals, which they refused until the bitter end. On the last day of the Terrine Commission's session, they flew a planeload full of lawyers and advocates into Windhoek. And in front of a packed court they handed in a two-page submission, which Terrine then lifted up by

the corner – I'll never forget that day – and with an expression of disgust on his face, described as an insult to even the lowliest form of intelligence.

ERIC LANG: I don't think there's anything wrong with creating wealth in an entrepreneurial fashion, but when you are destroying a country's natural resource space by billions of Rand because of greed, then I am in total disagreement.

NARRATOR: Terrine reported in 1986 that De Beers had for forty years selectively over-mined the deposit, shortening its life expectancy, and particularly so in the late 60s and 70s, when Namibian independence was first a prospect. De Beers rejected the judges' findings.

ERIC LANG: The sad thing about all of this is we still do not have the will in this country to answer two or three basic questions. The first one being, do we have control over the mining of diamonds in this country? The answer is no. Do we have control of the marketing of diamonds in this country? The answer is no again. And is there any price fixing? The answer is yes.

NARRATOR: Since independence in 1989, Namibia has given offshore concessions to De Beers competitors. In South Africa itself, there's the prospect of legislation against monopolies, when, as seems likely, the ANC takes power. The future of the diamond industry, for so long at the heart of Apartheid, could be thrown into doubt. But, is the cartel simply too powerful for a new black majority government?

DUNCAN INNES: Until there is legislation preventing the existence of these cartels, what I'm told is a major crack in the market, the cartel will survive. I do know that the ANC is thinking about anti-trust legislation in South Africa for the future, but whether they would include a company like De Beers in that or not is an open question, simply because De Beers is too powerful if they were to include De Beers in that and De Beers were to stop producing diamonds it would be very serious for our economy.

NARRATOR: New finds over the last 15 years have vastly increased the number of diamonds on the world market. Prospectors in the northwest territories of Canada announced in June '93 major new finds of yellow knife, and experts estimate there may be tens of millions of gem quality stones there. But diamond sales have increased too. Last year De Beers Central Selling Organization reported record worldwide turnover of \$4 billion. New markets are being created all the time. 70% of Japanese brides now wear diamond engagement rings. Every new customer is a small success in a remarkable campaign to create a mass market in a commodity that's supposed to be incredibly rare. But with diamond ownership now so widespread, and all the major producers in the cartel, who's left to challenge the illusion?

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