

Russian Diamonds

By James Evans, EG

In 2021, Russia mined an estimated 18 million carats of gem-quality diamonds; 29% of the global total.¹ By comparison, Russia accounts for only 11% of global oil production, and 17% of natural gas.² Such a concentration of market power is typically built on the backs of consumers. But in the case of mined diamonds, Russia's growing output has been a boon; breaking the stranglehold on supply previously enjoyed by De Beers.³



Nevertheless, given the ongoing invasion of Ukraine, and considering Russia's dominant diamond-miner is state-owned, might we consider the country's adamantine output to be 'conflict diamonds'?⁴ According to the Kimberley Process Core Document, such diamonds are '*used by rebel movements or their allies to finance conflict aimed at undermining legitimate governments*'.⁵ Furthermore, the Kimberley Process is underpinned by the World Diamond Council's 'System of Warranties'; requiring all sales to be accompanied by a declaration that the stones are "*from legitimate sources not involved in funding conflict*".⁶ So why aren't Russian-mined stones officially recognised as 'conflict diamonds'? The answer is that the Kimberley Process is governed through a consensus of participating countries; giving Russia a veto on any proposal identifying it as non-compliant.

That the Kimberley Process is required at all is a continuing legacy of the De Beers cartel. Their approach to valuing diamonds was based on colour, clarity, cut, and carat weight. But not country. This arrangement engendered solidarity among the cartel's international members as they submitted their stones to the company's Central Selling Organisation. But just as it led consumers to unwittingly support Angola's UNITA rebels in the 1990s, and Zimbabwe's ZANU-PF government in the 2000s, the system of diamond certification now supports Russia in its invasion of Ukraine. Today's consumers have more choices. Proprietary schemes such as the 'Diamond Identification Numbers' of Canadian-mined stones are a significant improvement on the Kimberley Process. But to be sure of purchasing conflict-free diamonds, consumers should embrace the greater transparency of manufactured gemstones.

Notes

¹ US Geological Survey, Mineral Commodity Summaries 2022 - Gemstones. Available at: <https://pubs.usgs.gov/periodicals/mcs2022/mcs2022-gemstones.pdf>

² US Energy Information Administration, data. Available at: <https://www.eia.gov/international/data/world>

³ In 2009 De Beers was barred from purchasing rough diamonds from ALROSA, which dominates Russian production. A press statement from the European Commission is available at: https://ec.europa.eu/commission/presscorner/detail/en/MEMO_10_285

⁴ Details of ALROSA's ownership are available at: <http://eng.alrosa.ru/investors/information-for-shareholders/equity/>

⁵ The Kimberley Process Certification Scheme Core Document. Available at: <https://www.kimberleyprocess.com/en/kpcs-core-document>

⁶ Details of the World Diamond Council's 'System of Warranties' are available at: <https://www.worlddiamondcouncil.org/resources-sow/>