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**Terrorist
Funding,
Synthetics
Diamonds and
Diamonds for
Arms**

European Centre for Information Policy & Security©

European Centre for Information Policy and Security (ECIPS)
3rd Floor ,207 Regent Street London W1B 3HH
United Kingdom
T + 44 709 218 4991
F + 44 709 218 4991

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Introduction

1 Background

According to the International Diamond Consultants forecast from 2008 to 2016, (Figure 1, pg2) it is predicted that the future demand for diamonds will continue to increase for the period stretching over the next ten years with the maximum relative percentage increase coming from the Asian markets. It is now generally accepted that the period of rapid diamond-led growth is over, and since the mid-1990s economic growth rates have been lower, although still respectable by international standards, with a trend expected growth around 6% p.a as indicated in the GDP vs Jewellery sales within the USA for example (Figure 2, pg2) that accounts for around \$ 21 Billion in diamonds in New York annually that is estimated at 91% **supply from Israel** directly.

It is important to note, that since 9/11 the "Terrorist" organizations such as **Al-Qaida** and **UNITA** in the DRC are increasingly using diamonds as their **common cash trade** commodity for arms to avoid cash and wire transaction being tracked by the *anti-terrorist* and Law-enforcement agencies. We will take in account the latest UN report indicating the spread of arms sales in Africa from countries such as Iran and other regions without any pre-justice to any economy or country. This report deal with growing threats of terrorism support groups and not with specific countries or their manufacturing capability.

Intelligence sources in the DRC indicates that UNITA might have traded as much as \$1.2 Billion in diamonds for arms during 2012, and an estimated 41% of these diamonds might have been sold into European and American markets. In hypotheses, this directly poses a threat to countries such as Belgium, Netherlands, England and the USA by threatening their large economical value in the trade of Diamonds with the exclusion of Israel. These economical and political threats will be discussed in detail during this report in the security threat analyst process.

Based on current trend, information and intelligence it is predicted that the increasing corruption of AML (Money Laundering) using "**Diamonds for Arms**" will increase rapidly over the next 10 years as the fastest growing "**cash for arms**" commodity in the AML arms trade schemes. In this report we will look at the present climate and increasing threats in Africa that could perpetuate the war on terror moving to Africa as a whole and effect all member states and nations who has economical direct interest in Africa such as Israel and Belgium.

This report will deal with both the growing terrorist threats within the USA and European economical stability that could result in a "**High Impact**" on its economical stability during any future terrorist attack, should such occur.

This Report will also focus on the present trends and interest of terrorist group to legally acquire diamonds operations in Africa to hide their presence in the Diamonds for arms trade and possible links to the Middle east involvement. In conclusion this gives a growing concern and need for attention with the growing war on terror within the Horn of Africa that is rapidly spreading South of the equator towards South African Borders in the African Union's territory.

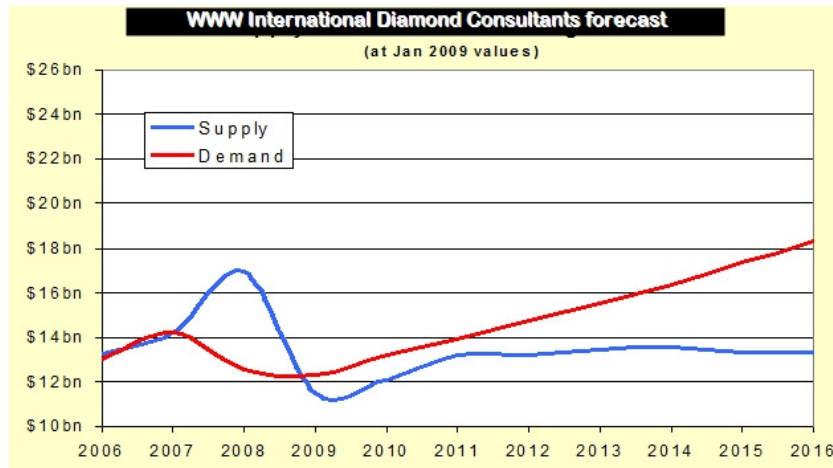
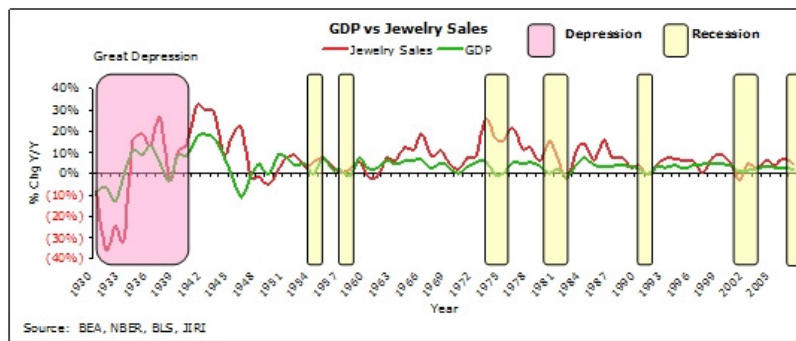


Figure 1

US Retail Diamond Sales



Source: IDEX, Dec08

Figure 2

2 Interest of Terrorist organizations and the Current Market Conditions of diamonds

The growing trade in the diamonds for arms is driven by the current market conditions and the demand for rough diamond supply coming from Africa. Global commodity prices are strongly affected by the current global financial turmoil with rough diamond prices experiencing commodity price drops of 35 – 40 % , primarily driven by trade and inventory financing issues. The chart in figure 3 show polished **diamonds prices experiencing minimal price decrease** measured against other commodity prices.

This off-course has been a offset against the growing need from terrorist organizations to acquire arms for their operations and with the least experiences of a price decrease the is of diamonds for arms has been perpetuated. The decreasing US dollar had exactly the opposite predicted effect and have made the Diamonds for arms trade a lucrative business for business men in certain regions within the diamond industry to participate. Thus a **"New Threat"** have emerged engaging the business industry directly to the growing concerns in Africa.

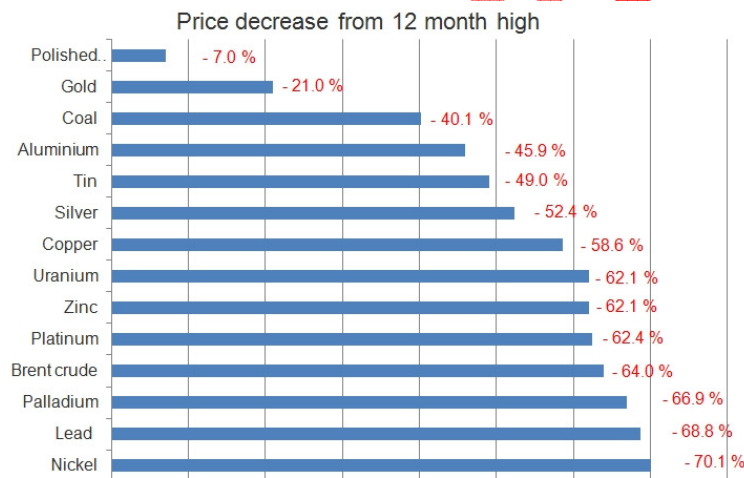


Figure 3

This development of the later, the "New Treat" has shifted the way Arms is linked to Diamonds and on the appearance would have no direct relation as the method of Diamonds for arms sales has taken on a complete new routes to the Middle east as indicated in Figure 6 and 7.

The growing demands for diamonds from Asian and Middle Eastern countries has lead to the development of new large Diamond centre's such as Dubai with the closes economical trade being China and India as the highest consumer consumption of diamonds. Chinese consumers consumes approximately 61% of the worlds diamonds annually and would accounts for more than 60% of the South African Diamond Production at present.

It is noteworthy to note, that prior to 1976, diamonds where mostly sold to European and American markets as a commodity, but only became a terrorist interest in the mid 80's with the growing changes of dictatorship control in Africa with the anti western policy approach and its Africa war lords that rose all over Africa.

3 Understanding why the Diamond for arms trade is GROWING ?

The global annual diamond trade reported \$351 Billion trade during 2009 as indicated by the ICN figures. USA reported a \$14.3 Billion (2008) trade whilst Israel reported figures of \$19.1 Billion and South Africa a \$3.2 Billion export trade as indicated in Figure 4 below. In conclusion far more diamonds were sold than officially mined if the ICN figures are correctly analysed, **This raises the question, where did these diamonds come from ?**

It is important to note, that the International Trade organization ICN reported figures as indicated for period 2006 and 2008 might only account for a percentage of the real diamond trade as these does not include illicit trade figures. Some expert predicts it could exceed the present official trade figures and that ICN figures are vastly underestimated. Note that ICN have stop producing figures since 2010 as the author of the present script have questioned them about the validity of their figures that could not be explained by ICN till date.

It's also important to note that official illicit trade figures (pre- 1994) from South Africa indicated that as much as a \$100 Million per month of illicit Diamonds might have crossed the borders from Namibia via **Port Nolloth, Northern Cape**. This same area is presently indicated as a high risk potential for instability in the future. The sales routes of diamond for arms have taken on new form in the modern world of the illicit diamond trade.

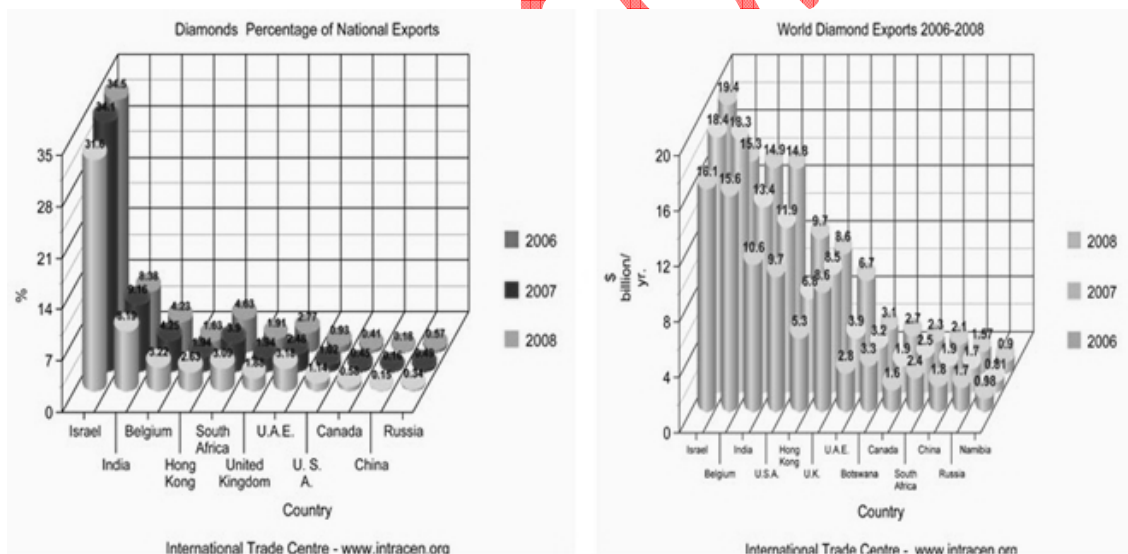


Figure 4

Thus the **low risk** of being tracked and brought to justice in the diamonds for arms sales coupled with its high profits margins, has made it a very secure profit destination for some and is perpetuating the wars in Africa.

The latest report by [James Bevan, a former United Nations investigator](#) and arms specialist indicates that the arms trade has reached critical point in the African union with its growing illicit arms trade that undoubtedly will substantiate this claim by the author. (see references)

4 Iranian Ammunition already identified African Countries

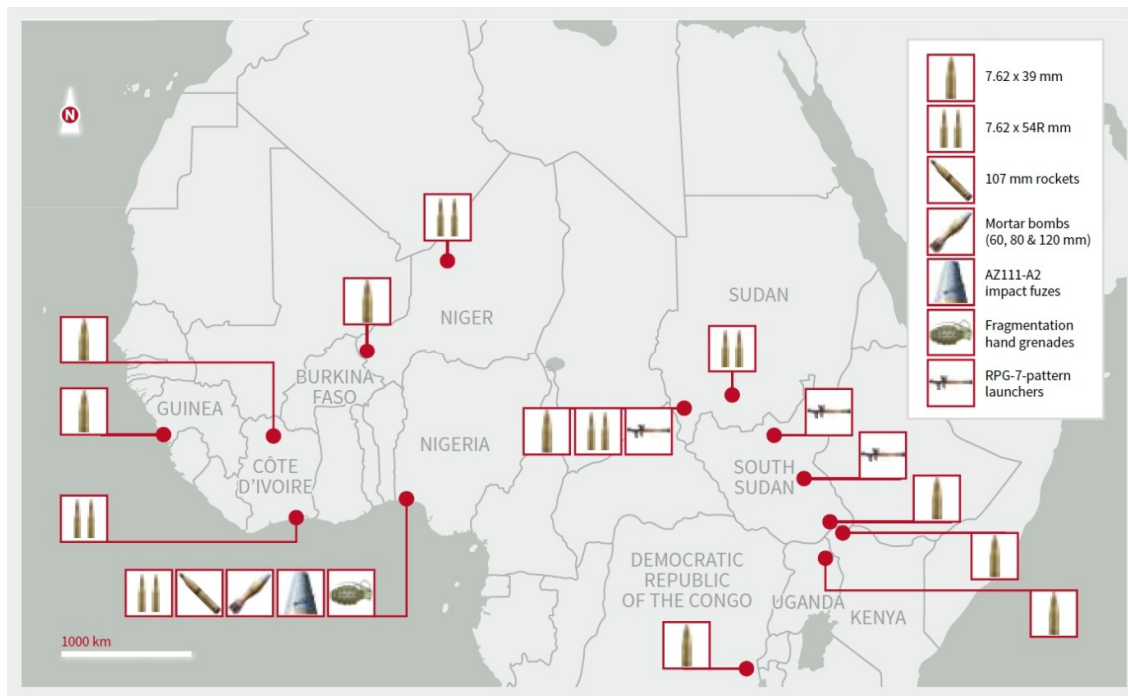


Figure 5

Conflict Armament Research produced the above report and diagram of verified intelligence of the distribution of Iranian Ammunition in Africa. Evidence from a Nine-country Investigation derived from investigations conducted between June 2006 and November 2012. It documents the characteristics of Iranian small-calibre ammunition, including its packaging, from a range of investigations conducted in Africa.

It also draws heavily on Iranian ammunition identified in cases outside Africa, including maritime interceptions of Iranian weaponry, and materiel circulating in Iraq and Afghanistan. Thus the proof of the growing arms trade in Africa has become a trade has become highly sophisticated and yet to be explained is the payment methods.

Full report can be downloaded at

<http://www.conflictarm.com/publications/investigationreports.html>

5 Pre 9/11 and after diamond sales routes from Africa

Pre 9/11 diamond sales route in Africa indicated that diamonds had mostly singular routes of sales to either Antwerp or Tel viv Israel as indicated in Figure 6. These old routes have underwent some dramatic changes after 9/11 indicating that diamonds sales to middle east is rapidly increasing and changing its sales routes from Israel to Dubai. The international import and export statistics from global customs organizations supports this data. Yet the official imports reported by Israel have not declined in recent years since 9/11 as predicted post 9/11.

The official production of diamonds in Africa recorded has remained unchanged since 9/11. In principle this would then indicate, that that more diamonds were sold that was produced and therefore could not have been from legitimate sources as production rates have been unchanged in the official markets in Africa. This is again substantiated by ICN figures from period 2002 to 2008. It's important to note, in addition, that South African diamond production dropped by 36% during 2012 as per the official indicated figures released from the South African department of Mining.

Thus there is a conflict detected in the diamond imports to Israel from South Africa. In conclusion, these figures on both ends differs with approximation **\$1.2 Billion** and thus could not have sustained the present exports that eventually lead to the decrease of exports from South Africa. In conclusion the can only assume that these diamonds have to come from somewhere else that have largely been re-routed to Middle Eastern countries.

This could very well indicate that terrorist organizations is dealing closer to home in territories they can trust other than westerns markets such as Israel and Europe. It could thus contribute to the hostile environment surrounding Israel's stability as recently discovered by new emerging threats towards Israeli territory.

During this research we have found that South Africa is being used as a safe house by Al Qaeda but also appear to be the central in the organization's fundraising efforts. The case of Yassin al-Qadi, a US-designated terrorist financier who invested US \$3 million for a 12 percent interest in Global Diamond Resources (Fig 8) that mined diamonds in South Africa is but one such example. He also controlled New Diamond Corporation, an offshore company that had mining interests in South Africa. The case of Abd al-Muhsin al-Libi, also known as Ibrahim Tantouche also points to how terrorists secure financing in South Africa. He set up two Al Qaeda financing fronts – the Afghan Support Committee and the Revival of Islamic Society. Both operated as charities that raised money for orphans; however, in reality the orphans were either dead or non-existent.

More important, it indicates a direct involvement in the diamond industry in South Africa prior to 9/11. The question would then arise, how deep does this network stretch within the Diamond industry of Africa and South Africa?



Figure 6

It's important to note that Figure 7 indicates a stronger link to sales in China and Middle east. It is unknown how many diamonds were sold from Iran within the Diamond centre of Dubai and no such figures were released since the diamond centre opening after 9/11. It is predicted that this has been a very profitable business for certain business men and have directly affected the increase of AML transactions worldwide.



Figure 7

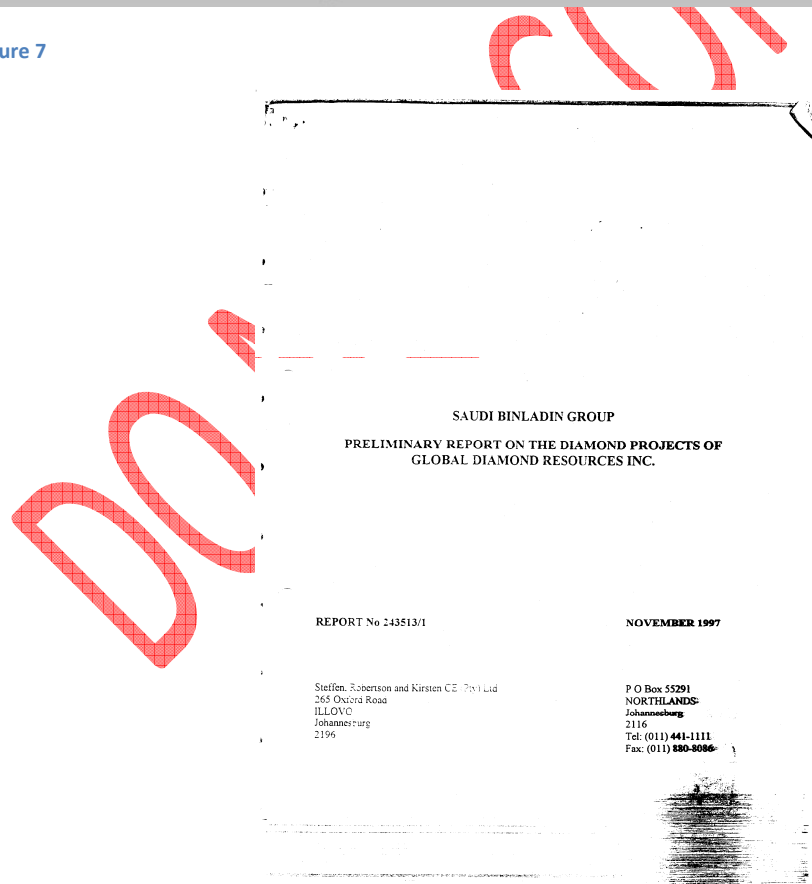


Figure 8

6 What is the Risks for the USA ?

The US Consumer consumptions is estimated at about \$18 Billion whilst ICN imports figures indicated a \$14.3 Billion for the same year, indicating that these figures tells a different picture of the diamond "REAL" trade. These figures is by no doubt not matching and therefore the emphasis on illicit trade should not be ignored as this hold the key to terrorist funding in Africa.

Diamond for Arms, or Diamond for Narcotics as a growing concern, is predicted that this problem could escalate and double or even triple in the next 10 years. to a \$60 Billion industry in Africa. The funding of Terrorist originations and their interest in the diamond industry is a rapidly growing industry, and little has been done to combat this growing problems. It is very easy for any terrorist organization to shift money using diamonds from one country to another country and cash the **cash proceeds** thereof. Please note that single diamonds in the price category of \$10 million or higher is a very sough after commodity and is very high in demand for private buyers and bankers particularly by middle eastern bankers.

Larger terrorist organizations has shifted its policy and business since the 9/11 of 2001 making the tracing of terrorist organizations cash flow virtually impossible for any counter action in the combat of international crime and Diamonds for Arms trade. The Charles Taylor persecution is an good example of the failure to make such trade connection by the De-Huge international court.

7 Failure of the Kimberly process and combating of the Conflict and Illicit Diamond Trade

Research by the **Amnesty International and Global Witness** conducted a survey of 246 diamond retailers in 50 cities across 18 states during 2004 in the USA. The following is an excerpt of their report: 1) Only 27% of shops were able assure us that they had a policy on conflict diamonds. 2) 30% of the shops that said they had a policy were unable to produce a hard copy of or explain it. 3) Only 13% of shops provided warranties to their customers as a standard practice. 4) 37% of the shops we visited claimed to be aware of the conflict diamonds issue. But 54% of them reported an inaccurate definition of the crisis. 5) Only 28% of the shops were aware of the Kimberley Process. 6) 29% of those who were aware of the Kimberley Process had only a minimal or limited understanding of it. 7) When asked whether consumers inquired about conflict diamonds, 83% of respondents answered rarely or never. 9) **48%** 110 shops refused outright to take the survey.

8 Emerging possible threats for the Diamond industry and its large economies.

The above failure of the **Kimberley Process** Certification Scheme (KPCS) is the **process** established in 2003 to prevent "conflict diamonds" is only the tip of the iceberg. Recently the article "Treatments and Lab-Grown Diamonds" by Gary Roskin, G.G., FGA appeared one the JCK media. The presented risk of new synthetics entering the markets such as the new CVD synthetic produced diamonds and the HPHT(High Pressure, High Temperature) synthetics and treatments.

DiaLab Pty Limited conducted a research from 2009 to 2010 in South Africa to estimate the existing problems in South Africa. It compiled of over 1500 Man hours and focused on 1776 diamonds and gems taken from 56 Shops and Diamond dealers that buy diamonds and gems mostly from the second-hand industry. Findings were shocking. An estimated 27% of all diamonds were treated or chemically altered to inflate the price in the name of higher profits. Most of the diamonds would pass all tests and that would mean that they are recertified and sold as natural in the markets.

Approximately 17% are identified as from Zimbabwe and technically should not be for sale within South African borders. And more interesting, less than 1% of diamonds mined are cut and polished in South Africa. These problems is lastly resourceful due to the high influx of Cultured diamonds and illegal cash trade transactions within the USA and Europe.

Some research papers published during 2002- 2003 after global Media pressure on the Diamond industry, indicates that almost 70% of diamonds and gems might have undergone a treatment process of some sort or kind.

We cannot exclude other gems such a rubies and sapphires fro arm trade. We know that Burmese rubies has been use in Burma by rebel groups in the purchase of arms and ammunition. This lead to the ban on all rubies imported from Burma to the US initiated by the Bush administration in their ongoing effort to weight the war on terror.

Most important is the "NEW PECVD" synthetic diamond that cannot be detected by laboratories. Reasons is parallel and clear. During 2011 over 600 of these diamonds were discovered by the ---- laboraty in Antwerp Belgium and were confiscated by the Police authorities. What makes this synthetic special is that it is a clone of a natural diamond and the lattice of a natural diamond is used to created the diamond. These patents are owned by De Beers after they won a 25 year ongoing patent case against General Electric LLC USA. testing for this synthetic would make it **too costly to test each diamond individual by the Laboratories.**

In hypothetical reason, should terrorist organizations begin manufacturing of these synthetic diamonds in Africa using the latest PECVD clone methods and use it in the illicit Arms trade, then this would possess more serious problems than previously thought. This could potentially threaten the legitimate industries of the Diamond and Arms trade as a whole. Its therefore possible that these foreseen threats of synthetic productions could have already been successful . It is important to note that several diamond laboratories in Dubai have reported hundreds of these diamonds. Presently there is no proof that many of them could not have already been sold into the markets due to a lack of technology to identify these PECVD synthetic Diamond. This would increase the economical terror threat an risk of the economies such as Israel and Belgium, that financially depend on the diamonds trade.

Please note: *The synthetic production of gems and diamonds or the treatments of gems and diamonds to appear to inflate the real value of gems and diamonds and the growing risk of buying natural products is threatened by the industry itself and it therefore notable of being recorded for this report. Present reassure is predicted 1/40*

9 Conclusions and Global Security Threats

money laundering and arms deals

This could in essence give terrorist access to monetary control should their capability increase to incorporate diamonds trades as whole in Africa

Therefore the threat of "Money Laundering" using Diamonds for Drugs and arms is predicted to increase rapidly of the next 10 years as the "**fastest cash commodity**" for AML Money laundering

schemes. This poses the number one threat to the GDP as diamonds as cash commodity is the best selling investments as indicates in Fig 2 of the international commodity trade-prices.

These growing concerns poses as the number one threat to the GDP as diamonds as cash commodity is the best selling investments as indicates in Fig 2 of the international commodity trade-prices.

Isreal economy could face a threat as diamonds trade

This failing of the present system therefore leads to various **dishonest and fraudulent practices** in which the customer is generally the ultimate loser, typically not being sufficiently equipped with knowledge or equipment to detect that a diamond is not what it is purported to be.

It is estimated that a considerable amount of money changes hands in consequence of dishonest and fraudulent sales and that even governments lose considerable income that would be available by way of duties and taxes if the sale of all diamonds were conducted honestly and above board.

In conclusion the tracking of "**Terrorism Funding**" via their diamonds for arms trade is exceedingly **posing a threat** for the USA as the leading Anti Terrorism mechanism for global stability that could lead to the GDP collapse in coming years is not paid attention to now.

It is even more important to understand the growing threat of **PECVD Created diamonds** that are potentially sold into markets via illicit trade or diamonds for arms trade deals. This is by no doubt the global threat of the future and it is envisioned that this would be the most profitable business in future to come.

The global industry is presently facing a threat and very few organizations have successfully managed the issue if managed anything at all. To make matters worse. Most large Diamond dealers has been stock piling over the years and the risk of stockpiling treated diamonds or gems that are certified as natural is very high. All these threats are at present a major menace for the Diamond and Gem prices.

We can go on and so far as to say that the illicit trade is rapidly becoming a concern after Sep 9-11 and the CIA is trying to clamp down on illicit trade that involve **money laundering and arms deals** paid for with diamonds or gems.

The "real threats" are those opposed to inventory control and database management by governments and organizations that link to governments. Minerals and the **flow of their production** is an increasing need to enhance the financial module within the governments and its revenue gains on minerals.

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