

CHAPTER 1

INTRODUCTION

1.1 Research Title

When Globalization Goes Bad: Transnational Glitterism and the Smuggled
Diamonds

1.2 Significance of Issue

“Diamonds are essentially worth nothing. It’s all about what they signify. In the case of a wedding ring, it’s the guy, not the one-carat diamond. When a guy gives a woman a diamond and someone was killed for it, it is not worth anything¹.”

--Mordechai Rapaport, Rapaport Group

For many, the perceptions of jewelries are usually accompanied by luxurious and glamorous lifestyles. Worn by celebrities and royalty, jewelries are the fantasy of men and women. But like a warm plate of terrine de foie gras, little do we consider

¹ Vivienne Walt, “Diamonds aren’t forever,” *Fortune* (December 7, 2006), http://money.cnn.com/magazines/fortune/fortune_archive/2006/12/11/8395442/index.htm.

the controversies behind the decorated treasure while savoring it. Dating back to the past, jewelries were adorned and reserved for the royalty and the haves. Though different cultures give different uses and meanings to the precious stones, jewelries often symbolize power, class, beauty, and prestige.

While international relations scholars are concerned about the rise of China, deepening further into this subject can show that jewelry can no longer be taken for granted. This is due to the fact that “as the Chinese economy keeps growing and people's consumption increases, jewelry has become the third largest consumption item in China, after housing and automobiles. Meanwhile, China's WTO membership, lowering of tariffs, trade liberalization and pegging of the Chinese jewelry market to the international one will forcefully prop up China's image as the world's jewelry processing and consumption center by the year 2010. Official statistics show that China's jewelry industry grew rapidly in recent years and the total sales volume exceeded 80 billion Yuan.²”

Behind all those glitters, the jewelry industry generates numerous amounts of financial transactions and employments worldwide. This is especially true in the trading centers such as Israel, Belgium, the United States, and Hong Kong. “According to a recent KPMG study, the largest jeweler market is the United States with a market share of 30.8%, Japan, India and China and the Middle East each with 8 - 9% and finally Italy with 5%. They predict a dramatic change in relative market

² Goliath, “Jewelry Is China’s Third Largest Consumption Item,”
http://goliath.ecnext.com/coms2/gi_0199-1962018/JEWELRY-IS-CHINA-S-THIRD.html.

shares by 2015, where the market share of the United States will have dropped to around 25%, and China and India will increase theirs to over 13%.³”

Like most other things that remain prosperous in this century, the process of globalization needs to be acknowledged for the growth of the jewelry industry. This is because the processes that come together with globalization simplify the communication and transportation system. Private actors such as De Beers, Rapaport Diamond Report, and the Gemological Institute of America also play a very big role in connecting the trade together in the international realm. This transnational society is recognized in the sense that it is “an arena in which citizens and private interests collaborate across borders to advance their mutual goals or to bring governments and the formal institutions of global governance to account for their activities.”⁴ Whether it is by setting the prices, the trends, or the standards, the process of globalization internationalized the trade like never before. Unfortunately, globalizations also increase acts of gems trafficking as a byproduct.

Diamond trafficking and conflict diamonds also became significant as a consequence of this internationalized trade industry. Behind the blinks, these conflicts were made famous by movies such as in *Blood Diamonds*, starring Leonardo DiCaprio. According to the DTC Diamond Best Practice Principles – Requirements 2007, blood diamond means “rough diamonds used by rebel movements or their allies to finance conflict aimed at undermining legitimate governments, as described in relevant United Nations Security Council (UNSC) resolutions insofar as they remain

³ Wikipedia, “Jewelry,” <http://en.wikipedia.org/wiki/Jewelry> (accessed April 2007).

⁴ John Baylis and Steve Smith, eds., *The Globalization of World Politics: An Introduction to International Relations*, 3rd ed. (New York: Oxford University Press, 2006).

in effect, or in other similar UNSC resolutions which may be adopted in the future⁵. In fact, these issues really do occur in many conflict areas such as in Sierra Leone, Liberia, Angola, Democratic Republic of Congo, Uganda, and Zimbabwe. Unfortunately, the issues do not receive as much attention as the products generated. “According to the US embassy in Sierra Leone, around \$70-100 million worth of uncut gems are illegally exported each year, comprising about 60% of the country's total diamond exports. Most of this money goes to the merchants, who fix their prices, not the miners, who have no one else to sell to.”⁶ Even though DeBeers, the biggest stockpiler in the industry have made attempts such as supporting the Kimberly Process to ensure that their controlled diamonds in the markets are clean, many believe that this is part of a staged play to cover up the infamous issue. Flawless gems are worth a fortune but whether they are worth the political flaw and the lives shed is another question.

1.3 Scope of Study

First of all, this paper will start out by exploring the nature of the jewelry industry, focusing on the transnational disposition of the business in the age of globalization. It will explain why the impact of globalization is abundant in this trade

⁵ “DTC Diamond Best Practice Principles – Requirements 2007,” [www.rosyblue.com/pdf/BPP_Requirements](http://www.rosyblue.com/pdf/BPP_Requirements.pdf).

⁶ “Hezbollah and the West African Diamond Trade,” *Middle East Intelligence Bulletin* (July 2004), http://www.meib.org/articles/0407_12.htm.

area. This will be done by giving an analysis by bringing together the big actors in this business such as De Beers, the Gemological Institute of America, and the Rapaport Diamond Report.

This will be followed by the issue of gem smuggling to show the negative impact of globalization on states. In addition, the paper will provide an in depth exploration on the infamous issue of conflict diamonds which is repeatedly mentioned by the media nowadays. Though it is neglected by many jewelers, this paper will touch upon the origin of the issue which is seriously troubling Sierra Leone and Angola.

In the latter part of the paper, this paper will analyze the role of DeBeers since this institution is one of the most influential in the business and it will elaborate on the effectiveness of DeBeers in the role of global governance. Transparency is one of the themes that will be emphasized in this paper since it is the policy of De Beers to push for full disclosure in the business which is needed in the global arena. It will conclude by mentioning that private sectors alone can not handle all the responsibilities required. Because of these reasons, states should not turn a blind eye on this issue but lend a hand for the betterment of the industry as regards the issue of conflict diamonds and gem smuggling. To tackle this problem, a process of global governance is needed with extreme dedications, not only for the betterment of the states but also for the world economy and security.

1.4 Objectives

1. To study the nature of the diamond industry, especially its transnational spirits.
2. To explore the issue of conflict diamonds and the process of diamond trafficking.
3. To analyze the role of DeBeers as a global governing body, including its responsibilities and effectiveness.
4. To prescribe a future policy recommendation for the development of the current problems and the looming future.

1.5 Research Questions

1. How is the jewelry business transnational and what is the impact of globalization on this transnational nature?
2. How does globalization benefit gem smuggling?
3. What is the background on the issue of conflict diamonds?
4. How is De Beers applicable to the role of a global governing institution and how effective is it?
5. What are the recommendations for the future of the diamond trade industry and how should the issue of blood diamonds be solved?

1.6 Hypothesis

In the world where money talks and lives are discarded without much consideration, the issues of blood diamonds have been ongoing from the past to the present. Though the private sector makes statements and initiates programs in order to tighten the control of smuggled diamonds, positive outcomes are not likely to emerge as long as the states do not dedicatedly take the responsibilities. Despite all the programs which were created by the private sector to eliminate the conflict diamonds, blood diamonds would benefit all jewelers, whether it is small retailers or giant wholesalers alike. Due to this, the states should take actions with a clean slate. This would not be only for the betterment of the industry and humanity, but also for they since the states can earn extra money from taxation as well as create a more transparent order to the industry.

1.7 Theoretical Framework

This paper will employ the prescriptive analysis format to look into each sectors of the industry and to give out recommendations. It will also be based on the transnational politics analytic model in order to explain the nature of the business and to introduce the major actors. This model can clearly explain the industry, especially in this age of globalization. This is due to the fact that the theoretical model actually

believes in interactions, interdependence, and interconnectness between the transnational interest groups. The diamond industry is at the transnational stage with many multinational actors with De Beers as a big driving engine. Rapaport Diamond Report is another good example because it basically sets the framework for the price of diamonds throughout the world.

In addition, the paper will use the idea of global governance in order to prescribe solutions for the problems of conflict diamonds and gem smuggling. The idea of global governance came into existence during the time where the concept of self-reliance shifted to the idea of interdependent and collective agreement. The population growth has actually increased the needs of the people and in order to cater to such demands would require a collective management for the benefit of everyone. Global governance is defined as the formal and informal institutions or mechanisms which are based on the idea of collective interests. It simply refers to the consensus with a common objective to address a specific problem or concern as well as the will to protect the interest of its members. The concepts of global governance can not automatically take effect but also require a number of factors to be in good use. To be effective, it requires the participation and accountability from the majority of the public as well. Since the world is already compressed and interconnected, the magnitude of issues such as conflict gems requires participation from every sector of the society.

1.8 Research Methodologies

Together, this paper will be conducted by using a qualitative method to answer the proposed research questions. Due to this, the method of participant observations and data collections will be employed. The method of participant observation is possible since the researcher is a graduated gemologist and an accredited professional jeweler who is involved in the trade on a daily basis. Nevertheless, these hands on experiences would only be applicable in analyzing the influences of De Beers and the issue of disclosure which occurs in daily routines. Occurrences and interviews would be possible through participation as well as the events in the diamond trade. Anyhow, data collections through various media sources would still be greatly acknowledged. On the other hand, the information regarding the issue of conflict diamonds would be mostly collected by the data collections method, especially from articles, documentaries, news, and journals.

1.9 Annotated Bibliography

1. Robinson, William I. "Global Capitalism: The New Transnationalism and the Folly of Conventional Thinking." *Science & Society* 69, no. 3 (July 2005).

The article talks about the changes which revolve around global capitalism as a new transnational stage. The article mentions that US interventionism can be understood by the crisis of global capitalism and not by imperialism. According to William Robinson, the actions of the US have been for the benefit of transnational capitalism but never for its own self interest.

2. Aldrich Jr., Nelson W. "In a Global Stew." *Civilization* 7, issue 4 (Aug/Sep 2000): 15, 1p, [http://web.ebscohost.com/ehost/detail? vid=16&hid=118&sid=aeae4a35-13ad-4e5b-bc01-31efbdb0a563%40sessionmgr109](http://web.ebscohost.com/ehost/detail?vid=16&hid=118&sid=aeae4a35-13ad-4e5b-bc01-31efbdb0a563%40sessionmgr109).

This electric journal talks about the issue of globalization and the role of the US. This journal takes a positive side against the debatable issue by stating that the US is globalizing rather than homogenizing the world. On the other hand, the author supports the idea by saying that globalization enriches the blend of cultures and practices.

3. Maneker, Roberta. "Diamond Hues Make News." *Art & Antiques* 27, issue 3 (Mar2004): 64-68, 3p, 8c, [http://web.ebscohost.com/ehost/detail? vid=9&hid=118&sid=aeae4a35-13ad-4e5b-bc01-31efbdb0a563%40sessionmgr109](http://web.ebscohost.com/ehost/detail?vid=9&hid=118&sid=aeae4a35-13ad-4e5b-bc01-31efbdb0a563%40sessionmgr109).

This electronic journal gives a glimpse into the world of diamonds. Even though the article mainly focuses on the rareness of colored diamonds, it also explains the basic ideas about the diamond business itself. Most importantly, the article mentions the leading actors in the business. It also mentions the role of the Gemological Institute of America.

4. Florian, Ellen. "Why Do Good Diamonds Get Bad Grades?" *Fortune* 145, issue 13 (June 24, 2002): 40-40, 2/5p, 1c, <http://web.ebscohost.com/ehost/detail?vid=9&hid=18&sid=aeae4a35-13ad-4e5b-bc01-31efbdb0a563%40sessionmgr109>.

This journal focuses on the grading system of diamonds which was invented by the Gemological Institute of America. "D" was picked to describe the best color of colorless diamonds which used to be very confusing without a universal grading system. Again, this points to the importance of GIA as a guiding light in the industry.

5. *Diamonds & Diamond Grading: The Modern Diamond Market*. Carlsbad, United States: Gemological Institute of America, 2002.

The book talks about major cutting and trading centers for diamonds. It also explains how diamonds circulate in the market.

6. Emmett, John L, et al. "Beryllium Diffusion of Ruby and Sapphire." *Gems & Gemology* 39, no. 2 (Summer 2003).

This report was taken out of a magazine by the Gemological Institute of America. The issue focus on the new treatment which is used to improve the qualities of corundum. This treatment was discovered in Thailand and it effects the whole industry at large. This report is an example of how GIA tries to inform and to guard this very transnational industry from misconduct.

7. "Hezbollah and the West African Diamond Trade." *Middle East Intelligence Bulletin* (July 2004). http://www.meib.org/articles/0407_12.htm.

This article talks about the issue of blood diamonds, dating back to the earliest root of the story.

8. “DTC Diamond Best Practice Principles – Requirements 2007.”
www.rosyblue.com/pdf/BPP_Requirements.

This basically spells out the code of conduct in which the signholders of DeBeers are required to follow. It also gives the definition of conflict gems and explains what DeBeers tries to do in order to create transparency in the trade.

9. Zwick, Ed. “Thinking About Diamonds.” Rapaport International Diamond Conference. New York. February 5, 2007.

This is a speech of Ed Zwick, the director of *Blood Diamonds* which was given at the Rapaport International Diamond Conference. It is very unique in the way that it vividly describes the situation in Sierra Leone and his journey in understanding the issue of blood diamonds from the view of an outsider in the jewelry industry. From his personal experience, he portrays the lives of those who are truly effected in Sierra Leone.

10. Le Billon, Philippe. “Fatal Transactions: Conflict Diamonds and the (Anti) Terrorist Consumer.” University of British Columbia.

This paper focuses on the research of the politics of ethical consumption of conflict diamonds in relating to the desire of the consumers. It also includes the campaigns which were done in an attempt to educate the consumers about the infamous issue.

