

## DE BEERS AND THE BROADER STAKEHOLDER COMMUNITY – THE CASE OF CONFLICT DIAMONDS

Over the years lyricists have told us that diamonds are ‘forever’ which may explain why they are also a ‘girl’s best friend’. Diamonds certainly make an impression given that once cut and polished they sparkle in a way that nothing else does and as we all know are very expensive. They are also highly portable which is why they are easily smuggled out of mines or across borders. The twin characteristics of high value and portability encouraged the trade in ‘conflict’ or ‘blood’ diamonds which tarnished the reputation of the diamond industry in the late 1990s.

In 1998 Global Witness published a report<sup>1</sup> in which they explained how diamonds were being used to finance UNITA in Angola. The term ‘conflict diamond’ was quickly adopted to describe any diamonds sourced from an area controlled by rebel factions opposed to a legitimate government, and used to finance the armed conflict with the government. While Global Witness focussed on Angola, Sierra Leone and the Democratic Republic of Congo also suffered because diamonds were being used to fund armed opposition rather than legally traded and thereby able to contribute to economic development.

Most of us, if asked, would struggle to name companies associated with diamonds.

However, the name De Beers is well known. It owns 35 per cent of the world’s diamond mines and established the Central Selling Organization (CSO) that controls the supply of the commodity by holding large stocks of uncut diamonds. While this strategy gave the company a lot of power, in the late 1990s it began advertising heavily so as to associate itself with cut diamonds and to drive demand. Unfortunately for De Beers, this strategy made it the public face of the diamond industry, and the Global Witness report was littered with references to, and quotes from de Beers, leading to the general impression that the trade in conflict diamonds was encouraged by the company’s activities and that the company should now start to live up to its own ethical statements by doing something about the trade.

The company took the threat to its reputation seriously. It encouraged the South African government to hold a workshop on the issue, and founded the World Diamond Council

(WDC) to represent the entire industry in the series of talks that led to the introduction of the Kimberley Process in 2003. The Kimberley Process is a verification scheme in which governments certify the origin of diamonds. International trade is permitted only between companies located in countries that have signed up to the Process, which means that non-certified gems are assumed to be conflict diamonds and are therefore not traded.

It could be said that De Beers' role in establishing the Kimberley process was self-serving, but it has also benefited the wider diamond industry and the developing countries in which diamond mining has an important economic role. In more recent years the company has played a role in helping Liberia to join the Kimberley Process even though De Beers has no mining interests there. In 2001 the United Nations Security Council banned international trade in Liberian diamonds because the country was being used as a trade route by the RUF as it brought conflict diamonds out of Sierra Leone. De Beers supplied the Liberian Government Diamond Office with the necessary equipment to run a certification scheme, and helped with the training of relevant officials. This enabled the country to be admitted to the Kimberley Process in 2007.

While the discussions in chapter 4 focussed on primary stakeholders, here we see an example of a company improving its reputation by working with a secondary stakeholder.

Consider the following questions:

1. Should companies get involved in issues like conflict diamonds or should they leave it to governments to find solutions?
2. In the light of your answer to (1) do companies have social responsibilities?
3. Take a look at the Global Witness report and consider how you would have reacted if you had been working for De Beers at the time.

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<sup>1</sup> Global Witness (1998) 'A Rough Trade: The Role of Companies and Governments in the Angolan Conflict' Global Witness Ltd.