

CHAPTER 2

TRANSNATIONAL GLITTERISM

A person who has no interest in the sparkles of diamonds might not have heard of De Beers but they would surely know that ‘a diamond is forever’. Not only this is a classic slogan that is enticed in our minds but it overwhelmingly raises the values and the demand of the crystallized carbons. Diamonds are known as a symbol of forever love, purity, and class. In the age of globalization where everything is interconnected, the Chinese are also familiar with ‘Zuan shi heng jiu yuan, ye ke yong liu chan,’ which is a translation of the famous slogan that was first used in 1993¹. The translation of this famous value endorsed slogan signified the age of globalization where ideas are spread and values are shared. Nevertheless, globalization is like a coin with two faces, it is not always positive. In fact, this compacted world actually facilitates the increase of gem smuggling.

Unlike humans where ethnicity can be specified in a glance, diamonds or any other gemstones can not be specified that easily. There is no scientifically proven, telltale signs of the characteristics, which enable jewelers to locate the country of origin though assumptions are common in the trade. Regardless of the fact that every diamond is unique in its own way due to their clarity, color, carat weight, and cutting,

¹ Robyn Meredith, “Wedded to the West,” EBSCO HOST Research Databases, <http://web.ebscohost.com/ehost/detail?vid=5&hid=112&sid=59bi13b0b>.

diamonds from South Africa can not be differentiated from diamonds from Western Australia or Canada. Even if some consumers, especially in Thailand, are familiar with the term “Russian diamonds” or “Indian diamonds”, these are just trade names which characterize the finished cutting and not the natural origin of the diamonds. Without the manmade certificate of origin like the stones from CanadaMark Programme from the Ekati mine with inscribed girdle², there is really no official way of really knowing their origins. Due to this reason, diamonds simplified the process of transnationalism within itself.

In the world where globalization is inevitable on every corner of the street due to technological advancement of communication and transportation systems, the free flow of gems truly captured this notion of transnational capital since diamonds and colored stones normally pass through countries before arriving in the hands of their owners through difference means. William I. Robinson expresses this very notion in “*A Theory of Global Capitalism: Production, Class, and State in a Transnational World*,” where he reasons that according to technological developments, mobility is no longer a problem. “Global capital mobility has allowed capital to reorganize production worldwide in accordance with a whole new range of considerations that allow for maximizing profit-making opportunities.”³ A diamond rough from Argyle might be sorted in Antwerp, faceted in Tel Aviv, marketed in New York, showed in Hong Kong, and delivered to Bangkok.

² Tundra Diamonds, “CanadaMark Authentication,” <http://www.tundradiamonds.com/gov.html>.

³ William I. Robinson, *A Theory of Global Capitalism: Production, Class, and State in a Transnational World*. (London: The John Hopkins University Press, 2004).

The trading and cutting centers for diamonds are located all over the world, especially in large urban areas, with the major ones in Antwerp, Belgium, Israel, and New York. “In this chancy business one rule applies: price of a diamond jumps as it moves from miner to sightholders to retailed consumers.⁴” Today, these locations face competitions from Thailand, China, and India in terms of cutting centers since competition is the by product of globalization. In a world where everything is interconnected, it is no longer unusual to have some of the cutting process such as brillianteering or polishing, outsourced to other countries with lower labor cost. Asian countries have much of the same modern manufacturing technology, but the labor cost is much lower.

The financial transactions and the flow of resources are eminent in this business area especially during jewelry fairs which happen many times a year due to the constant findings of new merchandise and new trends that are gradually changing. Not only are they the place where jewelers from all across the world are gathered together but the jewelry fairs are established in various parts of the world. In fact, the most famous fairs are located in Basel, Las Vegas, and Hong Kong. This emphasizes the transnational nature of the business. In fact, this very stage can not only be viewed in the state-centric perspective like in the past since the state is no longer the only active institution in the global arena. “There is a new relation between space and power that is only just beginning to theorized, along with novel political, cultural, and institutional relations that are truly transnational in the sense that the nation-state does

⁴ Phyllis Berman, “Enticed by Ice,” *Forbes* 172, issue 5 (September 15, 2003), <http://web.ebscohost.com/ehost/detail?vid=4&hid=21&sid=6e91a807-e33a-427e-9a2b-110d6e399a25%40sessionmgr7>.

not fundamentally mediate these relations as it did in the past.⁵” In order to grasp this concept, De Beers is a very vivid example which is taken from the jewelry industry to portray the role of a transnational actor.

There is no doubt that De Beers immensely influences the flow of financial transactions and goods in the diamond industry, considering the majority of rough diamonds in their hands. The institution is in fact, the most successful and powerful marketer of diamonds through its various international campaigns. Adaptable to global trends, De Beers has been promoting ‘the right hand right’ as a symbol of independency and individuality for women, not having to wait for men to buy them diamonds like in the past. This is very popular in many countries as seen by the ongoing marketing campaigns in Thailand and elsewhere.⁶

“The buying and selling of diamonds is now a multibillion-dollar international industry. The factor that contributed to its phenomenal growth is part of the diamond trade’s history.⁷” Started in the late 1800s, the idea of single-channel marketing, which implied to a central marketing unit that controls the supply rough diamonds, was created in South Africa. This was needed for several reasons including the fact that the sources in the blueground or the unoxidized ground required many advanced equipments and technology since it was very complex and dangerous. Not only that it was more costly to explore the deeper kimberlite pipes, but the flood of

⁵ William I. Robinson, “Global Capitalism: The New Transnationalism and the Folly of Conventional,” *Science and Society* 69, no 3 (July 2005): 316-328.

⁶ Sandra O’Loughlin, “Sparkler on the other hand,” *Brandweek* 45, issue 16 (2004): 18-19, 2p, 2c, <http://web.ebscohost.com/ehost/detail?vid=7&hid=3&sid=871353b5-f1ca-4dbf-90cc-8d64247aa240%40sessionmgr8>.

⁷ *Diamond and Diamond Grading: Birth of the Modern Diamond Industry* (U.S.A.: Gemological Institute of America, 2002).

diamond supplies from this new South African mine actually forced down market prices. DeBeers was the very first initiator to recognize the need to control the supplies and demands of diamonds in the global market. Named after the farmers which owned a farm where the first diamond rush took place, the De Beers Consolidated Mines Ltd. was created to buy, sell, evaluate, stabilize and stockpile rough diamonds for these reasons.

Throughout its history, De Beers maintains its power in the international diamond industry by stockpiling, global advertising, and worldwide networking. Sales only occur through an invitation only event where only the major manufacturers from all over the world are selected to purchase the assorted rough diamonds. These manufacturers are called sightholders. With a corporate headquarters in Johannesburg and satellite buying offices in Antwerp, Tel Aviv, and many parts of South Africa, De Beers also owned many important mines and bought rough from others through purchasing contracts. The institution also has partnerships with government agencies such as Debswana which is between De Beers and Botswana in which they share expenses and profits. Namdeb is another with the partnership of Namibia. Nowadays, the institution is privately owned by Anglo-American PLC (45%), Central Holding Groups (40%), and the government of Botswana (15%). The chairman of De Beers is Nicky Oppenheimer.

Though not in totality and privately held, De Beer is a form of an international institution which basically governs the diamond industry in many aspects. Not only that it is the biggest actor in the business but it is also the most powerful agenda setter and marketer. In term of business, De Beers mines and

purchases a majority of all the diamonds produced, even outside their own mines in order to control the price of rough diamonds on the international market. With the growing discoveries of new mines and the urges to control their own resources from Russia, Canada, and Australia, it is impossible for De Beers to buy and to control every single one of the mines like in the past. “De Beers had once sold as much as 80 percent of all diamond rough. In the later 1990s, that amount fell to about 65 percent. But De Beers is far from losing its importance to the diamond industry. Company-owned mines still account for about 40 percent of the world’s annual diamond production by value.⁸” Due to this, De Beers needed to alter their position by focusing specifically on controlling demand in order to market and sell diamonds through DTC, or the Diamond Trade Company Ltd which is responsible this purposes.

Known as the Supplier of choice program, De Beers pushes the sightholders worldwide to create marketing efforts and to add value to the sale of diamonds. The sightholders would get the distribution of rough diamonds which comes from a combination origin, assistance in trainings, sales planning, trade marketing, and advertising. Having the world as its theater stage, De Beers pushes the sightholders to create marketing efforts and to add value to the sale of diamonds. This causes decentralization and distribution of products unlike what was done in the past where the power was more concentrated. Even though the countries want to control their own resources, the interconnectedness is still not diminishing due to urges for collaborations in many aspects of the trade such as in the marketing campaigns in

⁸ *Diamond and Diamond Grading.*

which De Beers is conducting for the common goods of the transnational jewelers by crafting the demands.

In spite of this, the shareholders must comply with the Best Practices which was created by De Beers in 2001 to ensure that there is an ethical standard in the international diamond industry and to guide the people who are involved in the business of the appropriate practices for the industry even though punishments are only applicable to the shareholders. These principles include business responsibilities such as the ethical standards concerning full disclosure, prohibitions against money laundering, terrorism financing and other mishaps. As for the social and environmental responsibilities, the principles set up rules regarding human rights, employments, health and safety, nondiscrimination and environmental protections. For the confidence of the consumers, De Beers asks for truth in the business for the reputation of the whole industry. According to the Best Practices Principles, deals for conflict diamonds or blood diamonds are prohibited. This also includes the diamonds which come from countries where people suffer from mishaps in anyway when dealing with the issues of diamonds. As for the social and environmental responsibilities, the principles set up rules regarding human rights, employments, health and safety, nondiscrimination and environmental protections. Whether ethically or economically, the actions of De Beers never specifically concentrate on one specific country but the circulations of the jewelry industry as a whole. This is why De Beers is transnational in its nature. Other than DeBeers, there are two other prominent actors that the transnational jewelry industry would never be the same

without them. These actors are the Gemological Institute of America and the Rapaport Diamond Report.

The Gemological Institution of America or GIA was founded in 1931 by Robert Shipley in Los Angeles, California. GIA can be said to be the leading authority in gemological study throughout the world today. Nowadays, the headquarter of this nonprofit institution is located in Carlsbad, California. In addition, even if the institution has originated in America, it has a transnational nature in many aspects especially since the actions of the institution benefits the transnational diamond industry as a whole. The institution aims to encourage and to create trust in the jewelry industry, not only among the jewelers but also among the general public worldwide. Due to these reasons, accomplishments are emphasized by maintaining the highest standards of reliability through the means of research developments, laboratory services, instrumental development, as well as education, over the years.

In terms of research development, GIA is known as the creator of the 4Cs, which are the color, clarity, cut, and carat weight. GIA simply introduces the world with a universal grading system in order to make it possible for people to discuss and to visualize diamonds concisely. “They are part of the international language of diamond professionals.”⁹ This definitely strengthens as well as unifies the transnational jewelers in the global arena. Apart for diamonds, GIA also concentrates on colored stones which are also a very important part of the industry. Historically, research was concentrated also on developing methods and technologies to accurately

⁹ *Diamond and Diamond Grading*.

identify the stones but due to ongoing developments, GIA is also engaged in research to catch up with new advancements in gemology. Most of these researches are published in the *Gems and Gemmology*, which is a quarterly journal or lecture during trade events for common understandings regarding the new treatments and findings.

One of the most infamous cases would be the case of lattice diffused corundum which was created and founded in Thailand. As soon as the news of this research hit the market, the demand of corundum, especially the ones from Thailand dropped rapidly. Even though the Thais were not pleased with GIA for exposing this new treatment which is used to enhance the beauty of sapphires, the actions of GIA was beneficial to the transnational community as a whole. This is due to the fact that in this delicate industry, a minute detail can cause a fortune. Not only that lattice diffused treatment actually lowers the value of the stones but it would also effect the global supplies and demands of sapphires. Without much knowledge and experience, customers can be easily cheated into buying the overpriced stones. In this respect, the action of GIA stabilizes the global capitalist system against frauds and mishaps that could effect the reputation of the industry. Current researches concern the development of improved detection techniques for treated and synthetic diamonds, as well as for treated colored stones.

Apart from the laboratories in California, GIA also have research laboratories in New York and Bangkok. They provide the most respectable certificates or grading report in the industry. GIA certificates are the most trusted and accepted internationally. The GIA was also responsible for the first modern diamond grading reports, where it introduced grading methodologies for color clarity, carat,

and cut grades. Today, these scales and methods are the standard within the gem trade for characterization of diamonds. Basing on the 4Cs as mentioned, each certificate provides details of the diamond, accompanied by a plot of the diamond to show the clarity characteristics for identifications. The institution is now where diamonds from all over the world are sent for analysis and grading with high standards. Some of the famous diamonds which were graded by GIA include the Hope Diamond, the Steinmetz Pink, the De Beers Millennium Star, and the Incomparable Diamond. These certificates are very important to the industry since it allows the jewelers to decide on a diamond without having to see the actual stone. In the industry where everything is globalized, diamonds are largely sold based on this certificate because shipping requires time and money. Certificates enable jewelers to compress times and spaces in this interconnected world. Another internationally recognized institutions which deals with issuing diamond certificate includes Hoge Raad voor Diamant (HRD) – the Diamond High Council.

In addition, GIA also provides educations in various parts of the world such as in Los Angeles, Bangkok, London, New York, Tokyo, Hong Kong, Florence, Tokyo, Moscow, Taiwan, Seoul, Mumbai, and Beijing. The most prestigious of all the diplomas that can be attained is the Graduate Gemologist diploma which is internationally recognized as a sign of expertise professionals. It is only by receiving the Graduate Gemologist Diploma through GIA that a jeweler can sign a guarantee certificate. It is through these study programs that the jewelers are able to gain common backgrounds in pursuing the business.

Rapaport is another institution which is very influential in this transnational industry. Basing on the New York market, the Rapaport Diamond Report provides a standard asking price for diamonds which is used worldwide. Adapting to the ever changing conditions of the industry, the report is published every Friday of the week though it is copyrighted and available only to subscribers. Developed by Martin Rapaport in 1978, his pricing tables are internationally recognized as a primary medium for standardized prices between the customers and the jewelers, despite the fact that the prices vary according to the cut, clarity, color, and carat weight. Acting as a pricing guide, the jewelers normally add or subtract a few percentages according to the beauty of the diamond and the retail cost. Due to this, the different in the price of diamonds do not vary that much from one country to another like the price of oil since the price of diamond is only based on one pricing system. The transactional cost is not as obvious such as in the case of automobiles. This is also due to the fact that most of the goods are smuggled into the countries so taxation does not play a very large role from one country to another.

Although it can be criticized that the Rapaport Diamond Report is based and influenced by the US market, it is a tool that is used globally. Since it is not an absolute indicator of the actual selling price of a diamond, it can be said that the price list does not carry an imperialistic message along with it. This can be elaborated by the fact that New York is consisted of a transnational capitalist class and it is beneficial to the jewelry industry worldwide. "Martin Rapaport is a member of World Diamond Council and he played an important part in Kimberley Process: certification for the international trade in rough diamonds. He is more powerful than De Beers yet

he handles this power without any sign of corruption.¹⁰”Rapaport Diamond report is one of the intuitions that is very dedicated to improving and advancing the transnational jewelry industry.

It is inevitable that the jewelry industry is very transnational in nature. From the pipes in South Africa, the sorting tables in Antwerp, the showcases in Las Vegas, diamonds travel the world to be in the hand of their destined owners, emphasizing the interconnectedness in every step of the way. The routes underline the strength of the transnational capitalist class in concerning the participants whom are involved in the industry. The big actors in the industry such as De Beers, the Gemological Institute of America, and the Rapaport Diamond Report also play a part in binding the industry together. There is no doubt that transnational notions and practices have already touched upon every corner of the business. The jewelry industry has now arrived at the transnational stage.

¹⁰ Info Diamond, “How to Calculate Diamond Prices,” <http://www.info-diamond.co.uk/polished/calculate-diamond-prices.html>.